

---

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

---

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

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

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

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

---



江蘇宏圖科技股份有限公司

(JIANGSU HONGTU HIGH TECHNOLOGY CO., LTD\*)

(A joint stock company incorporated  
in the People's Republic of China with limited liability)

JIANGSU HONGTU HIGH TECHNOLOGY

(HONG KONG) CO. LIMITED

(江蘇宏圖高科技(香港)股份有限公司)

(A company incorporated in Hong Kong with limited liability)

HONGTU HIGH TECHNOLOGY INT'L INC.

(An international business company  
incorporated in the Republic of Seychelles)



IDT INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 167)

**(1) COMPOSITE DOCUMENT RELATING TO  
THE UNCONDITIONAL MANDATORY CASH OFFERS BY  
HUATAI FOR AND ON BEHALF OF THE OFFEROR  
TO ACQUIRE ALL THE ISSUED SHARES OF THE COMPANY  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING  
IN CONCERT WITH IT (OTHER THAN THE SELLERS))  
AND FOR THE CANCELLATION OF  
ALL OUTSTANDING OPTIONS OF THE COMPANY; AND  
(2) OFFERS HAVE BECOME UNCONDITIONAL IN ALL RESPECTS  
AS AT THE DATE OF DESPATCH OF THIS COMPOSITE DOCUMENT**

**Financial Adviser to the Offeror**



**華泰金融控股(香港)有限公司**

HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

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



**SOMERLEY CAPITAL LIMITED**

---

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

A letter from Huatai containing, amongst other things, details of the terms and conditions of the Offers is set out on pages 9 to 23 of this Composite Document. A letter from the Board is set out on pages 24 to 32 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Offer Shareholders and the Optionholders in respect of the Offers is set out on pages 33 to 34 of this Composite Document. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in respect of the Offers is set out on pages 35 to 56 of this Composite Document.

The procedures for acceptance and settlement of the Offers are set out on pages 57 to 67 in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance.

Acceptances of the Share Offer must be received by the Registrar, Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong by no later than 4:00 p.m. on Wednesday, April 15, 2015 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code. Acceptance of the Option Offer must be received by the company secretary of the Company at Block C, 9th Floor, Kaiser Estate Phase 1, 41 Man Yue Street, Hung Hom, Kowloon, Hong Kong by no later than 4:00 p.m. on Wednesday, April 15, 2015 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form(s) of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "Important Notices" contained in this Composite Document before taking any action. It is the responsibility of each Overseas Holder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Holders are advised to seek professional advice on deciding whether to accept the Offers.

March 25, 2015

\* for identification purpose only

---

## CONTENTS

---

	<i>Page</i>
<b>EXPECTED TIMETABLE</b> .....	ii
<b>IMPORTANT NOTICES</b> .....	1
<b>DEFINITIONS</b> .....	2
<b>LETTER FROM HUATAI</b> .....	9
<b>LETTER FROM THE BOARD</b> .....	24
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	33
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	35
<b>APPENDIX I – FURTHER TERMS OF THE OFFERS AND PROCEDURES OF ACCEPTANCE AND SETTLEMENT</b> .....	57
<b>APPENDIX II – FINANCIAL INFORMATION OF THE GROUP</b> .....	68
<b>APPENDIX III – GENERAL INFORMATION OF THE GROUP</b> .....	147
<b>APPENDIX IV – GENERAL INFORMATION OF THE OFFEROR</b> .....	155
<b>ACCOMPANYING DOCUMENTS</b>	
– WHITE FORM OF SHARE OFFER ACCEPTANCE	
– PINK FORM OF OPTION OFFER ACCEPTANCE	

---

## EXPECTED TIMETABLE

---

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

Despatch date of this Composite Document and the accompanying Form(s) of Acceptance ( <i>Note 1</i> ) . . . . .	Wednesday, March 25, 2015
Commencement date of the Offers . . . . .	Wednesday, March 25, 2015
Latest time and date for acceptance of the Offers ( <i>Notes 2 and 3</i> ) . . . . .	4:00 p.m. on Wednesday, April 15, 2015
Offer Closing Date ( <i>Notes 4 and 5</i> ) . . . . .	Wednesday, April 15, 2015
Announcement of the results of the Offers on the website of the Stock Exchange ( <i>Note 4</i> ) . . . . .	By 7:00 p.m. on Wednesday, April 15, 2015
Latest date of posting of remittances in respect of valid acceptances received under the Offers ( <i>Note 3</i> ) . . . . .	Friday, April 24, 2015

*Notes:*

- (1) The Offers are made on March 25, 2015, the date of this Composite Document, and are unconditional in all respects. The Offers are capable of acceptance on and from that date until the Offer Closing Date.
- (2) Beneficial owners of Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Acceptances of the Offers are irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to paragraph 7 headed “Right of Withdrawal” in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.
- (3) Remittances in respect of the cash consideration for the Offer Shares or the Options tendered under the Offers (after deducting the sellers’ ad valorem stamp duty) will be despatched to the accepting Shareholder(s) (to the address specified on the relevant Shareholder’s **WHITE** Form of Share Offer Acceptance) or the accepting Optionholder(s) (to the company secretary of the Company for collection by the relevant Optionholder(s)) by ordinary post at his/her/its own risk as soon as possible, but in any event within seven (7) Business Days of the date on which the duly completed acceptance of the Offers and the relevant documents of title of the Shares or the Options (as the case may be) in respect of such acceptance are received by the Registrar (in the case of Offer Share) or the company secretary of the Company (in the case of Options) to render each such acceptance of any of the Share Offer and the Option Offer complete and valid.
- (4) The Offers must remain open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offers will be closed at 4:00 p.m. on the Offer Closing Date unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on the Offer Closing Date stating the results of the Offers and whether the Offers have been revised or extended or have expired. In the event that the Offeror decides that the Offers will remain open, the announcement will state the next closing date of the Offers or that the Offers will remain open until further notice. In the latter case, at least 14 days’ notice in writing will be given, before the Offers are closed, to those Offer Shareholders and Optionholders who have not accepted the Offers.

---

## EXPECTED TIMETABLE

---

- (5) If there is a tropical cyclone warning signal number 8 or above or a black rainstorm warning signal in force on the Offer Closing Date and it is (i) not cancelled in time for trading on the Stock Exchange to resume in the afternoon on the Offer Closing Date, the time and date of the close of the Offers will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) cancelled in time for trading on the Stock Exchange to resume in the afternoon on the Offer Closing Date, the time and date of the close of the Offers will be the same day, i.e., 4:00 p.m. on the Offer Closing Date.

---

## **IMPORTANT NOTICES**

---

### **NOTICE TO HOLDERS OUTSIDE HONG KONG**

The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Holders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offers to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror, Huatai and any other person involved in the Offers shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see “Overseas Holders” in the “Letter from Huatai”.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws.

---

## DEFINITIONS

---

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

“2002 Options”	all unexpired and unexercised options (whether or not exercisable) issued by the Company under the share option scheme adopted by the Company on August 28, 2002
“2012 Options”	all unexpired and unexercised options (whether or not exercisable) issued by the Company under the share option scheme adopted by the Company on August 29, 2012
“Acquisition”	the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code, as extended to include persons presumed to be acting in concert
“associate(s)”	has the meaning ascribed thereto under the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Call Option”	Jiangsu Hongtu’s right to require the Sellers to sell to it all or any part of the Retained Shares during the Call Option Period free from all Third Party Rights in accordance with the terms of the Offers
“Call Option Period”	the period between Closing and the end of the Call Option Settlement Date (both dates inclusive)
“Call Option Record Date”	a day that is the 19th day following the date of despatch of this Composite Document, being Monday, April 13, 2015
“Call Option Settlement Date”	a day that is the first day following the Call Option Record Date, being Tuesday, April 14, 2015
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing”	closing of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement

---

## DEFINITIONS

---

“Company”	IDT International Limited (萬威國際有限公司*), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code 167)
“Composite Document”	this composite offer document and offeree board circular in respect of the Offers jointly despatched by the Offeror and the Company in accordance with the Takeovers Code
“connected person”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Dr. Chan”	Dr. Raymond Chan (陳煒文), the founder of the Group, the Chairman of the Board and Group Chief Executive Officer, an executive Director, and is the spouse of Mrs. Chan
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Facility”	the loan facility, pursuant to a facility agreement dated February 13, 2015 and entered into among Huatai Capital Finance Limited, as lender, Hongtu (HK), as borrower, and Sanpower Group, as guarantor, of an amount of up to HK\$281 million in respect of the financing of the Offers
“Form(s) of Acceptance”	the <b>WHITE</b> Form of Share Offer Acceptance and the <b>PINK</b> Form of Option Offer Acceptance accompanying this Composite Document
“Group”	the Company and its subsidiaries
“HISAP”	宏圖三胞高科技有限公司 (Hisap High Technology Corporation*), a company incorporated in the PRC and is a wholly-owned subsidiary of Jiangsu Hongtu
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hongtu (HK)”	Jiangsu Hongtu High Technology (Hong Kong) Co. Limited (江蘇宏圖高科技(香港)股份有限公司), a company incorporated in Hong Kong with limited liability, which is a direct wholly-owned subsidiary of Jiangsu Hongtu

---

## DEFINITIONS

---

“Hongtu (Seychelles)”	Hongtu High Technology Int’l Inc., an international business company incorporated in the Republic of Seychelles, which is a direct wholly-owned subsidiary of Hongtu (HK)
“Huatai”	Huatai Financial Holdings (Hong Kong) Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) activities under the SFO, being the financial adviser to the Offeror in respect of the Offers
“IDTL”	Integrated Display Technology Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Dr. Chan
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors who, save for their interests in the Shares and Options as disclosed in the Joint Announcement and this Composite Document, have no direct or indirect interest in the Offers to advise and give recommendation to the Offer Shareholders and Optionholders in respect of the Offers and as to acceptance of the Offers
“Independent Financial Adviser” or “Sommerley”	Sommerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) activities under the SFO, being the independent financial adviser to the Independent Board Committee in respect of the Offers
“Initial Announcement”	the announcement issued by the Company dated January 15, 2015 in relation to a possible disposal of Shares by Dr. Chan and Mrs. Chan pursuant to Rules 3.7 and 3.8 of the Takeovers Code
“Jiangsu Hongtu”	江蘇宏圖高科技股份有限公司 (Jiangsu Hongtu High Technology Co., Ltd*), a joint stock company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600122)
“Joint Announcement”	the announcement dated February 18, 2015 jointly issued by the Company and the Offeror, in relation to, among other things, the Acquisition, the Call Option and the Offers



---

## DEFINITIONS

---

“Last Trading Day”	February 12, 2015, being the last full trading day immediately prior to the trading halt of the Shares pending the release of the Joint Announcement
“Latest Practicable Date”	March 23, 2015, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan extended by Sanpower (Hong Kong) Company Limited (三胞(香港)有限公司), as lender to Hongtu (HK), as borrower, of an amount up to HK\$300 million in respect of the financing of the Acquisition pursuant to the Sale and Purchase Agreement and part of the Offers
“Main Board”	the Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Mrs. Chan”	Mrs. Chan Pau Shiu Yeng, Shirley (陳鮑雪瑩), a co-founder of the Group, an executive Director, and is the spouse of Dr. Chan
“Nominee”	a direct or indirect wholly-owned subsidiary of Jiangsu Hongtu
“Offer Closing Date”	Wednesday, April 15, 2015, being the closing date of the Offers which is not less than 21 days following the date on which this Composite Document was posted (or such other date as revised or extended in accordance with the Takeovers Code)
“Offer Period”	the period from January 15, 2015, being the date of the Initial Announcement to 4:00 p.m. on the Offer Closing Date, or such other time and/or date to which the Offeror may decide to revise or extend the Offer in accordance with the Takeovers Code
“Offer Price”	HK\$0.2181 per Offer Share
“Offer Share(s)”	all the Share(s) in issue, other than already owned or agreed to be acquired by the Offeror and parties acting in concert with it (other than the Sellers), which are subject to the Share Offer

---

## DEFINITIONS

---

“Offer Shareholder(s)”	holder(s) of the Share(s), other than the Offeror and parties acting in concert with it (other than the Sellers)
“Offeror”	collectively, Jiangsu Hongtu, Hongtu (HK) and Hongtu (Seychelles)
“Offers”	the Share Offer and the Option Offer
“Optionholder(s)”	holder(s) of the Option(s)
“Option Offer”	the unconditional mandatory cash offer made by Huatai, for and on behalf of the Offeror for the cancellation of all the outstanding Options held by the Optionholders in accordance with the Takeovers Code (excluding the Sellers’ Exercisable Options and the Sellers’ Non-Exercisable Options) and the terms contained in this Composite Document
“Options”	either the 2002 Options or the 2012 Options, an Option is any one of them
“Overseas Holders”	Shareholder(s) and/or Optionholder(s) whose addresses, as shown on the register of members and register of Optionholders, are outside of Hong Kong
“ <b>PINK</b> Form of Option Offer Acceptance”	the pink form of acceptance and cancellation of all outstanding Options in respect of the Option Offer
“PRC”	the People’s Republic of China, (excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this Composite Document)
“Raymax”	Raymax Time Company Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mrs. Chan
“Registrar”	Union Registrars Limited, the Hong Kong branch share registrar and transfer office of the Company, situated at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong
“Relevant Options”	55,750,000 Options, being all Options issued by the Company except for 7,800,000 Options not held by Dr. Chan and Mrs. Chan and 5,200,000 Options held by Dr. Chan and Mrs. Chan, the exercise prices of which are higher than the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day

---

## DEFINITIONS

---

“Relevant Period”	the period commencing July 15, 2014, being the date falling six months before January 15, 2015, being the date of the Initial Announcement, up to and including the Latest Practicable Date
“Retained Shares”	168,116,160 Shares (representing approximately 6.55% of the issued share capital of the Company as at the Latest Practicable Date), being the subject of the Call Option, that the Sellers held or were otherwise interested in as at the Latest Practicable Date
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated February 18, 2015 entered into between the Sellers and Jiangsu Hongtu in relation to (i) the Acquisition, and (ii) the Call Option
“Sale Shares”	1,145,146,990 Shares acquired by Jiangsu Hongtu pursuant to the Sale and Purchase Agreement, representing approximately 44.59% of the entire issued share capital of the Company as at the Latest Practicable Date
“Sale Shares Consideration”	HK\$249,756,559, being the total consideration for all the Sale Shares under the Sale and Purchase Agreement
“Sanpower Group”	三胞集團有限公司 (Sanpower Group Co., Ltd.*) is a conglomerate incorporated in the PRC, controlled by Mr. Yuan Yafei (袁亞非先生) and is engaging in finance and investment, retail and trading, information services, medical and health care, and real estate development. Sanpower Group is the single largest shareholder of Jiangsu Hongtu, holding approximately 21.68% of its issued share capital as at the Latest Practicable Date. Sanpower (HK) Co., Ltd., the lender of the Loan, is a wholly-owned subsidiary of Sanpower Group. Sanpower Group is also the guarantor under the Facility
“Sellers”	Dr. Chan, Mrs. Chan, IDTL and Raymax
“Sellers’ Exercisable Options”	10,000,000 Options, which are non-transferrable, (the exercise price of which is HK\$0.104 per Option which is lower than the Offer Price) of the 15,200,000 Options held by Dr. Chan and Mrs. Chan
“Sellers’ Non-Exercisable Options”	5,200,000 Options, which are non-transferrable, (the exercise price of which is HK\$0.529 per Option, which is higher than the Offer Price) of the 15,200,000 Options held by Dr. Chan and Mrs. Chan
“SFC”	the Securities and Futures Commission of Hong Kong

---

## DEFINITIONS

---

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Mortgage”	the share mortgage which may be granted by Hongtu (Seychelles) as chargor in favour of Huatai Capital Finance Limited as lender over the Shares acquired or to be acquired by the Offeror pursuant to the Sale and Purchase Agreement and the Offers, respectively, to secure the Facility
“Share Offer”	the unconditional mandatory cash offer made by Huatai, for and on behalf of the Offeror for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it (other than the Sellers)) in accordance with the Takeovers Code and the terms contained in this Composite Document
“Share Option Schemes”	the share option schemes under which the 2002 Options and the 2012 Options are granted
“Stock Exchange” or “SEHK”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers published by the SFC
“Third Party Rights”	any interest or equity of any person (including any right to acquire, option or right of pre-emption or conversion) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention or any other security agreement or arrangement, or any agreement to create any of the above
“ <b>WHITE</b> Form of Share Offer Acceptance”	the white form of acceptance and transfer of Shares in respect of the Share Offer

\* *For identification purpose only*

1. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments.
2. The singular includes the plural and vice versa, unless the context otherwise requires.
3. References to any Appendix, paragraphs and any sub-paragraphs of them are references to the Appendices to, and paragraphs of, this Composite Document and any sub-paragraphs of them respectively.
4. References to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Composite Document.
5. Reference to one gender is a reference to all or any genders.

