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

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

**If you have sold or transferred** all your shares in CASH Retail Management (HK) Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance and Transfer to the purchaser or transferee, or to the licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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

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**CASH**   
**CELESTIAL ASIA**  
**SECURITIES HOLDINGS**  
**LIMITED**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock code: 1049)**

**CELESTIAL INVESTMENT**  
**GROUP LIMITED**  
*(Incorporated in the British Virgin Islands with limited liability)*

**CASH RETAIL MANAGEMENT**  
**(HK) LIMITED**  
*(Incorporated in the British Virgin Islands with limited liability)*

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO  
THE VOLUNTARY CONDITIONAL CASH OFFER  
BY CELESTIAL CAPITAL LIMITED ON BEHALF OF  
CELESTIAL INVESTMENT GROUP LIMITED  
FOR ALL THE SHARES IN THE CAPITAL OF CASH RETAIL MANAGEMENT (HK) LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
CELESTIAL INVESTMENT GROUP LIMITED)**

**Financial Adviser to Celestial Investment Group Limited**



**Celestial Capital Limited**

**Independent Financial Adviser to the Independent Privateco Shareholders**

**VINCO**   
**Grand Vinco Capital Limited**

*(A wholly-owned subsidiary of Vinco Financial Group Limited)*

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

A letter from Celestial Capital containing, among other things, details of the terms of the Privateco Offer, is set out on pages 7 to 12 of this Composite Document. A letter from the Privateco Board is set out on pages 13 to 16 of this Composite Document. A letter from Vinco Capital containing its advice to the Independent Privateco Shareholders in respect of the Privateco Offer is set out on pages 17 to 29 of this Composite Document.

The procedures for acceptance and settlement of the Privateco Offer and other related information are set out on pages 30 to 36 in Appendix I to this Composite Document and in the accompanying Form of Acceptance and Transfer. Acceptances of the Privateco Offer should be received by the Transfer Agent by no later than 4:00 pm on Friday, 26 July 2013 or such later time or date as CIGL may determine and announce in accordance with the Takeovers Code.

5 July 2013

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## EXPECTED TIMETABLE

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2013

The Privateco Offer opens for acceptance . . . . .	Friday, 5 July
Latest time and date for acceptance of the Privateco Offer ( <i>Note 1</i> ) . . . . .	4:00 pm on Friday, 26 July
First Closing Date of the Privateco Offer . . . . .	Friday, 26 July
Announcement of the results of the Privateco Offer posted on the Stock Exchange's website under CASH and the SFC's website ( <i>Note 2</i> ) . . . . .	by 7:00 pm on Friday, 26 July
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Privateco Offer on or before the First Closing Date assuming the Privateco Offer becomes or is declared unconditional on the First Closing Date ( <i>Note 3</i> ) . . . . .	On or before Tuesday, 6 August
Latest time and date for acceptance of the Privateco Offer assuming the Privateco Offer is declared unconditional on the First Closing Date . . . . .	4:00 pm on Friday, 9 August
Latest date for posting of remittances for the amounts due in respect of valid acceptances received on the final closing date of the Privateco Offer. . . . .	On or before Tuesday, 20 August
Latest time and date by which the Privateco Offer can become or be declared unconditional as to acceptances. . . . .	7:00 pm on Tuesday, 3 September

*Notes:*

- Pursuant to the Takeovers Code, the Privateco Offer must initially open for at least 21 days following the date on which this Composite Document is posted. The Privateco Offer will be subject to CIGL having received valid acceptances in respect of the Privateco Shares which, together with the Privateco Shares already owned or agreed to be acquired by the CIGL Concert Party Group before or during the period of the Privateco Offer, will result in the CIGL Concert Party Group holding more than 50% of the issued share capital of the Privateco. Unless the Privateco Offer has previously become or been declared unconditional or extended, the latest time for acceptance of the Privateco Offer is 4:00 pm on Friday, 26 July 2013. Pursuant to the Takeovers Code, where the Privateco Offer is declared unconditional, the Privateco Offer will remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given, before the Privateco Offer is closed, to those Privateco Shareholders who have not accepted the Privateco Offer and an announcement must be published. CIGL will make an announcement as and when the Privateco Offer becomes unconditional.*
- An announcement will be issued through the Stock Exchange's website under CASH and the SFC's website by 7:00 pm on Friday, 26 July 2013, being the First Closing Date, stating whether or not the Privateco Offer has been revised or extended, has expired or has become or been declared unconditional and (if and to the extent revised or extended) the next closing date or that the Privateco Offer will remain open until further notice. If the Privateco Offer is revised or extended, CIGL will comply with the relevant requirements under the Takeovers Code.*
- Amounts due to each of the Privateco Shareholders who accept the Privateco Offer will be paid by CIGL as soon as possible but in any event within seven business days of the later of the date on which the Privateco Offer becomes, or is declared, unconditional in all respects and the date of receipt of the duly completed Form of Acceptance and Transfer in accordance with the Takeovers Code.*
- In accordance with the Takeovers Code, in the event that the Privateco Offer (whether extended or not) does not become or is not declared unconditional as to acceptances by 7:00 pm on Tuesday, 3 September 2013, being the 60th day after posting of this Composite Document, the Privateco Offer will lapse except with the Executive's consents.*

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## EXPECTED TIMETABLE

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5. *Subject to sufficient Privateco Shares being acquired, pursuant to section 176 of the Act, CIGL intends to avail itself of the right to require the Privateco to compulsorily redeem any remaining Privateco Shares not already acquired under the Privateco Offer. For details, please refer to the section headed “Letter from Celestial Capital – The Privateco Offer – Compulsory acquisition” of this Composite Document.*
6. *All announcements in respect of the Privateco will be published as a paid announcement in at least one English language newspaper and one Chinese language newspaper published daily and circulating generally in Hong Kong.*

**All time and date references contained in this Composite Document and the Form of Acceptance and Transfer refer to Hong Kong time and dates.**

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## DEFINITIONS

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

“Act”	the BVI Business Companies Act, 2004 of the British Virgin Islands
“acting in concert”	having the meaning as defined in the Takeovers Code
“associate(s)”	having the meaning as defined in the Listing Rules
“business day”	having the meaning as defined in the Takeovers Code
“BVI”	the British Virgin Islands
“CASH”	Celestial Asia Securities Holdings Limited (Stock code: 1049), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“CASH Board”	the board of CASH Directors
“CASH Circular”	the circular of CASH dated 31 May 2013 in relation to, among other things, the Distribution In Specie and the acquisition of Privateco Shares by CIGL under the Privateco Offer which constitutes a major transaction of CASH under the Listing Rules
“CASH Directors”	the directors of CASH
“CASH Group”	CASH and its subsidiaries
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Celestial Capital”	Celestial Capital Limited, a company incorporated in Hong Kong with limited liability, and is a wholly-owned subsidiary of CFSG and an indirect non-wholly-owned subsidiary of CASH held through CFSG. It is a licensed corporation under the SFO which is engaged in types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities, and the financial adviser to CIGL
“CFSG”	CASH Financial Services Group Limited (Stock code: 510), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange. It is currently beneficially owned as to approximately 42.75% equity interests by CIGL and accounted as a non-wholly-owned subsidiary of CASH

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## DEFINITIONS

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“CFSG Circular”	the circular of CFSG dated 31 May 2013 in relation to, among other things, the Distribution In Specie
“CFSG Group”	CFSG and its subsidiaries
“CFSG Shareholder(s)”	the holder(s) of the share(s) in CFSG
“CIGL” or “Offeror”	Celestial Investment Group Limited, a company incorporated in the BVI with limited liability, and is a wholly-owned subsidiary of CASH
“CIGL Concert Party Group”	CIGL and parties acting in concert with it for the purposes of the Takeovers Code, including CASH, CASH Directors and Cash Guardian Limited (a company ultimately wholly-owned by Mr Kwan Pak Hoo Bankee)
“CIGL Directors”	the directors of CIGL
“Composite Document”	this composite offer and response document issued jointly by CASH, CIGL and the Privateco
“Distributed Businesses”	the retail management businesses operated by the Privateco Group, including, among others, retailing of furniture, household goods and electrical appliances under the brand names of “Pricerite” in Hong Kong and “生活經艷” (translated as Sheng Huo Jing Yan) in the PRC
“Distribution Completion”	completion of the Distribution In Specie which took place on 28 June 2013
“Distribution In Specie”	the distribution in specie of the Privateco Shares by CFSG to the CFSG Shareholders which was completed on 28 June 2013
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“First Closing Date”	26 July 2013, being the closing date of the Privateco Offer which is 21 days after the date on which this Composite Document is posted
“Form of Acceptance and Transfer”	the form of acceptance and transfer of the Privateco Shares in respect of the Privateco Offer accompanying this Composite Document
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Privateco Shareholders”	the Privateco Shareholders other than the CIGL Concert Party Group
“Joint Announcements”	the joint announcements made by CASH and CFSG on 15 May 2013, 5 June 2013 and 28 June 2013 respectively in relation to, inter alia, the Privateco Offer
“Latest Practicable Date”	2 July 2013, being the latest practicable date for ascertaining certain information referred to in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Privateco”	CASH Retail Management (HK) Limited, a company incorporated in the BVI with limited liability, is the holding company for the Distributed Businesses
“Privateco Board”	the board of directors of the Privateco
“Privateco Directors”	the directors of the Privateco
“Privateco Group”	the Privateco and its subsidiaries
“Privateco Offer”	the voluntary conditional cash offer made by Celestial Capital on behalf of CIGL for all the Privateco Shares (other than those already owned or agreed to be acquired by CIGL)
“Privateco Capital Re-organisation”	the re-organisation of the authorised and issued share capital of the Privateco to effect the Distribution In Specie, details of which are set out in the paragraph headed “2. Share capital” in Appendix IV to this Composite Document
“Privateco Share(s)”	ordinary share(s) of US\$1.00 each in the share capital of the Privateco before the Privateco Capital Re-organisation or, as the case may be, ordinary share(s) of HK\$0.001 each in the share capital of the Privateco after the Privateco Capital Re-organisation
“Privateco Shareholder(s)”	holder(s) of the Privateco Share(s)
“PRC” or “China”	The People’s Republic of China

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## DEFINITIONS

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“Relevant Period”	the period beginning six months prior to 15 May 2013 (being the date of commencement of the offer period for the Privateco Offer) and ending on and including the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers
“Transfer Agent”	the transfer agent for the Privateco Shares in respect of the Privateco Offer, being Tricor Standard Limited, at 26/F Tesbury Centre, 28 Queen’s Road East, Hong Kong
“Vinc Capital” or “Independent Financial Adviser”	Grand Vinc Capital Limited, a wholly-owned subsidiary of Vinc Financial Group Limited (stock code: 8340), a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Privateco Shareholders
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*Unless otherwise specified, translation of US\$ into HK\$ is based on the exchange rate of US\$1 = HK\$7.8 in this Composite Document. No representation is made that any amount in US\$ or HK\$ could have been or could be converted at the above rate or any other rates.*

*The English text of this Composite Document shall prevail over its Chinese text.*



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## LETTER FROM CELESTIAL CAPITAL

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**Celestial Capital Limited**  
21st Floor, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

5 July 2013

*To the Privateco Shareholders*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER  
BY CELESTIAL CAPITAL LIMITED ON BEHALF OF  
CELESTIAL INVESTMENT GROUP LIMITED  
FOR ALL THE SHARES IN THE CAPITAL OF CASH RETAIL MANAGEMENT (HK) LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
CELESTIAL INVESTMENT GROUP LIMITED)**

### INTRODUCTION

References are made to the Joint Announcements, the CASH Circular and the CFSG Circular.

On 18 June 2013, the resolution in respect of, among other things, the Privateco Offer was approved at the special general meeting of CASH. On 21 June 2013, the resolution in respect of, among other things, the Distribution In Specie was approved at the special general meeting of CFSG. On 28 June 2013, the Distribution Completion took place. Accordingly, the pre-conditions of the Privateco Offer as set out in the Joint Announcements, the CASH Circular and the CFSG Circular had been fulfilled as at the Latest Practicable Date. It was announced in the Joint Announcements, the CASH Circular and the CFSG Circular that, after the Distribution Completion and subject to the satisfaction of the pre-conditions of the Privateco Offer, Celestial Capital would, on behalf of CIGL and pursuant to the Takeovers Code, make the Privateco Offer (i.e. a voluntary conditional cash offer to acquire all the Privateco Shares (other than those already owned or agreed to be acquired by CIGL)) on the basis of HK\$0.011 in cash for each Privateco Share held.

This letter sets out, among other things, the terms of the Privateco Offer, information on CIGL and the intention of CIGL regarding the Privateco Group. Further details of the terms of the Privateco Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

### THE PRIVATECO OFFER

On behalf of CIGL, a wholly-owned subsidiary of CASH, and pursuant to the Takeovers Code, Celestial Capital is making the Privateco Offer to acquire all the Privateco Shares (other than those already owned or agreed to be acquired by CIGL) on the following basis:

**for each Privateco Share held ..... HK\$0.011 in cash.**

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## LETTER FROM CELESTIAL CAPITAL

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Following the Distribution In Specie and as at the Latest Practicable Date, there were 3,877,859,588 Privateco Shares in issue. As a result of the Distribution In Specie, CIGL is interested in 1,657,801,069 Privateco Shares, representing approximately 42.75% of the issued share capital of the Privateco as at the Latest Practicable Date. Accordingly, there are 2,220,058,519 Privateco Shares, representing approximately 57.25% of the issued share capital of Privateco as at the Latest Practicable Date, subject to the Privateco Offer.

The offer price of HK\$0.011 per Privateco Share under the Privateco Offer is equivalent to the unaudited net asset value of the Privateco Group as at 31 March 2013 of approximately HK\$0.011 per Privateco Share, calculated on the basis of the unaudited net asset value of the Privateco Group as at 31 March 2013 of approximately HK\$42.6 million (being the audited consolidated net asset value of the Privateco Group as at 31 December 2012 of approximately HK\$154.3 million as set out in Appendix II to this Composite Document, less the dividend of approximately HK\$111.7 million declared and paid by the Privateco to its then holding company on 31 March 2013), and assuming that the Distribution In Specie had taken place on 31 March 2013 and a total of 3,877,859,588 Privateco Shares were in issue as at 31 March 2013.

Save for the 3,877,859,588 Privateco Shares in issue, as at the Latest Practicable Date, the Privateco had no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Privateco Shares and the Privateco had no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

As a result of the Distribution In Specie, the CIGL Concert Party Group is interested in an aggregate of 1,758,522,749 Privateco Shares, representing approximately 45.35% of the issued share capital of the Privateco as at the Latest Practicable Date. The Privateco Offer is conditional upon valid acceptances being received which will result in the CIGL Concert Party Group holding more than 50% of the issued share capital of the Privateco. **Privateco Shareholders are reminded that, subject to the level of valid acceptance being received of the Privateco Offer, the Privateco Offer may or may not become unconditional.**

Further details of the Privateco Offer including, among other things, the terms and conditions and the procedures for acceptance thereof, and settlement for the Privateco Shares are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

### **Value and financing of the Privateco Offer**

On the basis of the offer price of HK\$0.011 per Privateco Share, the entire existing issued share capital of the Privateco of 3,877,859,588 Privateco Shares is valued at approximately HK\$42,656,455.47. There are 2,220,058,519 Privateco Shares subject to the Privateco Offer. Accordingly, the Privateco Offer is valued at approximately HK\$24,420,643.71 based on the offer price of HK\$0.011 per Privateco Share.

The amount of funds required for the acquisition of the Privateco Shares pursuant to the Privateco Offer will be financed from the internal resources of the CASH Group. The CASH Group will use part of the proceeds raised from the rights issue (as announced by CASH on 23 April 2013 and completed on 13 June 2013) to replenish its general working capital. As the Privateco Offer will be financed from the internal resources of the CASH Group, CIGL does not have any intention that any payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Privateco as referred to in paragraph 12(b) of Schedule I of the Takeovers Code.

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## LETTER FROM CELESTIAL CAPITAL

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Celestial Capital is satisfied that sufficient financial resources are available to CASH to satisfy full acceptance of the Privateco Offer. We confirm that there have been no material changes to the availability of financial resources since the confirmation was first made in the joint announcement of CASH and CFSG dated 15 May 2013.

### **Effect of accepting or not accepting the Privateco Offer**

By accepting the Privateco Offer, Privateco Shareholders will sell their Privateco Shares to CIGL free from all options, liens, charges, claims, agreements, equities, security interest and encumbrances, rights of pre-emption and any other third-party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Privateco Offer is made, being the date of posting of this Composite Document.

The Privateco Offer provides a cash exit to Privateco Shareholders (at HK\$0.011 per Privateco Share) to realise all or part of their shareholdings in the Privateco, which have no liquid market as there is no intention to list the Privateco Shares on any stock exchange. The Privateco Offer is conditional upon valid acceptances being received which will result in the CIGL Concert Party Group holding more than 50% of the issued share capital of the Privateco (as at the Latest Practicable Date, the CIGL Concert Party Group was interested in a total of approximately 45.35% of the issued share capital of the Privateco). Moreover, the Privateco Shares may be subject to compulsory acquisition provisions of the Act after the close of the Privateco Offer, details of which are set out in the paragraph headed "Compulsory acquisition" below in this letter.

The share certificates of the Privateco will be posted by ordinary post at the own risk of the recipients, within ten days after the close of the Privateco Offer, (i) only to the Privateco Shareholders who do not accept the Privateco Offer in respect of all or part of the Privateco Shares held by them if the Privateco Offer becomes or is declared unconditional; or (ii) to all Privateco Shareholders if the Privateco Offer does not become or is not declared unconditional by the close of the Privateco Offer and as a result, lapse.

### **Payment**

Payment in cash in respect of acceptances of the Privateco Offer will be made as soon as practicable but in any event within seven business days following the later of the date on which the Privateco Offer becomes, or is declared, unconditional, and the date on which the duly completed acceptances of the Privateco Offer and the relevant documents of title of the Privateco Shares in respect of such acceptances are received by CIGL to render each such acceptance complete and valid.

### **Overseas Privateco Shareholders**

As the Privateco Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Privateco Shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should keep themselves informed about and observe any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of Privateco Shareholders not resident in Hong Kong who wish to accept the Privateco Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction).

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## LETTER FROM CELESTIAL CAPITAL

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### **Compulsory acquisition**

Subject to sufficient Privateco Shares being acquired, pursuant to section 176 of the Act, CIGL intends to avail itself of the right to require the Privateco to compulsorily redeem any remaining Privateco Shares not already acquired under the Privateco Offer. Under this circumstance, CIGL can require the Privateco to compulsorily redeem all the remaining Privateco Shares once it holds 90% of all the issued Privateco Shares. In addition, Rule 2.11 of the Takeovers Code provides that compulsory acquisition rights may only be exercised by CIGL if acceptances of the Privateco Offer and purchases of Privateco Shares made by the CIGL Concert Party Group during the period of four months after posting of this Composite Document add up to 90% of the disinterested Privateco Shares.

If the relevant thresholds are not reached for the exercise of the compulsory acquisition rights referred to above, the Privateco Shareholders who do not accept the Privateco Offer will end up holding Privateco Shares which are unlisted. It may be difficult for the holders of Privateco Shares to dispose of the Privateco Shares as no on-market trading facilities for such shares will be available.

Further announcements will be made about the exercise of such compulsory acquisition rights should CIGL exercise such rights.

### **Other arrangements**

As at Latest Practicable Date:

- (i) the Privateco had no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Privateco Shares;
- (ii) the CIGL Concert Party Group had not entered into any agreements in relation to the issue of any convertible securities, options, warrants or derivatives of the Privateco; and
- (iii) the CIGL Concert Party Group had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Privateco.

As set out in the paragraph headed “3. Shareholdings and dealings” in Appendix IV to this Composite Document, pursuant to a deed dated 28 June 2013 entered into by, among others, Praise Joy Limited (a wholly-owned subsidiary of CASH) in the capacity of borrower, Wah Sun Finance Limited in the capacity of lender, CIGL and CASH, the 1,639,861,069 Privateco Shares held by CIGL as at the Latest Practicable Date, together with any further Privateco Shares to be acquired by CIGL under the Privateco Offer, have been and will be deposited with Wah Sun Finance Limited as additional security for one-month extension of the maturity of the outstanding amount of loan granted by Wah Sun Finance Limited to Praise Joy Limited pursuant to the relevant loan agreement dated 14 July 2011 upon its expiry on 30 June 2013.

CIGL confirms that (i) there are no other arrangements (whether by way of option, indemnity or otherwise) in relation to the Privateco Shares or the shares of the Offeror and which might be material to the Privateco Offer; (ii) there are no other agreements or arrangements to which CIGL is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Privateco Offer; and (iii) there are no arrangements of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exist between CIGL, or any person acting in concert with CIGL or any other associate of CIGL, and any other person.

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## LETTER FROM CELESTIAL CAPITAL

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### HONG KONG STAMP DUTY

Given that the Privateco is a company incorporated in the BVI where its register of members is located and maintained, no Hong Kong stamp duty will be payable on any transfer of the Privateco Shares.

### INFORMATION ON CIGL

CIGL, a wholly-owned subsidiary of CASH, is the existing controlling shareholder of CFSG holding directly a total of 1,657,801,069 shares in CFSG (representing approximately 42.75% of the equity interest in CFSG) as at the Latest Practicable Date. CIGL is an investment holding company incorporated in the BVI with limited liability. As an investment holding company, CIGL, as at the Latest Practicable Date, held the aforesaid equity interests in CFSG, 100% equity interest in the mobile Internet businesses of the CASH Group, and (following the Distribution Completion) the 42.75% shareholding interest in the Privateco. Save as disclosed, CIGL had not carried out any operations nor had any other major assets as at the Latest Practicable Date.

### INTENTION OF CIGL REGARDING THE PRIVATECO GROUP

Given that the Privateco Shares will not be listed on the Stock Exchange or any other stock exchange, it will be difficult, if not impossible, for holders of the Privateco Shares to liquidate their holdings in the Privateco Shares. CASH considers, in these circumstances, that it is appropriate to provide the Privateco Shareholders with an opportunity to realise their holdings in the Privateco Shares by making, through its wholly owned subsidiary, CIGL, the Privateco Offer.

It is the intention of CASH and CIGL that the Privateco Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses. CASH and CIGL have no intention to discontinue the employment of any employees of the Privateco Group. Also, CASH and CIGL have no intention to redeploy any fixed assets of the Privateco Group. It is also the intention of CASH and CIGL that the Privateco Group will not hold any assets other than those relating to the Distributed Businesses, nor be injected any major assets, nor dispose of any major assets, after the close of the Privateco Offer, unless prior approval by the Privateco Shareholders has been obtained.