---

## LETTER FROM HUATAI

---



March 25, 2015

*To the Offer Shareholders and Optionholders*

Dear Sir/Madam,

**(1) COMPOSITE DOCUMENT RELATING TO  
THE UNCONDITIONAL MANDATORY CASH OFFERS BY  
HUATAI FOR AND ON BEHALF OF THE OFFEROR  
TO ACQUIRE ALL THE ISSUED SHARES OF THE COMPANY  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING  
IN CONCERT WITH IT (OTHER THAN THE SELLERS))  
AND FOR THE CANCELLATION OF  
ALL OUTSTANDING OPTIONS OF THE COMPANY; AND  
(2) OFFERS HAVE BECOME UNCONDITIONAL IN ALL RESPECTS  
AS AT THE DATE OF DESPATCH OF THIS COMPOSITE DOCUMENT**

### INTRODUCTION

On February 18, 2015, the Offeror and the Company jointly announced that Jiangsu Hongtu as purchaser and the Sellers entered into the Sale and Purchase Agreement, pursuant to which the Sellers conditionally agreed to sell or procure the sale of, and Jiangsu Hongtu conditionally agreed to purchase or procure its Nominee to purchase, the Sale Shares for a cash consideration in an aggregate sum of HK\$249,756,559 (equivalent to HK\$0.2181 per Sale Share (rounded to 4 decimal places, being the Offer Price)).

In addition, under the Sale and Purchase Agreement, the Sellers jointly and severally granted to Jiangsu Hongtu the right (but not the obligation) at Jiangsu Hongtu's sole discretion and subject to Closing having taken place, to require, during the Call Option Period, the Sellers to sell, whereupon the Sellers shall tender for acceptance, or procure the tender for acceptance under the Share Offer of, all or any part of the Retained Shares at the Offer Price. None of the rights and obligations under the Call Option may be assigned or transferred by Jiangsu Hongtu without the prior written consent of the Sellers. If Jiangsu Hongtu exercises the Call Option, any of the Retained Shares to be acquired shall be acquired as part of the Share Offer and at the Offer Price.

Under the Call Option, Jiangsu Hongtu and/or its Nominee may purchase such number of Retained Shares as will enable Jiangsu Hongtu and/or its Nominee together to hold not less than but also not more than 50.50% of the total issued share capital of the Company (as enlarged by such number of Shares to be issued pursuant to the exercise of any of the Relevant Options) at 6:00 p.m. on the Call Option Record Date.

---

## LETTER FROM HUATAI

---

Closing took place on March 23, 2015 whereby the Sale Shares were transferred by the Sellers to Hongtu (Seychelles) as the Nominee. At Closing, Jiangsu Hongtu exercised the Call Option in full. Upon the full exercise of the Call Option, the Sellers are bound to tender such number of Retained Shares as determined on the Call Option Record Date based on the issued share capital of the Company (as enlarged by such number of Shares to be issued pursuant to the exercise of any of the Relevant Options) on such day for acceptance no later than 1:00 p.m. on the Call Option Settlement Date and the Offeror are bound to acquire such Retained Shares, if any, in each case, as part of and in accordance with the terms of the Share Offer. The Sellers shall be paid in respect of such Retained Shares, if any, as to be accepted by the Offeror under the Share Offer in accordance with the Takeovers Code.

Immediately prior to Closing, the Sellers beneficially owned an aggregate of 1,430,717,675 Shares, representing approximately 55.71% of the issued share capital of the Company as at the Latest Practicable Date, while the Offeror and parties acting in concert with it (other than the Sellers) were not interested in any Shares other than the interest in the Sale Shares under the Sale and Purchase Agreement, including the Call Option.

Immediately upon Closing, the Sellers beneficially owned an aggregate of 285,570,685 Shares, representing approximately 11.12% of the issued share capital of the Company as at the Latest Practicable Date.

By virtue of the existence and the terms of the Call Option only, the Sellers are considered as persons acting in concert with the Offeror.

Immediately following Closing, the Offeror beneficially owned 1,145,146,990 Shares, representing approximately 44.59% of the entire issued share capital of the Company as at the Latest Practicable Date and together with the parties acting in concert with it (including the Sellers) owned an aggregate of 1,430,717,675 Shares, representing approximately 55.71% of the entire issued share capital of the Company as at the Latest Practicable Date. Accordingly, upon Closing, the Offeror is required to make (i) an unconditional mandatory cash offer for all the issued Shares (including the Retained Shares), other than those Shares already owned by or agreed to be acquired by the Offeror or parties acting in concert with it (other than the Sellers) pursuant to Rule 26.1 of the Takeovers Code, and (ii) an appropriate offer to the Optionholders for the cancellation of the outstanding Options (other than the Sellers' Exercisable Options and the Sellers' Non-Exercisable Options) pursuant to Rule 13 of the Takeovers Code.

This letter sets out, among other things, the details of the Offers, information on the Offeror and the intention of the Offeror regarding the Group. The terms and procedures of acceptance of the Offers are set out in this letter, Appendix I to this Composite Document of which this letter forms part, and the accompanying Form(s) of Acceptance. Terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise requires.

The Offer Shareholders and the Optionholders are strongly advised to consider carefully the information contained in the "Letter from the Board", "Letter from the Independent Board Committee" and "Letter from the Independent Financial Adviser" as set out in this Composite Document.

---

## LETTER FROM HUATAI

---

### UNCONDITIONAL MANDATORY CASH OFFERS

Huatai is making the Offers for and on behalf of the Offeror to all the Offer Shareholders for all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it (other than the Sellers)) and to the Optionholders for the cancellation of all outstanding Options in compliance with Rules 26.1 and 13 of the Takeovers Code, respectively, on the following basis:

#### **The Share Offer**

For each Offer Share . . . . . HK\$0.2181

The Offer Price of HK\$0.2181 for each Offer Share is the same as the purchase price per Sale Share of HK\$0.2181 pursuant to the Sale and Purchase Agreement.

The Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all Third Party Rights and together with all rights of any nature attaching to them as at the date of despatch of the Composite Document, including the rights to receive all dividends and distribution declared, made or paid on or after the date of despatch of the Composite Document.

#### **The Option Offer**

The Company has in issue, two Share Option Schemes. An Option granted under the Share Option Schemes may be exercised in accordance with the terms of the respective Share Option Schemes at any time during a period as determined by the Board and not exceeding ten (10) years from the date of the grant.

In accordance with the terms of the Share Option Schemes, upon the making of a general offer to all the Offer Shareholders to acquire the Shares and such offer is declared unconditional, the Optionholders are entitled to exercise the Options (to the extent not already exercised) at any time until whichever is the earlier of (i) the date of expiry of the Option period, or (ii) the last day of the period of 14 days after the date on which the Share Offer, when made in accordance with this Composite Document, becomes or is declared unconditional (i.e., Wednesday, April 8, 2015), after which the Option shall lapse. In addition, under the terms of the Share Option Schemes, the Options are not assignable, and Optionholders may not in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option or purport to do any of the foregoing.

For each Option with exercise price  
below the Offer Price . . . . . HK\$0.2181 less the exercise price  
in respect of the relevant Option

For each Option with exercise price  
above the Offer Price . . . . . HK\$0.0001

---

## LETTER FROM HUATAI

---

*Note:*

The offer price per Option under the Option Offer is illustrated in the following table:

Option	Exercisable period of the Options	Exercise price per Share	Number of new Shares issued upon exercise of Options (excluding 15,200,000 Options held by Dr. Chan and Mrs. Chan)	Offer price per Option
2002 Options	November 29, 2007 to November 28, 2015	HK\$0.548	884,000	HK\$0.0001
	November 29, 2008 to November 28, 2015	HK\$0.548	884,000	HK\$0.0001
	December 1, 2006 to November 30, 2015 <i>(Note 1)</i>	HK\$0.529	3,120,000	HK\$0.0001
	December 1, 2012 to November 30, 2020	HK\$0.222	2,875,000	HK\$0.0001
	December 1, 2013 to November 30, 2020	HK\$0.222	2,875,000	HK\$0.0001
	December 12, 2013 to December 11, 2021 <i>(Note 2)</i>	HK\$0.104	4,125,000	HK\$0.1141
	December 12, 2014 to December 11, 2021 <i>(Note 3)</i>	HK\$0.104	4,625,000	HK\$0.1141
	April 18, 2015 to April 17, 2022	HK\$0.136	1,500,000	HK\$0.0821
2012 Options	December 3, 2013 to December 2, 2022	HK\$0.131	1,000,000	HK\$0.0871
	December 3, 2014 to December 2, 2022	HK\$0.131	1,500,000	HK\$0.0871
	March 27, 2015 to March 26, 2023	HK\$0.130	750,000	HK\$0.0881
	June 27, 2015 to June 26, 2023	HK\$0.134	2,500,000	HK\$0.0841
	July 7, 2015 to July 6, 2024	HK\$0.172	1,750,000	HK\$0.0461
	July 7, 2016 to July 6, 2024	HK\$0.172	1,750,000	HK\$0.0461

*Notes:*

1. Excluding the Sellers' Non-Exercisable Options.
2. Excluding the Sellers' Exercisable Options.
3. Excluding the Sellers' Exercisable Options.



---

## LETTER FROM HUATAI

---

As at the Latest Practicable Date, the Company had 45,338,000 Options conferring rights on the Optionholders to subscribe for Shares. Excluding the Sellers' Exercisable Options and the Sellers' Non-Exercisable Options, the Company had 30,138,000 Options outstanding. Out of the 30,138,000 outstanding Options, there were 19,500,000 Options with exercise prices which are lower than the Offer Price. On this basis, the Option Offer will be calculated on a "see-through" basis, pursuant to which each Optionholder will be entitled to receive a sum for each Option equivalent to the amount calculated by deducting the relevant exercise price payable on exercise of the relevant Option from the Offer Price. For the remaining outstanding Options, there were 10,638,000 Options with exercise prices which are above the Offer Price. As the exercise prices of these 10,638,000 Options are out-of-the money, the Option Offer for each of these Options is made at a nominal price of HK\$0.0001.

The Option Offer will be extended to all eligible Optionholders in accordance with the Takeovers Code, other than to the Sellers in respect of the Sellers' Exercisable Options and the Sellers' Non-Exercisable Options.

### **OFFERS HAVE BECOME UNCONDITIONAL IN ALL RESPECTS**

At Closing, the Sale Shares were transferred by the Sellers to Hongtu (Seychelles) as the Nominee and Jiangsu Hongtu exercised the Call Option with respect to all the Retained Shares. Accordingly, as of Closing, the Offeror and parties acting in concert with it together held more than 50% of the voting rights of the Company. There are no other conditions to the Offers.

As the Share Offer has become unconditional in all respects, Huatai, on behalf of the Offeror, hereby announces that the Offers have become unconditional in all respects on the date of despatch of this Composite Document.

Huatai, on behalf of the Offeror, hereby announces that the Offers will remain open for acceptance until 4:00 p.m. on Wednesday, April 15, 2015, being the Offer Closing Date which is not less than 21 days following the date on which this Composite Document was posted (or such other date as revised or extended in accordance with the Takeovers Code).

In the event that the Offeror decides that the Offers will remain open, an announcement will state the next closing date of the Offers or that the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given, before the Offers are closed, to those Offer Shareholders and Optionholders who have not accepted the Offers.

Offer Shareholders are advised to refer to Appendix I to this Composite Document and the **WHITE** Form of Share Offer Acceptance for details of acceptance procedures if they wish to accept the Share Offer. Optionholders are advised to refer to Appendix I to this Composite Document and the **PINK** Form of Option Offer Acceptance for details of acceptance procedures if they wish to accept the Option Offer.

---

## LETTER FROM HUATAI

---

### VALUE OF THE OFFERS

#### Comparisons of value

The Offer Price of HK\$0.2181 per Offer Share represents:

	<b>Share price of the Company</b> <i>HK\$</i>	<b>Premium/ (Discount) of the Offer Price to the share price</b> <i>Approximate %</i>
Closing price as quoted on the Stock Exchange on September 8, 2014, being the trading date immediately prior to the trading halt of the Shares on September 10, 2014 and the announcement of the Company published on the same day disclosing that the controlling shareholders of the Company are involved in informal preliminary discussions with potential interested parties for the possible disposal of their Shares	0.2750	(20.69)
Closing price as quoted on the Stock Exchange on December 10, 2014, being the trading date immediately after the announcement of the Company published on December 9, 2014 informing the public that as far as the controlling shareholders of the Company were concerned, discussions on such possible disposals had come to an end at that time	0.4000	(45.48)
Closing price as quoted on the Stock Exchange on January 14, 2015, being the trading date immediately prior to the trading halt of the Shares on January 15, 2015 and the announcement of the Company published on the same day disclosing that the controlling shareholders of the Company were involved in discussions with a potential interested party (who was a different party to that who was the subject of the announcement made by the Company on September 10, 2014) for the possible disposal of their Shares	0.6100	(64.25)
Closing price as quoted on the Stock Exchange on the Last Trading Day	0.5000	(56.38)
Average closing price for the five consecutive trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Day	0.4950	(55.94)

---

## LETTER FROM HUATAI

---

	<b>Share price of the Company HK\$</b>	<b>Premium/ (Discount) of the Offer Price to the share price Approximate %</b>
Average closing price for the ten consecutive trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Day	0.5055	(56.85)
Average closing price for the 30 consecutive trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Day	0.5215	(58.18)
Closing price as quoted on the Stock Exchange on the Latest Practicable Date	0.6100	(64.25)
Audited (consolidated) net asset value attributable to the Shareholders per Share based on 2,504,521,088 Shares in issue as at March 31, 2014	0.1915	13.89
Unaudited (consolidated) net asset value attributable to the Shareholders per Share based on 2,507,521,088 Shares in issue as at September 30, 2014	0.1865	16.94

### **Highest and lowest trading prices**

During the six-month period immediately preceding January 15, 2015 (being the date of commencement of the Offer Period for the Offers), the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.83 per Share on October 8, 2014 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.18 per Share on July 17, 2014.

### **Value of the Offers**

- (i) As at the Latest Practicable Date, there were 2,568,183,088 Shares in issue, and the entire issued share capital of the Company was valued at approximately HK\$560,120,732 on the basis of the Offer Price of HK\$0.2181 per Share.
- (ii) Assuming that (a) there is no change in the issued share capital of the Company after the Latest Practicable Date, (b) none of the outstanding Options is exercised prior to the close of the Offers (other than the Sellers' Exercisable Options which will be exercised before they lapse during the Offer Period), and (c) the Sellers' Non-Exercisable Options will not be tendered for acceptance under the Option Offer, the Offers are valued at approximately HK\$312,142,187 in aggregate.

---

## LETTER FROM HUATAI

---

- (iii) Assuming that (a) all Options (other than the Sellers' Non-Exercisable Options) are exercised before they lapse prior to the close of the Offers, and (b) all Shares issued on the exercise of Options (other than the Shares issued on the exercise of the Sellers' Exercisable Options) will be tendered for acceptance under the Share Offer, the Offers are valued at approximately HK\$316,937,271 in aggregate.

### UNDERTAKINGS

Under the Sale and Purchase Agreement and in connection with the Call Option, each of the Sellers undertook to Jiangsu Hongtu:

- (a) not to (i) withdraw any acceptance of the Offers in respect of the relevant Retained Shares, notwithstanding any withdrawal rights that may be afforded to the Shareholders and/or the Optionholders under the Takeovers Code or in the terms and conditions of the Offers, and (ii) before the Offers close, lapse or are withdrawn, other than pursuant to the Offers, sell, transfer, charge, encumber, grant any option over (or cause the same to be done) or otherwise dispose of any interest in the Retained Shares (other than to Jiangsu Hongtu and/or its Nominee in accordance with the terms of the Sale and Purchase Agreement); and
- (b) that he/she/it shall not (and shall procure that none of the parties acting in concert with him/her/it shall, other than Jiangsu Hongtu) (i) acquire any Shares at a price which is above the Offer Price, and/or (ii) exercise any Options where the exercise price of which is higher than the Offer Price, from the date of the Sale and Purchase Agreement until the end of the Offer Period.

Under the Sale and Purchase Agreement and in connection with the Sellers' Exercisable Options and the Sellers' Non-Exercisable Options, each of Dr. Chan and Mrs. Chan has undertaken to Jiangsu Hongtu:

- (a) that he/she shall exercise the relevant Sellers' Exercisable Options before they lapse during the Offer Period and that such Shares issued on the exercise of the relevant Sellers' Exercisable Options shall not be (i) tendered for acceptance under the Share Offer, (ii) sold, transferred or otherwise disposed of those Shares to other parties during the Offer Period, or (iii) otherwise made available for acceptance under the Offers; and
- (b) that he/she shall not (i) exercise any Sellers' Non-Exercisable Options before they lapse during the Offer Period, or (ii) tender any Sellers' Non-Exercisable Options for acceptance under the Offers.

At Closing, each of Dr. Chan and Mrs. Chan had not exercised the relevant Sellers' Exercisable Options.

---

## LETTER FROM HUATAI

---

### CONFIRMATION OF FINANCIAL RESOURCES

The Offeror will finance the Offers by the Loan and the Facility.

The proceeds from the Loan which is sufficient to satisfy the settlement of (i) the acquisition of the Sale Shares under the Sale and Purchase Agreement; and (ii) the remaining balance (if any) to partly finance the Offers, has been deposited into a securities account with Huatai. Any release of funds from this securities account will require the consent of both Hongtu (Seychelles) and Huatai.

A facility agreement dated February 13, 2015 (the “**Facility Agreement**”) was entered into among Huatai Capital Finance Limited as lender (the “**Lender**”), Hongtu (HK) as borrower (the “**Borrower**”) and Sanpower Group as guarantor (the “**Guarantor**”), pursuant to which the Facility was provided to finance the Offers. Pursuant to the terms of the Facility Agreement, the payment of interest on, repayment of or security for any liability (contingent or otherwise) in respect of the Facility will depend, to a significant extent, on the business condition of the Company as follow:

- (a) If at any time the ratio of (i) the aggregate outstanding principal amount of the Facility to (ii) the aggregate amount of the closing share price of the Shares mortgaged to the Lender as security for the Facility (the “**Loan to Value Ratio**”) exceeds a certain level, the Borrower is required to deposit cash with the Lender to bring down the Loan to Value Ratio.
- (b) If any of the representations and warranties about the authorisations required or desirable for the Company to carry on its business or about the Company’s title to, or leases or licences of, and authorisations to use, the assets necessary to carry on its business, is or proves to have been incorrect or misleading, the Lender may accelerate the repayment of the Facility and enforce the security for the Facility.
- (c) The occurrence of events of default such as substantial change, suspension or cessation of business, suspension or cessation of the listing of the Shares, cross default, insolvency, insolvency proceedings, creditors’ process, government intervention of assets or material adverse change relating to the Company may also entitle the Lender to accelerate the repayment of the Facility and enforce the security for the Facility.

The Shares acquired pursuant to the Sale and Purchase Agreement and the Shares to be acquired under the Offers may be mortgaged to the Lender as security for the Facility.

Huatai has been appointed as the financial adviser to the Offeror in respect of the Offers. Huatai is satisfied that sufficient resources are available to the Offeror to satisfy the consideration for the full acceptance of the Offers.

Sanpower (HK) Co., Ltd., the lender of the Loan, is a wholly-owned subsidiary of Sanpower Group, which is also the guarantor under the Facility. Sanpower Group is a conglomerate incorporated in the PRC engaging in finance and investment, retail and trading, information services, medical and health care, and real estate development. Sanpower Group is the single largest shareholder of Jiangsu Hongtu, holding approximately 21.68% of its issued share capital as the Latest Practicable Date.

---

## LETTER FROM HUATAI

---

### **Compulsory acquisition**

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

### **Effect of accepting the Offers**

By validly accepting the Share Offer, the Offer Shareholders will sell to the Offeror their Offer Shares free from all Third Party Rights and together with all rights attaching or accruing to the Offer Shares as at the date of despatch of the Composite Document, including the rights to receive all dividends and distribution declared, made or paid on or after the date of despatch of the Composite Document. By validly accepting the Option Offer, the outstanding Options tendered by the Optionholders will be cancelled, together with all rights attaching thereto with effect from the date of despatch of the Composite Document. Optionholders should note that under the respective rules of the Share Option Schemes, all Options that remain unexercised on the earlier of (i) the date of expiry of the Option period, or (ii) the last day of the period of 14 days after the date on which the Share Offer, when made in accordance with this Composite Document, becomes or is declared unconditional (i.e., Wednesday, April 8, 2015), shall lapse.

Acceptance of the Offers shall be irrevocable and shall not be capable of being withdrawn, subject to the Takeovers Code.

### **Stamp Duty**

Seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by the relevant Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to the relevant Shareholders accepting the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Share Offer and will pay its respective portion of the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptance of the Option Offer.

### **Payment**

Payment (after deducting the accepting Shareholders' share of ad valorem stamp duty in connection with the Share Offer) in cash in respect of acceptances of the Offers will be made as soon as possible but in any event within (seven) 7 Business Days of the date on which duly completed Form(s) of Acceptance and the relevant documents of title of the Shares or the Options (as the case may be) are received by the Offeror to render each such acceptance complete and valid.

No fraction of a cent will be payable and the amount of the consideration payable to a person who accepts the Offers will be rounded up to the nearest cent.

---

## LETTER FROM HUATAI

---

### **Taxation advice**

Offer Shareholders and Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, the Company and their respective directors, officers or associates or any other person involved in the Offers accept responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

### **Overseas Holders**

The making of the Offers to persons who are citizens, residents or nationals of jurisdictions outside Hong Kong may be affected by or subject to the laws and regulations of the relevant jurisdictions. Such persons should inform themselves about and observe any applicable legal, tax and regulatory requirements in their own jurisdictions. It is the responsibility of any Overseas Holders wishing to accept the Offers to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in connection with the Offers, including obtaining any governmental, exchange control or other consents which may be required, or compliance with other necessary formalities and the payment of any issue, fares, transfer or other taxes due in such jurisdiction.

**Any acceptance by any Overseas Holders will be deemed to constitute a representation and warranty from such Overseas Holders that the local laws and requirements in respect of such Overseas Holders have been complied with. The Overseas Holders should consult their professional advisers if in doubt.**

### **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 Form(s) of Acceptance.

### **INFORMATION OF THE GROUP**

The Company is a company incorporated in Bermuda with limited liability, and its Shares have been listed on the Main Board of the Stock Exchange in 1988. The principal activity of the Group is investment holdings, design, development, manufacture, marketing and distribution of lifestyle electronic products. Please refer to pages 24 to 32 of the “Letter from the Board”.

### **INFORMATION OF THE OFFEROR**

Jiangsu Hongtu is a joint stock company established in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600122) and is principally engaged in 3C retailing, industrial manufacturing, real estate business, as well as system integration. The main businesses of the Offeror’s group companies consist of products retailing business, which involves in operation of regular chain retail stores, dealing with computers, digital products, communications products, network and server devices, office automation equipment, as well as software and IT related books; industrial manufacturing business, which provides optical cables, electric cables, printers and communications equipment, among others, as well as real estate business, which is involved in the development and operation of high end residential properties.

---

## LETTER FROM HUATAI

---

Each of Hongtu (HK) and Hongtu (Seychelles) is an investment holding company within the Jiangsu Hongtu group and were established for the purpose of the transactions contemplated in the Joint Announcement. They do not have any other operations.

### **REASONS FOR THE ACQUISITION**

HISAP, a wholly-owned subsidiary of Jiangsu Hongtu, is one of the largest professional 3C (namely, Computer, Communication and Consumer Electronics) retail chain stores in the PRC which possesses strengths in supply chain management with an extensive customer base as well as an efficient distribution network. The Offeror believes that the Group, through the Acquisition, will further complement the product line of HISAP and capture potential market demand for mid to high-end products, which will further enhance the marketing position of HISAP as a “novel, high-tech, internet” professional 3C retail chain store in the PRC. The Offeror further believes that the Acquisition will strengthen HISAP’s product development and production capabilities, in particular, in the area of intelligent hardware and wearable device which has promising market potential. The Offeror expects that the Acquisition will benefit both the Offeror’s group and the Group as a result of the synergies in terms of integration of value chain, distribution network as well as brand positioning.

### **OFFEROR’S INTENTION ON THE GROUP**

#### **Operational matters, employees and senior management**

The Offeror will review the businesses of the Group, including among others, the Group’s relationships with its customers and suppliers, portfolio of products, assets, corporate and organizational structure, capitalization, operations, policies, management and personnel to consider and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to organise and optimise the businesses and operations of the Group and to integrate the same within the Offeror’s group. In particular, the Offeror believes that the Group will benefit from the potential synergies between the Group and the Offeror’s and its affiliate(s)’s businesses, including HISAP which is one of the largest professional 3C (namely, Computer, Communication and Consumer Electronics) retail chain in the PRC as stated under the paragraph headed “Reasons for the Acquisition” above, through the potential expansion of the Group’s product range and market coverage in the PRC as well as the enhancement of product sourcing capability, subject to compliance with any necessary disclosure and shareholders’ approval requirements under the Listing Rules.

With the Offeror’s and its affiliate(s)’s comprehensive retail network in the PRC and the Group’s ability to design, development and manufacture of lifestyle electronic products, the Offeror believes that the potential collaboration between the Group and the Offeror’s and its businesses will complement each other, which, in turns, will be mutually beneficial to both parties. The Offeror intends that the Group will continue to operate its businesses in substantially their current state in the 12 months following the close of the Offers. As at the Latest Practicable Date, the Offeror had no intention to redeploy the fixed assets of the Group.

Save as in connection with the Offeror’s intention regarding the Group as set out above and the proposed change of Board composition as set out below, the Offeror does not currently intend nor does it have any existing plans to terminate the employment of any of the employees or other personnel of the Group.



---

## LETTER FROM HUATAI

---

However, the Offeror reserves the right to make such changes that it deems necessary or appropriate to the Group's businesses and operations (including the composition of the senior management team of the Group) to better integrate, generate synergy and achieve enhanced economies of scale with the other business operations of the Offeror's group. The Offeror and the Company will comply with the relevant disclosure requirements under the Takeovers Code for any such changes as and when appropriate.

### **Proposed change of board composition of the Company**

As at the Latest Practicable Date, the Board was made up of six Directors, comprising two executive Directors, being Dr. Chan and Mrs. Chan, and four independent non-executive Directors.

Pursuant to the Sale and Purchase Agreement, (i) Mrs. Chan shall resign from the Board with effect from the close of the Offers, or such earlier date as may be permitted under the Takeovers Code or by the Executive, and (ii) the Sellers have agreed to use their respective best efforts (including procuring their respective appointees to the Board to exercise their voting powers) to procure that all of the independent non-executive Directors as at the date of the Joint Announcement shall resign from the Board with effect from the close of the Offers, or such earlier date as may be permitted under the Takeovers Code or by the Executive.

Notwithstanding the possible changes in the composition of the independent non-executive Directors with effect from the closing of the Offers resulting from the aforementioned, Jiangsu Hongtu and the Company will take all steps necessary to ensure that the number of independent non-executive Directors does not fall below one-third of the total number of Directors for more than three months, such that the Company shall continue to be compliant with Rule 3.11 of the Listing Rules.

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

Following Closing, Jiangsu Hongtu has proposed to appoint six Directors, namely Mr. Foo Piau Phang (符標榜先生) and Mr. See Chi Kwok, Felix (施志國先生) as executive Directors and Mr. Xin Kexia (辛克俠先生), Mr. Song Rongrong (宋榮榮先生), Ms. Wang Yang (王揚女士) and Ms. Gao Huan (高歡女士) as non-executive Directors with effect from a date which is after the despatch of this Composite Document. Any changes to the Board including the appointment of additional independent non-executive Director(s) (if necessary) will be made in accordance with the requirements under the Listing Rules and Takeovers Code as and when appropriate. In accordance with the relevant provisions of the Bye-laws of the Company, such persons who may be appointed as Directors shall retire at the next annual general meeting of the Company but shall be eligible to be re-appointed by the Shareholders at such annual general meeting.

The brief biographies of the new Directors are set out below:

**Mr. Foo Piau Phang** (符標榜先生), aged 53, is the Senior Vice President of Sanpower Group. Prior to joining Sanpower Group, Mr. Foo served at Hewlett-Packard as Regional Managing Director for Asia Pacific & Japan and Country Managing Director in the PRC. Before that, Mr. Foo had experience in a variety of roles, such as President and Chief Executive Officer at Hasee Group Ltd., President at Dell Inc. (China), Managing Director at Gateway Inc. (China) and Production Engineer at General Motors (Singapore).

---

## LETTER FROM HUATAI

---

**Mr. See Chi Kwok, Felix** (施志國先生), aged 45, was formerly the Chief Operations Officer of Miramar Hotel and Investment Company Limited, the Executive Director and Deputy Chief Executive Officer of Tradelink Electronic Commerce Limited, the Managing Director of Hewlett-Packard Taiwan Limited and the Managing Director of Hewlett-Packard Hong Kong SAR Limited. Mr. See is currently appointed by the Hong Kong SAR Government as a director of the Hong Kong Internet Registration Corporation Limited (HKIRC). Mr. See holds a Bachelor's degree in Computer Engineering from University of Hong Kong and a Master's degree in Business Administration from Hong Kong University of Science and Technology.

**Mr. Xin Kexia** (辛克俠先生), aged 45, is the President of Jiangsu Hongtu and HISAP. Before joining Sanpower Group, Mr. Xin served as Vice President at Yuexing Group, Vice President at Gome Electrical Appliances Holding Limited and a member of the senior management at Haier Group Co., Ltd.. Mr. Xin graduated from the Senior Executive Program of Tsinghua University.

**Mr. Song Rongrong** (宋榮榮先生), aged 37, is the Chief Financial Officer of Jiangsu Hongtu and the Vice President of HISAP. Formerly, Mr. Song served as the regional general ledger accountant and regional chief financial officer of HISAP. Mr. Song received a Bachelor's degree in accounting from the China University of Mining and Technology.

**Ms. Wang Yang** (王揚女士), aged 35, is the Executive Vice President of Sanpower Group and is mainly responsible for cross-border investment execution. Formerly, Ms. Wang was an investment banker at Citigroup Global Markets Limited and Barclays Capital Inc. Prior to that, she worked at the World Bank's International Finance Corporation (IFC) and advised on equity investments in the PRC. Ms. Wang has received a Master's degree in finance from Peking University and a Master's degree in Business Administration from Wharton School of the University of Pennsylvania.

**Ms. Gao Huan** (高歡女士), aged 40, is the Executive Vice President of Sanpower Group, covering commercial and logistics sectors. Prior to her career in Sanpower Group, Ms. Gao served as Vice President/Partner at Siemens Management Consulting and worked on brand management at Kimberly-Clark Corp. Ms. Gao obtained a Master's degree in Business Administration from University of Michigan in 2006.

### **Maintenance of the listing status of the Company**

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

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

---

## LETTER FROM HUATAI

---

If, during the Offer Period, there is any indication that the Company may no longer comply with the minimum public float requirements under Rule 8.08 of the Listing Rules following completion of the Offers, each of the Sellers and Jiangsu Hongtu has agreed to forthwith consult with each other in good faith and Jiangsu Hongtu shall procure the involvement of the Company in a consultation process to explore such proposal as may be available to restore the Company's minimum public float within the time frame stipulated by the Stock Exchange.

The Directors, the directors of the Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange that they will take appropriate steps to restore the public float as soon as practicable following the close of the Offers to ensure that sufficient public float exists in the Shares. Any future transactions between the Group and its connected persons, including the Offeror's group, will be carried out on an arm's length basis and in compliance with the Listing Rules.

### **GENERAL**

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

The attention of the Overseas Holders is drawn to the section headed "Important Notices" in this Composite Document.

All documents and remittances sent to the Offer Shareholders and the Optionholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Offer Shareholders at their respective addresses as they appear in the register of members of the Company or in the case of joint Offer Shareholders, to the Offer Shareholder whose name appears first in the register of members of the Company or, in the case of the Optionholders, the Optionholder's address based on the Company's information. None of the Company, the Offeror, Huatai, or any of their respective directors or professional advisers or any other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the Appendices to this Composite Document.

Yours faithfully,  
For and on behalf of  
**Huatai Financial Holdings (Hong Kong) Limited**  
**Jimmy Chung**  
*Managing Director*  
*Corporate Finance*

---

LETTER FROM THE BOARD

---



**IDT INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 167)**

*Executive Directors:*

Dr. CHAN Raymond

*(Chairman and Group Chief Executive Officer)*

Mrs. CHAN Pau Shiu Yeng, Shirley

*Independent Non-Executive Directors:*

Mr. LO Kai Yiu, Anthony

Mr. KAO Ying Lun

Mr. Jack SCHMUCKLI

Dr. Kenichi OHMAE

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal Place of Business  
in Hong Kong:*

Block C, 9th Floor

Kaiser Estate

41 Man Yue Street

Hunghom, Kowloon

Hong Kong

March 25, 2015

*To the Offer Shareholders and the Optionholders*

Dear Sir or Madam,

**(1) COMPOSITE DOCUMENT RELATING TO  
THE UNCONDITIONAL MANDATORY CASH OFFERS BY  
HUATAI FOR AND ON BEHALF OF THE OFFEROR  
TO ACQUIRE ALL THE ISSUED SHARES OF THE COMPANY  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING  
IN CONCERT WITH IT (OTHER THAN THE SELLERS))  
AND FOR THE CANCELLATION OF  
ALL OUTSTANDING OPTIONS OF THE COMPANY; AND  
(2) OFFERS HAVE BECOME UNCONDITIONAL IN ALL RESPECTS  
AS AT THE DATE OF DESPATCH OF THIS COMPOSITE DOCUMENT**

**INTRODUCTION**

Reference is made to the Joint Announcement and the joint announcement of the Company and the Offeror dated March 23, 2015 in relation to the Closing of the Sale and Purchase Agreement.

---

## LETTER FROM THE BOARD

---

On February 18, 2015, Jiangsu Hongtu as purchaser and the Sellers entered into the Sale and Purchase Agreement, pursuant to which the Sellers have conditionally agreed to sell or procure the sale of, and Jiangsu Hongtu has conditionally agreed to purchase or procure its Nominee to purchase an aggregate of 1,145,146,990 Shares, representing approximately 45.00% of the then entire issued share capital of the Company, for an aggregate cash consideration of HK\$249,756,559 (equivalent to HK\$0.2181 per Sale Share (rounded to 4 decimal places)).