The Privateco Shares are unlisted and may be illiquid, and there is no intention to apply for listing of the Privateco Shares on the Stock Exchange or any other stock exchange. Interests of the Privateco Shareholders will, however, be safeguarded by new articles of association adopted by the Privateco, which contain comparable provisions required under the Listing Rules in respect of a listed issuer. A summary of key terms of the new articles of association adopted by the Privateco on 19 June 2013 is as set out in Appendix III to this Composite Document.

Though there is no intention for the Privateco Group to conduct any fund raising activities including rights issues, the Privateco Group may require further funding from the Privateco Shareholders to maintain or develop its businesses in the future but no plan in respect of any fund raising activities has been contemplated as at the Latest Practicable Date.

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## LETTER FROM CELESTIAL CAPITAL

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### TAXATION

You are recommended to consult your own professional advisers if you are in any doubt as to the taxation implications of your acceptance of the Privateco Offer. It is emphasised that none of CASH, CIGL, the Privateco, Celestial Capital, any of their respective directors nor any persons involved in the Privateco Offer accepts responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Privateco Offer.

### ACCEPTANCE AND SETTLEMENT

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

### INDEPENDENT ADVICE

Vinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Privateco Shareholders (i) as to whether the terms of the Privateco Offer are, or are not, fair and reasonable; and (ii) as to the acceptance of the Privateco Offer. Your attention is drawn to its letter of advice to the Independent Privateco Shareholders set out on pages 17 to 29 of this Composite Document.

### ADDITIONAL INFORMATION

Your attention is drawn to the section headed “Expected timetable” on page 1 of this Composite Document, the accompanying Form of Acceptance and Transfer, and the additional information set out in the appendices to this Composite Document.

Yours faithfully,  
For and on behalf of  
**Celestial Capital Limited**

**Daphne Ng**  
*Managing Director*

**Michael Lam**  
*Executive Director*

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## LETTER FROM THE PRIVATECO BOARD

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**CASH RETAIL MANAGEMENT (HK) LIMITED**  
*(Incorporated in the BVI with limited liability)*

*Directors:*

KWAN Pak Hoo Bankee  
LAW Ping Wah Bernard  
NG Hin Sing Derek  
LEUNG Siu Pong James

*Registered office:*

PO Box 957  
Offshore Incorporations Centre  
Road Town, Tortola  
BVI

*Correspondence address in Hong Kong:*

28/F Manhattan Place  
23 Wang Tai Road  
Kowloon Bay  
Hong Kong

5 July 2013

*To the Privateco Shareholders*

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL CASH OFFER  
BY CELESTIAL CAPITAL LIMITED ON BEHALF OF  
CELESTIAL INVESTMENT GROUP LIMITED  
FOR ALL THE SHARES IN THE CAPITAL OF CASH RETAIL MANAGEMENT (HK) LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
CELESTIAL INVESTMENT GROUP LIMITED)**

**INTRODUCTION**

References are made to the Joint Announcements, the CASH Circular and the CFSG Circular.

On 18 June 2013, the resolution in respect of, among other things, the Privateco Offer was approved at the special general meeting of CASH. On 21 June 2013, the resolution in respect of, among other things, the Distribution In Specie was approved at the special general meeting of CFSG. On 28 June 2013, the Distribution Completion took place. Accordingly, the pre-conditions of the Privateco Offer as set out in the Joint Announcements, the CASH Circular and the CFSG Circular had been fulfilled as at the Latest Practicable Date. It was announced in the Joint Announcements, the CASH Circular and the CFSG Circular that, after the completion of the Distribution In Specie and subject to the satisfaction of the pre-conditions of the Privateco Offer, Celestial Capital would, on behalf of CIGL and pursuant to the Takeovers Code, make the Privateco Offer (i.e. a voluntary conditional cash offer to acquire all the Privateco Shares (other than those already owned or agreed to be acquired by CIGL)) on the basis of HK\$0.011 in cash for each Privateco Share held.



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## LETTER FROM THE PRIVATECO BOARD

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The purpose of this Composite Document is to provide you with, among other things, information on the Privateco Offer, the Offeror, the Privateco Group, the letter from Celestial Capital and the letter from Vinco Capital containing its advice to the Independent Privateco Shareholders in respect of the Privateco Offer.

### THE PRIVATECO OFFER

#### Principal terms

The Privateco Offer was approved by the shareholders of CASH at the special general meeting of CASH held on 18 June 2013.

In its letter contained in this Composite Document, Celestial Capital, the financial adviser to CIGL and on behalf of CIGL, is making the Privateco Offer to acquire all the Privateco Shares (other than those already owned or agreed to be acquired by CIGL), which is conditional and in compliance with the Takeovers Code, on the following basis:

**for each Privateco Share held ..... HK\$0.011 in cash.**

As at the Latest Practicable Date, there were 3,877,859,588 Privateco Shares in issue. CIGL is interested in 1,657,801,069 Privateco Shares, representing approximately 42.75% of the issued share capital of the Privateco as at the Latest Practicable Date. Accordingly, 2,220,058,519 Privateco Shares (representing approximately 57.25% of the share capital of Privateco in issue) are subject to the Privateco Offer.

As a result of the Distribution In Specie, the CIGL Concert Party Group is interested in an aggregate of 1,758,522,749 Privateco Shares, representing approximately 45.35% of the issued share capital of the Privateco as at the Latest Practicable Date. The Privateco Offer is conditional upon valid acceptances being received which would result in the CIGL Concert Party Group holding more than 50% of the issued share capital of the Privateco. **Privateco Shareholders are reminded that, subject to the level of valid acceptance being received of the Privateco Offer, the Privateco Offer may or may not become unconditional.**

The offer price of HK\$0.011 per Privateco Share under the Privateco Offer has been determined based on the unaudited net asset value of the Privateco Group as at 31 March 2013 of approximately HK\$42.6 million (being the consolidated net asset value of the Privateco Group as at 31 December 2012 of approximately HK\$154.3 million less the dividend of approximately HK\$111.7 million declared and paid by the Privateco to its then holding company on 31 March 2013). On the basis that 3,877,859,588 Privateco Shares are in issue upon the completion of the Distribution In Specie and based on the offer price under the Privateco Offer of HK\$0.011 per Privateco Share, the entire issued share capital of the Privateco is valued at approximately HK\$42,656,455.47. The Privateco Offer will be financed by the internal resources of the CASH Group. The CASH Group will use part of the proceeds raised from the rights issue (as announced by CASH on 23 April 2013 and completed on 13 June 2013) to replenish its general working capital.



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## LETTER FROM THE PRIVATECO BOARD

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Save for the 3,877,859,588 Privateco Shares in issue, as at the Latest Practicable Date, the Privateco had no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of the Privateco Shares and the Privateco had no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

The Privateco Shares to be acquired under the Privateco Offer shall be fully paid and free from all options, liens, charges, claims, agreements, equities, security interest and encumbrances, rights of pre-emption and any other third-party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Privateco Offer is made, being the date of posting of this Composite Document.

Further details of the Privateco Offer including, among other things, the terms and conditions of and the procedures for acceptance and settlement for the Privateco Offer are set out in the letter from Celestial Capital in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

### **Information on the Privateco**

The Privateco is a company incorporated in the BVI and is an indirect non-wholly-owned subsidiary of CASH held through CIGL as at the Latest Practicable Date upon the Distribution Completion.

The Privateco Group is principally engaged in the Distributed Businesses, being the retail management businesses including, among others, retailing of furniture, household goods and electrical appliances through the chain stores under the brand names of “Pricerite” in Hong Kong and “生活經艷” (translated as Sheng Huo Jing Yan) in the PRC.

As at the respective dates of the Joint Announcements, the Privateco had 50,000 authorised Privateco Shares of US\$1.00 each, of which 100 Privateco Shares of US\$1.00 each (representing 100% of the issued equity interest in the Privateco) were issued to CFSG.

As at the Latest Practicable Date, subsequent to completion of both the Privateco Capital Re-organisation and the Distribution In Specie (detailed steps of which are set out in the paragraph headed “2. Share capital” in Appendix IV to this Composite Document): (i) the Privateco had an authorised share capital of HK\$4,000,000 divided into 4,000,000,000 Privateco Shares of HK\$0.001 each; (ii) there were a total of 3,877,859,588 Privateco Shares of HK\$0.001 in issue, among which 1,657,801,069 Privateco Shares were held by CIGL and 2,220,058,519, which are subject of the Privateco Offer, were held by other Privateco Shareholders.

The financial information on the Privateco Group for the three years ended 31 December 2012 is set out in Appendix II to this Composite Document.

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## LETTER FROM THE PRIVATECO BOARD

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Before the Distribution Completion, the Privateco was a wholly-owned subsidiary of CFSG. Upon the Distribution Completion which took place on 28 June 2013, the Privateco has ceased to be a subsidiary of CFSG and has become a non-wholly-owned subsidiary of CASH held through CIGL and an unlisted public company under the laws of Hong Kong.

### INTENTION OF CIGL REGARDING THE PRIVATECO GROUP

Your attention is drawn to the letter from Celestial Capital in this Composite Document which sets out the intention of CIGL regarding the future plan of the Privateco Group. The Privateco Board is of the view that CIGL's future plan in respect of the Privateco Group is in the best interest of the Privateco and the Privateco Shareholders as a whole.

### RECOMMENDATION

As the Privateco Board does not have any non-executive directors or any independent non-executive directors, no independent committee of the Privateco Board can be formed to give a recommendation to the Independent Privateco Shareholders in connection with the Privateco Offer. In these circumstances, Vinco Capital has been appointed to advise the Independent Privateco Shareholders as to whether the terms of the Privateco Offer are, or are not, fair and reasonable so far as the Independent Privateco Shareholders are concerned and whether the Independent Privateco Shareholders are recommended to accept the Privateco Offer.

Your attention is drawn to the letter from Vinco Capital to the Independent Privateco Shareholders, set out on pages 17 to 29 of this Composite Document, which sets out its recommendation in relation to the Privateco Offer and the principal factors considered by it in arriving at its recommendation.

### ADDITIONAL INFORMATION

Your attention is also drawn to the section headed "Expected timetable" on page 1 of this Composite Document, the accompanying Form of Acceptance and Transfer, Appendix I with respect to the procedures for acceptance and settlement, the acceptance period, the despatch of share certificates of the Privateco Shares and the share transfer arrangement during and after the close of the Privateco Offer, and the additional information set out in the appendices which form part of this Composite Document.

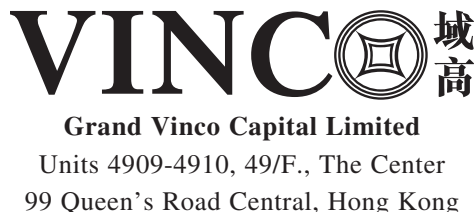
Yours faithfully,  
For and on behalf of the Board of  
**CASH Retail Management (HK) Limited**  
**Bankee P. Kwan**  
*Director*

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## LETTER FROM VINCO CAPITAL

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*The following is the full text of a letter of advice from Vinco Capital to the Independent Privateco Shareholders in respect of the Privateco Offer which has been prepared for the purpose of incorporation in this Composite Document:*



5 July 2013

*To the Independent Privateco Shareholders*

Dear Sirs,

**VOLUNTARY CONDITIONAL CASH OFFER BY  
CELESTIAL CAPITAL LIMITED ON BEHALF OF  
CELESTIAL INVESTMENT GROUP LIMITED  
FOR ALL THE SHARES IN THE CAPITAL OF  
CASH RETAIL MANAGEMENT (HK) LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED  
BY CELESTIAL INVESTMENT GROUP LIMITED)**

**A. INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the the Independent Privateco Shareholders in respect of the Privateco Offer, details of which are set out in the Composite Document jointly issued by CASH, CIGL and the Privateco to the Privateco Shareholders dated 5 July 2013 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Composite Document unless the context otherwise requires.

On 15 May 2013, CFSG announced that the board of directors of CFSG proposed to distribute all of its Privateco Shares in specie to the qualifying CFSG Shareholders whose names appear on the register of the members of the CFSG on the record date on the basis of one Privateco Share for each CFSG Share held. On 18 June 2013, the resolution in respect of, among other things, the Privateco Offer was approved at the special general meeting of CASH. On 21 June 2013, the resolution in respect of, among other things, the Distribution In Specie was approved at the special general meeting of CFSG. On 28 June 2013, the Distribution Completion has taken place. Accordingly, the pre-conditions of the Privateco Offer as set out in the Joint Announcements, the CASH Circular and the CFSG Circular have been fulfilled as at the Latest Practicable Date. As set out in the Joint Announcements, the CASH Circular and the CFSG Circular, immediately upon the Distribution Completion and based on the current shareholding structure of CFSG, CIGL is currently interested in approximately 42.75% of the issued share capital of the Privateco. Given the Distribution Completion has taken place and the pre-conditions of the Privateco Offer have been fulfilled, CIGL would make a voluntary conditional cash offer to the Privateco

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## LETTER FROM VINCO CAPITAL

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Shareholders to acquire all the Privateco Shares (other than those already owned or agreed to be acquired by CIGL). Accordingly, Celestial Capital would, on behalf of CIGL and pursuant to the Takeovers Code, make the Privateco Offer on the basis of HK\$0.011 in cash (the “Privateco Offer Price”) for each Privateco Share.

As the Privateco Board does not have any non-executive directors or any independent non-executive directors, no independent board committee of the Privateco Board can be formed to give recommendation to the Independent Privateco Shareholders in connection with the Privateco Offer. We have been appointed as the Independent Financial Adviser to advise the Independent Privateco Shareholders in respect of the Privateco Offer. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Privateco Shareholders as to whether the terms of the Privateco Offer are, or are not, fair and reasonable so far as the Independent Privateco Shareholders are concerned and whether Independent Privateco Shareholders should accept or reject the Privateco Offer.

### **B. BASIS OF OUR OPINION AND RECOMMENDATION**

In formulating our opinion and recommendation, we have relied on the accuracy of the information and facts contained or referred to in the Composite Document and provided to us by the Privateco, and their directors and management. We have assumed that all information and representations contained or referred to in the Composite Document were true and accurate at the time when they were made and continue to be true and accurate at the Latest Practicable Date. Independent Privateco Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to date throughout the offer period (as defined under the Takeovers Code). We have also assumed that all statements of belief, opinion and intention made by the directors of the Privateco and CIGL in the Composite Document were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Document and to provide a reasonable basis for our opinions and recommendations. The Privateco Directors have declared in a responsibility statement set out in the Appendix IV to the Composite Document that they collectively and individually accept full responsibility for the accuracy of the information contained in the Composite Document (other than those information relating to CIGL, its shareholders and associates). We have not, however, carried out any independent verification of the information provided by the Privateco, and their directors and management, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Privateco Group and/or CIGL.

In formulating our opinions, we have not considered the tax implications on the Independent Privateco Shareholders arising from acceptances or non-acceptances of the Privateco 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 Privateco Offer. In particular, the Independent Privateco 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.

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## LETTER FROM VINCO CAPITAL

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In formulating our opinions, our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinions expressed herein which may come or be brought to our attention after the end of the period for the acceptance of the Privateco Offer. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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

### C. PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### 1. Historical financial performance of the Privateco Group

The Privateco is an investment holding company incorporated in British Virgin Islands with limited liability and through its subsidiaries, is principally engaged in retail management businesses including the provision of one-stop smart home solutions such as retailing of furniture, household goods and electrical appliances through the chain stores under the brand names of “Pricerite” in Hong Kong and “生活經艷” (translated as Sheng Huo Jing Yan) in the PRC.

Set out below is a 3 years summary of the financial information on the Privateco Group as extracted from the accountants’ report of the Privateco Group for the three years ended 31 December 2012 (the “Accountants’ Report”) as contained in the Appendix II to the CFSG Circular:

	For the year ended 31 December		
	2012	2011	2010
	(Audited)	(Audited)	(Audited)
	HK\$’000	HK\$’000	HK\$’000
Revenue	1,095,681	1,072,752	1,011,241
Profit for the year	13,347	16,334	42,572

	As at 31 December		
	2012	2011	2010
	(Audited)	(Audited)	(Audited)
	HK\$’000	HK\$’000	HK\$’000
Net asset value	154,335	145,589	107,708
Total assets	488,060	458,505	404,882
Total liabilities	333,725	312,916	297,174

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## LETTER FROM VINCO CAPITAL

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*(i) Audited consolidated results for the year ended 31 December 2011*

As disclosed in the Accountants' Report, the Privateco Group recorded a revenue of approximately HK\$1,072.8 million for the year ended 31 December 2011, representing an increase of approximately 6.1% as compared with that of the previous year. During the year the Privateco Group recorded a net profit of approximately HK\$16.3 million for the year ended 31 December 2011 as compared to a net profit of approximately HK\$42.6 million for the previous year, representing a substantial decrease of approximately 61.6%. With reference to the Accountants' Report, such decrease in net profit was mainly due to the combined effect of (i) the gain on disposal of assets held for sales of approximately HK\$32.4 million; (ii) the increase in cost of sales for retailing business of approximately HK\$47.2 million; (iii) the increase in staff costs of approximately HK\$24.0 million; and (iv) the increase in other operating, administrative and selling expenses of approximately HK\$39.3 million, where (ii) to (iv) were as a result of the sharp increase in rental cost, enacted statutory minimum wage and inflation which have increased the operating overheads of the Privateco Group. The net asset value of the Privateco Group as at 31 December 2011 was approximately HK\$145.6 million, representing an increase of approximately 35.2% compared with that as at 31 December 2010. Such increase was mainly due to the combined effect of (i) the net profit recognised for the year; and (ii) the surplus on the revaluation of leasehold land and buildings during the year ended 31 December 2011.

*(ii) Audited consolidated results for the year ended 31 December 2012*

As disclosed in the Accountants' Report, the Privateco Group recorded a revenue of approximately HK\$1,095.7 million for the year ended 31 December 2012, representing a slight increase of approximately 2.1% as compared with that of the previous year. With reference to the Accountants' Report, the net profit for the year decreased further from approximately HK\$16.3 million in 2011 to approximately HK\$13.3 million in 2012, representing a decrease of approximately 18.3% from previous year. Such decrease was mainly due to the combined effect of the increase in cost of sales for retailing business as a result of the rising operating costs, in particular, the surging rentals in respect of land and building, the underperforming PRC retailing business given its early investment phase, the increase in income tax expense, the impairment loss in respect of property and equipment of approximately HK\$4.7 million and the absence of gain on disposal of assets held for sales of approximately HK\$32.4 million as in 2011. Apparently the net profit of the Privateco Group might seem to be deteriorating when compared to financial year ended 31 December 2011. However, if the gain on disposal recorded in 2011 is excluded, the Privateco Group would have recorded an operating loss for the year ended 31 December 2011. Therefore, having taken into account of such gain on disposal, the operating results of the Privateco Group could be considered to be improved for the year ended 31 December 2012. The net asset value of the Privateco Group as at 31 December 2012 was approximately HK\$154.3 million, representing an increase of approximately 6.0% compared with that as at 31 December 2011.

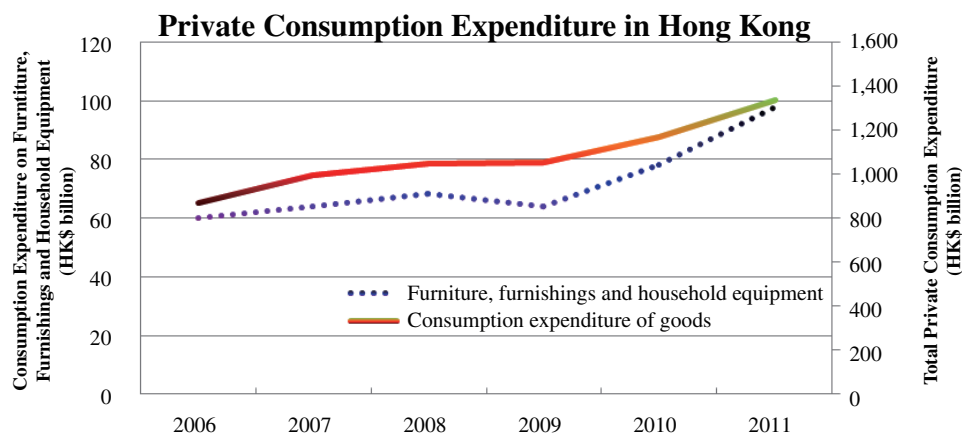
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## LETTER FROM VINCO CAPITAL

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### 2. Future prospects of the Privateco Group

In Hong Kong, the retail market has maintained a steady growth momentum in recent years. With reference to Hong Kong Annual Digest of Statistics 2012 published by Census and Statistics Department of Hong Kong, the private consumption expenditure at the then current market price increased from approximately HK\$874.1 billion in 2006 to approximately HK\$1,341.7 billion in 2011, representing a compound annualised growth rate (“CAGR”) of approximately 8.9%. As illustrated in the graph below, the consumption expenditure spent on furniture, furnishings and household equipment has grown from approximately HK\$60.1 billion in 2006 to approximately HK\$98.2 billion in 2011, representing a CAGR of approximately 10.3%.