In addition, under the Sale and Purchase Agreement, the Sellers have jointly and severally granted to Jiangsu Hongtu the right (but not the obligation) at Jiangsu Hongtu's sole discretion and subject to Closing having taken place, to require, during the Call Option Period, the Sellers to sell, whereupon the Sellers shall tender for acceptance, or procure the tender for acceptance, under the Share Offer of, all or any part of the Retained Shares at the Offer Price. None of the rights and obligations under the Call Option may be assigned or transferred by Jiangsu Hongtu without the prior written consent of the Sellers. If Jiangsu Hongtu exercises the Call Option, any of the Retained Shares to be acquired shall be acquired as part of the Share Offer and at the Offer Price.

Under the Call Option, Jiangsu Hongtu and/or its Nominee may purchase such number of Retained Shares as will enable Jiangsu Hongtu and/or its Nominee together to hold not less than but also not more than 50.50% of the total issued share capital of the Company (as enlarged by such number of Shares to be issued pursuant to the exercise of any of the Relevant Options) at 6:00 p.m. on the Call Option Record Date.

Closing took place on March 23, 2015, whereby the Sale Shares were transferred by the Sellers to Hongtu (Seychelles) as the Nominee. At Closing, Jiangsu Hongtu exercised the Call Option in full. Upon the exercise of the Call Option, the Sellers are bound to tender such number of Retained Shares as determined on the Call Option Record Date based on the issued share capital of the Company (as enlarged by such number of Shares to be issued pursuant to the exercise of any of the Relevant Options) on such day for acceptance no later than 1:00 p.m. on the Call Option Settlement Date and the Offeror shall be bound to acquire such Retained Shares, if any, in each case, as part of and in accordance with the terms of the Share Offer. The Sellers shall be paid in respect of such Retained Shares, if any, as to be accepted by the Offeror under the Share Offer in accordance with the Takeovers Code.

Immediately prior to Closing, the Sellers beneficially owned an aggregate of 1,430,717,675 Shares, representing approximately 55.71% of the issued share capital of the Company as at the Latest Practicable Date, while the Offeror and parties acting in concert with it (other than the Sellers) were not interested in any Shares.

---

## LETTER FROM THE BOARD

---

Immediately upon Closing, the Sellers beneficially owned an aggregate of 285,570,685 Shares, representing approximately 11.12% of the issued share capital of the Company as at the Latest Practicable Date.

By virtue of the existence and the terms of the Call Option only, the Sellers are considered as persons acting in concert with the Offeror.

Immediately following Closing, the Offeror owned 1,145,146,990 Shares, representing approximately 44.59% of the entire issued share capital of the Company as at the Latest Practicable Date and together with the parties acting in concert with it (including the Sellers) owned an aggregate of 1,430,717,675 Shares, representing approximately 55.71% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rules 26.1 and 13 of the Takeovers Code, the Offeror is required to make (i) an unconditional mandatory cash offer for all the issued Shares (including the Retained Shares), other than those Shares already owned by or agreed to be acquired by the Offeror or parties acting in concert with it (other than the Sellers); and (ii) an appropriate offer to the Optionholders for the cancellation of the outstanding Options (other than the Sellers' Exercisable Options and the Sellers' Non-Exercisable Options).

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, on February 2, 2015, the Board formed the Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Lo Kai Yiu, Anthony, Mr. Kao Ying Lun, Mr. Jack Schmuckli and Dr. Kenichi Ohmae to advise the Offer Shareholders and the Optionholders as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers.

Pursuant to Rule 2.1 of the Takeovers Code, on March 3, 2015, Somerley Capital Limited was appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offers, and in particular as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers.

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

---

## LETTER FROM THE BOARD

---

### UNCONDITIONAL MANDATORY CASH OFFERS

As mentioned in the “Letter from Huatai” on pages 9 to 23 of this Composite Document, Huatai is making the Offers for and on behalf of the Offeror to all the Offer Shareholders for all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it (other than the Sellers)) and to the Optionholders for the cancellation of all outstanding Options in compliance with Rules 26.1 and 13 of the Takeovers Code, respectively, on the following basis:

#### The Share Offer

For each Offer Share . . . . . HK\$0.2181

The Offer Price of HK\$0.2181 for each Offer Share is the same as the purchase price per Sale Share of HK\$0.2181 pursuant to the Sale and Purchase Agreement.

The Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all Third Party Rights and together with all rights of any nature attaching to them as at the date of despatch of the Composite Document, including the rights to receive all dividends and distribution declared, made or paid on or after the date of despatch of the Composite Document.

#### The Option Offer

The Company has in issue, two Share Option Schemes. An Option granted under the Share Option Schemes may be exercised in accordance with the terms of the respective Share Option Schemes at any time during a period as determined by the Board and not exceeding ten (10) years from the date of the grant.

In accordance with the terms of the Share Option Schemes, upon the making of a general offer to all the Offer Shareholders to acquire the Shares and such offer is declared unconditional, the Optionholders are entitled to exercise the Options (to the extent not already exercised) at any time until whichever is the earlier of (i) the date of expiry of the Option period, or (ii) the last day of the period of 14 days after the date on which the Share Offer, when made in accordance with the terms of this Composite Document, becomes or is declared unconditional (i.e., Wednesday, April 8, 2015), after which the Option shall lapse. In addition, under the terms of the Share Option Schemes, the Options are not assignable, and Optionholders may not in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option or purport to do any of the foregoing.

For each Option with exercise price  
below the Offer Price . . . . . HK\$0.2181 less the exercise price  
in respect of the relevant Option

For each Option with exercise price  
above the Offer Price . . . . . HK\$0.0001

---

## LETTER FROM THE BOARD

---

Note: The offer price per Option under the Option Offer is illustrated in the following table:

Option	Exercisable period of the Options	Exercise price per Share	Number of new Shares issued upon exercise of Options (excluding 15,200,000 Options held by Dr. Chan and Mrs. Chan)	Offer price per Option
2002 Options	November 29, 2007 to November 28, 2015	HK\$0.548	884,000	HK\$0.0001
	November 29, 2008 to November 28, 2015	HK\$0.548	884,000	HK\$0.0001
	December 1, 2006 to November 30, 2015 <i>(Note 1)</i>	HK\$0.529	3,120,000	HK\$0.0001
	December 1, 2012 to November 30, 2020	HK\$0.222	2,875,000	HK\$0.0001
	December 1, 2013 to November 30, 2020	HK\$0.222	2,875,000	HK\$0.0001
	December 12, 2013 to December 11, 2021 <i>(Note 2)</i>	HK\$0.104	4,125,000	HK\$0.1141
	December 12, 2014 to December 11, 2021 <i>(Note 3)</i>	HK\$0.104	4,625,000	HK\$0.1141
	April 18, 2015 to April 17, 2022	HK\$0.136	1,500,000	HK\$0.0821
2012 Options	December 3, 2013 to December 2, 2022	HK\$0.131	1,000,000	HK\$0.0871
	December 3, 2014 to December 2, 2022	HK\$0.131	1,500,000	HK\$0.0871
	March 27, 2015 to March 26, 2023	HK\$0.130	750,000	HK\$0.0881
	June 27, 2015 to June 26, 2023	HK\$0.134	2,500,000	HK\$0.0841
	July 7, 2015 to July 6, 2024	HK\$0.172	1,750,000	HK\$0.0461
	July 7, 2016 to July 6, 2024	HK\$0.172	1,750,000	HK\$0.0461

Notes:

1. Excluding the Sellers' Non-Exercisable Options.
2. Excluding the Sellers' Exercisable Options.
3. Excluding the Sellers' Exercisable Options.

As at the Latest Practicable Date, the Company has 45,338,000 Options conferring rights on the Optionholders to subscribe for Shares. Excluding the Sellers' Exercisable Options and the Sellers' Non-Exercisable Options, the Company has 30,138,000 Options outstanding. Out of the 30,138,000 outstanding Options, there are 19,500,000 Options with exercise prices which are lower than the Offer Price. On this basis, the Option Offer will be calculated on a "see-through" basis, pursuant to which each Optionholder will be entitled to receive a sum for each Option equivalent to the amount calculated by deducting the relevant exercise price payable on exercise of the relevant Option from the Offer Price. For the remaining outstanding Options, there are 10,638,000 Options with exercise prices which are above the Offer Price. As the exercise prices of these 10,638,000 Options are out-of-the-money, the Option Offer for each of these Options is made at a nominal price of HK\$0.0001.



---

## LETTER FROM THE BOARD

---

The Option Offer will be extended to all eligible Optionholders in accordance with the Takeovers Code, other than to the Sellers in respect of the Sellers' Exercisable Options and the Sellers' Non-Exercisable Options.

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

As at the Latest Practicable Date, there were 2,568,183,088 Shares in issue and 36,088,000 2002 Options and 9,250,000 2012 Options outstanding, and save for the aforesaid Options, there were no outstanding warrants, options, derivatives or convertible rights affecting the Shares and the Company had not entered into any agreement for the issue of such warrants, options, derivatives or securities as at the Latest Practicable Date.

Assuming that (a) there is no change in the issued share capital of the Company after the Latest Practicable Date, (b) none of the outstanding Option is exercised prior to the close of the Offers (other than the Sellers' Exercisable Options which will be exercised before they lapse during the Offer Period), and (c) the Sellers' Non-Exercisable Options will not be tendered for acceptance under the Option Offer, a total of 1,423,036,098 Shares will be subject to the Share Offer and a total of 30,138,000 Options will be subject to the Option Offer. Assuming that (a) all Options are exercised before they lapse prior to the close of the Offers (other than the Sellers' Non-Exercisable Options), and (b) all Shares issued on the exercised of Options will be tendered for acceptance under the Share Offer (other than the Shares issued on the exercise of the Sellers' Exercisable Options), a total of 1,453,174,098 Shares will be subject to the Share Offer and no Option will be subject to the Option Offer.

Acceptance of the Offers shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under Rule 19.2 of the Takeovers Code, details of which are set out in paragraph 7 headed "Right of Withdrawal" in Appendix I to this Composite Document.

Further details of the Offers, including the terms and procedures for acceptance and settlement of the Offers, are contained in the "Letter from Huatai" as set out on pages 9 to 23 of, and Appendix I to, this Composite Document and the accompanying Forms of Acceptance.

### **OFFERS HAVE BECOME UNCONDITIONAL IN ALL RESPECTS**

At Closing, Jiangsu Hongtu exercised the Call Option with respect to all the Retained Shares. Accordingly, as of Closing, the Offeror and parties acting in concert with it together holds more than 50% of the voting rights of the Company. There are no other conditions to the Offers. Accordingly, as stated in page 13 of the "Letter from Huatai", the Offeror announces that the Offers have become unconditional in all respects on the date of despatch of this Composite Document.

The Offeror have further announced on page 13 of the "Letter from Huatai" that the Offers will remain open for acceptance until 4:00 p.m. on the Offer Closing Date (or such other time and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code).

---

## LETTER FROM THE BOARD

---

The Offers will remain open for acceptance until 4:00 p.m. on Wednesday, April 15, 2015, being the Offer Closing Date which is not less than 21 days following the date of this Composite Document was posted (or such other date as revised or extended in accordance with the Takeovers Code).

### INTENTION OF THE DIRECTORS

As at the Latest Practicable Date, save and except the Sellers' undertakings in respect of the Retained Shares and the Sellers' Exercisable Options as disclosed in the paragraph headed "Undertakings" in the "Letter from Huatai", the other Directors have indicated that they intend:

- (i) not to accept the Offers (as the case may be) if the market price of the Shares continues to be above the Offer Price and will consider selling some or all of their respective Shares (in case of Options, upon exercise of the Options) in the market; and
- (ii) to seriously consider accepting the Offers (as the case may be) in respect of some or all of their respective Shares or Options if the market price of the Shares falls below the Offer Price, depending on the circumstances which have caused such a sharp Share price fall.

### INFORMATION OF THE GROUP

The Company is a company incorporated in Bermuda with limited liability, and the Shares have been listed on the Main Board in 1988. The principal activity of the Group is investment holdings, design, development, manufacture, marketing and distribution of lifestyle electronic products.

The table below sets forth a summary of certain audited consolidated financial information of the Group for the years ended March 31, 2013 and March 31, 2014 extracted from the 2014 annual report of the Group and unaudited consolidated financial information of the Group for the six months ended September 30, 2014 extracted from the 2015 interim report of the Group:

	<b>2013</b>	<b>For the year ended March 31, 2014</b>	<b>For the six months ended September 30, 2014</b>
	(Audited)	(Audited)	(Unaudited)
	<i>(HK\$million)</i>	<i>(HK\$million)</i>	<i>(HK\$million)</i>
Turnover	1,578.2	1,352.4	603.1
Loss before taxation	(15.8)	(52.1)	(5.7)
Loss for the year/period attributable to owners of the Company	(28.9)	(68.8)	(6.8)
Net assets	543.2	479.8	467.8

Further details of the information of the Group are set out in Appendices II and III to this Composite Document.

---

## LETTER FROM THE BOARD

---

### INFORMATION OF THE OFFEROR

Your attention is drawn to the section headed “Information of the Offeror” in the “Letter from Huatai” as set out on pages 19 to 20 of this Composite Document, and Appendix IV to this Composite Document.

### OFFEROR’S INTENTION ON THE GROUP

Your attention is drawn to the sections headed “Information of the Offeror”, “Reasons for the Acquisition” and “Offeror’s Intention on the Group” in the “Letter from Huatai” as set out on pages 19 to 23 of this Composite Document. The Board is aware of the intentions of the Offeror in respect of the Group and its employees and is willing to render reasonable co-operation to the Offeror for the implementation of its intentions regarding the Group which is in the interests of the Group and the Shareholders as a whole. For the proposed changes to the composition of the Board, please refer to the paragraph headed “Proposed change of board composition of the Company” in the “Letter from Huatai” as set out on pages 21 to 22 of this Composite Document.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

It is stated in the “Letter from Huatai” on pages 22 to 23 of this Composite Document that the Offeror intends to maintain the listing of the Shares on the Main Board following the close of the Offers.

If, during the Offer Period, there is any indication that the Company may no longer comply with the minimum public float requirements under Rule 8.08 of the Listing Rules following completion of the Offers, each of the Sellers and Jiangsu Hongtu has agreed to forthwith consult with each other in good faith and Jiangsu Hongtu shall procure the involvement of the Company in a consultation process to explore such proposal as may be available to restore the Company’s minimum public float within the time frame stipulated by the Stock Exchange.

The Directors, the directors of the Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange that they will take appropriate steps to restore the public float as soon as practicable following the close of the Offers to ensure that sufficient public float exists in the Shares. Any future transactions between the Group and its connected persons, including the Offeror’s group, will be carried out on an arm’s length basis and in compliance with the Listing Rules.

**The Stock Exchange had stated that if, at the closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:**

- (a) a false market exists or may exist in the trading of the Shares; or**
- (b) there are insufficient Shares in public hands to maintain an orderly market,**

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

---

## LETTER FROM THE BOARD

---

### RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” on pages 33 to 34 of this Composite Document, which sets out its recommendation to the Offer Shareholders and the Optionholders as to whether the terms of the Offers are, or are not, fair and reasonable so far as the Offer Shareholders and the Optionholders are concerned, and as to acceptance thereof; and (ii) the “Letter from the Independent Financial Adviser” on pages 35 to 56 of this Composite Document, which sets out its advice and recommendation to the Independent Board Committee as to whether the terms of the Offers are, or are not, fair and reasonable so far as the Offer Shareholders and the Optionholders are concerned, and as to acceptance thereof, and the principal factors considered by it in arriving at its advice and recommendation. You should also read the “Letter from Huatai”.

The Offer Shareholders and Optionholders are urged to read those letters carefully before taking any action in respect of the Offers.

### ADDITIONAL INFORMATION

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

In considering what action to take in connection with the Offers, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

Yours faithfully,  
For and on behalf of the Board  
**IDT International Limited**  
**Raymond Chan**  
*Chairman & Group Chief Executive Officer*

---

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---



**IDT INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 167)**

March 25, 2015

*To the Offer Shareholders and the Optionholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY  
HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED  
FOR AND ON BEHALF OF THE OFFEROR  
FOR ALL THE ISSUED SHARES OF THE COMPANY  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING  
IN CONCERT WITH IT (OTHER THAN THE SELLERS))  
AND FOR THE CANCELLATION OF  
ALL OUTSTANDING OPTIONS OF THE COMPANY**

**INTRODUCTION**

We refer to the Composite Document jointly issued by the Offeror and the Company dated March 25, 2015 of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offers and to make a recommendation to you as to whether, in our opinion, the terms of the Offers are, or are not, fair and reasonable so far as the Offer Shareholders and Optionholders are concerned, and as to acceptance thereof.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise us in respect of the terms of the Offers and as to acceptance thereof.

We wish to draw your attention to the “Letter from Huatai”, the “Letter from the Board”, the “Letter from the Independent Financial Adviser” as set out in this Composite Document as well as the additional information set out in the Appendices to this Composite Document.