*Reference: Census and Statistic Department of Hong Kong*

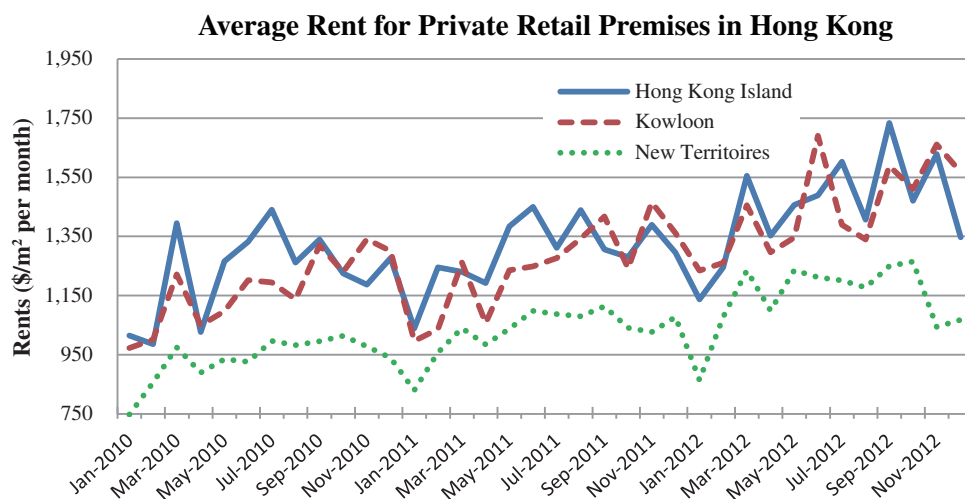
As discussed in the annual report of CFSG for the year ended 31 December 2012 and the CFSG Circular, the rising operating costs posed challenges to the retail management businesses of the Privateco Group. Having a total of 34 stores under the brand name of “Pricerite” in Hong Kong and 3 stores under the brand name of “生活經艷” (translated as Sheng Huo Jing Yan) in the PRC during 2012, rentals of these retail stores represented a substantial portion of the Privateco Group’s operating expenses. Notwithstanding with the fact that the Privateco Group was able in maintain a similar revenue level, the operating costs of the retail management businesses have been increasing and eroding the profit margin of the Privateco Group in recent years given the skyrocketing rental costs coupled with inflationary pressure in all aspects. The following graph shows the historical average rent for private retail premises in Hong Kong from January 2010 to December 2012:



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## LETTER FROM VINCO CAPITAL

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Reference: The Rating and Valuation Department of Hong Kong

According to the statistics published by the Rating and Valuation Department of Hong Kong, the average rent for private retail premises, in terms of per square meter per month (“/m<sup>2</sup> per month”), has substantially increased since 2010. The respective average rent for the private premises in Hong Kong Island, Kowloon and New Territories increased from approximately HK\$1,015, HK\$972 and HK\$747/m<sup>2</sup> per month in January 2010 to approximately HK\$1,347, HK\$1,567 and HK\$1,068/m<sup>2</sup> per month in December 2012, representing an increase of around 32.71%, 61.21% and 42.97% respectively. Research of Savills has also shown that the average first-floor rent for prime shopping mall in Guangzhou has increased from approximately RMB1,143/m<sup>2</sup> per month in first quarter of 2010 to approximately RMB1,267/m<sup>2</sup> per month in fourth quarter of 2012, representing an increase of around 10.84%. Nevertheless, retail premises available in prime and attractive locations are usually very much in demand from luxury retailers or well-known global brands. During the corresponding period, the operating lease rental expenses of the Privateco Group increased from approximately HK149.77 million for the year ended 31 December 2010 to approximately HK\$171.36 million for the year ended 31 December 2012, representing an increase of around 14.41% during the period. As discussed with the management of the Privateco, the lease terms of the Privateco Group’s retail stores are usually 3 to 5 years. The leases of a number of retail stores have been renewed or such stores have been relocated during the period from 2010 to 2012. However, a majority of the lease agreements of the Privateco Group’s retail stores will expire in less than 2 years. We therefore concur with the view of the management that the influence of the increase in rentals will persist and adversely affect the profitability of the Privateco Group in the coming future.

Besides the pressure from sky-high rents of retail stores, the retail management businesses of the Privateco Group were adversely affected by a number of factors, including but not limited to, the newly enacted and lifted statutory minimum wage, inflationary pressure on the goods and products sourced from China due to appreciation of Renminbi and the government measures curbing the overheated property market which dragged the sales activities of residential premises and also the sales of household furniture given that more than 50% of the Privateco Group’s revenue was derived from sales of furniture and electrical appliances during the three years ended 31 December 2012.



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## LETTER FROM VINCO CAPITAL

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In order to cope with those challenges and improve the performance of its retail management businesses, the Privateco Group has adopted new branding and launched a marketing campaign named “Living Smart” to drive the growth in sales while aimed to renew existing stores through the long-term rejuvenation program. While the Privateco Group was able to maintain its revenue at a similar level despite of the aforementioned unfavorable market conditions, the future performance of the Privateco Group, even under the steady growth of the retail market for furniture, furnishings and household equipment, will indeed depend on a number of factors, including but not limited to, the economic conditions in Hong Kong and the PRC, the ability of Privateco Group to maintain its cost leadership approach, optimise its product mix, enhance its operational efficiency and make timely strategic adjustments in response to the market changes in Hong Kong and the PRC.

As advised by the management of the Privateco, it is the intention of CASH and CIGL that the Privateco Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses. CASH and CIGL have no intention to discontinue the employment of any employees of the Privateco Group. Also, CASH and CIGL have no intention to redeploy any fixed assets of the Privateco Group. It is also the intention of CASH and CIGL that Privateco Group will not hold any assets other than those relating to the Distributed Businesses, nor be injected any major assets, nor dispose of any major assets, after the close of the Privateco Offer, unless prior approval by the Privateco Shareholders has been obtained. Moreover, CASH and CIGL has no intention to make any application for the listing of, and permission to deal in, Privateco Shares on the Stock Exchange or any other stock exchange.

Meanwhile, the Privateco has become a public non-listed company under the laws of Hong Kong and like any kinds of companies as well as a listed company, the Privateco Group may require further funding from the its shareholders to maintain and develop its business in the future, in particular, for the retailing business in the PRC which is still in its early investment phase and such kind of investment could be capital intensive in nature, even though the Privateco Board has no funding needs or intention to conduct any fund raising activities now or in the foreseeable future.

As advised by the management of the Privateco, it is expected that the operating environment for the year ahead will still be challenging considering the continual increase in rentals, staff costs and inflation pressure on costs of purchase and other aspects, all of which are eroding the profit margin of the Privateco Group and such increases would improbably be able to fully shifted to customers due to keen market competition. Having considered the above factors and the fluctuating profit track record of the Privateco Group, especially after taken into account of the gain on disposal in 2011 which was non-recurring in nature, we consider that there is no guarantee that the prospects of the Privateco Group will continue to have significant improvement in the near future. In light of the above, we are of the view that it would be imprudent at the present moment to determine whether the Privateco Group’s business and financial performance in the near future will further improve or not.

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## LETTER FROM VINCO CAPITAL

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### 3. Background of CIGL and the intention of CIGL regarding the Privateco Group

(i) *Background of CIGL*

CIGL, a wholly-owned subsidiary of CASH, is the existing controlling shareholder of CFSG, holding directly a total of 1,657,801,069 Shares (representing approximately 42.75% of the equity interest in CFSG) as at the Latest Practicable Date. CIGL is an investment holding company incorporated in the BVI with limited liability. As an investment holding company, CIGL is currently holding the aforesaid equity interests in CFSG and 100% equity interest in the mobile Internet businesses of CASH. Save as disclosed, CIGL had not carried out any operations nor had any other major assets as at the Latest Practicable Date.

(ii) *Intention of CIGL in relation to the Privateco Group*

As stated in the letter from Celestial Capital in the Composite Document, it is the intention of CASH and CIGL that the Privateco Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses. CASH and CIGL have no intention to discontinue the employment of any employees of the Privateco Group. Also, CASH and CIGL have no intention to redeploy any fixed assets of the Privateco Group. It is also the intention of CASH and CIGL that Privateco Group will not hold any assets other than those relating to the Distributed Businesses, nor be injected any major assets, nor dispose of any major assets, after the close of the Privateco Offer, unless prior approval by the Independent Privateco Shareholders has been obtained.

The Privateco is a public non-listed company under the laws of Hong Kong. Like any kinds of companies as well as a listed company, the Privateco Group may require further funding, such as rights issues, open offer and/or placing of new Privateco Shares, from Privateco Shareholders or other investors to maintain and develop its business in the future even though there is no existing plan or intention for the Privateco Group to conduct any fund raising activities. However, any kinds of equity financing activities in the futures, whether on a pro-rata basis, may result in dilution of shareholding interests of the then Privateco Shareholders directly or in case the then Privateco Shareholders do not participate in those equity financing activities in accordance with their respective interests in the Privateco.

As stated in the section “Compulsory Acquisition” in the letter from Celestial Capital as set out in the Composite Document, subject to sufficient Privateco Shares being acquired and pursuant to section 176 of the Act, CIGL intends to avail itself the right to compulsorily redeem the remaining Privateco Shares not already acquired under the Privateco Offer. Under section 176 of the Act, CIGL can require the Privateco to compulsorily redeem Privateco Shares of the remaining Privateco Shareholders once it holds 90% of all the issued Privateco Shares. In addition to the aforesaid requirement, Rule 2.11 of the Takeovers Code requires acceptances of the Privateco Offer during the period of four months after posting of the Composite Document to total 90% of the disinterested Privateco Shares. Further announcements will be made about the exercise of such compulsory acquisition rights should CIGL exercise such rights.

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## LETTER FROM VINCO CAPITAL

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Interests of the Privateco Shareholders will be safeguarded by the new articles of association adopted by the Privateco on 21 June 2013, which contain comparable provisions, including but not limited to, rights and duties of directors and shareholders individually and in meetings, dealing with allotment, transfer and forfeiture of Privateco Shares, annual audit of financial statements, as to those required under the Listing Rules in respect of a listed issuer. The interests of the minority Privateco Shareholders could therefore be fairly protected by giving them the applicable rights and protection as to those shareholders of a listed company in Hong Kong even though the Privateco is a non-listed public company.

As at the Latest Practicable Date, the directors of the Privateco were Mr Kwan Pak Hoo Bankee (also a CASH Director), Mr Law Ping Wah Bernard (also a CASH Director), Mr Ng Hin Sing Derek and Mr Leung Siu Pong James.

#### 4. The Privateco Offer

Celestial Capital, on behalf of CIGL, will make the Privateco Offer, which is conditional and in compliance with the Takeovers Code, on the following terms:

**for each Privateco Share . . . . . HK\$0.011 in cash**

The offer price under the Privateco Offer has been determined based on the unaudited net asset value of the Privateco Group as at 31 March 2013 of approximately HK\$42.6 million (being the audited consolidated net asset value of the Privateco Group as at 31 December 2012 of approximately HK\$154.3 million less the dividend of approximately HK\$111.7 million declared and paid by the Privateco to its then holding company on 31 March 2013). As discussed with the management of the Privateco and with reference to the management accounts of the Privateco Group for the three months ended 31 March 2012 and 31 March 2013, save as the aforementioned dividend as disclosed in the CFSG Circular, we are not aware of any material changes in the financial and trading position which would otherwise substantially affect the unaudited consolidated net asset value of the Privateco Group as at 31 March 2013 since the end of financial year ended 31 December 2012. On the basis that 3,877,859,588 Privateco Shares are in issue upon the Distribution Completion and based on the Privateco Offer Price of HK\$0.011 per Privateco Share, the entire issued share capital of the Privateco is valued at approximately HK\$42,656,455.47. The Privateco Offer will be financed by the internal resources of the CASH Group. The CASH Group will use part of the proceeds to be raised from the proposed rights issue (as announced by CASH on 23 April 2013 and was completed on 13 June 2013) to replenish its general working capital.

As at the Latest Practicable Date, there were 3,877,859,588 Privateco Shares in issue. The CIGL Concert Party Group is interested in a total of 1,758,522,749 Privateco Shares, representing approximately 45.35% of the issued share capital of the Privateco as at the Latest Practicable Date. Based upon a total of 3,877,859,588 Privateco Shares in issue and 1,657,801,069 Privateco Shares being beneficially owned by the CIGL, representing approximately 42.75% of the share capital of the Privateco in issue as at the Latest Practicable Date, 2,220,058,519 Privateco Shares (representing approximately 57.25% of the share capital of the Privateco in issue) are subject to the Privateco Offer.

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## LETTER FROM VINCO CAPITAL

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The Privateco Offer will be conditional upon valid acceptances being received which would result in the CIGL Concert Party Group holding more than 50% of the issued share capital of the Privateco.

### 5. The Privateco Offer Price

#### (i) *Comparable analysis*

Price-to-earnings ratio (“P/E ratio”) and price-to-book ratio (“P/B ratio”) are the two most commonly adopted valuation benchmarks in comparing the valuation of a company’s shares. The Privateco is valued at approximately HK\$42.6 million based on the Privateco Offer Price of HK\$0.011 and the number of 3,877,859,588 Privateco Shares in issue. With reference to the consolidated profit for the Privateco Group for the year ended 31 December 2012 of approximately HK\$5,588,000 (after the adjustment to the effective interest income of approximately HK\$7,759,000 on the amounts due from the Group prior to the Distribution In Specie), the implied P/E ratio of the Privateco is approximately 7.6 times. Given that the Privateco Offer Price is made reference to and the same as the net asset value per Privateco Shares of approximately HK\$0.011, the implied P/B ratio of the Privateco is approximately 1.0 times.

As mentioned above, the principal businesses of the Privateco Group are retailing of furniture, household goods and electrical appliances through the chain stores in Hong Kong and the PRC. With reference to the published annual reports of CFSG for the two years ended 31 December 2012 and the Accountants’ Report, we noted that the PRC retail operation has yet started generating revenue until 2011 and contributed merely approximately 0.4% and 0.8% of the Privateco Group’s revenue for the two year ended 31 December 2012 respectively given that the retailing business in the PRC is still in its early investment phase. In assessing the fairness and reasonableness of the Privateco Offer Price, we have conducted a search through the website of the Stock Exchange for companies which are listed on the Stock Exchange and are engaged in the same or similar businesses, i.e. retailing of furniture, furnishing and household equipment in both Hong Kong and the PRC with a focus on Hong Kong market. However, even there are a few listed companies which are principally engaging in sales of furniture, their businesses either involve manufacturing of furniture, with majority of revenue derived from PRC, focus on wholesale level or mainly involve franchise stores instead of self-operating stores. As such, based on such criteria, we have not identified any such company which we consider represents a comparable company to the Privateco Group.

#### (ii) *Comparison with the P/E ratio and P/B ratio analysis of CFSG*

Before the Distribution Completion, both the retail management businesses of the Privateco Group and financial services business were within the CFSG Group. The historical price multiples of the shares of CFSG represented how investors in the market valued such businesses having taken the retail management businesses and financial service businesses as a whole. Given that the existing Privateco Shareholders are essentially the holders of the shares of CFSG, in order to justify whether the Privateco Offer represents a favourable

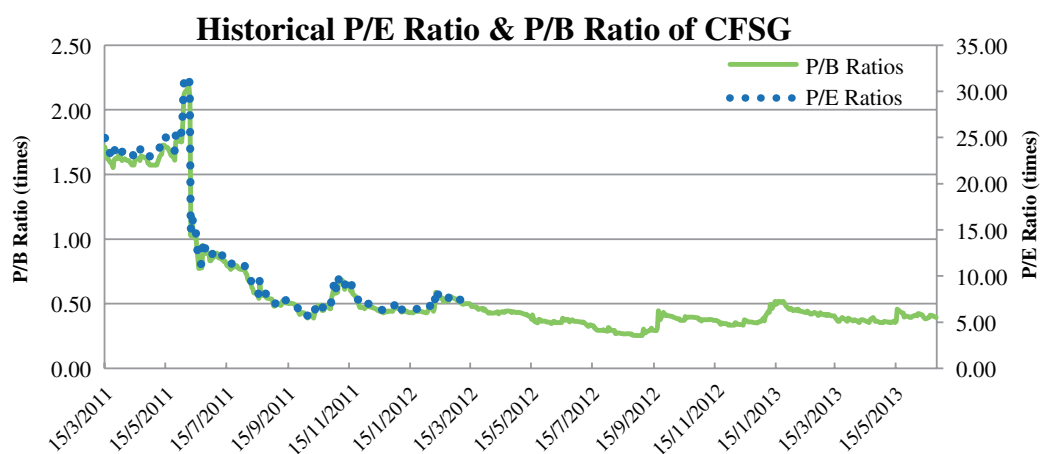
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## LETTER FROM VINCO CAPITAL

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opportunity for the Privateco Shareholders to realise their investment in the Privateco Group, we attempt to compare the current valuation of the Privateco Group implied by the Privateco Offer Price with how the investors in market value the shares of CFSG, which are in essence held by Privateco Shareholders, in recent years. Notwithstanding with the fact that the price multiples of the shares of CFSG may also reflect fundamental factors of its financial services businesses, in the absence of any comparable companies to the Privateco Group, the historical price multiples of CFSG Group may still illustrate to Privateco Shareholders the difference on the overall valuation of their investment in both of the businesses through the shares of CFSG held during the Review Period and the valuation of their investment in Privateco Group's business implied by the Privateco Offer Price for a more informed decision when deciding whether to accept or reject the Privateco Offer.

We have review the historical P/E ratio and P/B ratio of CFSG for the period from 15 March 2011, being the first trading day after the financial results for the year ended 31 December 2010 has been published, to 24 June 2013, being the last trading day (the "Last Trading Day") before the dealing of shares of CFSG on the ex-entitlement basis (the "Review Period"). The historical P/E ratio and P/B ratio of CFSG, on a daily basis, are calculated based on the then latest audited net profit and audited consolidated net asset value attributable to owners of CFSG for the previous financial year and the respective market capitalisation of CFSG with reference to the closing price of the shares of CFSG on that trading day. The following graph illustrates the historical P/E ratio and P/B ratio of CFSG during the Review Period:



*Reference: The Stock Exchange*

P/E ratio is regarded as the most widely used and accepted method to value a company with recurrent income base. However, given that CFSG recorded losses for the two financial years ended 31 December 2012, the historical P/E ratio of CFSG has not been available since 19 March 2012, being the first trading day after the financial results for the year ended 31 December 2011 has been published. We therefore review the historical P/B ratio of CFSG during the Review Period of which we consider the P/B ratio, a commonly adopted price multiple for asset-based firms, to be an appropriate measure given that the retail management businesses of the Privateco Group is characterized by its asset-intensiveness in terms of

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## LETTER FROM VINCO CAPITAL

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current assets like inventory and working capital while for the financial services businesses, its asset-intensiveness is characterized by substantial amount of investment portfolio, clients' assets and the heavily regulated capital requirement. The historical P/B ratio of CFSG ranged from approximately 0.25 times to 2.18 times, with an average of approximately 0.58 times. During the first half of the Review Period, it is noted that the P/E ratio and P/B ratio have been generally in a decreasing trend. The P/B ratio of CFSG was less than one for most of the time during the Review Period and decreased further to a level less than 0.5 times during the second half of the Review Period.

P/B ratio can be interpreted as how much an investor is willing to pay for a dollar of net assets of a company. As shown in the graph above, the shares of CFSG, haven taken both the financial services businesses of CFSG and the Distributed Businesses as a whole, have been valued at a level less than its total net assets for most of the time during the Review Period. The implied P/B ratio of the Privateco Share, at the Privateco Offer Price of HK\$0.011 which is approximate to the net asset value per Privateco Shares after the adjustment of the dividend declared and paid on 31 March 2013, would be approximately 1.0 times, which is considerably higher than the valuation of the shares of CFSG with a P/B ratio of approximately 0.39 times as at the Last Trading Day. Also, the comparative ratio of the Privateco Offer Price of HK\$0.011 to the closing price of HK\$0.09 per share of CFSG on the Last Trading Day, which is approximately 0.122, is higher than the ratio of approximately 0.046 derived from the Privateco Group's unaudited net asset value of approximately HK\$42.6 million as at 31 March 2013 to the audited net asset value of the CFSG Group of approximately HK\$921.4 million as at 31 December 2012, which align with our P/B ratio analysis and implied that a higher pricing level is offered to the Privateco Shareholders for their investment in Privateco Group with reference to the comparative ratio of net asset value of the Privateco Group to that of CFSG.

Having taken into account of the relatively low P/B ratio of CFSG as at the Latest Practicable Date and during the Review Period, we consider the Privateco Offer, at the Privateco Offer Price of HK\$0.011 and an implied P/B ratio of approximately 1.0 times, would provide an opportunity for Privateco Shareholders to realise their investment at a level of valuation that is considerably higher than that at the time when the Privateco Group was still within the CFSG Group as reflected on the historical P/B ratio of CFSG during the Review Period.

*(iii) Liquidity of the Privateco Shares*

Upon the Distribution Completion, the marketability and liquidity of the Privateco Shares are expected be substantially lower than those of the shares of CFSG given that there are no readily established platform or active market for the Privateco Shareholders to trade their Privateco Shares. Holders of the Privateco Shares may or may not be able to liquidate their respective interests in the Privateco. Even if they are able to do so, the possible trading price of Privateco Shares may subject to marketability discount given the illiquidity of the Privateco Shares. Therefore, the Privateco Offer provides an opportunity for holders of the Privateco Shares to realise their investment in the Privateco without substantial discount to the net asset value regardless of the illiquidity of the Privateco Shares.

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## LETTER FROM VINCO CAPITAL

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Having taken into account that (i) the implied P/B ratio based Privateco Offer Price of HK\$0.011 is approximately 1.0 times and is considerably higher than the P/B ratio of CFSG during the Review Period; (ii) the outlook and the future business of the Privateco Group are still subject to a number of uncertainties and hence it is uncertain in the near future; and (iii) the Privateco Offer represents an opportunity for holders of the Privateco Shares to realise their investment in the Privateco given the illiquidity of the Privateco Shares, we are of the view that the Privateco Offer Price is fair and reasonable.

### D. RECOMMENDATION

Based on the abovementioned factors and reasons for the Privateco Offer, in particular:

- (i) the Privateco Offer Price is the same as the unaudited net asset value of approximately HK0.011 per Privateco Shares as at 31 March 2013;
- (ii) the P/B ratio as implied by the Privateco Offer Price is considerably higher than the P/B ratio of CFSG during the Review Period;
- (iii) the contingent funding needs from Privateco Shareholders in the future given that the retailing operation of the Privateco Group in the PRC is still in its early investment phase whereby such kind of investment could be capital intensive in nature and the outlook and the future business of the Privateco Group are still subject to a number of challenges and hence it is uncertain in the near future; and
- (iv) the Privateco Offer represents an opportunity for Privateco Shareholders to realise their investment since there is no active market for trading the Privateco Shares,

we are of the view that the terms of the Privateco Offer are fair and reasonable so far as the Independent Privateco Shareholders are concerned. Accordingly, we recommend the Independent Privateco Shareholders to accept the Privateco Offer.

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

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



## 1. PROCEDURES FOR ACCEPTANCE

**Your registered holding of the Privateco Shares is set out in Box B in the accompanying Form of Acceptance and Transfer.** To accept the Privateco Offer, you should duly complete the Form of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Privateco Offer.

The completed and signed Form of Acceptance and Transfer should then be forwarded by post or by hand to and reach the Transfer Agent (namely Tricor Standard Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong), with "CASH Retail Management (HK) Limited" be marked on the envelope, by no later than 4:00 pm on Friday, 26 July 2013 (being First Closing Date).

If your Privateco Shares are held through your licensed securities dealer/registered institution in securities/custodian bank through CCASS, you must instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Privateco Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet such deadline, you should check with your licensed securities dealer/registered institution in securities/custodian bank on the timing for the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.

If your Privateco Shares are held through your Investor Participant Account maintained with CCASS, you must authorise your instruction via the CCASS Phone System or the CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

No acknowledgement of receipt of any Form of Acceptance and Transfer will be given.

Your attention is also drawn to the further details regarding the procedures for acceptance set out in the Form of Acceptance and Transfer.

## 2. SETTLEMENT

Provided that a valid Form of Acceptance and Transfer is complete and in good order in all respects and has been received by the Transfer Agent by no later than 4:00 pm on the First Closing Date (or, as the case maybe, the subsequent closing date as determined and announced pursuant to the Takeovers Code) and the Privateco Offer has become or been declared unconditional in all respects, a cheque for the amount representing the cash consideration due to you in respect of the Privateco Shares tendered by you for acceptance under the Privateco Offer will be despatched to you by ordinary post at your own risk as soon as possible but in any event within seven business days of later of the date on which the Privateco Offer becomes, or is declared, unconditional in all respects and the date of receipt by the Transfer Agent of the duly completed Form of Acceptance and Transfer which renders such acceptance complete and valid.

Cheque(s) not presented for payment within six months from the date of issue of the relevant cheque(s) will not be honoured and be of no further effect, and in such circumstances cheque holder(s) should contact CIGL for payment.



Settlement of the consideration to which any Privateco Shareholder is entitled under the Privateco Offer will be implemented in full in accordance with the terms of the Privateco Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which CIGL may otherwise be, or claim to be, entitled against such Privateco Shareholder.

### **3. NOMINEE REGISTRATION**

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

All documents and remittances sent by or to the Privateco Shareholders by ordinary post will be sent by or to them at their own risk. Such documents and remittances will be sent to the Privateco Shareholders at their respective addresses as they appear in the register of members of the Privateco on 27 June 2013 (which is the same as the register of members of CFSG on 27 June 2013, being the record date for determining the entitlements to the Distribution in Specie) or in the case of joint Privateco Shareholders, to the Privateco Shareholder whose name first appears in the register of members of the Privateco on 27 June 2013. None of the Privateco, CIGL, CASH or Celestial Capital nor any of their respective directors, agents, advisers or any other parties involved in the Privateco Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

### **4. ACCEPTANCE PERIOD, EXTENSIONS AND REVISIONS**

Unless the Privateco Offer has previously been revised or extended with the consent of the Executive, all Forms of Acceptance and Transfer must be received by the Transfer Agent by 4:00 pm on the First Closing Date in accordance with the instructions printed thereon.

If the Privateco Offer is extended or revised, an announcement of such extension or revision will be published by CIGL on the Stock Exchange's website under CASH and the SFC's website by 7:00 pm on the First Closing Date which will state either the next closing date or that the Privateco Offer will remain open until further notice. In the latter case, the Privateco Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to those Privateco Shareholders who have not accepted the Privateco Offer and, unless previously extended or revised, shall be closed on the subsequent closing date and an announcement must be published. The latest time for acceptance of the Privateco Offer will be at 4:00 pm on the subsequent closing date. The benefit of any revision of the Privateco Offer will also be available to all Privateco Shareholders who have previously accepted the Privateco Offer. The execution of any Forms of Acceptance and Transfer by or on behalf of any Privateco Shareholders who have previously accepted the Privateco Offer shall be deemed to constitute acceptance of any revised Privateco Offer.

If the closing date is revised or extended, any reference in this Composite Document and in the Form(s) of Acceptance and Transfer to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Privateco Offer as so revised or extended.

**5. ANNOUNCEMENTS**

As required by Rule 19 of the Takeovers Code, by 6:00 pm (or such later time as the Executive may in exceptional circumstances permit) on the First Closing Date, CIGL must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension, expiry or unconditionality of the Privateco Offer. CIGL shall publish an announcement on the Stock Exchange's website under CASH and the SFC's website by 7:00 pm on the First Closing Date stating whether the Privateco Offer has been revised or extended, has expired or has become or been declared unconditional (and, in such case, whether as to acceptances or in all respects). Such announcement shall state the total number of Privateco Shares and rights over Privateco Shares:

- (i) for which acceptances of the Privateco Offer have been received;
- (ii) held, controlled or directed by CIGL or parties acting in concert with it before 15 May 2013 (being the commencement date of the offer period as defined in the Takeovers Code for the Privateco Offer); and
- (iii) acquired or agreed to be acquired during the offer period (as defined in the Takeovers Code) of the Privateco Offer by CIGL or any persons acting in concert with it.

The announcement must include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Privateco which CIGL or any persons acting in concert with it has borrowed or lent, save for any borrowed Privateco Shares which have been either on-lent or sold.

The announcement must specify the percentages of the issued share capital of the Privateco, and the percentages of voting rights, represented by the above number of Privateco Shares.

In computing the number of the Privateco Shares in accordance with the Takeovers Code represented by acceptances, only valid acceptances that are complete and in good order and which have been received by the Transfer Agent by no later than 4:00 pm on the First Closing Date shall be included.

As required under the Takeovers Code, all announcements in relation to the Privateco Offer in respect of which the Executive has confirmed that he has no further comments thereon, will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) under CASH and will be published as a paid announcement in at least one English language newspaper and one Chinese language newspaper published daily and circulating generally in Hong Kong. All documents published in respect of the Privateco will be delivered to the Executive in electronic form for publication on the SFC's website.

**6. RIGHT OF WITHDRAWAL**

Acceptance of the Privateco Offer tendered by the Privateco Shareholders or by their agent(s) on their behalf shall be irrevocable and cannot be withdrawn except in the circumstances set out below in this paragraph 6.

If CIGL is unable to comply with the requirements set out in the paragraph headed "Announcements" above, the Executive may require that the Privateco Shareholders who have tendered acceptances of the Privateco Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

**7. OVERSEAS SHAREHOLDERS**

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

It is the responsibility of any such persons who wish to accept the Privateco Offer to satisfy themselves as to the full observance of all applicable legal and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in respect of such jurisdiction. Any acceptance by any such person will be deemed to constitute a representation and warranty from such person to CIGL that he/she is permitted under all applicable laws and regulations to receive and accept the Privateco Offer, and any revision thereof, and that, such acceptance shall be valid and binding in accordance with applicable laws. The Privateco Shareholders should consult their professional advisers if in doubt. For the avoidance of doubt, neither HKSCC Nominees Limited nor Hong Kong Securities Clearing Company Limited is subject to the representation and warranty.

**8. DESPATCH OF SHARE CERTIFICATES OF THE PRIVATECO SHARES**

Share certificate of the Privateco Shares will be despatched to you in the capacity of the Privateco Shareholders if you do not accept the Privateco Offer by ordinary post at your own risk within ten days after the close the Privateco Offer in the following manner:

- (a) to you directly at the address as recorded on the register of members of the Privateco on 27 June 2013 (which is the same as the register of members of CFSG on 27 June 2013, being the record date for determining the entitlements to the Distribution in Specie) if you held the Privateco Shares directly in your name or, in the case of joint Privateco Shareholders, to the Privateco Shareholder whose name first appears in the register of members of the Privateco on 27 June 2013;
- (b) to CCASS if your Privateco Shares are held through (i) your licensed securities dealer/registered institution in securities/custodian bank through CCASS; or (ii) your Investor Participant Account maintained with CCASS.

For the case of (b), the share certificates of the Privateco Shares will be issued in the name of “HKSCC Nominees Limited”. Unless your licensed securities dealer/registered institution in securities/custodian bank applies for withdrawal from CCASS, the share certificates of the Privateco Shares will be temporarily held at CCASS. When you, through your licensed securities dealer/registered institution in securities/custodian bank, receive the share certificate, you are recommended to transfer the share certificate back to your own name. Please refer to below for the procedures in respect of the transfer of the Privateco Shares.

**9. WITHDRAWAL FROM CCASS**

The Privateco Shares will not be listed on the Stock Exchange (or any other stock exchange). Accordingly, the Privateco Shares will not be accepted as eligible securities by HKSCC for deposit, clearance or settlement in CCASS. The Privateco Shares received by any persons holding their Privateco Shares through CCASS will initially be held in the name of HKSCC Nominees. HKSCC will not however provide any transfer services in respect of any Privateco Shares. Any person holding any Privateco Shares through HKSCC Nominees wishing to transfer Privateco Shares must first arrange for withdrawal of such Privateco Shares from CCASS and the registration of the Privateco Shares in his/her/its own name.

A fee of HK\$1.00 will be charged by HKSCC for each withdrawal.

**10. PROCEDURES FOR TRANSFER OF THE PRIVATECO SHARES**

The register of members of the Privateco is maintained in the BVI and the Transfer Agent is appointed as the transfer agent to handle the splitting and registration of transfer of the Privateco Shares.

(a) Transfer after the close of the Privateco Offer

A transfer of the Privateco Shares shall be effected by completing and signing an instrument of transfer and, if applicable, bought and sold notes by both the transferor and transferee under the hand of their respective officers duly authorised in writing or otherwise by persons duly authorised by them respectively. The instrument of transfer and, if applicable, bought and sold notes can be obtained at the office of the Transfer Agent at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong, and the signed instruments of transfer must be delivered at the aforesaid office of the Transfer Agent from 9:00 am to 4:30 pm on any business day for arrangement of registration in the register of members of the Privateco in the BVI.

The Privateco Board may decline to recognise any instrument of transfer and, if applicable, bought and sold notes unless:

- (i) a fee of HK\$2.50 per share certificate or such lesser sum as the Privateco Directors may from time to time determine is paid to the Transfer Agent in respect thereof;
- (ii) the instrument of transfer and, if applicable, bought and sold notes are accompanied by the share certificate of the Privateco Shares to which it relates, and such other evidence as the Privateco Board may reasonably require to show the right of the transferor to make the transfer;
- (iii) any other agreements or documents, if required, by statutory laws and regulations; and
- (iv) any additional information as might be reasonably requested by the Privateco Board.

Each new share certificate to be issued upon a transfer of the Privateco Shares will be made available for personal collection by the holder entitled thereto during normal business hours (from 9:00 am to 4:30 pm) on any business day at the aforesaid office of the Transfer Agent from the tenth business day onwards following receipt of the documents specified above by the Transfer Agent and upon production of such identification papers as may be reasonably requested by the Privateco or the Transfer Agent.

Where some but not all of the Privateco Shares in respect of which a share certificate is issued are to be transferred, a new share certificate in respect of the balance of the Privateco Shares not so transferred will be made available for personal collection by the holder entitled thereto during normal business hours (from 9:00 am to 4:30 pm) on any business day at the aforesaid office of the Transfer Agent from the tenth business day onwards following receipt of the documents specified above by the Transfer Agent and upon presentation of such identification papers as may be reasonably requested by the Privateco or the Transfer Agent.

## **11. GENERAL**

- (i) All communications, notices, Forms of Acceptance and Transfer and remittances to settle the consideration payable under the Privateco Offer to be delivered by or sent to or from the Privateco Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of CIGL, CASH, the Privateco, Celestial Capital, any of their respective directors, agents, advisers or other parties involved in the Privateco Offer accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (ii) The provisions set out in the Form of Acceptance and Transfer form part of the terms of the Privateco Offer.
- (iii) The accidental omission to despatch this Composite Document and/or the Form of Acceptance and Transfer or any of them to any person to whom the Privateco Offer is made will not invalidate the Privateco Offer in any way.
- (iv) The Privateco Offer and all acceptances thereof will be governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance and Transfer by or on behalf of a Privateco Shareholder will constitute such shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Privateco Offer.
- (v) References to the Privateco Offer in this Composite Document and in the Form of Acceptance and Transfer shall include any revision or extension thereof.
- (vi) Acceptance of the Privateco Offer by any person will be deemed to constitute a warranty by such person to CIGL, the Privateco and Celestial Capital that the Privateco Shares sold under the Privateco Offer are sold by such person free from all options, liens, charges, claims, agreements, equities, security interest and encumbrances, rights of pre-emption and any other third-party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Privateco Offer is made, being the date of posting of this Composite Document.

- (vii) Due execution of the Form of Acceptance and Transfer will constitute an irrevocable authority to any director of CIGL or Celestial Capital or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Privateco Offer and to do any other act that may be necessary or expedient for the purpose of vesting in CIGL, or such other person(s) as it may direct, all rights of the accepting Privateco Shareholders in respect of the Privateco Shares which are the subject of such acceptance.
  
- (viii) Acceptance to the Privateco Offer by any nominee will be deemed to constitute a warranty by such nominee to CIGL that the number of the Privateco Shares in respect of which it is indicated in the Form of Acceptance and Transfer is the aggregate number of the Privateco Shares held by such nominee for such beneficial owners who are accepting the Privateco Offer.
  
- (ix) The English text of this Composite Document and the Form of Acceptance and Transfer shall prevail over their Chinese text for the purpose of interpretation.

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

### I. FINANCIAL SUMMARY OF THE PRIVATECO GROUP

*Set out below is a financial summary of the Privateco Group for the three financial years ended 31 December 2012 as extracted from the accountants' report contained in Appendix II to the CASH Circular:*

#### Results

	Year ended 31 December		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Revenue	1,011,241	1,072,752	1,095,681
Profit before taxation	47,696	19,334	20,347
Income tax expense	(5,124)	(3,000)	(7,000)
Profit for the year	42,572	16,334	13,347
Other comprehensive income	3,199	18,973	209
Total comprehensive income	45,771	35,307	13,556

#### Assets and liabilities

	As at 31 December		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	136,080	131,632	60,031
Current assets	268,802	326,873	428,029
Current liabilities	(292,474)	(312,916)	(333,725)
Non-current liabilities	(4,700)	–	–
Net assets	107,708	145,589	154,335
Share capital	1	1	1
Reserves	107,707	145,588	154,334
Total equity	107,708	145,589	154,335

The Privateco Group had no exceptional items in respect of size, nature or incidence for each of the years ended 31 December 2010, 2011 and 2012 in accordance with Hong Kong Financial Reporting Standards.

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

### II. AUDITED FINANCIAL INFORMATION ON THE PRIVATECO GROUP

The following is the text of the audited consolidated financial information on the Privateco Group for the years ended 31 December 2010, 2011 and 2012, including the financial information and explanatory notes as extracted from the accountants' report of the Privateco Group contained in Appendix II to the CASH Circular. Capitalised terms used in this section shall have the same meaning as those defined in the CASH Circular.

For each of the years ended 31 December 2010, 2011 and 2012, the auditors of the Privateco Group did not issue a qualified opinion on the consolidated financial information on the Privateco Group.

#### “(A) FINANCIAL INFORMATION

##### Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 December		
		2010 HK\$'000	2011 HK\$'000	2012 HK\$'000
Revenue	6	1,011,241	1,072,752	1,095,681
Other income	8	14,252	6,113	12,451
Other gains and losses		(174)	32,387	(4,726)
Cost of sales for retailing business		(591,049)	(638,297)	(647,983)
Salaries, commission and related benefits		(107,871)	(131,901)	(120,576)
Depreciation		(17,274)	(21,432)	(24,425)
Other operating, administrative and selling expenses		(257,054)	(296,375)	(286,035)
Finance costs	9	(4,375)	(3,913)	(4,040)
Profit before taxation		47,696	19,334	20,347
Income tax expense	11	(5,124)	(3,000)	(7,000)
Profit for the year	12	42,572	16,334	13,347
Other comprehensive income:				
Exchange differences arising on translation of foreign operations		14	22	209
Surplus on revaluation of leasehold land and buildings		3,815	22,582	–
Deferred taxation arising on revaluation of leasehold land and buildings		(630)	(3,631)	–
Other comprehensive income for the year		3,199	18,973	209
Total comprehensive income for the year		45,771	35,307	13,556



## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

### Consolidated Statements of Financial Position

	<i>Notes</i>	As at 31 December		
		2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Non-current assets				
Property and equipment	14	106,421	41,034	28,314
Rental and utilities deposits		24,959	26,920	26,017
Deferred tax assets	15	4,700	4,700	5,700
Amounts due from fellow subsidiaries	18	–	58,978	–
		136,080	131,632	60,031
Current assets				
Inventories	16	48,948	59,423	56,785
Prepayments, deposits and other receivables	17	18,225	23,178	24,048
Amounts due from fellow subsidiaries	18	1	–	162,927
Tax recoverable		–	1,894	–
Pledged bank deposits	19	41,395	62,895	73,400
Bank balances and cash	19	160,233	179,483	110,869
		268,802	326,873	428,029
Current liabilities				
Accounts payable	20	153,597	165,234	166,400
Accrued expenses and other payables	20	22,027	32,864	31,091
Tax payable		3,803	–	4,422
Borrowings	21	113,047	114,818	131,812
		292,474	312,916	333,725
Net current (liabilities) assets		(23,672)	13,957	94,304
Total assets less current liabilities		112,408	145,589	154,355
Non-current liabilities				
Deferred tax liabilities	15	4,700	–	–
Net assets		107,708	145,589	154,335
Capital and reserves				
Share capital	22	1	1	1
Reserves		107,707	145,588	154,334
		107,708	145,589	154,335

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**APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP**


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**Statements of Financial Position**

		<b>As at 31 December</b>		
	<i>Notes</i>	<b>2010</b>	<b>2011</b>	<b>2012</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Investments in subsidiaries	13	200,000	200,000	200,000
Current assets				
Amounts due from fellow subsidiaries	18	1	1	1
Current liabilities				
Amounts due to subsidiaries	18	169,202	169,194	171,500
Net current liabilities		(169,201)	(169,193)	(171,499)
Net assets		30,799	30,807	28,501
Capital and reserves				
Share capital	22	1	1	1
Reserves	23	30,798	30,806	28,500
Total equity		30,799	30,807	28,501

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

### Consolidated Statements of Changes in Equity

	Share capital <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Properties revaluation reserve <i>HK\$'000</i>	Shareholders' transaction reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2010	1	6,601	360	20,594	391,186	(356,805)	61,937
Profit for the year	-	-	-	-	-	42,572	42,572
Exchange difference on translation of foreign operations	-	-	14	-	-	-	14
Change in revaluation of leasehold land and buildings	-	-	-	3,815	-	-	3,815
Deferred taxation arising on revaluation of leasehold land and buildings	-	-	-	(630)	-	-	(630)
Other comprehensive income for the year	-	-	14	3,185	-	-	3,199
Total comprehensive income for the year	-	-	14	3,185	-	42,572	45,771
At 31 December 2010	1	6,601	374	23,779	391,186	(314,233)	107,708
Profit for the year	-	-	-	-	-	16,334	16,334
Exchange difference on translation of foreign operations	-	-	22	-	-	-	22
Change in revaluation of leasehold land and buildings	-	-	-	22,582	-	-	22,582
Deferred taxation arising on revaluation of leasehold land and buildings	-	-	-	(3,631)	-	-	(3,631)
Other comprehensive income for the year	-	-	22	18,951	-	-	18,973
Total comprehensive income for the year	-	-	22	18,951	-	16,334	35,307

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

	Share capital <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Properties revaluation reserve <i>HK\$'000</i>	Shareholders' transaction reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amount transferred to accumulated losses upon disposal of assets classified as held for sale ( <i>Note 24</i> )	-	-	-	(51,061)	-	51,061	-
Reversal of deferred taxation upon disposal of leasehold land and buildings	-	-	-	8,331	-	-	8,331
Imputed interest on interest-free loan to fellow subsidiaries recognised as deemed distribution to shareholder	-	-	-	-	(5,757)	-	(5,757)
At 31 December 2011	1	6,601	396	-	385,429	(246,838)	145,589
Profit for the year	-	-	-	-	-	13,347	13,347
Exchange difference on translation of foreign operations	-	-	209	-	-	-	209
Total comprehensive income for the year	-	-	209	-	-	13,347	13,556
Imputed interest on interest-free loan to fellow subsidiaries recognised as deemed distribution to shareholder	-	-	-	-	(4,810)	-	(4,810)
At 31 December 2012	1	6,601	605	-	380,619	(233,491)	154,335

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

### Consolidated Statements of Cash Flows

	Year ended 31 December		
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000
Operating activities			
Profit before taxation	47,696	19,334	20,347
Adjustments for:			
Depreciation of property and equipment	17,274	21,432	24,425
Allowance for inventory obsolescence	2,094	2,840	5,348
Gain on disposal of assets held for sale	–	(32,400)	–
Interest expense	4,375	3,913	4,040
Effective interest income on amounts due from fellow subsidiaries	–	(2,808)	(7,759)
Loss on disposal of property and equipment	174	13	62
Impairment loss recognised in respect of property and equipment	–	–	4,664
Operating cashflows before movements in working capital	71,613	12,324	51,127
(Increase) decrease in rental and utility deposits	(7,104)	(1,961)	903
Increase in inventories	(7,588)	(13,315)	(2,710)
Decrease (increase) in prepayments, deposits and other receivables	579	(4,953)	(870)
Increase in accounts payable	16,807	11,637	1,166
(Decrease) increase in accrued expenses and other payables	(1,141)	10,836	(1,773)
Net cash from operations	73,166	14,568	47,843
Hong Kong Profits Tax paid	(659)	(8,697)	(1,684)
Net cash from operating activities	72,507	5,871	46,159
Investing activities			
Proceeds from disposal of assets held for sale	–	123,500	–
Purchase of property and equipment	(22,492)	(24,560)	(16,314)
Withdrawal of pledged bank deposits	27,094	8,500	995
Placement of pledged bank deposits	(7,591)	(30,000)	(11,500)
Repayment from (advance to) fellow subsidiaries	2,000	(61,926)	(101,000)
Net cash (used in) from investing activities	(989)	15,514	(127,819)
Financing activities			
New borrowings raised	403,023	431,514	448,529
Repayment of borrowings	(409,567)	(429,743)	(431,535)
Repayment to fellow subsidiaries	(185)	–	–
Interest paid on borrowings	(4,375)	(3,913)	(4,040)
Net cash (used in) from financing activities	(11,104)	(2,142)	12,954
Net increase (decrease) in cash and cash equivalents	60,414	19,243	(68,706)
Cash and cash equivalents at the beginning of the year	99,815	160,233	179,483
Effect of foreign exchange rate changes	4	7	92
Cash and cash equivalents at the end of the year, representing bank balances and cash	<u>160,233</u>	<u>179,483</u>	<u>110,869</u>

**Notes to Financial Information**

**1. GENERAL**

CRM(HK) is an investment holding company and the principal activities of the CRM(HK) Group is sales of furniture and household goods and electrical appliance products. The ultimate holding company of CRM(HK) is the Company. The immediate holding company of CRM(HK) is CASH Financial Services Group Limited, a company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited.

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of CRM(HK) and its subsidiaries.