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

### RECOMMENDATION

Having considered the terms of the Offers, taking into account the information contained in the Composite Document and the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in its letter in this Composite Document, we consider that the terms of the Share Offer and Option Offer are fair and reasonable so far as the Offer Shareholders and the Optionholders are concerned. Accordingly, we recommend (i) the Offer Shareholders to accept the Share Offer; and (ii) the Optionholders to accept the Option Offer.

However, as the market price of the Shares has so consistently and substantially exceeded the Offer Price since September 10, 2014 when the Company announced the possible disposal of Shares by its controlling shareholders to interested parties, closing at HK\$0.6100 as at the Latest Practicable Date, the Offer Shareholders and Optionholders may consider selling their Shares (in case of Optionholders, upon exercise of the Options) in the open market if the market price of the Shares exceeds the Offer Price during the period when the Offers are open and the sales proceeds, net of transaction costs, from disposal of the Shares exceed the amount receivable under the Offers. Offer Shareholders and Optionholders should also monitor the overall trading volume of the Shares, as they may or may not be able to dispose of their Shares (in case of Optionholders, upon exercise of the Options) in the market at prices higher than the Offer Price.

Optionholders should note that as the Offers are now unconditional, all Options (to the extent not exercised) will lapse automatically 14 days after the date on which the Share Offer, when made in accordance with the terms of this Composite Document, became unconditional (i.e. Wednesday, April 8, 2015).

The Offeror has not given detailed plans for the future. However, Offer Shareholders and Optionholders who are attracted to the future of the Company under the management of the Offeror may consider retaining some or all of their Shares (in case of Optionholders, upon exercise of the Options).

The Offer Shareholders and Optionholders are recommended to read the full text of the "Letter from the Independent Financial Adviser" on pages 35 to 56 of this Composite Document. Notwithstanding our recommendation, Offer Shareholders and Optionholders should consider carefully the terms and conditions of the Offers.

Yours faithfully,

For and on behalf of the

**INDEPENDENT BOARD COMMITTEE**

**LO Kai Yiu, Anthony**

*Independent*

*Non-executive Director*

**KAO Ying Lun**

*Independent*

*Non-executive Director*

**Jack SCHMUCKLI**

*Independent*

*Non-executive Director*

**Kenichi OHMAE**

*Independent*

*Non-executive Director*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*Set out below is the letter of advice received from Somerley, the Independent Financial Adviser to the Independent Board Committee regarding the Offers, for the purpose of incorporation in this Composite Document.*



**SOMERLEY CAPITAL LIMITED**

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

25 March 2015

*To: the Independent Board Committee*

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFERS BY  
HUATAI FOR AND ON BEHALF OF THE OFFEROR  
TO ACQUIRE ALL THE ISSUED SHARES OF THE COMPANY  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING  
IN CONCERT WITH IT (OTHER THAN THE SELLERS))  
AND FOR CANCELLATION OF  
ALL OUTSTANDING OPTIONS OF THE COMPANY**

### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee in connection with the unconditional mandatory cash offers by Huatai for and on behalf of the Offeror for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it (other than the Sellers)) and for cancellation of all outstanding Options. Details of the Offers are set out in the Composite Document dated 25 March 2015, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On 18 February 2015, Jiangsu Hongtu as purchaser and the Sellers entered into the Sale and Purchase Agreement, pursuant to which the Sellers conditionally agreed to sell or procure the sale of, and Jiangsu Hongtu conditionally agreed to purchase or procure its Nominee to purchase, the Sale Shares for a cash consideration in an aggregate sum of HK\$249,756,559 (equivalent to HK\$0.2181 per Sale Share (the “**Transfer Price**”). Upon Closing, the Offeror and parties acting in concert with it were required in accordance with the Takeovers Code to make an unconditional mandatory cash offer for all issued Shares at the same price. An appropriate offer should also be made for the outstanding Options.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In accordance with the Takeovers Code and as announced by the Company on 18 February 2015, the Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Lo Kai Yiu, Anthony, Mr. Kao Ying Lun, Mr. Jack Schmuckli and Dr. Kenichi Ohmae has been established to advise the Offer Shareholders and the Optionholders as to whether the Offers are, or are not, fair and reasonable; and as to acceptance of the Offers. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise it in this regard.

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

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group, which we have assumed to be true, accurate and complete in all material respects. We have reviewed the published information on the Company, including its interim report for the six months ended 30 September 2014 (the “**2015 Interim Report**”) and its annual report for the year ended 31 March 2014, and we have discussed with the Directors their statements set out in Appendix II to the Composite Document that, save as disclosed therein, there has been no material change in the financial or trading position or outlook of the Group since the date of the last published audited accounts of the Group up to and including the Latest Practicable Date. We have also reviewed the trading performance of the Shares on the Stock Exchange. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Composite Document are true as at the Latest Practicable Date, and that Shareholders will be notified of any material changes to such representations as soon as reasonably practicable in accordance with Rule 9.1 of the Takeovers Code.

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



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### PRINCIPAL TERMS OF THE OFFERS

Huatai, for and on behalf of the Offeror, is making the Offers in compliance with the Takeovers Code on the following terms:

#### The Share Offer

**Offer Price for each Share . . . . . HK\$0.2181 in cash**

The Offer Price of HK\$0.2181 per Offer Share is equal to the Transfer Price. The Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all Third Party Rights and together with all rights of any nature attaching to them as at the date of despatch of the Composite Document, including the rights to receive all dividends and distribution declared, made or paid on or after the date of despatch of the Composite Document.

#### The Option Offer

The Company has in issue, two Share Option Schemes. An Option granted under the Share Option Schemes may be exercised in accordance with the terms of the respective Share Option Schemes at any time during a period as determined by the Board and not exceeding ten (10) years from the date of the grant.

As stated in the “Letter from the Board”, in accordance with the terms of the Share Option Schemes, upon the making of a general offer to all the Offer Shareholders to acquire the Shares and such offer is declared unconditional, the Optionholders are entitled to exercise the Options (to the extent not already exercised) at any time until whichever is the earlier of (i) the date of expiry of the Option period, or (ii) the last day of the period of 14 days after the date on which the Share Offer, when made in accordance with the terms of the Composite Document, becomes or is declared unconditional (i.e. Wednesday, 8 April 2015), after which the Option shall lapse. In addition, under the terms of the Share Option Schemes, the Options are not assignable, and Optionholders may not in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option or purport to do any of the foregoing.

#### For each Option with exercise price

**below the Offer Price . . . . . HK\$0.2181 less the exercise price  
in respect of the relevant Option**

#### For each Option with exercise price

**above the Offer Price . . . . . HK\$0.0001**

As at the Latest Practicable Date, the Company has 45,338,000 Options conferring rights on the Optionholders to subscribe for Shares. Excluding the Sellers’ Exercisable Options and the Sellers’ Non-Exercisable Options, the Company has 30,138,000 Options outstanding. Out of the 30,138,000 outstanding Options, there are 19,500,000 Options with exercise prices which are lower than the Offer Price. On this basis, the Option Offer will be calculated on a “see-through” basis, pursuant to which each Optionholder will be entitled to receive a sum for each Option equivalent to the amount calculated by deducting the relevant exercise price payable on exercise of the relevant Option from the Offer Price. For the remaining outstanding Options, there are

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

10,638,000 Options with exercise prices which are above the Offer Price. As the exercise prices of these 10,638,000 Options are out-of-the money, the Option Offer for each of these Options is made at a nominal price of HK\$0.0001.

The Offers are unconditional in all respects. Acceptance of the Offers would be irrevocable and shall not be capable of being withdrawn, subject to the provisions of the Takeovers Code. Further details of the Offers, including the expected timetable and the terms and procedures of acceptance of the Offers, are set out in the sections headed “Expected Timetable”, “Letter from Huatai”, “Letter from the Board”, Appendix I to the Composite Document and the Forms of Acceptance. Offer Shareholders and Optionholders are urged to read the relevant sections in the Composite Document in full.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### 1. Background to the Offers

On 15 January 2015, the Company announced that it had been informed by its controlling Shareholders that they were in discussions with a potential interested party for a possible disposal of certain number of their Shares that may lead to an obligation of an offeror to make a general offer under the Takeovers Code. On 18 February 2015, the formal Sale and Purchase Agreement was entered into, pursuant to which (i) Jiangsu Hongtu agreed to purchase an aggregate of 1,145,146,990 Sale Shares from the Sellers at HK\$0.2181 per Sale Share; and (ii) the Sellers jointly and severally granted to Jiangsu Hongtu the right (but not the obligation) at Jiangsu Hongtu’s sole discretion and subject to Closing having taken place, to require, during the Call Option Period, the Sellers to sell, whereupon the Sellers shall tender for acceptance, or procure the tender for acceptance under the Share Offer of, all or any part of the Retained Shares at the Offer Price. In the event the Call Option is exercised in full and assuming that the Sellers do not tender the remaining Shares for acceptance under the Offers, the Sellers will continue to hold 127,454,525 Shares, representing approximately 4.96% of the issued share capital of the Company. Closing took place on 23 March 2015.

As at the Latest Practicable Date and immediately after the Closing, the Offeror beneficially owned an aggregate of 1,145,146,990 Shares, representing approximately 44.59% of the issued share capital of the Company and the Sellers beneficially owned an aggregate of 285,570,685 Shares, representing approximately 11.12% of the issued share capital of the Company.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

By virtue of the existence and the terms of the Call Option only, the Sellers are considered as persons acting in concert with the Offeror. As at the Latest Practicable Date, the Offeror and parties acting in concert with it (including the Sellers) own an aggregate of 1,430,717,675 Shares, representing approximately 55.71% of the entire issued share capital of the Company. Accordingly, the Offeror will be required to make (i) an unconditional mandatory cash offer for all the issued Shares (including the Retained Shares), other than those Shares already owned by or agreed to be acquired by the Offeror or parties acting in concert with it (other than the Sellers) pursuant to Rule 26.1 of the Takeovers Code; and (ii) an appropriate offer to the Optionholders for the cancellation of the outstanding Options (other than the Sellers' Exercisable Options and the Sellers' Non-Exercisable Options) pursuant to Rule 13 of the Takeovers Code. Huatai will, for and on behalf of the Offeror, make the Offers (comprising the Share Offer and the Option Offer) on the terms set out above.

### **2. Information on the Group**

The Company, established in 1977 and listed on the Main Board since 1988, is principally engaged in the design, development, manufacturing, marketing and distribution of lifestyle products through the application of innovative LCD, microprocessor and sensor applications with wireless technologies. The Group's business can be categorised into (i) the branded sales under "Oregon Scientific"; and (ii) the provision of value manufacturing services. With its in-house design and product development teams, the Group manufactures products under its own brand "Oregon Scientific" for distribution, in 10 countries through its wholly owned marketing and distribution subsidiaries, and in over 35 countries through distributors. The Group is also engaged in the provision of value manufacturing services for its customers on original equipment manufacturing ("OEM") and original design manufacturing ("ODM") basis. The Group's products are mainly related to five segments, namely (i) sports, fitness and health; (ii) time and weather; (iii) smart learning products; (iv) telecommunications; and (v) wellness and beauty, which contributed approximately 44.9%, 21.0%, 16.2%, 6.4% and 3.9% respectively to the Group's turnover for the year ended 31 March 2014.

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

**3. Financial information and prospects of the Group**

**(a) Financial information of the Group**

*(i) Financial performance*

Set out below are the consolidated operating results of the Group for the six months ended 30 September 2013 and 2014, and the two years ended 31 March 2013 and 2014, as extracted from Appendix II to the Composite Document.

	For the six months ended		For the year ended	
	30 September		31 March	
	2014	2013	2014	2013
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Turnover				
Branded sales	175.8	281.1	507.4	797.9
OEM/ODM sales	<u>427.3</u>	<u>443.4</u>	<u>845.0</u>	<u>780.3</u>
Total turnover	603.1	724.5	1,352.4	1,578.2
Cost of goods sold	<u>(445.7)</u>	<u>(538.0)</u>	<u>(1,016.3)</u>	<u>(1,136.4)</u>
Gross profit	157.4	186.5	336.1	441.8
Gross profit margin	26.1%	25.7%	24.9%	28.0%
Other income	6.9	4.2	25.2	17.3
Other gains and losses	(1.8)	13.8	29.3	42.1
Research and development costs	(26.5)	(31.3)	(62.3)	(72.5)
Distribution and selling expenses	(92.3)	(127.0)	(218.7)	(268.8)
General administrative expenses	(48.3)	(51.0)	(156.8)	(168.9)
Interests on bank and other borrowings	<u>(1.1)</u>	<u>(2.8)</u>	<u>(4.9)</u>	<u>(6.8)</u>
<b>Loss before taxation</b>	<b>(5.7)</b>	<b>(7.6)</b>	<b>(52.1)</b>	<b>(15.8)</b>
<b>Taxation</b>	<b><u>(1.1)</u></b>	<b><u>(1.2)</u></b>	<b><u>(16.7)</u></b>	<b><u>(13.1)</u></b>
<b>Loss attributable to the Shareholders</b>	<b><u><u>(6.8)</u></u></b>	<b><u><u>(8.8)</u></u></b>	<b><u><u>(68.8)</u></u></b>	<b><u><u>(28.9)</u></u></b>

The Group's turnover is derived from (i) sale of branded products under "Oregon Scientific" and (ii) sale of products to its OEM and ODM customers. The Group's turnover dropped 14.3% and 16.8% for the year ended 31 March 2014 and the six months ended 30 September 2014 as compared to the corresponding year/period in 2013 which were mainly due to (i) the significant drop in the sales of its branded products as a result of the sluggish retail market

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

conditions in America and Europe, which together accounted for 79.1% of the Group's sales of branded products for the six months ended 30 September 2014 with the remaining turnover contributed by the Asia Pacific region, as well as (ii) rising competition in children's tablet products under the smart learning products segment resulting in a decrease of contribution to the Group's turnover, from approximately 27.4% for the year ended 31 March 2013 to 7.0% for the six months ended 30 September 2014.

Gross profit of the Group for the year ended 31 March 2014 was HK\$336.1 million, a drop of 23.9% as compared to HK\$441.8 million for 2013. The gross profit margin dropped from 28.0% for the full year of 2013 to 24.9% for 2014 as a result of the clearance sales of slow-moving inventories and increase in labour and material costs. Gross profit of the Group for the first half of 2014 also fell 15.6% as compared to 2013 with the slight improved gross profit margins from 25.7% to 26.1% due to the changes in product mix and discontinuation of the production of low margin children's tablet products.

The net loss of the Group increased to HK\$68.8 million for the year ended 31 March 2014 as compared to HK\$28.9 million in 2013 primarily due to the drop in gross profit by 23.9% as mentioned above. With the changes in product mix, implementation of stringent cost control and streamlining measures, the Group's net loss reduced to HK\$6.8 million for the six months ended 30 September 2014, an improvement of 22.7% compared to a loss of HK\$8.8 million for the corresponding period in 2013. As stated in the 2015 Interim Report and the announcement of the Company dated 10 March 2015, the Company disposed of the properties situated at Units C, D and E, 9th Floor, Kaiser Estate, No.41 Man Yue Street, Hunghom (the "**Properties**") for an aggregate consideration of HK\$60.8 million as these properties are considered surplus to the operational requirements of the Group. Any gain from such disposal will be included the results of the Company for the year ending 31 March 2015.

No dividend was declared for the years ended 31 March 2013 and 2014 and the six months ended 30 September 2013 and 2014.

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

(ii) *Financial position*

Set out below are the consolidated financial positions of the Group as at 30 September 2014, 31 March 2014 and 31 March 2013, as extracted from Appendix II to the Composite Document.

	<b>As at 30 September 2014</b>	<b>As at 31 March 2014</b>	<b>As at 31 March 2013</b>
	<i>HK\$'million</i> (Unaudited)	<i>HK\$'million</i> (Audited)	<i>HK\$'million</i> (Audited)
Property, plant and equipment	41.1	48.3	65.2
Intangible assets	11.2	16.7	45.1
Goodwill	33.8	33.8	33.8
Others	9.3	9.3	21.0
<b>Total non-current assets</b>	<b>95.4</b>	<b>108.1</b>	<b>165.1</b>
Inventories	296.6	275.8	277.9
Trade and other receivables	294.2	205.8	297.6
Bank balances and cash	210.2	236.7	311.8
Others	2.2	1.8	5.5
<b>Total current assets</b>	<b>803.2</b>	<b>720.1</b>	<b>892.8</b>
Trade and other payables and accruals	351.1	250.9	249.1
Bank loans	79.4	96.9	261.3
Others	0.3	0.6	4.3
<b>Total liabilities</b>	<b>430.8</b>	<b>348.4</b>	<b>514.7</b>
<b>Net assets</b>	<b>467.8</b>	<b>479.8</b>	<b>543.2</b>
<b>Equity attributable to the Shareholders ("NAV")</b>	<b>467.7</b>	<b>479.7</b>	<b>543.1</b>
<b>NAV per Share (Note)</b>	<b>HK\$0.187</b>	<b>HK\$0.192</b>	<b>HK\$0.217</b>

*Note:* The NAV per Share is calculated based on the Shares in issue as at the respective period/year end.