**2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the CRM(HK) Group has consistently applied HKFRSs issued by the HKICPA that are effective for its annual accounting period beginning on 1 January 2012 throughout the Relevant Periods.

The CRM(HK) Group has not early applied the following new and revised HKFRSs that have been issued by the HKICPA but are not yet effective at the date of this report:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle <sup>1</sup>
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures <sup>3</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities <sup>2</sup>
HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 10	Consolidated financial statements <sup>1</sup>
HKFRS 11	Joint arrangements <sup>1</sup>
HKFRS 12	Disclosure of interests in other entities <sup>1</sup>
HKFRS 13	Fair value measurement <sup>1</sup>
Amendments to HKAS 1	Presentation of items of other comprehensive income <sup>4</sup>
Amendments to HKAS 32	Offsetting financial assets and financial liabilities <sup>2</sup>
HKAS 19 (Revised 2011)	Employee benefits <sup>1</sup>
HKAS 27 (Revised 2011)	Separate financial statements <sup>1</sup>
HKAS 28 (Revised 2011)	Investments in associates and joint ventures <sup>1</sup>
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine <sup>1</sup>

<sup>1</sup> Effective for accounting periods beginning on or after 1 January 2013.

<sup>2</sup> Effective for accounting periods beginning on or after 1 January 2014.

<sup>3</sup> Effective for accounting periods beginning on or after 1 January 2015.

<sup>4</sup> Effective for accounting periods beginning on or after 1 July 2012.

**Amendments to HKAS 1 Presentation of items of other comprehensive income**

The amendments to HKAS 1 “presentation of items of other comprehensive income” introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a ‘statement of comprehensive income’ is renamed as a ‘statement of profit or loss and other comprehensive income’. In addition, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 will be adopted in the CRM(HK) Group's consolidated financial statements for the annual period beginning 1 January 2013. Upon adoption, the presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Other than as described above, the directors of CRM(HK) anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the CRM(HK) Group.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for leasehold land and buildings, which are measured at fair value, as explained in the accounting policies set out below.

#### **Investments in subsidiaries**

Investments in subsidiaries are stated at cost less accumulated impairment losses, if any.

#### **Basis of consolidation**

The Financial Information incorporates the financial statements of CRM(HK) and the entities controlled by CRM(HK) (its subsidiaries). Control is achieved where CRM(HK) has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

#### **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 taxes.

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

Interest income from a financial asset 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### **Non-current assets held for sale**

Non-current assets 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 noncurrent asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before the initial classification as held for sale, the non-current assets are measured in accordance with applicable HKFRSs. Subsequent to classification, non-current assets that are within the scope of the measurement requirements of HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured at the lower of their previous carrying amount and fair value less costs to sell.

On disposal of the non-current assets, any gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the non-current assets) is included in the profit or loss in the period in which the assets are disposed of.

**Property and equipment**

Property and equipment are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment loss, if any.

Leasehold land (classified as finance lease) and buildings 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 subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Where an item of property and equipment is reclassified as held for sale (in which case it is accounted for under HKFRS 5 “Non-current assets held for sale and discontinued operations”), it is revalued immediately prior to reclassification as held for sale.

Any revaluation increase arising on revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in the properties 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 the profit or loss to the extent of the decrease previously charged. A decrease in 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, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

Depreciation is recognised so as to write off the cost or valuation of items of property and equipment less their residual values over their estimated useful lives, 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.

An item of property 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 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.

**Leasing**

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

*The CRM(HK) Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

*Leasehold land and buildings*

When a lease includes both land and building elements, the CRM(HK) Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the CRM(HK) Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.



**Sale and leaseback transaction**

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

**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 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.

For the purposes of presenting the Financial Information, the assets and liabilities of the CRM(HK) Group's foreign operations are translated into the presentation currency of the CRM(HK) Group (i.e. Hong Kong dollars) 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 year, unless exchange rates fluctuate significantly during the year, 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 (the translation reserve).

**Retirement benefit costs**

Payments to state-managed benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

**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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

**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 before taxation as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The CRM(HK) 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 Financial Information and the corresponding tax base 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 difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises the initial recognition of 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 CRM(HK) 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 the 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, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the CRM(HK) Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax 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.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

#### **Impairment of assets**

At the end of the reporting period, CRM(HK) Group reviews the carrying amounts of its assets with finite useful lives 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. When it is not possible to estimate the recoverable amount of an individual asset, CRM(HK) Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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 a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

**Financial instruments**

Financial assets and financial liabilities are recognised on the consolidated statements of financial position when the 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

***Financial assets***

The CRM(HK) Group's financial assets are classified into loans and receivables.

***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.

Income is recognised on an effective interest basis for loans and receivables.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits and other receivables, amounts due from fellow subsidiaries, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. The accounting policy on impairment loss of financial assets is set out below.

***Impairment of loans and receivables***

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

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 and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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 original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all financial assets with the exception of amounts due from fellow subsidiaries 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 an amount due from a fellow subsidiary is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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.

#### *Financial liabilities and equity instruments*

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

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by CRM(HK) are recorded at the proceeds received, net of direct issue costs.

#### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.

#### *Financial liabilities*

Financial liabilities including accounts payable, accrued expenses and other payables, amounts due to subsidiaries and borrowings are subsequently measured at amortised cost, using the effective interest method.

#### *Derecognition*

The CRM(HK) Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **4. KEY SOURCE OF ESTIMATION UNCERTAINTY**

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

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

### Income taxes

As at 31 December 2010, 2011 and 2012, no deferred tax asset was recognised in the CRM(HK) Group's consolidated statement of financial position in relation to the remaining deductible temporary differences and estimated unused tax losses of approximately HK\$27,170,000, HK\$40,891,000 and HK\$55,073,000 and HK\$2,146,000, HK\$3,086,000 and HK\$4,690,000 respectively due to the unpredictability of future profit streams of the relevant subsidiaries. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, future recognition of deferred tax assets in relation to deductible temporary differences and unutilised tax losses may arise, which would be recognised in profit or loss in the period in which the future profits generated become probable.

### Impairment loss recognised on inventories

Management reviews the inventories listing at the end of each reporting period, and impairs obsolete and slow-moving inventory items identified that are no longer suitable for sale. Allowance was made by reference to the latest market value for those inventories identified. Where the net realisable value is less than expected, a material write down may arise. The carrying amounts of inventories were approximately HK\$48,948,000, HK\$59,423,000 and HK\$56,785,000 as at 31 December 2010, 2011 and 2012, respectively.

## 5. FINANCIAL INSTRUMENTS

### Capital risk management

The CRM(HK) Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the CRM(HK) Group consists of debt, which includes the borrowings disclosed in note 21 and equity attributable to owners of CRM(HK), comprising issued share capital disclosed in note 22, reserves and accumulated losses as disclosed in consolidated statements of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the CRM(HK) Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt. The CRM(HK) Group's overall strategy remains unchanged throughout the Relevant Periods.

### Categories of financial instruments

	As at 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CRM(HK) Group</b>			
Financial assets			
Loans and receivables (including cash and cash equivalents)	213,755	314,486	359,739
Financial liabilities			
Amortised cost	288,671	312,916	329,303
<b>CRM(HK)</b>			
Financial assets			
Loans and receivables (including cash and cash equivalents)	1	1	1
Financial liabilities			
Amortised cost	169,202	169,194	171,500

**Financial risk management objectives and policies**

The CRM(HK) Group's major financial instruments include deposits and other receivables, amounts due from fellow subsidiaries, accounts payable, accrued expenses and other payables, borrowings, pledged bank deposits and bank balances and CRM(HK)'s major financial instruments include amounts due from fellow subsidiaries and amounts due to subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk***Interest rate risk*

The CRM(HK) Group is mainly exposed to fair value interest rate risk in relation to interest-free amounts due from fellow subsidiaries. The CRM(HK) Group currently does not have a fair value interest rate hedging policy.

The CRM(HK) Group is mainly exposed to cash flow interest rate risk in relation to variable-rate borrowings and bank balances. The CRM(HK) Group currently does not have a cash flow interest rate hedging policy.

The management considers that CRM(HK) Group's exposure to future cash flow risk on variable-rate bank balances as a result of the change of market interest rate is insignificant. However, management closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

The CRM(HK) Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate and Hong Kong Interbank Offered Rate ("HIBOR") and arising from the CRM(HK) Group's variable interest-rate borrowings.

The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of reporting period were outstanding for the whole year. Bank balances are excluded from sensitivity analysis as it is subject to minimal interest rate fluctuation for the Relevant Periods. A 50 basis point change is used for sensitivity analysis during the Relevant Periods and represents management's assessment of the reasonably possible change in interest rates. If the interest rate of borrowings had been 50 basis point higher/lower, the CRM(HK) Group's pre-tax profit for each of the years ended 31 December 2010, 2011 and 2012 would decrease/increase by approximately HK\$565,000, HK\$554,000 and HK\$557,000 respectively. This is mainly attributable to the CRM(HK) Group's exposure to the interest rates on variable-rate borrowings.

*Foreign currency risk*

More than 99% of financial assets and financial liabilities of the CRM(HK) Group are denominated in the group entity's functional currency. No foreign currency sensitivity is disclosed as in the opinion of directors of CRM(HK), the foreign currency exposure is considered insignificant during the Relevant Periods.

**Credit risk**

The CRM(HK) Group's and CRM(HK)'s maximum exposure to credit risk which will cause a financial loss to the CRM(HK) Group and CRM(HK)'s in the event of the counterparties failure to perform their obligations as at the end of reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position.

The CRM(HK) Group and CRM(HK) have concentration of credit risk on amounts due from fellow subsidiaries. The management closely monitors the subsequent settlement of the counterparties. In this regard, the directors of CRM(HK) consider that the credit risk is significantly reduced.

Bank balances and deposits are placed in banks with good reputation and the Directors of CRM(HK) consider the credit risk is limited.

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

### Liquidity risk

The CRM(HK) Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with all the loan covenants.

### Liquidity tables

The following tables detail the CRM(HK) Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the CRM(HK) Group can be required to pay.

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing market rate at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Less than 1 month HK\$'000	Between 1 to 6 months HK\$'000	Between 6 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting date HK\$'000
<b>At 31 December 2010</b>							
Accounts payable	N/A	–	42,889	110,708	–	153,597	153,597
Accrued expenses and other payables	N/A	–	12,215	8,577	1,235	22,027	22,027
Borrowings (note)	5%	7,280	85,034	21,052	–	113,366	113,047
		7,280	140,138	140,337	1,235	288,990	288,671
<b>At 31 December 2011</b>							
Accounts payable	N/A	–	46,909	118,325	–	165,234	165,234
Accrued expenses and other payables	N/A	–	14,478	14,224	3,982	32,684	32,684
Borrowings (note)	5%	4,043	87,644	23,567	–	115,254	114,818
		4,043	149,031	156,116	3,982	313,172	312,736
<b>At 31 December 2012</b>							
Accounts payable	N/A	–	59,409	106,991	–	166,400	166,400
Accrued expenses and other payables	N/A	–	14,574	13,439	3,078	31,091	31,091
Borrowings (note)	5%	20,541	91,559	20,174	–	132,274	131,812
		20,541	165,542	140,604	3,078	329,765	329,303

*Note:* Variable-rate borrowings carry interest at Hong Kong Prime Rate and HIBOR plus a spread. The prevailing market rate at the end of the reporting date is used in the maturity analysis.

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

Borrowings with a repayment on demand clause are included in the “repayable or on demand” time band in the above maturity analysis. The aggregate carrying amounts of these bank borrowings amounted to approximately HK\$7,280,000, HK\$4,043,000 and HK\$20,541,000 as at 31 December 2010, 2011 and 2012. Taking into account the CRM(HK) Group’s financial position, the Directors of CRM(HK) do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate payment. The Directors of CRM(HK) believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. The aggregate principal and interest cash outflows are as follows:

	2010	2011	2012
	HK\$’000	HK\$’000	HK\$’000
Within one year	3,468	2,030	8,396
More than one year but not exceeding two years	2,030	1,310	7,959
More than two years but not exceeding five years	2,183	874	5,313
	<u>7,681</u>	<u>4,214</u>	<u>21,668</u>

The amounts included above for variable interest rate instruments is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The directors of CRM(HK) consider the future cash outflows of CRM(HK) is equal to the carrying amount of amounts due to subsidiaries which are required to repay on demand.

### Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors of CRM(HK) consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

## 6. REVENUE

Revenue represents the invoiced value of sales of furniture and household goods and electrical appliances products, net of discounts and returns.

## 7. SEGMENT INFORMATION

Financial information is reported to the Chief Executive Officer of the CFSG, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. The CRM(HK) Group is regarded as a single operating and reportable segment at CFSG level and represented the “Retailing Business”. Segment revenue and results are the same as the amounts presented in the consolidated statements of comprehensive income and segment assets and liabilities represented the assets and liabilities presented in the consolidated statements of financial position together with the trademark and related deferred tax liabilities arising from acquisition on CRM(HK) by CFSG in previous years.

### Geographical information

The CRM(HK) Group’s operations are located in Hong Kong and the PRC.



## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

The CRM(HK) Group's segment revenue from external customers and information about its non-current assets (excluding deferred tax assets and financial instruments) by geographical location of the assets are detailed below:

	Revenue			Non-current assets		
	2010	2011	2012	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,011,241	1,068,941	1,086,397	130,827	59,586	52,850
PRC	–	3,811	9,284	553	8,368	1,481
	<u>1,011,241</u>	<u>1,072,752</u>	<u>1,095,681</u>	<u>131,380</u>	<u>67,954</u>	<u>54,331</u>

No revenue generated from customers during the Relevant Periods contributing over 10% of the total revenue as the revenue is generated from the sale to the public in the retail shops.

### 8. OTHER INCOME

	Year ended 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CRM(HK) Group</b>			
Bank interest income	117	325	420
Compensation of relocation of retail branch income	10,592	–	–
Effective interest income on amounts due from fellow subsidiaries	–	2,808	7,759
Others	3,543	2,980	4,272
	<u>14,252</u>	<u>6,113</u>	<u>12,451</u>

### 9. FINANCE COSTS

	Year ended 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:			
Borrowings wholly repayable within five years	4,375	3,913	4,040
	<u>4,375</u>	<u>3,913</u>	<u>4,040</u>

### 10. DIVIDENDS AND EARNINGS PER SHARE

No dividend was paid or declared by CRM(HK) during the Relevant Periods.

No earnings per share information is presented as its inclusion, for purpose of this report, is not meaningful.

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

### 11. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the Relevant Periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No Enterprise Income Tax is payable by the subsidiaries operating in the PRC since they had no assessable profit for the Relevant Periods.

	<b>Year ended 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CRM(HK) Group</b>			
The charge (credit) comprises:			
Hong Kong Profits Tax	6,900	3,161	7,640
Under(over)provision of Hong Kong Profits Tax in prior years	924	(161)	360
Deferred taxation credit	(2,700)	–	(1,000)
	5,124	3,000	7,000
	5,124	3,000	7,000

The taxation for the year can be reconciled to the profit before taxation per the consolidated statements of comprehensive income as follows:

	<b>Year ended 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	47,696	19,334	20,347
Taxation at Hong Kong Profits Tax rate at 16.5%	7,870	3,190	3,357
Tax effect of expenses not deductible for tax purpose	2	3,711	2,716
Tax effect of income not taxable for tax purpose	(28)	(6,392)	(1,315)
Tax effect of estimated tax losses not recognised	306	2,264	2,661
Tax effect of deductible temporary differences not recognised	–	155	267
Under(over)provision in prior years	924	(161)	360
Utilisation of tax losses/deductible temporary difference previously not recognised	(3,872)	–	(321)
Others	(78)	233	(725)
	5,124	3,000	7,000
Taxation	5,124	3,000	7,000

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

### 12. PROFIT FOR THE YEAR

	Year ended 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):			
Advertising and promotion expenses	20,355	28,066	18,939
Auditor's remuneration	900	859	1,051
Allowance for inventory obsolescence (included in costs of sales for retailing business)	2,094	2,840	5,348
Cost of inventories recognised as an expense (including the allowance for inventory obsolescence)	591,049	638,297	647,983
Selling and distribution expenses	33,896	37,714	37,211
Staff costs:			
Directors' fees and emoluments	2,208	2,176	2,001
Other staff salaries, allowances and commission	101,585	124,986	113,914
Contributions to retirement benefits schemes	4,078	4,739	4,661
	107,871	131,901	120,576
Operating lease rentals in respect of land and buildings:			
Minimum lease payments	142,349	153,512	168,593
Contingent rents ( <i>Note</i> )	7,424	5,773	2,762
	149,773	159,285	171,355
Written-off of property and equipment (included in other gains and losses)	174	13	62
Gain on disposal of assets held for sale (included in other gains and losses)	–	(32,400)	–
Impairment loss in respect of property and equipment (included in other gains and losses)	–	–	4,664
	–	–	4,664

*Note:* The contingent rents are determined based on certain percentage of the gross sales of the relevant shops when the sales meet certain specified level.

### 13. INVESTMENTS IN SUBSIDIARIES

	As at 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, at cost	200,000	200,000	200,000
	200,000	200,000	200,000

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

### 14. PROPERTY AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>CRM(HK) Group</b>				
<b>COST OR VALUATION</b>				
At 1 January 2010	68,000	102,220	111,022	281,242
Additions	–	19,508	2,984	22,492
Written-off	–	(5,729)	(2,978)	(8,707)
Exchange adjustments	–	–	23	23
Revaluation	2,000	–	–	2,000
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2010	70,000	115,999	111,051	297,050
Additions	–	21,176	3,384	24,560
Written-off	–	(6,455)	(3,244)	(9,699)
Revaluation	21,100	–	–	21,100
Exchange adjustments	–	–	38	38
Reclassified as assets classified as held for sale	(91,100)	–	–	(91,100)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2011	–	130,720	111,229	241,949
Additions	–	14,557	1,757	16,314
Written-off	–	(11,122)	(6,601)	(17,723)
Exchange adjustments	–	117	51	168
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	–	134,272	106,436	240,708
	<hr/>	<hr/>	<hr/>	<hr/>
Consisting:				
At cost	–	115,999	111,051	227,050
At valuation	70,000	–	–	70,000
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2010	<u>70,000</u>	<u>115,999</u>	<u>111,051</u>	<u>297,050</u>
At cost at 31 December 2011	<u>–</u>	<u>130,720</u>	<u>111,229</u>	<u>241,949</u>
At cost at 31 December 2012	<u>–</u>	<u>134,272</u>	<u>106,436</u>	<u>240,708</u>

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>				
At 1 January 2010	–	77,416	106,275	183,691
Provided for the year	1,815	12,962	2,497	17,274
Eliminated on written-off	–	(5,722)	(2,811)	(8,533)
Exchange adjustments	–	–	12	12
Revaluation	(1,815)	–	–	(1,815)
At 31 December 2010	–	84,656	105,973	190,629
Provided for the year	1,482	17,516	2,434	21,432
Eliminated on written-off	–	(6,456)	(3,230)	(9,686)
Exchange adjustments	–	–	22	22
Revaluation	(1,482)	–	–	(1,482)
At 31 December 2011	–	95,716	105,199	200,915
Provided for the year	–	21,839	2,586	24,425
Eliminated on written-off	–	(11,122)	(6,539)	(17,661)
Exchange adjustments	–	19	32	51
Impairment loss recognised in profit or loss	–	4,343	321	4,664
At 31 December 2012	–	110,795	101,599	212,394
<b>CARRYING VALUES</b>				
At 31 December 2010	70,000	31,343	5,078	106,421
At 31 December 2011	–	35,004	6,030	41,034
At 31 December 2012	–	23,477	4,837	28,314

The above property and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	The shorter of the lease terms and 20 years
Leasehold improvements	The shorter of the lease terms and 5 years
Furniture, fixtures and equipment	3 to 7 years

The CRM(HK) Group's leasehold land and buildings are located in Hong Kong under medium-term lease.

The fair value of the CRM(HK) Group's leasehold land and building as at 31 December 2010 was arrived at a valuation carried out by B.I. Appraisal Limited, an independent qualified professional valuer not connected with the CRM(HK) Group. The valuation for 2010 was arrived by reference to market evidence of transaction prices of similar properties.

During the year ended 31 December 2012, the CRM(HK) Group wrote off the leasehold improvements and furniture and fixtures with carrying amount of HK\$4,664,000 related to the expected closure of a retail shop in PRC.

If the leasehold land and buildings had not been revalued, they would have been included in the Financial Information at historical cost less accumulated depreciation is HK\$39,834,000 as at 31 December 2010.

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

### 15. DEFERRED TAXATION

The following is the analysis of deferred tax (assets) liabilities for financial reporting purpose:

	As at 31 December		
	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>CRM(HK) Group</b>			
Deferred tax assets	(4,700)	(4,700)	(5,700)
Deferred tax liabilities	4,700	–	–
	–	(4,700)	(5,700)
	–	(4,700)	(5,700)

The following are the deferred tax (assets) liabilities recognised and the movements thereon during the Relevant Periods:

	Revaluation of leasehold land and buildings <i>HK\$'000</i>	Accelerated accounting depreciation <i>HK\$'000</i>
At 1 January 2010	4,070	(2,000)
Credit to profit or loss for the year	–	(2,700)
Charge to other comprehensive income for the year	630	–
	4,700	(4,700)
At 31 December 2010	4,700	(4,700)
Charge to other comprehensive income for the year	3,631	–
Reversal to equity upon disposal of leasehold land and buildings	(8,331)	–
	–	(4,700)
At 31 December 2011	–	(4,700)
Credit to profit or loss for the year	–	(1,000)
	–	(5,700)
At 31 December 2012	–	(5,700)

The CRM(HK) Group had estimated unused tax losses of HK\$27,170,000, HK\$40,891,000 and HK\$55,073,000 and deductible temporary difference in respect of accelerated accounting depreciation of HK\$30,631,000, HK\$31,571,000 and HK\$39,235,000 as at 31 December 2010, 2011 and 2012 respectively available to offset against future profits. As at 31 December 2010, 2011 and 2012, CRM(HK) Group recognised deductible temporary differences of HK\$28,485,000, HK\$28,485,000 and HK\$34,545,000 respectively as deferred tax assets. No deferred tax asset has been recognised in respect of the estimated unused tax losses and the remaining deductible temporary differences due to the unpredictability of future profit streams. Included in unused tax losses was nil, HK\$10,431,000 and HK\$24,260,000 that will expire by nil, 2016 and 2017, respectively. Other losses may be carried forward indefinitely.

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

### 16. INVENTORIES

	As at 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CRM(HK) Group</b>			
Finished goods held for sale	48,948	59,423	56,785
	<u>48,948</u>	<u>59,423</u>	<u>56,785</u>

### 17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CRM(HK) Group</b>			
Rental and utilities deposits	14,788	17,731	16,998
Prepayments	1,075	1,362	1,748
Others	2,362	4,085	5,302
	<u>18,225</u>	<u>23,178</u>	<u>24,048</u>

### 18. AMOUNTS DUE FROM FELLOW SUBSIDIARIES AND AMOUNTS DUE TO SUBSIDIARIES

#### CRM(HK) Group

Amounts due from fellow subsidiaries are unsecured, interest-free and have no fixed repayment term. The amounts due from fellow subsidiaries classified as current are expected to be recovered within twelve months from the end of the respective reporting period while the amounts due from fellow subsidiaries classified as non-current are expected to be recovered after twelve months from the end of respective reporting period. They are measured at fair value at initial recognition at an effective interest rate of 5% per annum.

#### CRM(HK)

Amounts due to subsidiaries are unsecured, interest-free and are repayable on demand.

### 19. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The CRM(HK) Group's bank deposits of HK\$41,395,000, HK\$62,895,000 and HK\$73,400,000 as at 31 December 2010, 2011 and 2012 respectively were pledged to secure the short-term general banking facilities granted by banks.

Bank balances and cash comprise cash held by the CRM(HK) Group and short-term bank deposits at market interest rates of 1.05%, 0.09% and 0.06% as at 31 December 2010, 2011 and 2012 respectively with an original maturity of three months or less.

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

### 20. OTHER FINANCIAL LIABILITIES

	As at 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CRM(HK) Group</b>			
Accounts payable	153,597	165,234	166,400
Salaries payable	3,914	4,517	5,070
Other accrued expenses	10,216	15,450	16,052
Other payables	7,897	12,897	9,969
Total accrued expenses and other payables	<u>22,027</u>	<u>32,864</u>	<u>31,091</u>

Accounts payable principally comprise amounts outstanding for trade purchases costs. The average credit period taken for trade purchase is 30 to 90 days.

The following is an aged analysis of accounts payable presented based on the invoice date at the end of the reporting period.

	As at 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	66,556	77,531	73,623
31 – 60 days	37,518	39,679	54,195
61 – 90 days	14,419	35,458	22,035
Over 90 days	35,104	12,566	16,547
	<u>153,597</u>	<u>165,234</u>	<u>166,400</u>

### 21. BORROWINGS

	As at 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CRM(HK) Group</b>			
Secured bank borrowings	7,280	4,043	20,541
Trust receipt loans	105,767	110,775	111,271
	<u>113,047</u>	<u>114,818</u>	<u>131,812</u>



## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

	As at 31 December		
	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>CRM(HK) Group</b>			
Carrying amount repayable based on scheduled terms:			
Within one year	105,767	110,775	111,271
Carrying amount of borrowings (shown under current liabilities) contain a repayment on demand clause:			
– within one year	3,237	1,925	7,723
– in the second year	1,925	1,256	7,592
– in the third to fifth years	2,118	862	5,226
Amount due within one year shown under current liabilities	<u>113,047</u>	<u>114,818</u>	<u>131,812</u>

At 31 December 2010, 2011 and 2012, bank borrowings of the CRM(HK) Group were secured by:

- (a) a corporate guarantee from the immediate holding company of CRM(HK) during the Relevant Periods;
- (b) pledged bank deposits as disclosed in note 19 during the Relevant Periods; and
- (c) all the leasehold land and buildings as disclosed in note 14 during the year ended 31 December 2010.

The CRM(HK) Group's borrowings as at 31 December 2010, 2011 and 2012 carried variable interest at Hong Kong Prime Rate and HIBOR plus a spread.

The weighted average effective interest rates per annum (which are also equal to contracted interest rates) of the variable-rate bank borrowings are as follows:

	As at 31 December		
	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
CRM(HK) Group	<u>5%</u>	<u>5%</u>	<u>5%</u>

### 22. SHARE CAPITAL

	Number of shares	Amount	
		<i>US\$</i>	<i>HK\$'000</i>
Ordinary shares of US\$1 each			
Authorised:			
At 1 January 2010, 31 December 2010, 31 December 2011 and 31 December 2012	<u>50,000</u>	<u>50,000</u>	<u>390</u>
Issued and fully paid:			
At 1 January 2010, 31 December 2010, 31 December 2011 and 31 December 2012	<u>100</u>	<u>100</u>	<u>1</u>

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

### 23. RESERVES

#### CRM(HK)

	Other reserve <i>HK\$'000</i>	Shareholders' transaction reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2010	6,601	391,186	(363,481)	34,306
Loss and total comprehensive expense for the year	–	–	(8)	(8)
At 31 December 2010	6,601	391,186	(363,489)	34,298
Profit and total comprehensive income for the year	–	–	5,765	5,765
Imputed interest on interest-free loan to fellow subsidiaries recognised as deemed contribution to shareholder	–	(5,757)	–	(5,757)
At 31 December 2011	6,601	391,186	(363,481)	34,306
Profit and total comprehensive income for the year	–	–	4,964	4,964
Imputed interest on interest-free loan to fellow subsidiaries recognised as deemed contribution to shareholder	–	(4,810)	–	(4,810)
At 31 December 2012	<u>6,601</u>	<u>391,186</u>	<u>(363,327)</u>	<u>34,460</u>

#### CRM(HK) Group

Other reserve is arisen from group reorganisation on 30 November 2005.

Shareholders' transaction reserve is arisen from the waiver of the current accounts due to its former immediate holding company of CRM(HK) and the imputed interest recognised on interest-free loans to fellow subsidiaries.

Details of the reserve movement of CRM(HK) Group are disclosed in the consolidated statement of equity.

## APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

### 24. ASSETS CLASSIFIED AS HELD FOR SALE

Pursuant to a board resolution passed on 20 June 2011, the directors determined to dispose the leasehold land and buildings in Hong Kong (the “Property”) and considered that the disposal of the Property is highly probable, thus the Property is reclassified to assets classified as held for sale in accordance with HKFRS 5. The fair value of the Property at the date of reclassification amounting to HK\$91,100,000 is determined based on an offer price by an independent third party and valuation report carried out by Knight Frank Petty Limited.

Movement on assets classified as held for sale are as follows:

	<b>2011</b> <i>HK\$'000</i>
At 1 January	–
Reclassified from property and equipment ( <i>note 14</i> )	91,100
Disposal	(91,100)
	–
At 31 December	–

In October 2011, the Property has been disposed of to another independent third party with a consideration of HK\$123,500,000 and resulting in a gain of approximately HK\$32,400,000.

Upon completion of the disposal, the CRM(HK) Group and the third party entered into leaseback arrangement at a monthly rent approximate to the market rent for 24 months. This sale and leaseback transaction results in an operating lease and the lease commitment is included in note 25.

### 25. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the CRM(HK) Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	<b>As at 31 December</b>		
	<b>2010</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
<b>CRM(HK) Group</b>			
Within one year	106,457	137,387	125,127
In the second to fifth year inclusive	99,817	169,369	136,761
	206,274	306,756	261,888

Operating lease payments represent rentals payable by the CRM(HK) Group for office premises and retail shops. Leases are mainly negotiated for lease term of two to three years and rentals are fixed for lease term of two to three years. In addition to the fixed rentals, pursuant to the terms of certain rental agreements, the CRM(HK) Group has to pay a rental based on certain percent of the gross sales of the relevant shop when the sales meets certain specified level.

**26. RETIREMENT BENEFITS SCHEMES**

The CRM(HK) Group operates a Mandatory Provident Fund Scheme (“MPF Scheme”) for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the CRM(HK) Group, in funds under the control of trustees. Both the CRM(HK) Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. Effective from June 2012, the cap of contribution amount has been changed from HK\$1,000 to HK\$1,250 per employee per month.

The CRM(HK) Group operates various benefits schemes for its full-time employees in the PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the CRM(HK) Group contributes 7%, 5%, 17%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively.

**27. RELATED PARTY TRANSACTIONS****(i) Related party balances**

The CRM(HK) Group’s balances with fellow subsidiaries and CRM(HK)’s balances with fellow subsidiaries and subsidiaries are set out in note 18.

**(ii) Compensation of key management personnel**

The remuneration of directors which is disclosed in note 12 is determined by the remuneration committee of CASH Financial Services Group Limited having referred to the performance of individuals and market trends.

**(B) EVENTS FROM THE REPORTING PERIOD**

Subsequent to 31 December 2012, an interim dividend in respect of the year ending 31 December 2013 of approximately HK\$111.7 million has been declared by the directors of CRM(HK) and paid on 31 March 2013.

**(C) SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the CRM(HK) Group, CRM(HK) or any of the subsidiaries have been prepared in respect of any period subsequent to 31 December 2012.”

**III. STATEMENT OF INDEBTEDNESS**

As at the close of business on 30 April 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Privateco Group had the following indebtedness:

**Borrowings**

As at 30 April 2013, the Privateco Group had total outstanding borrowings of approximately HK\$147.5 million, comprising unsecured bank borrowings of approximately HK\$38.0 million and secured trust receipt loans of approximately HK\$109.5 million. Trust receipts loans in aggregate of approximately HK\$109.5 million were secured by pledged deposits of approximately HK\$73.4 million.

**Contingent liabilities**

As at 30 April 2013, the Privateco Group had no litigations/claims of material importance as stated in the paragraph headed “Litigation” in Appendix IV to this Composite Documents. Accordingly, the Privateco Group had no material contingent liabilities as at 30 April 2013.

**Disclaimers**

Save as aforesaid, and apart from intra-group liabilities, the Privateco Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantee or other material contingent liabilities, at the close of business on 30 April 2013.

The Privateco Board has confirmed that, save as disclosed above, there has not been any material change in the indebtedness or contingent liabilities of the Privateco Group since 30 April 2013.

**IV. MATERIAL CHANGES**

Save as the interim dividend for the year ending 31 December 2013 of approximately HK\$111.7 million paid on 31 March 2013 and the capitalization of an amount of approximately HK\$3.9 million in reserve accounts for the allotment and issue of 3,877,079,588 Privateco Shares of HK\$0.001 each under the Distribution In Specie, the Privateco Directors confirmed that there have been no material change in the financial or trading position or outlook of the Privateco Group since 31 December 2012, being the date to which the latest audited financial statements of the Privateco Group were made up and up to the Latest Practicable Date.

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## **APPENDIX III      SUMMARY OF THE CONSTITUTION OF THE PRIVATECO AND THE BVI COMPANY LAW**

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### **SUMMARY OF THE CONSTITUTION OF THE PRIVATECO AND THE BRITISH VIRGIN ISLANDS COMPANY LAW**

Set out below is a summary of certain provisions of the Memorandum of Association (the “Memorandum”) and Articles of Association (the “Articles”) of the Privateco and of certain aspects of the British Virgin Islands company law.

The Privateco was incorporated in the British Virgin Islands on the 11 May 2005 as an International Business Company, governed by the International Business Companies Act (Cap 291) (the “IBC Act”), and was automatically re-registered as a BVI Business Company with limited liability on 1 January 2007 under the BVI Business Companies Act, 2004, as amended (the “BVI Companies Act”). The Privateco has given notice to disapply Part IV of Schedule 2 of the BVI Companies Act. The Memorandum and the Articles comprise its constitution.

#### **1.      MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that subject to the BVI Companies Act and any other British Virgin Islands legislation, the Privateco has, irrespective of corporate benefit:
  - a. full capacity to carry on or undertake any business or activity, do any act or enter into any transaction; and
  - b. for the purposes of paragraph (a), full rights, powers and privileges.
- (b) The Memorandum states, inter alia, that the liability of members of the Privateco is limited to the amount, if any, for the time being unpaid on the shares of the Privateco respectively held by them.
- (c) The Privateco is authorized by the Memorandum to issue a maximum of 4,000,000,000 shares with or without par value.

#### **2.      ARTICLES OF ASSOCIATION**

##### **(a)      DIRECTORS**

- (i) *Power to allot and issue shares and warrants*

Subject to the provisions of the BVI Companies Act and the Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Privateco may by an amendment to the Memorandum determine. Subject to the BVI Companies Act, the Memorandum and the Articles, any share may be issued on terms that, at the option of the Privateco or the holder thereof, they are liable to be redeemed.

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The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Privateco on such terms as it may from time to time determine.

Subject to the provisions of the BVI Companies Act and the Articles, where applicable, the rules of the Designated Stock Exchange, and any direction that may be given by the Privateco in general meeting and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Privateco shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that where the Privateco has shares that carry a par value, no shares shall be issued at a discount.

Neither the Privateco nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(ii) Power to dispose of the assets of the Privateco or any subsidiary*

The directors may sell, transfer, secure, exchange or otherwise dispose of the assets of the Privateco without authorisation by the members. The directors may also exercise all powers and do all acts and things which may be exercised or done or approved by the Privateco and which are not required by the Articles or the BVI Companies Act to be exercised or done by the Privateco in general meeting.

*(iii) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any director or past director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the director is contractually entitled) must be approved by the Privateco in general meeting.

*(iv) Loans and provision of security for loans to directors*

There are provisions in the Articles prohibiting the making of loans to directors which are comparable to the restrictions imposed by the Hong Kong Companies Ordinance.

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## APPENDIX III      SUMMARY OF THE CONSTITUTION OF THE PRIVATECO AND THE BVI COMPANY LAW

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(v) *Disclosure of interests in contracts with the Privateco or any of its subsidiaries*

A director may hold any other office or place of profit with the Privateco (except that of the auditors of the Privateco) in conjunction with his office of director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Privateco or any other company in which the Privateco may be interested, and shall not be liable to account to the Privateco or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company.

Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Privateco to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the BVI Companies Act and the Articles, no director or proposed or intended director shall be disqualified by his office from contracting with the Privateco, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any director is in any way interested be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Privateco or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such director holding that office or the fiduciary relationship thereby established. A director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Privateco shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A director shall not vote (nor be counted in the quorum) on any resolution of the board in respect of any contract or arrangement or other proposal in which he is to his knowledge materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract, transactions, arrangement or proposal for giving of any security or indemnity to the director in respect of money lent or obligations incurred or undertaken by him at the request of or for the benefit of the Privateco or any of its subsidiaries;



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- (bb) any contract, transaction, arrangement or proposal for the giving by the Privateco of any security or indemnity to a third party in respect of a debt or obligation of the Privateco or any of its subsidiaries for which the director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of or by the Privateco or any other company which the Privateco may promote or be interested in for subscription or purchase, where the director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract, transaction, arrangement or proposal in which the director is interested in the same manner as other holders of shares or debentures or other securities of the Privateco or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Privateco; or
- (ee) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to directors and employees of the Privateco or of any of its subsidiaries and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the directors shall from time to time be determined by the Privateco in general meeting and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the board in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.

The directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Privateco or otherwise in connection with the discharge of their duties as directors.

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Any director who, by request, goes or resides abroad for any purpose of the Privateco or who performs services which in the opinion of the board go beyond the ordinary duties of a director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a director. An executive director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a director.

The board may establish or concur or join with other companies (being subsidiary companies of the Privateco or companies with which it is associated in business) in establishing and making contributions out of the Privateco's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any director or ex-director who may hold or have held any executive office or any office of profit with the Privateco or any of its subsidiaries) and ex-employees of the Privateco and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vii) Retirement, appointment and removal*

At each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. The directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any director who wishes to retire and not to offer himself for re-election. Any further directors so to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any director appointed by the board in the manner set out in the following paragraph shall not be taken into account in determining which particular directors or the number of directors who are to retire by rotation. There are no provisions relating to retirement of directors upon reaching any age limit.

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The directors shall have the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy on the board or as an addition to the existing board. Any director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any director appointed by the board as an addition to the existing board shall hold office only until the next following annual general meeting of the Privateco and shall then be eligible for re-election. Neither a director nor an alternate director is required to hold any shares in the Privateco by way of qualification.

The members may, at any general meeting convened and held in accordance with the Articles, by ordinary resolution remove a director at any time before the expiration of his period of office notwithstanding anything to the contrary in these Articles or in any agreement between the Privateco and such director (but without prejudice to any claim for damages under any such agreement) provided that notice of such general meeting must state that the purpose of the general meeting is, or the purposes of the general meeting include, the removal of a director. Unless otherwise determined by the Privateco in general meeting, the number of directors shall not be less than two. There is no maximum number of directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Privateco at the registered office of the Privateco for the time being or tendered at a meeting of the board whereupon the board resolves to accept such resignation;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Privateco for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such director or directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(viii) Borrowing powers*

The board may exercise all the powers of the Privateco to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Privateco and, subject to the BVI Companies Act, to issue debentures, bonds and other securities of the Privateco, whether outright or as collateral security for any debt, liability or obligation of the Privateco or of any third party.

*Note:* The rights of the directors to exercise these powers may only be varied by amending the Articles.

*(ix) Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

*(x) Register of directors and Officers*

The Articles provide that the Privateco will maintain at its registered office a register of directors and officers which is not available for inspection by the public.

### **(b) ALTERATIONS TO CONSTITUTIONAL DOCUMENTS**

The Articles may be rescinded, altered or amended by the Privateco in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum (save for an amendment for purposes of altering the capital as described in (c) below which shall require an ordinary resolution only), to amend the Articles or to change the name of the Privateco. Under BVI law, an amendment to the Memorandum or Articles has effect from the date that the notice of amendment or restated memorandum or articles of association incorporating the amendment is registered by the BVI Registrar of Corporate Affairs.

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**(c)    ALTERATION OF CAPITAL**

Subject to the Memorandum and these Articles, the Privateco may by ordinary resolution:

- (i)    combine its shares, including issued shares, into a smaller number of shares; or
- (ii)   sub-divide its shares, or any of them, into a greater number of shares,

provided that, where shares are divided or combined, the aggregate par value (if any) of the new shares must be equal to the aggregate par value (if any) of the original shares, and the Privateco shall not divide its shares if it would cause the maximum number of shares that the Privateco is authorized to issue to be exceeded.

The Privateco may by an amendment to the Memorandum divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions as may be determined by the Privateco provided always that where the Privateco issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”.

**(d)    VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES**

Subject to the BVI Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value or of the total number of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value or of the total number of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e)      SPECIAL RESOLUTION – MAJORITY REQUIRED**

Pursuant to the Articles, a special resolution of the Privateco must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice and not less than ten (10) clear business days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice and not less than ten (10) clear business days' notice has been given.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Privateco as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(f)      VOTING RIGHTS**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting, a resolution put to the vote of a meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

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If a clearing house (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Privateco or at any meeting of any class of members provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Privateco held by the clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Privateco has knowledge that any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Privateco or restricted to voting only for or only against any particular resolution of the Privateco, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.

### **(g)      REQUIREMENTS FOR ANNUAL GENERAL MEETINGS**

An annual general meeting of the Privateco shall be held in each year other than the year of the Privateco's adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or not more than eighteen (18) months after the date of adoption of these Articles, unless a longer period would not infringe the rules of the Designated Stock Exchange, if any) at such time and place as may be determined by the board.

### **(h)      ACCOUNTS AND AUDIT**

The board shall cause true accounts to be kept of the sums of money received and expended by the Privateco, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Privateco and of all other matters required by the BVI Companies Act and in accordance with the generally accepted accounting principles and practices in Hong Kong or as may be necessary to give a true and fair view of the Privateco's affairs and to explain its transactions.

The accounting records shall be kept at the registered office of the Privateco or, at such other place or places as the board decides and shall always be open to inspection by the directors. No member (other than a director) shall have any right of inspecting any accounting record or book or document of the Privateco except as conferred by law or authorised by the board or the Privateco in general meeting.

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A printed copy of the directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Privateco under convenient heads and a statement of income and expenditure, together with a copy of the Auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Privateco at the annual general meeting held in accordance with the Articles provided that the Articles shall not require a copy of those documents to be sent to any person whose address the Privateco is not aware of or to more than one of the joint holders of any shares or debentures.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Privateco in general meeting or in such manner as the members may determine.

The financial statements of the Privateco shall be audited by the auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the Auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the British Virgin Islands. If so, the financial statements and the report of the Auditor should disclose this fact and name such country or jurisdiction.

### **(i)      NOTICES OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Privateco other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Privateco, and also to the auditors for the time being of the Privateco.

Notwithstanding that a meeting of the Privateco is called by shorter notice than that mentioned above, if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Privateco entitled to attend and vote thereat; and



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- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value or of the total number of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting, and also all business that is transacted at an annual general meeting, with the exception of:

- (a) the declaration and sanctioning of dividends;
- (b) consideration and adoption of the accounts and balance sheet and the reports of the directors and Auditors and other documents required to be annexed to the balance sheet;
- (c) the election of directors whether by rotation or otherwise in the place of those retiring;
- (d) appointment of Auditors (where special notice of the intention for such appointment is not required by the BVI Companies Act) and other officers;
- (e) the fixing of the remuneration of the Auditors, and the voting of remuneration or extra remuneration to the directors;
- (f) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares in the capital of the Privateco representing not more than twenty per cent. (20%) in nominal value of its existing issued share capital; and
- (g) the granting of any mandate or authority to the directors to repurchase securities of the Privateco.

**(j)      TRANSFER OF SHARES**

Subject to the Articles, any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form approved by the board and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. The board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers.

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Unless the board otherwise agrees (which agreement may be on such terms and subject to such conditions as the board in its absolute discretion may from time to time determine, and which agreement the board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the register of members of the Privateco shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant office where the branch register of members is kept, and, in the case of any shares on the register of members, at the registered office of the Privateco or such other place at which the register is kept in accordance with the BVI Companies Act.

The board may, in its absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four (4) joint holders or a transfer of any share issued for a promissory note or other binding obligation to contribute money or property or a contribution thereof to the Privateco on which the Privateco has a lien.

The board may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share, the instrument of transfer is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do) or, if applicable, the instrument of transfer is duly and properly stamped.

The registration of transfers may be suspended and the register closed on giving notice by advertisement in the appointed newspaper or by other means as set out in the Articles, at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

### **(k)      POWER FOR THE PRIVATECO TO PURCHASE ITS OWN SHARES**

Subject to the BVI Companies Act, the Memorandum and the Articles, the Privateco shall have all the powers conferred upon it by the BVI Companies Act to purchase or otherwise acquire its own shares and such power shall be exercisable by the board in such manner, upon such terms and subject to such conditions as it thinks fit, including but not limited to, the purchase of shares at a price less than fair value.