The Group's property, plant and equipment decreased from HK\$65.2 million as at 31 March 2013 to HK\$48.3 million and 41.1 million as at 31 March and 30 September 2014 respectively. The drop of property, plant and equipment as at 31 March 2014 as compared to the previous year end was mainly due to disposal of a property located at Unit A, 5th Floor, Kaiser Estate, No. 41 Man Yue Street, Hunghom, which is surplus to the operational requirements of the Group, and plant and equipment. The intangible assets, comprising product

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

development costs and patents and trademarks, decreased significantly during the period under review. The product development costs, which represents the majority of the Group's intangible assets, is amortised on a straight line basis over 2 years.

The total bank borrowings of the Group decreased to HK\$96.9 million as at 31 March 2014 and further to HK\$79.4 million as at 30 September 2014, which were all short term bank loans. The gearing ratio (total borrowings over total equity) improved from 48.1% as at 31 March 2013 to 20.2% and 17.0% as at 31 March and 30 September 2014 respectively.

The Group's equity attributable to the Shareholders has been descending over the review period from HK\$543.1 million as at 31 March 2013 to HK\$479.7 million and 467.7 million as at 31 March and 30 September 2014 respectively. Such decreases were mainly due to the net losses incurred in respective period/year. The disposal of the Properties as discussed in section headed "3. Financial information and prospects of the Group – (a) Financial performance" above will improve the Group's equity attributable to the Shareholders as well as NAV per Share.

Given the Group has been loss-making and no dividend has been paid in recent two years, the Offers, in our view, represent an opportunity for the Shareholders to realise their investment in the Company at a price representing a premium over its net asset value per Share.

**(b) Prospects of the Group**

The Group, with its manufacturing and trading operation in Hong Kong and other parts of the PRC, has been generating turnover from sales to external customers in Americas, Europe and Asia Pacific region, which accounted for 29%, 45% and 26% respectively of the Group's turnover for the year ended 31 March 2014.

Based on the Hong Kong Monthly Digest of Statistics for February 2015 issued by the Census and Statistics Department in Hong Kong, domestic exports of goods decreased from HK\$58,830 million in 2012 to HK\$55,283 million in 2014. The domestic exports of goods to the United States, which is one of the Group's major markets, also decreased from HK\$6,766 million in 2012 to HK\$4,475 million in 2014. As stated in 2015 Interim Report, despite the Group will continue to implement various initiatives and measures to improve its overall business performance and productivity, it is anticipated that the costs of components and materials as well as labour will continue to increase. Together with the unfavourable trading conditions as demonstrated by the government statistics published in the Hong Kong Monthly Digest of Statistics for February 2015 and the recent financial performance of the Group, the operating environment of the Group remains, in our view, difficult which might cast doubt on its profitability in the near future.

---

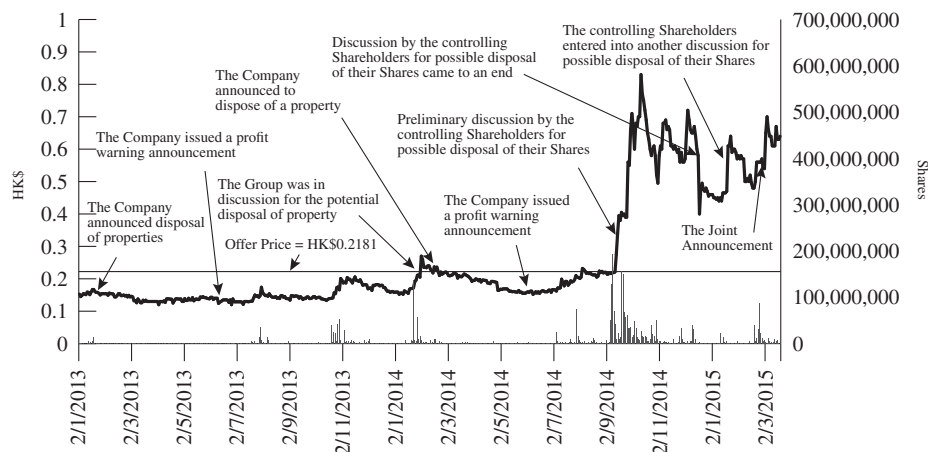
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 4. Analysis of price performance and trading liquidity

#### (a) Historical price performance of the Shares

Set out below is the movement of the closing prices of the Shares during the period from 2 January 2013 to the Latest Practicable Date (the “**Review Period**”):



Source: Bloomberg and website of the Stock Exchange

As shown above, the Shares closed around HK\$0.20 level commencing from the beginning of the Review Period until the Company announced on 10 September 2014 the possible disposal of Shares by its controlling Shareholders who were involved in informal preliminary discussions with interested parties (the “**Previous Discussion**”). The Share price increased sharply thereafter and closed well above the HK\$0.20 level or the Offer Price before the Joint Announcement.

During the period from 2 January 2013 to 8 September 2014, being the last full trading day before the announcement of the Previous Discussion was made, the Shares closed between HK\$0.120 and HK\$0.275 with an average closing price of HK\$0.1664 (the “**Average Undisturbed Closing Price**”) and a closing price above HK\$0.2181 in only 29 out of 414 trading days. The Share price surged to the 12-month high of HK\$0.83 after the Previous Discussion was announced with the average closing price of HK\$0.603 during the period from 10 September 2014 to 9 December 2014. On 9 December 2014, the Company announced that the Previous Discussion came to an end and the sale would not proceed. The Share price started to retreat until the Company announced the discussion (the “**Latest Discussion**”) between the controlling Shareholders and a potential interested party for the possible transfer of Shares on 15 January 2015. During the period from 10 December 2014 to 14 January 2015, the average closing Share price was HK\$0.465. The Share price regained its momentum and reached HK\$0.64 on 16 January 2015 and closed between HK\$0.48 and HK\$0.64 before the Joint Announcement.

As at the Latest Practicable Date, the price of the Shares closed at HK\$0.61 per Share.



---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

**(b) Trading liquidity**

Set out below in the table are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume to the total issued Shares and public float of the Company during the Review Period:

	<b>Monthly total trading volume of the Shares</b> <i>(Note 1)</i>	<b>Percentage of the monthly total trading volume of the Shares to the total issued Shares</b> <i>(Note 2)</i>	<b>Percentage of the monthly total trading volume of the Shares to public float of the Company</b> <i>(Note 3)</i>
<b>2013</b>			
January	34,423,033	1.4%	3.1%
February	5,622,183	0.2%	0.5%
March	10,605,046	0.4%	0.9%
April	2,198,000	0.1%	0.2%
May	4,165,385	0.2%	0.4%
June	3,370,000	0.1%	0.3%
July	33,188,185	1.3%	2.9%
August	76,817,282	3.1%	6.8%
September	14,277,070	0.6%	1.3%
October	200,736,050	8.0%	17.8%
November	93,923,600	3.8%	8.3%
December	29,699,562	1.2%	2.6%
<b>2014</b>			
January	246,261,588	9.8%	21.9%
February	80,665,674	3.2%	7.2%
March	20,124,635	0.8%	1.8%
April	15,704,826	0.6%	1.4%
May	10,373,002	0.4%	0.9%
June	11,494,000	0.5%	1.0%
July	67,719,292	2.7%	6.0%
August	156,026,403	6.2%	13.9%
September	1,115,662,478	44.5%	99.0%
October	420,693,929	16.7%	37.3%
November	119,455,339	4.7%	10.6%
December	118,219,337	4.7%	10.5%
<b>2015</b>			
January	61,300,800	2.4%	5.4%
February	196,330,388	7.7%	17.4%
From 1 March 2015 to the Latest Practicable Date	103,413,964	4.0%	9.2%

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*Notes:*

- (1) Source: Bloomberg
- (2) The calculation is based on the monthly total trading volumes of the Shares divided by the total issued share capital of the Company at the end of each month or at the Latest Practicable Date, as applicable
- (3) The calculation is based on the monthly total trading volumes of the Shares divided by the total number of Shares held by the public as at the Latest Practicable Date

Based on the above table, the liquidity of the Shares, in our view, was generally thin during the Review Period, except for the period after publication of the announcement relating to the Previous Discussion. The high trading volume since such announcement is in our view related to the Previous Discussion before it came to an end and subsequently to the Offers following the announcement as regard the Latest Discussion, and may not continue after the close of the Offers. The Shareholders, especially those with significant stakes, should note that if they wish to realise their investments in the Company they might not be able to dispose the Shares in the market without exerting a downward pressure on the market price of the Shares. Given that the high level of trading volume may not be sustained, the Share Offer consequently represents a good opportunity for the Offer Shareholders to dispose of their entire holdings at a fixed cash price without disturbing the market price.

**(c) Offer Price comparisons**

The Offer Price of HK\$0.2181 is equal to the Transfer Price, and represents:

	<b>per Share</b>	<b>Premium/ (Discount) of the Offer Price over/ (to) the closing price</b>
(i) Average Undisturbed Closing Price	HK\$0.1664	31.07%
(ii) Average closing price of the Shares for the 180 trading days up to and including 8 September 2014, being the last full trading day before the announcement of the Previous Discussion was made	HK\$0.1908	14.31%
(iii) Closing price of the Shares on the last full trading day prior to the announcement relating to the Previous Discussion	HK\$0.2750	(20.69)%

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

	<b>per Share</b>	<b>Premium/ (Discount) of the Offer Price over/ (to) the closing price</b>
(iv) Average closing price of the Shares for the 5 consecutive trading days up to and including the last full trading day prior to the announcement relating to the Previous Discussion	HK\$0.2300	(5.17)%
(v) Average closing price of the Shares for the 10 consecutive trading days up to and including the last full trading day prior to the announcement relating to the Previous Discussion	HK\$0.2237	(2.50)%
(vi) Closing price of the Shares on the last full trading day prior to the announcement relating to the Latest Discussion	HK\$0.6100	(64.24)%
(vii) Average closing price of the Shares for the 5 consecutive trading days up to and including the last full trading day prior to the announcement relating to the Latest Discussion	HK\$0.4950	(55.94)%
(viii) Average closing price of the Shares for the 10 consecutive trading days up to and including the last full trading day prior to the announcement relating to the Latest Discussion	HK\$0.4700	(53.60)%
(ix) Closing price of the Shares on the Last Trading Day	HK\$0.5000	(56.38)%
(x) Average closing price of the Shares for the 5 consecutive trading days up to and including the Last Trading Day	HK\$0.4950	(55.94)%

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

	<b>per Share</b>	<b>Premium/ (Discount) of the Offer Price over/ (to) the closing price</b>
(xi) Average closing price of the Shares for the 10 consecutive trading days up to and including the Last Trading Day	HK\$0.5055	(56.85)%
(xii) Closing price of the Shares on the Latest Practicable Date	HK\$0.6100	(64.25)%
(xiii) The Company's unaudited consolidated NAV attributable to the Shareholders as at 30 September 2014	HK\$0.1865	16.94%
(xiv) The Company's audited consolidated NAV attributable to the Shareholders as at 31 March 2014	HK\$0.1915	13.89%

As further analysed in the section headed "4. Analysis of price performance and trading liquidity – (a) Historical price performance of the Shares", the Shares have been traded below the Offer Price most of the time before the announcement relating to the Previous Discussion. The Offer Price represented a premium of 31.07% over the Average Undisturbed Closing Price and a discount of 64.25% to the closing price of the Shares as at the Latest Practicable Date. The Offer Price also represents a premium of 16.94% over the Company's unaudited consolidated NAV attributable to the Shareholders per Share as at 30 September 2014, which we consider reasonable to the Offer Shareholders, considering the Group's recent financial and operating performance.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 5. Peer comparison

The Group is principally engaged in design, development, manufacture, marketing and distribution of lifestyle electronic products with revenue derived mainly from five areas, namely (i) sports, fitness and health; (ii) time and weather; (iii) smart learning products; (iv) telecommunications; and (v) wellness and beauty. The Group reported losses in recent years and had unaudited net asset value attributable to Shareholder of HK\$467.7 million as of 30 September 2014.

On this basis, we have identified Hong Kong listed entities principally engaged in the manufacture and distribution of electronic products in the areas similar to the Group's as mentioned above, and which had reported net losses in the latest full financial year (as compared to the Group's loss-making record in recent years) and net asset value attributable to shareholders of HK\$200 million to HK\$800 million (as compared to the NAV of the Group as at 30 September 2014 of HK\$467.8 million). Based on these criteria, we identified five entities (the "**Comparable Entities**"). We consider the list of Comparable Entities presented below to be an exhaustive list according to our research on the website of the Stock Exchange and Bloomberg based on the above criteria. The Comparable Entities are set out in the table below:

Name of entities	Principal business	Market capitalisation as	NAV attributable	Price to book multiple ("P/B")
		at the Latest Practicable Date	to shareholders as at the latest year/period end <sup>(1)</sup>	
		(A)	(B)	(A/B)
		(HK\$ million)	(HK\$ million)	(times)
CCT Land Holdings Limited (stock code: 261)	The company mainly manufactures and wholesales telecommunications products, baby and child product, and provides contract manufacturing services	923.8	440.0	2.10
Green International Holdings Limited (Stock code: 2700)	The company manufactures and trades toys and recreational products. Its product categories include hard and electronic toys for children, educational and recreational, soft toys, and sports products.	573.5	278.7	2.06
Group Sense (International) Limited (stock code: 601) ("Group Sense")	The Company designs, manufactures, and sells a range of handheld products and ODM products	689.9	203.8	3.38
Kenford Group Holdings Limited (stock code: 464)	The company designs, manufactures and markets electrical hair care products, electrical health care products, and other small household appliances.	289.7	369.9	0.78

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Name of entities	Principal business	Market capitalisation as at the Latest Practicable Date	NAV attributable to shareholders as at the latest year/period end <sup>(1)</sup>	Price to book multiple ("P/B")
		(A) (HK\$ million)	(B) (HK\$ million)	(A/B) (times)
Sunway International Holdings Limited (stock code: 58)	The company designs, develops, manufactures, and sells a wide range of electronic and related components and parts, and consumer electronic products.	380.5	297.0	1.28
			<b>Mean</b>	1.92
			<b>Maximum</b>	3.38
			<b>Minimum</b>	0.78
Excluding Group Sense <sup>(2)</sup>			<b>Mean</b>	1.56
			<b>Maximum</b>	2.10
			<b>Minimum</b>	0.78
<b>The Share Offer</b>		<b>560.1<sup>(3)</sup></b>	<b>467.7</b>	<b>1.20</b>

Source: Bloomberg and website of the Stock Exchange

*Notes:*

- (1) The NAV attributable to shareholders of the Company and the Comparable Entities is extracted from the latest published financial statements.
- (2) Group Sense is excluded for illustration purpose as its share price increased significantly due to a general offer.
- (3) The market capitalisation of the Company is calculated based on the Offer Price of HK\$0.2181 per Share.

As shown above, the P/B of the Comparable Entities ranged from approximately 0.78 times to 3.38 times, with mean of 1.92 times. Excluding Group Sense, the P/B of the Comparable Entities ranged from approximately 0.78 times to 2.10 times, with mean of 1.56 times. The P/B as represented by the Offer Price of approximately 1.20 is within the range of, but lower than the mean of, the Comparable Entities. The P/B represents our main consideration for the peer comparison as the Company and Comparable Entities all reported losses in the latest full financial year, hence the price to earnings multiples could not be determined for our analysis purposes. On the basis that the Company has been loss-making since 2010, we consider the Offer Price reasonable as compared to the Comparable Entities.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 6. The Option Offer

Pursuant to Rule 13 of the Takeovers Code, Huatai, on behalf of the Offeror, makes the Option Offer to the Optionholders to cancel their outstanding Options. The Option Offer is extended to all eligible Optionholders in accordance with the Takeovers Code. As at the Latest Practicable Date, the Company has 45,338,000 Options conferring rights on the Optionholders to subscribe for Shares. Excluding the Sellers' Exercisable Options and the Sellers' Non-Exercisable Options, the Company has 30,138,000 Options outstanding, details of which are as follows:

Option	Exercisable period of the Options	Exercise price per Share	Number of new Shares issued upon exercise of Options	Offer price per Option
2002 Options	29-Nov-2007 to 28-Nov-2015	HK\$0.548	884,000	HK\$0.0001
	29-Nov-2008 to 28-Nov-2015	HK\$0.548	884,000	HK\$0.0001
	1-Dec-2006 to 30-Nov-2015	HK\$0.529	3,120,000	HK\$0.0001
	1-Dec-2012 to 30-Nov-2020	HK\$0.222	2,875,000	HK\$0.0001
	1-Dec-2013 to 30-Nov-2020	HK\$0.222	2,875,000	HK\$0.0001
	12-Dec-2013 to 11-Dec-2021	HK\$0.104	4,125,000	HK\$0.1141
	12-Dec-2014 to 11-Dec-2021	HK\$0.104	4,625,000	HK\$0.1141
	18-Apr-2015 to 17-Apr-2022	HK\$0.136	1,500,000	HK\$0.0821
2012 Options	3-Dec-2013 to 2-Dec-2022	HK\$0.131	1,000,000	HK\$0.0871
	3-Dec-2014 to 2-Dec-2022	HK\$0.131	1,500,000	HK\$0.0871
	27-Mar-2015 to 26-Mar-2023	HK\$0.130	750,000	HK\$0.0881
	27-Jun-2015 to 26-June-2023	HK\$0.134	2,500,000	HK\$0.0841
	7-July-2015 to 6-Jul-2024	HK\$0.172	1,750,000	HK\$0.0461
	7-July-2016 to 6-Jul-2024	HK\$0.172	<u>1,750,000</u>	HK\$0.0461
<b>Total</b>			<u><u>30,138,000</u></u>	

Out of 30,138,000 outstanding Options, there are 19,500,000 Options with exercise prices lower than the Offer Price and the Option Offer is equivalent to the amount calculated by deducting the relevant exercise price payable on exercise of the relevant Option from the Offer Price (i.e. see-through price). For the remaining outstanding Options, there are 10,638,000 Options with exercise prices above the Offer Price, the Option Offer is a nominal amount of HK\$0.0001 per Option. On the basis that (i) the Company has been loss-making and has not paid dividend in recent years and the trading conditions of the Group remain unfavourable as discussed in sub-section headed "3. Financial information and prospects of the Group" above; (ii) the Shares closed lower than the Offer Price in 385 out of 414 trading days during the period from 2 January 2013 to 8 September 2014 (being the last full trading day before the Previous Discussion was announced) as discussed in sub-section headed "4. Analysis of price performance and trading liquidity – (a) Historical price performance of the Shares"; and (iii) the Option Offer price represents the see through price between the Offer Price and the exercise price of the in-the-money Options and the nominal price of HK\$0.0001 for the out-of-the-money Options, we consider the Option Offer to be fair

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

and reasonable so far as the Optionholders are concerned. Optionholders should note that as stated in the “Letter from the Board”, all Options (to the extent not exercised) will lapse 14 days after the date on which the Share Offer, when made in accordance with the terms of the Composite Document, became unconditional (i.e. Wednesday, 8 April 2015).