Shares that the Privateco purchases, redeems or otherwise acquires pursuant to the Articles may be cancelled or held as treasury shares provided that the number of shares purchased, redeemed or otherwise acquired when aggregated with shares already held as treasury shares may not exceed 50% of the shares of that class previously issued (excluding shares that have been cancelled).

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**(l)      POWER FOR ANY SUBSIDIARY OF THE PRIVATECO TO OWN SHARES IN THE PRIVATECO AND FINANCIAL ASSISTANCE TO PURCHASE SHARES OF THE PRIVATECO**

There are no provisions in the Articles relating to ownership of shares in the Privateco by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Privateco may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Privateco.

**(m)      DIVIDENDS AND OTHER METHODS OF DISTRIBUTION**

Subject to the BVI Companies Act, the Privateco in general meeting may from time to time declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The board may recommend and pay to all members on a pro rata basis a dividend or a distribution at such time and of such an amount as they think fit if they are satisfied, on reasonable grounds, that immediately after the payment of the dividend or distribution, the value of the Privateco's assets exceeds its liabilities and the Privateco is able to pay its debts as they fall due. The resolution shall include a statement to that effect.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Whenever the board has resolved that a dividend be paid or declared on the share capital of the Privateco, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Privateco may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Privateco that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Privateco in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Privateco. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

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Whenever the board has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Privateco until claimed and the Privateco shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Privateco.

No dividend or other monies payable by the Privateco on or in respect of any share shall bear interest against the Privateco.

### **(n)      PROXIES**

Any member entitled to attend and vote at a meeting of the Privateco is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Privateco or at a class meeting. A proxy need not be a member. In addition, a proxy or proxies representing either a Member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

### **(o)      FORFEITURE OF SHARES**

Where a share is not fully paid for on issue, the directors may, subject to the terms on which the share was issued, at any time serve upon the member a written notice of call specifying a date for payment to be made. Where a notice complying with the provisions of the Articles has been issued and the requirements of the notice have not been complied with, the directors by Resolution of directors may, at any time before tender of payment forfeit and cancel the share to which the notice relates.

When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share. No forfeiture shall be invalidated by any omission or neglect to give such Notice.

The board may accept the surrender of any share liable to be forfeited and, in such case, references in the Articles to forfeiture will include surrender.

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A declaration by a director or the Secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration shall (subject to the execution of an instrument of transfer by the Privateco if necessary) constitute a good title to the share, and the person to whom the share is disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the consideration (if any), nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture, sale or disposal of the share. When any share shall have been forfeited, notice of the declaration shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry.

Notwithstanding any such forfeiture as aforesaid, the board may at any time, before any shares so forfeited shall have been sold, reallocated or otherwise disposed of, permit the shares forfeited to be bought back upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.

**(p)      INSPECTION OF SHARE REGISTER**

Unless closed in accordance with the Articles, the Register and branch register of members, as the case may be, shall be open to inspection for at least two (2) hours during business hours by members without charge or by any other person, upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office of the Privateco or such other place at which the register of members is kept in accordance with the BVI Companies Act or, if appropriate, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board at the office where the branch register of members of the Privateco is kept. The register of members of the Privateco including any overseas or local or other branch register of members may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any electronic means in such manner as may be accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the board may determine and either generally or in respect of any class of shares.

**(q)      QUORUM FOR MEETINGS AND SEPARATE CLASS MEETINGS**

No business other than the appointment of a chairman of a meeting shall be transacted at any general meeting unless a quorum is present at the commencement of the business. The absence of a quorum shall not preclude the appointment of a chairman. Save as otherwise provided by the Articles, two (2) members entitled to vote and present in person or by proxy or (in the case of a member being a corporation) by its duly authorised representative shall form a quorum for all purposes. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

**(r)      UNTRACEABLE MEMBERS**

The Privateco may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Privateco may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. The Privateco shall have the power to sell, in such manner as the board thinks fit, any shares of a Member who is untraceable, but no such sale shall be made unless (a) all cheques or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by these Articles have remained uncashed; (b) so far as it is aware at the end of the relevant period, the Privateco has not at any time during the relevant period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and (c) the Privateco, if so required by the rules governing the listing of shares on the Designated Stock Exchange, has given notice to, and caused advertisement in newspapers in accordance with the requirements of, the Designated Stock Exchange to be made of its intention to sell such shares in the manner required by the Designated Stock Exchange, and a period of three (3) months or such shorter period as may be allowed by the Designated Stock Exchange has elapsed since the date of such advertisement.

For the purpose of the foregoing, the “relevant period” means the period commencing twelve (12) years before the date of publication of the advertisement referred to in paragraph (c) above and ending at the expiry of the period referred to in that paragraph.

**(s)      RIGHTS OF THE MINORITIES IN RELATION TO FRAUD OR OPPRESSION**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Privateco under BVI law, as summarized in paragraph 3(d) of this Appendix.

**(t)      PROCEDURES ON LIQUIDATION**

A resolution that the Privateco be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Privateco shall be wound up and the assets available for distribution amongst the members of the Privateco shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Privateco shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

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If the Privateco shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the BVI Companies Act divide among the members in specie or kind the whole or any part of the assets of the Privateco whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of properties to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

### **3.      BRITISH VIRGIN ISLANDS COMPANY LAW**

The Privateco is incorporated in the British Virgin Islands subject to the BVI Companies Act and, therefore, operates subject to British Virgin Islands law. Set out below is a summary of certain provisions of British Virgin Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of British Virgin Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### **(a)      Share Capital**

Under the BVI Companies Act, there is no concept of authorised capital. Companies incorporated under the BVI Companies Act may be authorised to issue a specific number of shares or the company's memorandum of association may provide that the company is authorised to issue an unlimited number of shares. The BVI Companies Act also provides that, subject to the company's memorandum and articles of association, shares may be issued with or without a par value and in any currency. The BVI Companies Act also permits the company to issue fractional shares.

Shares issued by the company will be the personal property of the shareholders and confer on the holder of a share:

- (i)      the right to one vote at a meeting of the members of the company or on any resolution of the members of the company;
- (ii)     the right to an equal share in any dividend paid in accordance with the BVI Companies Act; and
- (iii)    the right to an equal share in the distribution of the surplus assets of the company.



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Subject to any limitations or provisions to the contrary in the company's memorandum or articles of association, unissued shares and treasury shares of the company are at the disposal of the directors who may, without limiting or affecting any rights previously conferred on the holders of any existing shares or class or series of shares, offer, allot or otherwise dispose of shares to such persons, at such times and upon such terms as the company may by resolution of directors determine.

Similarly, subject to the company's memorandum and articles of association, options to acquire shares in the company may be granted at any time, to any person and for such consideration as the directors may determine.

Subject to the company's memorandum and articles of association, a company may issue shares which are partly paid or nil-paid. Shares may also be issued for consideration in any form, including money, a promissory note, real property, personal property (including goodwill and know-how), services rendered or the provision of future services.

Subject to the company's memorandum and articles of association, a company may issue shares with or without voting rights or with different voting rights; common, preferred, limited or redeemable shares; options warrants or similar rights to acquire any securities of the company; and securities convertible into or exchangeable for other securities or property of a company.

Subject to its memorandum and articles of association, a company may issue more than one class of shares. A statement of the classes of shares that the company is authorised to issue and, if the company is authorised to issue two or more classes of shares, the rights, privileges, restrictions and conditions attaching to each class of shares must be included in the company's memorandum and articles of association. Subject to its memorandum and articles, a company may issue a class of shares in one or more series.

### **(b) Financial assistance to purchase shares of a company or its holding company**

Subject to the BVI Companies Act, any other enactment and the company's memorandum and articles of association, a company has, *irrespective of corporate benefit* full capacity to carry on or undertake any business or activity, do any act or enter into any transaction including, among other things, the giving of financial assistance to any person in connection with the acquisition of its own shares.

### **(c) Purchase of shares and warrants by a company and its subsidiaries**

A company may purchase, redeem or otherwise acquire its own shares in accordance with either the procedures set out in Sections 60, 61 and 62 of the BVI Companies Act or such other provisions for the purchase, redemption or acquisition of its own shares as may be specified in its memorandum and articles. Sections 60, 61 and 62 do not apply to a company to the extent that they are negated, modified or inconsistent with provisions for the purchase, redemption or acquisition of its own shares specified in the company's memorandum and articles. The Articles expressly provide that such provisions shall not apply to the Company.



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Subject to its memorandum or articles of association, a company may purchase, redeem or otherwise acquire its own shares. The acquired shares may be cancelled or held as treasury shares. However, no such acquisition will be permitted unless the directors determine that immediately after the acquisition (i) the value of the company's assets will exceed its liabilities and (ii) the company will be able to pay its debts as they fall due. A determination by the directors is, however, not required:

- (a) where shares are purchased, redeemed; or otherwise acquired pursuant to a right of a member to have his shares redeemed or to have his shares exchanged for money or other property of the company;
- (b) by virtue of the provisions of the BVI Companies Act in relation to the rights of dissenters under a redemption of minority shareholders, merger, consolidation, a disposition of assets, a compulsory redemption or an arrangement; or
- (c) pursuant to an order of the BVI court.

A company may hold shares that have been purchased, redeemed or otherwise acquired as treasury shares if (a) the memorandum or articles of the company do not prohibit it from holding treasury shares; (b) the directors resolve that shares to be purchased, redeemed or otherwise acquired shall be held as treasury shares; and (c) the number of shares purchased, redeemed or otherwise acquired, when aggregated with shares of the same class already held by the company as treasury shares, does not exceed 50% of the shares of that class previously issued by the company, excluding shares that have been cancelled.

All the rights and obligations attaching to a treasury share are suspended and shall not be exercised by or against the company while it holds the share as a treasury share. Treasury shares may be transferred by the company and the provisions of the BVI Companies Act, the memorandum and articles that apply to the issue of shares apply to the transfer of treasury shares.

Under BVI law, a subsidiary may hold shares in its holding company.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under BVI law that a company's memorandum or articles contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association.

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### (d)    **Protection of Minorities**

The BVI Companies Act contains various mechanism to protect minority shareholders, including:

- (i)    **Restraining or Compliance Orders:** if a company or a director of a company engages in, proposes to engage in or has engaged in, conduct that contravenes the BVI Companies Act or the company's memorandum and articles of association, the court may, on the application of a member or a director of the company, make an order directing the company or its director to comply with, or restraining the company or director from engaging in conduct that contravenes, the BVI Companies Act or the company's memorandum and articles of association;
- (ii)   **Derivative Actions:** the court may, on the application of a member of a company, grant leave to that member to:
  - (aa)   bring proceedings in the name and on behalf of that company; or
  - (bb)   intervene in proceedings to which the company is a party for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company; and
- (iii)   **Unfair Prejudice Remedies:** a member of a company who considers that the affairs of the company have been, are being or are likely to be, conducted in a manner that is, or any acts of the company have been, or are, likely to be oppressive, unfairly discriminatory, or unfairly prejudicial to him, may apply to the court for an order and, if the court considers that it is just and equitable to do so, it may make such order as it thinks fit, including, without limitation, one or more of the following orders:
  - (aa)   in the case of a shareholder, requiring the company or any other person to acquire the shareholder's shares;
  - (bb)   requiring the company or any other person to pay compensation to the member;
  - (cc)   regulating the future conduct of the company's affairs;
  - (dd)   amending the memorandum or articles of association of the company;
  - (ee)   appointing a receiver of the company;
  - (ff)   appointing a liquidator of the company under section 159(1) of the Insolvency Act;
  - (gg)   directing the rectification of the records of the company; and

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- (hh) setting aside any decision made or action taken by the company or its directors in breach of the BVI Companies Act or the company's memorandum and articles of association.
  
- (iv) **Representative Actions:** a member is able to bring an action against the company for a breach of a duty owed by the company to member in his capacity as a member. Where a member brings such an action and other members have the same (or substantially the same) action against the company, the court may appoint the first member to represent all or some of the members having the same interest and may make an order:
  - (aa) as to the control and conduct of the proceedings;
  - (bb) as to the costs of the proceedings; and
  - (cc) directing the distribution of any amount ordered to be paid by a defendant in the proceedings among the members represented.

The BVI Companies Act provides that any member of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following:

- (i) a merger;
- (ii) a consolidation;
- (iii) any sale, transfer, lease, exchange or other disposition of more than 50% of the assets or business of the company if not made in the usual or regular course of the business carried on by the company but not including:
  - (aa) a disposition pursuant to an order of the court having jurisdiction in the matter;
  - (bb) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interests within one (1) year after the date of disposition; or
  - (cc) a transfer pursuant to the power of the directors to transfer assets for the protection thereof;
- (iv) a redemption of 10% or less of the issued shares of the company required by the holders of 90% or more of the shares of the company pursuant to the terms of the BVI Companies Act; and
- (v) an arrangement, if permitted by the court.

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Generally any other claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the BVI or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(e) Dividends and distributions**

A company may declare and make a distribution (which term includes a dividend), provided that the directors are satisfied that immediately after the payment of the dividend, (i) the value of the company's assets will exceed its liabilities and (ii) the company will be able to pay its debts as they fall due.

A distribution may be a direct or indirect transfer of an asset (other than the company's own shares) or the incurring of a debt for the benefit of a member.

**(f) Management**

Subject to its memorandum and articles of association, the business and affairs of a company shall be managed by, or under the direction or supervision of, the directors of the company and the directors shall have all the powers necessary for managing, and for directing and supervising, the business and affairs of the company. The number of directors of a company may be fixed by, or in the manner provided in, the articles of association of a company.

The BVI Companies Act provides that, subject to any limitations or provisions to the contrary in its memorandum and articles of association, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance of the enforcement thereof, of more than 50% of the assets of a company, if not made in the usual or regular course of business carried on by the company, must be approved by a resolution of members. The Articles expressly provide that notwithstanding the foregoing requirement of the BVI Companies Act, the directors may dispose assets of the Company without the disposition being authorised by the members at a general meeting.

The BVI Companies Act contains no other specific restrictions on the power of directors to dispose of assets of a company.

The BVI Companies Act contains a statutory code of directors' duties. Each director of a company, in performing his functions, must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(g) Amendment of Constitutional Document**

The members of a company may, by resolution, amend the memorandum or articles of association of the company. The memorandum of a company may include a provision:

- (i) that specified provisions of the memorandum or articles of association may not be amended;

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- (ii) that a resolution passed by a specified majority of members, greater than 50%, is required to amend the memorandum or articles of association or specified provisions of the memorandum or articles of association; and
- (iii) that the memorandum or articles of association, or specified provisions of the memorandum or articles of association, may be amended only if certain specified conditions are met.

The memorandum of association of a company may authorise the directors, by resolution, to amend the memorandum or articles of association of the company

Where a resolution is passed to amend the memorandum or articles of association of a company, the company must file for registration:

- (i) a notice of amendment in the approved form; or
- (ii) a restated memorandum or articles incorporating the amendment made.

An amendment to the memorandum or articles of association has effect from the date that the notice of amendment, or restated memorandum or articles of association incorporating the amendment, is registered by the BVI Registrar of Corporate Affairs or from such other date as may be ordered by the court.

### **(h) Accounting requirements**

A company must keep such accounts and records as are sufficient to show and explain the company's transactions and which will, at any time, enable the financial position of the company to be determined with reasonable accuracy. There is generally no obligation to have financial statement audited, unless the company is operating as a certain type of fund regulated by the Mutual Funds Act, 1996.

### **(i) Exchange control**

There are no exchange control regulations or currency restrictions in the BVI.

### **(j) Loans to and transactions with directors**

There is no express provision in the BVI Companies Act prohibiting the making of loans by a company to any of its directors.

A director of a company shall, immediately after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the company, disclose the interest to the board of the company. If a director fails to make such a disclosure, he is liable, upon summary conviction, to a fine of US\$10,000.

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A director of a company is not required to disclose any interest if:

- (i) the transaction or proposed transaction is between the director and the company; and
- (ii) the transaction or proposed transaction is or is to be entered into in the ordinary course of the company's business and on usual terms and conditions.

A disclosure to the board to the effect that a director is a member, director, officer or trustee of another named company or other person and is to be regarded as interested in any transaction which may, after the date of the entry or disclosure, be entered into with that company or person, is a sufficient disclosure of interest in relation to that transaction. It should be noted, however, that a disclosure is not made to the board unless it is made or brought to the attention of every director on the board.

### **(k) Taxation in the BVI**

A company incorporated under the BVI Companies Act is exempt from all provisions of the Income Tax Act (as amended) of the BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by the company to persons who are not persons resident in the BVI).

Capital gains realised with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Act of the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

### **(l) Stamp duty on transfer**

No stamp duty is payable in the BVI on a transfer of shares in a BVI company.

### **(m) Inspection of corporate records**

Members of the general public, on a payment of a nominal fee, can inspect the public records of a company available at the office of the BVI Registrar of Corporate Affairs which will include, *inter alia*, the company's certificate of incorporation, its memorandum and articles of association (with any amendments) and the records of licence fees paid to date.

A director may, on giving reasonable notice, inspect (and make copies of) the documents and records of a company without charge and at a reasonable time specified by the director.

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A member of a company may, on giving written notice to a company, inspect the company's memorandum and articles of association, the register of members, the register of directors and the minutes of meetings and resolutions of members and of those classes of members of which he is a member.

Subject to any provision to the contrary in the company's memorandum and articles of association, the directors may, if they are satisfied that it would be contrary to the company's interests to allow a member to inspect any document, or part of a document, refuse to permit the member to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records. The directors shall, as soon as reasonably practicable, notify a member of any exercise of such powers. Where a company fails or refuses to permit a member to inspect a document or permits a member to inspect a document subject to limitations, that member may apply to the BVI court for an order that he should be permitted to inspect the document or to inspect the document without limitation.

A company shall keep minutes of all meetings of directors, members, committees of directors and committees of members and copies of all resolutions consented to by directors, members, committees of directors and committees of members. The books, records and minutes required by the BVI Companies Act shall be kept at the office of the BVI registered agent of the company or at such other place as the directors determine.

A company is required to keep a register of members containing, *inter alia*, the names and addresses of the persons who hold registered shares in the company, the number of each class and series of registered shares held by each shareholder, the date on which the name of each member was entered in the register of members and the date on which any person ceased to be a member. The register of members may be in any form as the directors may approve but, if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents and a copy of the share register commencing from the date of registration of the company shall be kept at the registered office of the company. The entry of the name of a person in the register of members as a holder of a share in a company is *prima facie* evidence that legal title in the shares vests in that person. Where a company keeps a copy of the register of members at its registered office, it shall within 15 days of any change in the register, notify the BVI registered agent of the company, in writing, of the change, and provide the BVI registered agent of the company with a written record of the physical address of the place or places at which the original register of members is kept.

A company is required to keep a register to be known as a register of directors containing, *inter alia*, the names and addresses of the persons who are directors and the date on which each person whose name is entered on the register was appointed and ceased to be a director. The register of directors may be in such form as the directors approve, but if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents. A copy of the register of directors must be kept at the registered office and the register is *prima facie* evidence of any matters directed or authorised by the BVI Companies Act to be contained therein.

**(n)      Winding up**

The court has authority under the Insolvency Act 2003 of the BVI to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

A company may enter into voluntary liquidation under the BVI Companies Act if it has no liabilities or is able to pay its debts as they fall due and the value of its assets equals or exceeds its liabilities. Where it is proposed to appoint a voluntary liquidator, the directors of the company must:

- (i)      make a declaration of solvency in the approved form stating that, in their opinion, the company is and will continue to be able to discharge, pay or provide for its debts as they fall due; and the value of the company's assets equals or exceeds its liabilities; and
- (ii)     approve a liquidation plan specifying:
  - (aa)    the reasons for the liquidation of the company;
  - (bb)    their estimate of the time required to liquidate the company;
  - (cc)    whether the liquidator is authorised to carry on the business of the company if he determines that to do so would be necessary or in the best interests of the creditors or members of the company;
  - (dd)    the name and address of each individual to be appointed as liquidator and the remuneration proposed to be paid to each liquidator; and
  - (ee)    whether the liquidator is required to send to all members a statement of account prepared or caused to be prepared by the liquidator in respect of his actions or transactions.

Subject to certain exceptions in the BVI Companies Act, a declaration of solvency is insufficient for the purposes of voluntary liquidation unless:

- (aa)    it is made on a date no more than four weeks earlier than the date of the resolution to appoint a voluntary liquidator; and
- (bb)    it has attached to it a statement of the company's assets and liabilities as at the latest practical date before the making of the declaration.

To be effective, a liquidation plan must be approved by the directors no more than six weeks prior to the date of the resolution to appoint a voluntary liquidator.



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A director making a declaration of solvency without having reasonable grounds for the opinion that the company is and will continue to be able to discharge, pay or provide for its debts in full as they fall due, commits an offence and is liable on summary conviction to a fine of HK\$10,000.

Subject to the provisions of the BVI Companies Act, a voluntary liquidator or two or more joint voluntary liquidators may be appointed in respect of a company:

- (i) by a resolution of the directors; or
- (ii) by a resolution of the members.

**(i) Reconstructions**

There are statutory provisions which facilitate arrangements which involve a plan of arrangement being approved by a resolution of directors of the company and application being made to the court for approval of the proposed arrangement. Upon approval by the court, the directors of the company are required to approve the plan of arrangement as approved by the court whether or not the court has directed any amendments to be made thereto and give notice to the persons whom the court requires notice to be given or submit the plan of arrangement to those person for such approval, if any, as the court order required.

**(j) Compulsory acquisition**

Subject to any limitations in the memorandum or articles of association of a company, members holding 90% of the votes of the outstanding shares entitled to vote on a merger or consolidation may give a written instruction to a company directing the company to redeem the shares held by the remaining members. Upon receipt of the written instruction, the company is required to redeem the shares and give written notice to each member whose shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected.

**(k) Indemnification**

BVI law does not limit the extent to which a company's articles of association may provide for indemnification of directors, officers and any other person, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime.) provided that the indemnified person acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful.

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**4.      GENERAL**

Conyers Dill & Pearman, the Privateco's special legal counsel on BVI law, have sent to the Privateco a letter of advice summarising certain aspects of BVI company law. This letter, together with a copy of the BVI Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix IV to this Composite Document. Any person wishing to have a detailed summary of British Virgin Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

## 1. RESPONSIBILITY STATEMENT

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

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

## 2. SHARE CAPITAL

The authorised and issued share capital of the Privateco as at the Latest Practicable Date are as follows:

### *Authorised share capital:*

On 19 June 2013, the Privateco underwent the Privateco Capital Re-organisation, including (i) increase of its number of authorised shares to 4,000,000,000 Privateco Shares of HK\$0.001 each; (ii) allotment and issue of 780,000 Privateco Shares of HK\$0.001 each to CFSG for a total consideration of HK\$780; (iii) repurchase of the 100 Privateco Shares of US\$1.00 each held by CFSG at a total consideration of US\$100 (equivalent to HK\$780) by applying the proceeds of the allotment and issue of 780,000 Privateco Shares of HK\$0.001 each mentioned above and subsequent cancellation of such 100 Privateco Shares of US\$1.00 each being repurchased; and (iv) (following the repurchase and cancellation of the 100 Privateco of US\$1.00 each mentioned above) cancellation of the authorised share capital of US\$50,000 dividing into 50,000 Privateco Shares of US\$1.00 each in the share capital of the Privateco.

After the Privateco Capital Re-organisation, the Privateco had 4,000,000,000 authorised Privateco Shares of HK\$0.001 each and 780,000 issued Privateco Shares of HK\$0.001 each as fully paid as at the Latest Practicable Date. Under the Distribution in Specie and as instructed by CFSG pursuant to the Distribution In Specie, on 28 June 2013, the Privateco capitalised an amount of HK\$3,877,079.58 in its reserve accounts for allotment and issue of 3,877,079,588 Privateco Shares of HK\$0.001 each, credited as fully paid, to the CFSG Shareholders (including the CIGL Concert Party Group) whose names appeared on the register of members of CFSG on 27 June 2013 on the basis of one Privateco Share for each share in CFSG then held.

Accordingly, upon completion of the Privateco Capital Re-organisation and the Distribution Completion, the authorised and issue share capital of the Privateco were as follows:

*Authorised:*

		<i>HK\$</i>
4,000,000,000	Privateco Shares of HK\$0.001 each as at the Latest Practicable Date	4,000,000.00
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*Issued and fully paid or credited as fully paid up:*

		<i>HK\$</i>
780,000	Privateco Shares of HK\$0.001 each as at the Latest Practicable Date	780.00
3,877,079,588	Privateco Shares of HK\$0.001 each issued on 28 June 2013	3,877,079.58
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3,877,859,588	Privateco Shares of HK\$0.001 each as at the Latest Practicable Date	3,877,859.58
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Save for the 780,000 Privateco Shares of HK\$0.001 each issued to CFSG under the Privateco Capital Re-organisation and the 3,877,079,588 Privateco Shares of HK\$0.001 each issued on 28 June 2013 under the Distribution In Specie, the Privateco has not issued any Privateco Shares since 31 December 2012 (being the end of the last financial year).

All existing Privateco Shares in issue rank *pari passu* in all respects with each other including all rights as regards rights to dividends, voting and return of capital.

As at the Latest Practicable Date, the Privateco Group did not have any outstanding options, warrants, derivatives or other securities carrying rights of conversion into or exchange or subscription for the Privateco Shares.

## 3. SHAREHOLDINGS AND DEALINGS

## (a) Interests in Privateco

## I. Interests of CIGL, the CIGL Directors and CIGL Concert Party Group in Privateco

As at the Latest Practicable Date, the shareholdings of Privateco in which CIGL, CASH, the CIGL Directors and any persons acting in concert with CIGL and CASH were interested (as defined in Note 3 to paragraph 4 of Schedule I of the Takeovers Code), were as follows:

Name	Number of Privateco Shares held			Approx. percentage of the issued share capital in Privateco (%) (Note 1)
	Personal	Family interest	Corporate interest	
Mr Kwan Pak Hoo Bankee (Notes 2 and 3)	–	–	1,725,160,589	44.48
CIGL (Notes 2 and 3)	–	–	1,657,801,069	42.75
CASH (Notes 2 and 3)	–	–	1,657,801,069	42.75
Cash Guardian Limited (Notes 2, 3 and 5)	–	–	67,359,520	1.73
Dr Chan Yau Ching Bob (Notes 4 and 5)	–	180,000	–	0.00
Mr Law Ping Wah Bernard (Notes 4 and 5)	27,506,160	–	–	0.71
Mr Ng Kung Chit Raymond (Notes 4 and 5)	5,577,000	99,000	–	0.15

## Notes:

- (1) The total number of issued shares in the capital of Privateco as at the Latest Practicable Date was 3,877,859,588 Privateco Shares. The Privateco Shares had been transferred or issued and allotted to the relevant parties pursuant to the Distribution In Specie, completion of which took place on 28 June 2013.
- (2) The interest of Mr Kwan Pak Hoo Barkee in the Privateco is held as to 67,359,520 Privateco Shares by Cash Guardian Limited and 1,657,801,069 Privateco Shares by CIGL. Cash Guardian Limited is a company ultimately wholly-owned by Mr Kwan Pak Hoo Bankee (the chairman of CASH, a Privateco Director, a CIGL Director) and is a member of the CIGL Concert Party Group. CIGL is a wholly-owned subsidiary of CASH. CASH is ultimately beneficially owned as to approximately 32.42% by Mr Kwan Pak Hoo Bankee through Cash Guardian Limited. Mr Kwan Pak Hoo Bankee is deemed to be interested in all these Privateco Shares as a result of his interests in Cash Guardian Limited and in CASH through Cash Guardian Limited.

- (3) 1,639,861,069 Privateco Shares held by CIGL and any further Privateco Shares to be acquired by CIGL under the Privateco Offer are subject to share pledge in favour of Wah Sun Finance Limited pursuant to a deed entered into between the parties on 28 June 2013 in respect of the extension of loan facility granted from Wah Sun Finance Limited to Praise Joy Limited as mentioned below:-
- (i) On 14 July 2011, Praise Joy Limited (a wholly-owned subsidiary of CASH) as borrower and Wah Sun Finance Limited as lender entered into a facility agreement relating to a revolving loan facility of HK\$80,000,000 for the period from the date of the facility agreement up to and including 30 June 2013. A deed was entered into between the parties (including, among others, Praise Joy Limited, Wah Sun Finance Limited, CASH and CIGL) on 28 June 2013, pursuant to which the above loan facility has been extended for one-month to 31 July 2013 and the 1,639,861,069 Privateco Shares of CIGL and any further Privateco Shares to be acquired by CIGL under the Privateco Offer would be deposited with Wah Sun Finance Limited as additional security for the extension of the loan facility.
- (ii) Wah Sun Finance Limited is controlled (1) as to 50% by Lam Hok Chung Rainier, Jong Yat Kit and Yu Sai Hung as joint and several administrators of the Estate of Kung, Nina; and (2) as to 50% by Hyper Chain Limited (which was wholly controlled by Lam Hok Chung Rainier, Jong Yat Kit and Yu Sai Hung as joint and several administrators of the Estate of Kung, Nina). As at the Latest Practicable Date, as a result of the share pledge, Wah Sun Finance Limited was interested in 1,639,861,069 Privateco Shares, representing approximately 42.29% of the issued share capital of the Privateco, owned by CIGL. As at the same date, the associates of Wah Sun Finance Limited (being Hampstead Trading Limited and Diamond Leaf Limited) were interested in a total of 107,300,902 Privateco Shares, representing approximately 2.77% of the issued share capital of the Privateco. Both Hampstead Trading Limited and Diamond Leaf Limited are wholly controlled by Lam Hok Chung Rainier, Jong Yat Kit and Yu Sai Hung as joint and several administrators of the Estate of Kung, Nina. The arrangement in relation to the pledge of the Privateco Shares by CIGL mentioned hereabove will not result in a change of the voting rights of CIGL or CASH in the Privateco as the collateralised Privateco Shares shall be released to CIGL immediately upon full repayment of the outstanding amounts of the loan facility and the interest thereon on 31 July 2013.

As at the Latest Practicable Date, (i) there was no other agreement, arrangement or understanding whereby any securities to be acquired pursuant to the Privateco Offer will be transferred, charged or pledged to any other persons, and (ii) no other person had any arrangement or indemnity of the kind described in note 8 to Rule 22 of the Takeovers Code with the Privateco or any person who is an associate of the Privateco by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code, and no such person had dealt in any Privateco Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Privateco Shares.

- (4) Dr Chan Yau Ching Bob, Mr Law Ping Wah Bernard and Mr Ng Kung Chit Raymond are CIGL Directors and CASH Directors, and members of the CIGL Concert Party Group.
- (5) The Privateco Offer is made by Celestial Capital on behalf of CIGL for all the Privateco Shares, including the Privateco Shares held by the CIGL Concert Party Group (other than CIGL). Cash Guardian Limited, Dr Chan Yau Ching Bob, Mr Law Ping Wah Bernard and Mr Ng Kung Chit Raymond have indicated to CIGL that they intend to accept the Privateco Offer in respect of their own beneficial shareholdings in the Privateco.

Save as disclosed above, none of CIGL, CASH, the CIGL Directors or any persons acting in concert with any of CIGL and CASH had any interest (as defined in Note 3 to paragraph 4 of Schedule I of the Takeovers Code) in Privateco Shares or any convertible securities, warrants, options or derivatives in respect of Privateco Shares as at the Latest Practicable Date.

## II. Interests of the Privateco Directors in Privateco

As at the Latest Practicable Date, the shareholdings of Privateco in which the Privateco Directors were interested (as defined in Note 3 to paragraph 4 of Schedule I of the Takeovers Code) were as follows:

Name	Number of Privateco Shares held			Approx. percentage of the issued share capital in Privateco (%) (Note 1)
	Personal	Family interest	Corporate interest	
Mr Kwan Pak Hoo Bankee (Notes 2, 3 and 4)	–	–	1,725,160,589	44.48
Mr Law Ping Wah Bernard (Note 4)	27,506,160	–	–	0.71
Mr Ng Hin Sing Derek (Note 4)	66	–	–	0.00

*Notes*

- (1) The total number of issued shares in the capital of Privateco as at the Latest Practicable Date was 3,877,859,588 Privateco Shares. The Privateco Shares have been transferred or issued and allotted to the relevant parties pursuant to the Distribution In Specie, completion of which took place on 28 June 2013.
- (2) The 1,725,160,589 Privateco Shares refer to the 67,359,520 Privateco Shares held by Cash Guardian Limited and 1,657,801,069 Privateco Shares held by CIGL (a wholly-owned subsidiary of CASH). Mr Kwan Pak Hoo Bankee was deemed to be interested in all these Privateco Shares as a result of his interests in Cash Guardian Limited and in CASH through Cash Guardian Limited as disclosed in paragraph 3(a)I above.
- (3) The 1,657,801,069 Privateco Shares held by CIGL and any further Privateco Shares to be acquired by CIGL under the Privateco Offer will be deposited with Wah Sun Finance Limited as additional security for the extension of the loan facility as disclosed in paragraph 3(a)I above.
- (4) Mr Kwan Pak Hoo Bankee (through Cash Guardian Limited), Mr Law Ping Wah Bernard and Mr Ng Hin Sing Derek have indicated to CIGL that they intend to accept the Privateco Offer in respect of their own beneficial shareholdings in the Privateco.

Save as disclosed above, none of the Privateco Directors has any interest (as defined in Note 3 to paragraph 4 of Schedule I of the Takeovers Code) as at the Latest Practicable Date.

(b) Dealings in securities in Privateco

During the Relevant Period, save for the respective Privateco Shares transferred or issued and allotted to the members of the CIGL Concert Party Group and the Privateco Directors under the Distribution In Specie as set out in paragraphs 3(a)I and 3(a) II above, none of CIGL, CASH, the CIGL Directors or parties acting in concert with CIGL and CASH and the Privateco Directors had dealt for value in Privateco Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Privateco Shares.

During the Relevant Period, none of CIGL, CASH, the CIGL Directors or parties acting in concert with CIGL and CASH and the Privateco Directors borrowed or lent any Privateco Shares or other securities of Privateco carrying voting rights, or convertible securities, warrants, options or derivatives of Privateco.

Furthermore, during the Relevant Period,

- (i) none of the subsidiaries of Privateco, pension funds of the Privateco Group or advisers to the Privateco as specified in class (2) of the definition of associate under the Takeovers Code had any shareholdings or dealings in any Privateco Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Privateco Shares; and
- (ii) no shareholding in Privateco was managed on a discretionary basis by fund managers connected with Privateco, and no such fund managers connected with Privateco had dealt in any Privateco Shares, warrants, options, derivatives or securities carrying conversion or subscription rights into Privateco Shares.

(c) Interests in CIGL and CASH

I. Interests of Privateco and the Privateco Directors in CIGL and CASH

As at the Latest Practicable Date, Privateco was not interested (as defined in Note 3 to paragraph 2 of Schedule II of the Takeovers Code) in any shares, convertible securities, warrants options or derivatives of CIGL or CASH, the parent company of CIGL.

As at the Latest Practicable Date, save as the interest of Mr Kwan Pak Hoo Bankee in CIGL which is held through CASH as disclosed in the paragraph 3(a)I above, the Privateco Directors are not interested (as defined in Note 3 to paragraph 2 of Schedule II of the Takeovers Code) in any shares, convertible securities, warrants options or derivatives of CIGL.



As at the Latest Practicable Date, the shareholdings of CASH, the parent company of CIGL, in which the Privateco Directors were interested (as defined in Note 3 to paragraph 2 of Schedule II of the Takeovers Code) were as follows:

Name	Number of ordinary shares of CASH held			Approx. percentage of the issued share capital in CASH (%) (Note 1)
	Personal	Family interest	Corporate interest	
Mr Kwan Pak Hoo Bankee	2,840,000	–	176,805,205 (Note 2)	32.42
Mr Law Ping Wah Bernard	18,230,208	–	–	3.29
Mr Leung Siu Pong James	647,300	–	–	0.17

*Note:*

- (1) The total number of issued shares in the capital of CASH as at the Latest Practicable Date was 554,147,785 shares.
- (2) The 176,805,205 shares in CASH were held by Cash Guardian Limited. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these shares held by Cash Guardian Limited as disclosed in paragraph 3(a)I above.

Save as disclosed above, none of the Privateco Directors had any interest (as defined in Note 3 to paragraph 2 of Schedule II of the Takeovers Code) in any shares, convertible securities, warrants, options or derivatives of CASH as at the Latest Practicable Date.

(d) Dealings in securities of CIGL and CASH

During the Relevant Period, neither Privateco nor any of the Privateco Directors had any dealings in shares of CIGL, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of CIGL.

During the Relevant Period, neither Privateco nor any of the Privateco Directors had any dealings in shares of CASH, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of CASH save as disclosed below.

During the period beginning six months prior to the offer period and ending on the Latest Practicable Date, the Privateco Directors had dealings in securities of CASH relating to the rights issue of CASH for 184,715,928 rights shares at a subscription price of HK\$0.30 per rights share (as announced by CASH on 23 April 2013 and was completed on 13 June 2013), details of which are disclosed below:

- I. Privateco Directors purchased of nil-paid rights (stock code: 2908) in respect of CASH shares

Date of dealing	Name of Privateco Director	Number of nil-paid rights acquired	Acquisition price per nil-paid rights (HK\$)
30/5/2013	Mr Kwan Pak Hoo Bankee	1,500,000	0.038
		800,000	0.035
30/5/2013	Mr Law Ping Wah Bernard	2,118,900	0.035

- II. Privateco Directors disposed of nil-paid rights (stock code: 2908) in respect of CASH shares

Date of dealing	Name of Privateco Director	Number of nil-paid rights disposed	Disposal price per nil-paid rights (HK\$)
28/5/2013	Mr Leung Siu Pong James	60,000	0.038
		1,900	0.033

- III. Privateco Directors accepted for rights shares of CASH

Date of allotment	Name of Privateco Director	Number of rights shares accepted	Subscription price per rights shares (HK\$)
13/6/2013	Mr Kwan Pak Hoo Bankee (Note)	61,415,068	0.30
13/6/2013	Mr Law Ping Wah Bernard	7,489,336	0.30
13/6/2013	Mr Leung Siu Pong James	174,500	0.30

*Note:* 58,935,068 rights shares were accepted under Cash Guardian Limited (a company ultimately wholly-owned by Mr Kwan) and 2,480,000 rights shares were accepted under Mr Kwan's personal name.

Save as disclosed above, none of the Privateco Directors had any dealings in shares of CIGL, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of CIGL or any dealings in shares of CASH, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of CASH.

## (e) Miscellaneous

As at the Latest Practicable Date,

- (i) members of the CIGL Concert Party Group (other than CIGL), being Cash Guardian Limited, Dr Chan Yau Ching Bob, Mr Law Ping Wah Bernard and Mr Ng Kung Chit Raymond; and (ii) the Privateco Directors, being Mr Kwan Pak Hoo Bankee (through Cash Guardian Limited), Mr Law Ping Wah Bernard and Mr Ng Hin Sing Derek, have indicated to CIGL that they intend to accept the Privateco Offer in respect of their own beneficial shareholdings in the Privateco. Their respective shareholding interests in the Privateco are set out in the paragraphs 3(a) I and 3(a) II above.

Save as disclosed above:–

- (a) no person had irrevocably committed themselves to accept or reject the Privateco Offer; and
  - (b) no Privateco Director intended, in respect of his own beneficial shareholdings, to accept or reject the Privateco Offer.
- (ii) no benefit (other than statutory compensation) has been or will be given to any Privateco Director as compensation for loss of office or otherwise in connection with the Privateco Offer;
  - (iii) there was no agreement, arrangement or understanding (including any compensation arrangement) between CIGL or any person acting in concert with it and any director, recent director, shareholder or recent shareholder of Privateco which had any connection with or dependence upon the Privateco Offer;
  - (iv) there was no material contract entered into by CIGL in which any Privateco Director had any material personal interest;
  - (v) neither Privateco nor any of the Privateco Directors had borrowed or lent any Privateco Shares; and
  - (vi) save for the pledge of the Privateco Shares held by CIGL as at the Latest Practicable Date and further Privateco Shares to be acquired by CIGL under the Privateco Offer in favour of Wah Sun Finance Limited pursuant to the relevant deed entered into by the parties on 28 June 2013, details of which are set out in paragraph 3(a)I above, there was no agreement or arrangement between any Privateco Director and any other person which is conditional on or dependent upon the outcome of the Privateco Offer or otherwise connected with the Privateco Offer.

#### 4. MARKET PRICES

As the Privateco Shares are not listed on the Stock Exchange or any other stock exchanges, there is no information in relation to the prices of the Privateco Shares quoted on the Stock Exchange or any other stock exchanges.

## 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no service contract with Privateco or any of its subsidiaries or associated companies in force for the Privateco Directors which: (i) (including both continuous and fixed term contracts) has been entered into or amended during the Relevant Period; (ii) is a continuous contract with a notice period of 12 months or more; or (iii) is a fixed term contract with more than 12 months to run irrespective of the notice period.

## 6. MATERIAL CONTRACTS

The following contracts are contracts that are or may be material, not being contracts entered into during the ordinary course of business, and has been entered into by the Privateco Group within two years before the commencement of the offer period for the Privateco Offer :

- (a) the provisional sale and purchase agreement dated 25 July 2011 and the relevant assignment dated 25 October 2011 entered into between Richwell Target Limited (a wholly-owned subsidiary of the Privateco) and Big Star Asia Pacific Limited (independent third party) in relation to the disposal of Pricerite Group Building located at No. 6 Hong Ting Road, Sai Kung, New Territories (Lot No. 1002 in Demarcation District 215) by the Privateco Group at the consideration of HK\$123,500,000;
- (b) the renewal agreement dated 14 December 2011 entered into between CASH and the Privateco in relation to renewal of the lease arrangement of office premises for two years commencing from 1 January 2012 and expiring on 31 December 2013 at rental not exceeding HK\$5 million per annum.

## 7. LITIGATION

As at the Latest Practicable Date, neither the Privateco nor any other company in the Privateco Group engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Privateco Directors to be pending or threatened against either the Privateco or any other company in the Privateco Group.

## 8. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualifications of the experts who have given opinion or advice which is contained in this Composite Document:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	BVI legal advisers to the Privateco
Celestial Capital	A licensed corporation under the SFO which is engaged in types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities, and the financial adviser to CIGL

Vinco Capital	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the Independent Financial Adviser to the Independent Privateco Shareholders
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Each of Deloitte Touche Tohmatsu, Conyers Dill & Pearman, Celestial Capital and Vinco Capital has given and has not withdrawn its consent to the issue of this Composite Document with the inclusion of its report or letter (as the case may be) and references to its name included in the form and context in which it respectively appears.

## 9. MISCELLANEOUS

- (a) CIGL is a wholly-owned subsidiary of CASH.
- (b) The registered office of CIGL is at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of CIGL is at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong. The CIGL Directors are Mr Kwan Pak Hoo Bankee, Dr Chan Yau Ching Bob, Mr Law Ping Wah Bernard and Mr Ng Kung Chit Raymond.
- (c) The registered office of the Privateco is at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of the Privateco is at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong. The Privateco Directors are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard, Mr Ng Hin Sing Derek and Mr Leung Siu Pong James.
- (d) The registered office of CASH is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and the principal place of business of CASH in Hong Kong are at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong. The CASH Board comprises Mr Kwan Pak Hoo Bankee, Dr Chan Yau Ching Bob, Mr Law Ping Wah Bernard, Mr Ng Kung Chit Raymond, Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin.
- (e) The secretary of CASH is Ms Luke Wing Sheung Suzanne.
- (f) The branch share registrars and transfer office of CASH in Hong Kong is Tricor Standard Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (g) The registered office and correspondence address of Celestial Capital are at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong and 21/F Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong respectively.
- (h) The registered office and correspondence address of Vinco Capital are at Unit 4909-4910, 49/F, The Center, 99 Queen's Road Central, Hong Kong.
- (i) The English text of this document and the Form of Acceptance and Transfer shall prevail over the Chinese text in the case of inconsistency.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection from the date of this document up to and including the closing date of the Privateco Offer (i) between 9:00 am and 6:00 pm on Monday to Friday, excluding public holidays, at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong; (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); and (iii) on the website of CASH ([www.cash.com.hk](http://www.cash.com.hk)):

- (a) the memorandum and articles of association of the Privateco;
- (b) the memorandum and articles of association of CIGL;
- (c) the accountants' report of the Privateco Group, the text of which is set out in Appendix II to this Composite Document;
- (d) the letter of advice from Conyers Dill and Pearman summarising certain aspects of the BVI company law to the Privateco, the text of which is set out in Appendix III to this Composite Document;
- (e) the letter from Celestial Capital as set out in this Composite Document;
- (f) the letter from the Privateco Board as set out in this Composite Document;
- (g) the letter from Vinco Capital as set out in this Composite Document;
- (h) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;
- (i) the written consent referred to in the paragraph headed "Expert's qualification and consent" in this Appendix;
- (j) the CASH Circular; and
- (k) the CFSG Circular.