### **7. Information on the Offeror**

Jiangsu Hongtu is a joint stock company established in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600122) and is principally engaged in 3C retailing, industrial manufacturing, real estate business, as well as system integration. The main businesses of the Offeror’s group companies consist of products retailing business, which involves in operation of regular chain retail stores, dealing with computers, digital products, communications products, network and server devices, office automation equipment, as well as software and IT related books; industrial manufacturing business, which provides optical cables, electric cables, printers and communications equipment, among others, as well as real estate business, which is involved in the development and operation of high end residential properties.

Each of Hongtu (HK) and Hongtu (Seychelles) is an investment holding company within the Jiangsu Hongtu group and were established for the purpose of the transactions contemplated under the Sale and Purchase Agreement and the Offers. They do not have any other operations.

### **8. Intention of the Offeror regarding the Group**

#### ***Operational matters, employees and senior management***

The Offeror will review the businesses of the Group, including among others, the Group’s relationships with its customers and suppliers, portfolio of products, assets, corporate and organizational structure, capitalization, operations, policies, management and personnel to consider and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to organise and optimise the businesses and operations of the Group and to integrate the same within the Offeror’s group. In particular, the Offeror believes that the Group will benefit from the potential synergies between the Group and the Offeror’s and its affiliate(s)’s businesses through the potential expansion of the Group’s product range and market coverage in the PRC as well as the enhancement of product sourcing capability, subject to compliance with any necessary disclosure and shareholders’ approval requirements under the Listing Rules. The Offeror intends that the Group will continue to operate its businesses in substantially their current state in the 12 months following the close of the Offers. As at the Latest Practicable Date, the Offeror had no intention to redeploy the fixed assets of the Group.

Save as in connection with the Offeror’s intention regarding the Group as set out above and the proposed change of Board composition as set out below, the Offeror does not intend nor does it have any existing plans to terminate the employment of any of the employees or other personnel of the Group.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

However, the Offeror reserves the right to make such changes that it deems necessary or appropriate to the Group's businesses and operations (including the composition of the senior management team of the Group) to better integrate, generate synergy and achieve enhanced economies of scale with the other business operations of the Offeror's group. The Offeror and the Company will comply with the relevant disclosure requirements under the Takeovers Code for any such changes as and when appropriate.

### ***Proposed change of board composition of the Company***

As at the Latest Practicable Date, the Board was made up of six Directors, comprising two executive Directors, being Dr. Chan and Mrs. Chan, and four independent non-executive Directors.

Pursuant to the Sale and Purchase Agreement, (i) Mrs. Chan shall resign from the Board with effect from the close of the Offers, or such earlier date as may be permitted under the Takeovers Code or by the Executive, and (ii) the Sellers have agreed to use their respective best efforts (including procuring their respective appointees to the Board to exercise their voting powers) to procure that all of the independent non-executive Directors as at the date of the Joint Announcement shall resign from the Board with effect from the close of the Offers, or such earlier date as may be permitted under the Takeovers Code or by the Executive.

Notwithstanding the possible changes in the composition of the independent non-executive Directors with effect from the closing of the Offers resulting from the aforementioned, Jiangsu Hongtu and the Company will take all steps necessary to ensure that the number of independent non-executive Directors does not fall below one-third of the total number of Directors for more than three months, such that the Company shall continue to be compliant with Rule 3.11 of the Listing Rules.

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

Following Closing, Jiangsu Hongtu has proposed to appoint six Directors, namely Mr. Foo Piau Phang (符標榜先生) and Mr. See Chi Kwok, Felix (施志國先生) as executive Directors and Mr. Xin Kexia (辛克俠先生), Mr. Song Rongrong (宋榮榮先生), Ms. Wang Yang (王揚女士) and Ms. Gao Huan (高歡女士) as non-executive Directors with effect from a date which is after the despatch of the Composite Document. Further details of the new Directors are set out in the section headed "Proposed change of board composition of the Company" in the "Letter from Huatai" to the Composite Document. Offer Shareholders and Optionholders are urged to read the relevant section in the Composite Document in full.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Maintenance of the listing status of the Company*

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

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

If, during the Offer Period, there is any indication that the Company may no longer comply with the minimum public float requirements under Rule 8.08 of the Listing Rules following completion of the Offers, each of the Sellers and Jiangsu Hongtu has agreed to forthwith consult with each other in good faith and Jiangsu Hongtu shall procure the involvement of the Company in a consultation process to explore such proposal as may be available to restore the Company's minimum public float within the time frame stipulated by the Stock Exchange.

The Directors, Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange that they will take appropriate steps to restore the public float as soon as practicable following the close of the Offers to ensure that sufficient public float exists in the Shares. Any future transactions between the Group and its connected persons, including the Offeror's group, will be carried out on an arm's length basis and in compliance with the Listing Rules.

### **DISCUSSION AND ANALYSIS**

#### **(i) Loss-making since 2010 and unfavourable trading conditions**

The Company has been loss-making since 2010 mainly due to the sluggish retail market conditions in Americas and Europe. The Group has been striving to increase revenue and to improve margins by discontinuation of the production of low margin products and implementation of stringent cost control and streamlining measures. The net loss reduced to HK\$6.8 million for the six months ended 30 September 2014 from a loss of HK\$8.8 million in 2013. Despite the fact that gain on disposal of the Properties will be included in the results of the Company for the year ending 31 March 2015, the trading conditions of the Group remain unfavourable as demonstrated by the government statistics with the overall domestic exports of goods as well as domestic exports of goods to the United States, which is one of the Group's major markets, both experiencing declines in recent years and, in our view, cast doubt over its profitability in the near future.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### **(ii) The Offer Price provides a chance to exit on terms we consider reasonable**

The Share Offer gives Offer Shareholders the chance to exit at a fixed cash price of HK\$0.2181 per Share as it represents:

- a premium over NAV as at 30 September 2014 of 16.94%, within the range of the Comparable Entities we have identified; and
- a premium of 31.1% over the Average Undisturbed Closing Price.

Although the Share price has increased sharply since the announcement of the Previous Discussion on 10 September 2014 and closed well above the HK\$0.20 level or the Offer Price before the Joint Announcement, the Shares closed lower than the Offer Price in 385 out of 414 trading days and the trading volume was generally thin during the period from 2 January 2013 to 8 September 2014 (being the last full trading day before the Previous Discussion was announced), which is, in our view, the undisturbed Share price before the intention of the Sellers to dispose of their Shares was announced. Share prices are determined in the marketplace depending on various factors but the fundamentals of the Company, such as profits or losses, ability to pay dividends and net asset values, in our view, will set the Share price in the long run. Given the 5-year loss record and nil dividends of the Group, and its uncertain trading prospects in the future, the undisturbed Share price, in our view, fully reflects the fundamental valuation of the Company. The Offer Price represents a premium over the undisturbed Share price and the net asset value.

### **(iii) Current market price of the Shares substantially higher than Offer Price**

Although we consider the Offer Price reasonable for the reasons set out in (i) and (ii) above, the Share price following the announcement of the Previous Discussion and up to the Latest Practicable Date is higher than the Offer Price. The continual surge in Share price after the Joint Announcement might be due to the market expectation over the benefits to be brought about to the Group as a result of the change in control. As stated in the “Letter from the Board”, (i) if the market price of the Shares continues to be above the Offer Price, the Independent Non-Executive Directors intend not to accept the Offers (as the case may be), and will consider selling some or all of their respective Shares (in case of Options, upon exercise of the Options) in the market; and (ii) if the market price of the Shares falls below the Offer Price, the Independent Non-Executive Directors will seriously consider accepting the Offers (as the case may be) in respect of some or all of their respective Shares or Options, depending on the circumstances which have caused such a sharp Share price fall. We have taken the expressed intentions of the Independent Non-Executive Directors into account in arriving at our opinion. The Offeror intends to organise and optimise the business and operations of the Group and to integrate the same within the Offeror’s group but no detailed plans for the future of the Company has been provided in the “Letter from Huatai”, so the recent price level and trading volume may not be sustained in the medium to long run after the close of the Offers.

### **(iv) Share Options**

The cancellation price for the Options with exercise price lower than the Offer Price is equivalent to the amount calculated by deducting the relevant exercise price payable on exercise of the relevant Option from the Offer Price (i.e. see-through price). For Options with exercise prices higher than the Offer Price, which means that those Options are out-of-money, the

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

cancellation price is a nominal amount of HK\$0.0001 per Option. This is consistent with the normal practice adopted in Hong Kong in such circumstances. Optionholders should note that as stated in the “Letter from the Board”, any unexercised Options will lapse automatically 14 days after the date on which the Share Offer, when made in accordance with the terms of the Composite Document, became unconditional (i.e. Wednesday, 8 April 2015).

### OPINION AND RECOMMENDATIONS

Based on the above principal factors and reasons, in particular the premiums over the NAV per Share and the Average Undisturbed Closing Price as represented by the Offer Price and 5-year loss record and unfavourable trading conditions of the Group, we consider the terms of the Offers to be fair and reasonable so far as the Offer Shareholders and Optionholders are concerned and recommend the Independent Board Committee to advise, and we ourselves advise, the Offer Shareholders and Optionholders to accept the Offers. However, as the market price of the Shares has so consistently and substantially exceeded the Offer Price since the Previous Discussion, closing at HK\$0.61 as at the Latest Practicable Date, it is advisable for the Offer Shareholders and Optionholders to consider selling their Shares (in case of Optionholders, upon exercise of the Options) in the open market if the market price of the Shares exceeds the Offer Price during the period when the Offers are open and the sales proceeds, net of transaction costs, from disposal of the Shares exceed the amount receivable under the Offers. Offer Shareholders and Optionholders should also monitor the overall trading volume of the Shares, as they may or may not be able to dispose of their Shares (in case of Optionholders, upon exercise of the Options) in the market at prices higher than the Offer Price.

Optionholders should note that as the Offers are now unconditional, all Options (to the extent not exercised) will lapse automatically 14 days after the date on which the Share Offer, when made in accordance with the terms of the Composite Document, became unconditional (i.e. Wednesday, 8 April 2015).

The Offeror has not given detailed plans for the future. However, Shareholders and Optionholders who are attracted to the future of the Company under the management of the Offeror may consider retaining some or all of their Shares (in case of Optionholders, upon exercise of the Options).

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**M. N. Sabine**  
*Chairman*

*Mr. M. N. Sabine is a licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*

**1. PROCEDURES FOR ACCEPTANCE****1.1 The Share Offer**

- (a) To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Share Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand, to the Registrar, Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on the Offer Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your holding of Shares (whether in full or in part), you must either:
  - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorizing it to accept the Share Offer on your behalf and requesting it to deliver the duly completed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorize your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Share Offer Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Huatai or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorize and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance.

- (f) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** Form of Share Offer Acceptance is received by the Registrar by no later than 4:00 p.m. on the Offer Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
  - (iii) certified by the Registrar or the Stock Exchange.
- If the **WHITE** Form of Share Offer Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (g) No acknowledgement of receipt of any Form(s) of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## 1.2 The Option Offer

- (a) To accept the Option Offer, you should complete the **PINK** Form of Option Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Option Offer.

- (b) Without prejudice to the paragraph headed “Effect of accepting the Offers” in the “Letter from Huatai” contained in this Composite Document and the paragraph headed “5. Lapse of Options” of this Appendix, the completed **PINK** Form of Option Offer Acceptance should be forwarded, together with the relevant certificate(s) of the Options (if applicable) and/or other document(s) of title (and/or satisfactory indemnity or indemnities required in respect thereof) you intend to tender, stating the number of Options in respect of which you intend to accept the Option Offer, by post or by hand, to the company secretary of the Company at Block C, 9/F, Kaiser Estate Phase 1, 41 Man Yue Street, Hunghom, Kowloon Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on the Offer Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code, provided however, no Option shall be capable of acceptance if at the time of acceptance, such Option has lapsed. Please refer to the paragraph headed “5. Lapse of Options” of this Appendix for further information. Optionholders should note that according to the respective rules of the Share Options Schemes of the Company, the Optionholders are entitled to exercise the Options (to the extent not already exercised) at any time until whichever is the earlier of (i) the date of expiry of the Option period, or (ii) the last day of the period of 14 days after the date on which the Share Offer, when made in accordance with the terms of this Composite Document, becomes or is declared unconditional (i.e., Wednesday, April 8, 2015), after which the Option shall lapse. Optionholders are reminded that acceptance of the Option Offer made in relation to any Option that has lapsed will not render acceptance to be valid. Optionholders are therefore recommended to consult their own professional advisers as to the exercise of the Options pursuant to the rules of the Share Option Schemes, and the implications as to accepting or rejecting the Option Offer.
- (c) If the certificate(s) in respect of your Options (if applicable) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Option Offer, the **PINK** Form of Option Offer Acceptance should nevertheless be completed and delivered to the Company together with a letter stating that you have lost one or more of your Option certificate(s) (if applicable) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Company as soon as possible thereafter. If you have lost your Option certificate(s) (if applicable), you should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.



- (d) If the certificate(s) in respect of your Options (if applicable) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer, you must exercise the Options to the extent exercisable as indicated in the paragraph headed “4. Exercise of Options” of this Appendix below, but (i) the relevant exercise notice and cheque for the subscription monies must reach the Company before the Offers close; and (ii) the relevant **WHITE** Form of Share Offer Acceptance must reach the Registrar on or before 4:00 p.m. on the Offer Closing Date. You should also write to the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Company.
- (e) No stamp duty will be deducted from the amount paid or payable to Optionholder(s) who accept(s) the Option Offer.
- (f) No acknowledgement of receipt of any **PINK** Form(s) of Option Offer Acceptance, certificate(s) of the Options (if applicable) and/or any other documents of title (and/or any satisfactory indemnity/indemnities required in respect thereof) will be given.

## **2. SETTLEMENT OF THE OFFERS**

### **2.1 The Share Offer**

Provided that a valid **WHITE** Form of Share Offer Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount due to each of the Offer Shareholders who accepts the Share Offer less seller’s ad valorem stamp duty in respect of the Shares tendered by it/him/her under the Share Offer will be despatched to such Offer Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) Business Days following the receipt of all the relevant documents by the Registrar to render such acceptance complete and valid.

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

No fractions of a cent will be payable and the amount of consideration payable to an Offer Shareholder who accepts the Offer will be rounded up to the nearest cent.

## 2.2 The Option Offer

Provided that a valid **PINK** Form of Option Offer Acceptance and the relevant certificate(s) in respect of the Options (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Company before the close of the Option Offer, a cheque for the amount due to each of the Optionholders who accepts the Option Offer in respect of the Options tendered by it/him/her under the Option Offer will be despatched to the company secretary of the Company for such Optionholder's collection at Block C, 9th Floor, Kaiser Estate Phase 1, 41 Man Yue Street, Hunghom, Kowloon, Hong Kong by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) Business Days following the receipt of all the relevant documents by the Company to render such acceptance complete and valid.

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

## 3. ACCEPTANCE PERIOD AND REVISIONS

- (a) In order to be valid for the Offers, the **WHITE** Form of Share Offer Acceptance and **PINK** Form of Option Offer Acceptance must be received by the Registrar (in respect of the Share Offer) or the Company (in respect of the Option Offer) in accordance with the instructions printed thereon by 4:00 p.m. on the Offer Closing Date, unless the Offers are extended or revised with the consent of the Executive.
- (b) The Offeror reserves the right to revise the terms of the Offers after the despatch of this Composite Document until such day as they may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offers, all the Offer Shareholders and the Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.
- (c) If the Offers are extended or revised, an announcement of such extension or revision will state the next closing date or the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offers are closed to the Offer Shareholders and the Optionholders who have not accepted the Offers, and an announcement will be released. The revised Offers will be kept open for at least 14 days thereafter.
- (d) If the Offer Closing Date of the Offers is extended, any reference in this Composite Document and in the Forms of Acceptance to the Offer Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers as so extended.

- (e) Any acceptance of the relevant revised Offers shall be irrevocable unless and until the Offer Shareholders and the Optionholders who accept the Offers become entitled to withdraw their acceptance under the paragraph headed “7. Right of Withdrawal” of this Appendix below and duly do so.

#### **4. EXERCISE OF OPTIONS**

The Optionholder who wishes to accept the Share Offer may (i) exercise his/her/its Options (to the extent exercisable) by completing, signing and delivering a notice for exercising the Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Options to the Company before the Offers close; and (ii) at the same time, or in any event no later than 4:00 p.m. on the Offer Closing Date, complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to the Company for exercising the Options. Exercise of the Options is subject to the respective terms and conditions of the Share Option Schemes of the Company and the terms attaching to the grant of the relevant Options. Delivery of the completed and signed **WHITE** Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the Options but will only be deemed to be an irrevocable authority to the Offeror and/or Huatai and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Registrar on his/her/its behalf the relevant Share certificate(s) when issued on exercise of the Options as if it/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance. If the Optionholder fails to exercise his/her/its Options as aforesaid and in accordance with the terms and conditions of the Share Option Schemes, there is no guarantee that the Company may issue the relevant Share certificate in respect of the Shares allotted pursuant to his/her/its exercise of the Option(s) to such Optionholder in time for it to accept the Share Offer as a Shareholder of such Shares under the terms of the Share Offer.

#### **5. LAPSE OF OPTIONS**

As referred to in the paragraph headed “Effect of accepting the Offers” in the “Letter from Huatai” contained in this Composite Document, Optionholders should note that under the respective rules of the Share Option Schemes, all Options that remain unexercised on the earlier of (i) the date of expiry of the Option period, or (ii) the last day of the period of 14 days after the date on which the Share Offer, when made in accordance with the terms of this Composite Document, becomes or is declared unconditional (i.e. Wednesday, April 8, 2015) shall lapse.

Nothing in this Composite Document or the Option Offer will serve to extend the life of any Option which lapses under the Share Option Schemes of the Company. No exercise of Options or acceptance of the Option Offer may be made in relation to any Option that has lapsed.

**6. ANNOUNCEMENTS**

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

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

- (i) for which acceptances of the Offers have been received;
- (ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and persons acting in concert with it.

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

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

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

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

**7. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offers tendered by the Offer Shareholders and the Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “6. Announcements” of this Appendix above, the Executive may require that the Offer Shareholders and the Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

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

**8. STAMP DUTY**

The seller’s Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, will be deducted from the amount payable to the Offer Shareholders who accept the Share Offer. The Offeror will bear its own portion of the buyer’s Hong Kong ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, and will be liable to account to the Stamp Office of Hong Kong for stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Share Offer.

No stamp duty is payable in connection with the acceptance of the Option Offer.

**9. OVERSEAS HOLDERS**

As the Offers to persons not residing in Hong Kong might be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Holders should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offers. It is the responsibility of the Overseas Holders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations 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 jurisdictions).

**Any acceptance by any Overseas Holders will be deemed to constitute a representation and warranty from such Overseas Holders to the Offeror that the local laws and requirements have been complied with. The Overseas Holders should consult their professional advisers if in doubt.**

**10. TAXATION ADVICE**

Offer Shareholders and Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. The Offeror accepts no responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

**11. NOMINEE REGISTRATION**

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

**12. GENERAL**

- (a) All communications, notices, Forms of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Offer Shareholders and/or the Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, Huatai and any of their respective directors nor the Registrar or other parties involved in the Offers or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the **WHITE** Form of Share Offer Acceptance and **PINK** Form of Option Offer Acceptance form part of the terms and conditions of the Share Offer and Option Offer, respectively.
- (c) The accidental omission to despatch this Composite Document and/or Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate either the Share Offer or the Option Offer in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an irrevocable authority to the Offeror, Huatai or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the Shares or the Options in respect of which such person or persons has/have accepted the Offers.

- (f) By accepting the Offers, the Offer Shareholders or the Optionholders will sell their Shares or Options (as the case may be) to the Offeror free from all liens, claims, encumbrances and all third party rights and with all rights attached thereto as at the date of this Composite Document, including in the case of the Shares, the right to receive in full all dividends and other distributions, if any, declared, paid or made on or after the date of this Composite Document. The making of the Offers to a person with a registered address in a jurisdiction outside Hong Kong or who is a citizen, resident or national of a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Overseas Holders with registered addresses in jurisdictions outside Hong Kong or who are citizens, residents or nationals of a jurisdiction outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.
- (g) Acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares or Options in respect of which as indicated in the Form(s) of Acceptance is the aggregate number of Shares or Options held by such nominee for such beneficial owner who is accepting the Offers.
- (h) Any Offer Shareholders or Optionholders accepting the Share Offer or the Option Offer respectively will be responsible for payment of any other transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (i) Reference to the Offers in this Composite Document and in the Forms of Acceptance shall include any extension or revision thereof.
- (j) All acceptances, instructions, authorities and undertakings given by the Offer Shareholders and the Optionholders in the Forms of Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (k) The English text of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.
- (l) In making their decision, Offer Shareholders and Optionholders must rely on their own examination of the Group and the terms of the Share Offer and the Option Offer, respectively, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form(s) of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, the Company, Huatai, or their respective professional advisers. Shareholders and Optionholders should consult their own professional advisers for professional advice.
- (m) This Composite Document has been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Share Offer and the Option Offer in Hong Kong and the operating rules of the Stock Exchange.

## I. FINANCIAL SUMMARY

Set out below is a summary of the financial information of the Group for each of the three years ended March 31, 2014 and the six months ended September 30, 2014, which is extracted from the audited and consolidated financial statements of the Group as set forth in the annual reports of the Company for each of the three years ended March 31, 2014 and the unaudited consolidated financial statements of the Group as set forth in the interim report of the Company for the six months ended September 30, 2014.

The consolidated financial statements of the Group for each of the three years ended March 31, 2014 were audited by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong and did not contain any qualifications. For each of the three years ended March 31, 2014 and the six months ended September 30, 2014, no dividend was declared or paid. The Group had no exceptional items because of size, nature or incidence for each of the three years ended March 31, 2014 and for the six months ended September 30, 2014.

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Unaudited For the six months ended September 30, 2014 <i>HK\$ million</i>	Audited For the year ended March 31, 2014      2013      2012 <i>HK\$ million    HK\$ million    HK\$ million    HK\$ million</i>		
Turnover	603.1	1,352.4	1,578.2	1,597.1
Cost of goods sold	(445.7)	(1,016.3)	(1,136.4)	(1,112.6)
Gross profit	157.4	336.1	441.8	484.5
Other income	6.9	25.2	17.3	21.5
Other gains and losses	(1.8)	29.3	42.1	(6.4)
Research and development costs	(26.5)	(62.3)	(72.5)	(85.0)
Distribution and selling expenses	(92.3)	(218.7)	(268.8)	(247.1)
General administrative expenses	(48.3)	(156.8)	(168.9)	(186.4)
Interest on bank and other borrowings wholly repayable within five years	(1.1)	(4.9)	(6.8)	(6.4)
Loss before taxation	(5.7)	(52.1)	(15.8)	(25.3)
Taxation	(1.1)	(16.7)	(13.1)	(5.1)
Loss per the period/year	<u>(6.8)</u>	<u>(68.8)</u>	<u>(28.9)</u>	<u>(30.4)</u>



**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

	Unaudited For the six months ended September 30, 2014 <i>HK\$ million</i>	Audited For the year ended March 31, 2014      2013      2012 <i>HK\$ million    HK\$ million    HK\$ million</i>		
Other comprehensive income (expenses):				
Exchange differences arising on translation of foreign operations	(6.0)	1.8	(10.1)	(16.1)
	<u>(6.0)</u>	<u>1.8</u>	<u>(10.1)</u>	<u>(16.1)</u>
Total comprehensive expenses for the period/year	<u>(12.8)</u>	<u>(67.0)</u>	<u>(39.0)</u>	<u>(46.5)</u>
Loss for the period/year attributable to:				
Owners of the Company	(6.8)	(68.8)	(28.9)	(30.4)
Non-controlling interests	—	—	—	—
	<u>(6.8)</u>	<u>(68.8)</u>	<u>(28.9)</u>	<u>(30.4)</u>
Total comprehensive expenses attributable to:				
Owners of the Company	(12.8)	(67.0)	(39.0)	(46.5)
Non-controlling interests	—	—	—	—
	<u>(12.8)</u>	<u>(67.0)</u>	<u>(39.0)</u>	<u>(46.5)</u>
Loss per share				
– Basic and diluted	<u>(0.27) HK cents</u>	<u>(2.75) HK cents</u>	<u>(1.16) HK cents</u>	<u>(1.22) HK cents</u>

## II. AUDITED CONSOLIDATED FINANCIAL STATEMENT

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

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

*For the year ended March 31, 2014*

	<i>NOTES</i>	<b>2014</b> <i>HK\$ million</i>	<b>2013</b> <i>HK\$ million</i>
Turnover	5	1,352.4	1,578.2
Cost of goods sold		<u>(1,016.3)</u>	<u>(1,136.4)</u>
Gross profit		336.1	441.8
Other income		25.2	17.3
Other gains and losses	6	29.3	42.1
Research and development costs		(62.3)	(72.5)
Distribution and selling expenses		(218.7)	(268.8)
General administrative expenses		(156.8)	(168.9)
Interest on bank and other borrowings wholly repayable within five years		<u>(4.9)</u>	<u>(6.8)</u>
Loss before taxation	7	(52.1)	(15.8)
Taxation	10	<u>(16.7)</u>	<u>(13.1)</u>
Loss for the year attributable to owners of the Company		(68.8)	(28.9)
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>1.8</u>	<u>(10.1)</u>
Total comprehensive expenses for the year		<u><u>(67.0)</u></u>	<u><u>(39.0)</u></u>
Loss per share			
– Basic and diluted	11	<u><u>(2.75) HK cents</u></u>	<u><u>(1.16) HK cents</u></u>

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

	<i>NOTES</i>	<b>2014</b> <i>HK\$ million</i>	<b>2013</b> <i>HK\$ million</i>
Non-current assets			
Property, plant and equipment	<i>12</i>	48.3	65.2
Intangible assets	<i>13</i>	16.7	45.1
Goodwill	<i>14</i>	33.8	33.8
Available-for-sale investments	<i>15</i>	0.9	0.9
Deferred tax assets	<i>16</i>	8.3	19.6
Deposit paid for acquisition of property, plant and equipment		<u>0.1</u>	<u>0.5</u>
		<u>108.1</u>	<u>165.1</u>
Current assets			
Inventories	<i>17</i>	275.8	277.9
Trade and other receivables	<i>18</i>	205.8	297.6
Forward contract assets	<i>23</i>	–	0.3
Tax recoverable		1.8	–
Short-term bank deposits	<i>20</i>	–	5.2
Bank balances and cash	<i>20</i>	<u>236.7</u>	<u>311.8</u>
		<u>720.1</u>	<u>892.8</u>
Current liabilities			
Trade and other payables and accruals	<i>21</i>	250.9	249.1
Forward contract liabilities	<i>23</i>	0.1	–
Taxation payable		0.1	2.8
Obligations under finance leases due within one year	<i>22</i>	0.1	0.5
Bank loans	<i>24</i>	96.9	261.3
Bank overdrafts	<i>24</i>	<u>–</u>	<u>0.6</u>
		<u>348.1</u>	<u>514.3</u>
Net current assets		<u>372.0</u>	<u>378.5</u>
Total assets less current liabilities		<u>480.1</u>	<u>543.6</u>

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

		<b>2014</b>	<b>2013</b>
	<i>NOTES</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Non-current liabilities			
Obligations under finance leases due after one year	22	–	0.1
Deferred tax liabilities	16	<u>0.3</u>	<u>0.3</u>
		<u>0.3</u>	<u>0.4</u>
Net assets		<u>479.8</u>	<u>543.2</u>
Capital and reserves			
Share capital	25	250.5	250.2
Reserves		<u>229.2</u>	<u>292.9</u>
Equity attributable to owners of the Company		479.7	543.1
Non-controlling interests		<u>0.1</u>	<u>0.1</u>
Total equity		<u>479.8</u>	<u>543.2</u>

## Consolidated Statement of Changes in Equity

For the year ended March 31, 2014

	Attributable to owners of the Company							Total HK\$ million	Non-controlling interests HK\$ million	Total HK\$ million
	Share capital HK\$ million	Share premium HK\$ million	Other reserve HK\$ million	Properties revaluation reserve HK\$ million	Share options reserve HK\$ million	Translation reserve HK\$ million	Revenue reserve HK\$ million			
At April 1, 2012	250.2	151.6	32.5	27.9	4.2	(73.0)	183.7	577.1	0.1	577.2
Exchange differences arising from translation of foreign operations	-	-	-	-	-	(10.1)	-	(10.1)	-	(10.1)
Loss for the year	-	-	-	-	-	-	(28.9)	(28.9)	-	(28.9)
Total comprehensive expenses for the year	-	-	-	-	-	(10.1)	(28.9)	(39.0)	-	(39.0)
Release of reserve upon disposal of properties	-	-	-	(15.9)	-	-	15.9	-	-	-
Reversal of deferred tax previously recognised in relation to disposal of properties	-	-	-	2.6	-	-	-	2.6	-	2.6
Recognition of equity-settled share based payments	-	-	-	-	2.4	-	-	2.4	-	2.4
Lapse of share options	-	-	-	-	(0.6)	-	0.6	-	-	-
At March 31, 2013	250.2	151.6	32.5	14.6	6.0	(83.1)	171.3	543.1	0.1	543.2
Exchange differences arising from translation of foreign operations	-	-	-	-	-	1.8	-	1.8	-	1.8
Loss for the year	-	-	-	-	-	-	(68.8)	(68.8)	-	(68.8)
Total comprehensive expenses for the year	-	-	-	-	-	1.8	(68.8)	(67.0)	-	(67.0)
Shares issued upon exercise of share options	0.3	0.1	-	-	(0.1)	-	-	0.3	-	0.3
Release of reserve upon disposal of properties	-	-	-	(10.1)	-	-	10.1	-	-	-
Reversal of deferred tax previously recognised in relation to disposal of properties	-	-	-	1.7	-	-	-	1.7	-	1.7
Recognition of equity-settled share based payments	-	-	-	-	1.6	-	-	1.6	-	1.6
Lapse of share options	-	-	-	-	(0.5)	-	0.5	-	-	-
At March 31, 2014	250.5	151.7	32.5	6.2	7.0	(81.3)	113.1	479.7	0.1	479.8

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

	<b>2014</b> <i>HK\$ million</i>	<b>2013</b> <i>HK\$ million</i>
Cash flows from operating activities		
Loss before taxation	(52.1)	(15.8)
Adjustments for:		
Interest income	(1.4)	(1.6)
Interest expenses	4.9	6.8
Share-based payment expenses	1.6	2.4
Depreciation of property, plant and equipment	27.3	30.7
Amortisation of intangible assets	26.1	24.7
Gain on disposal of property, plant and equipment	(21.9)	(47.4)
Loss (gain) on disposal of club membership	0.1	(0.3)
Change in fair value of forward contracts	(0.2)	(1.3)
Impairment loss on intangible assets	4.6	–
Gain on disposal of held for trading investment	(14.0)	–
Impairment losses (reversed) recognised on trade receivables	(1.1)	0.9
Write down of inventories	7.6	13.4
Effect of foreign exchange rate changes on inter-company balances	(0.8)	1.3
Operating cash flows before movements in working capital	(19.3)	13.8
Increase in inventories	(0.3)	(42.0)
Decrease (increase) in trade and other receivables	89.0	(79.9)
(Decrease) increase in trade and other payables and accruals	(0.1)	10.5
Decrease in forward contracts	0.6	1.2
Cash generated from (used in) operations	69.9	(96.4)
Tax refunded	0.2	–
Tax paid	(7.7)	(8.3)
Net cash from (used in) operating activities	62.4	(104.7)
Investing activities		
Proceeds from disposal of property, plant and equipment	28.5	58.5
Proceeds from disposal of held for trading investment	14.0	–
Proceeds from disposal of club membership	0.6	1.2
Interest received	1.4	1.6
Short-term bank deposits withdrawn	34.1	52.7
Short-term bank deposits placed	(28.9)	(7.9)
Purchase of property, plant and equipment	(16.1)	(16.0)
Product development costs paid	(1.7)	(21.4)
Payment for patents and trademarks	(0.6)	(0.8)
Deposit paid for acquisition of property, plant and equipment	–	(0.5)
Net cash from investing activities	31.3	67.4

	<b>2014</b> <i>HK\$ million</i>	<b>2013</b> <i>HK\$ million</i>
Financing activities		
Repayment of bank loans	(483.1)	(65.3)
Interest paid	(4.9)	(6.8)
Repayment of obligations under finance leases	(0.5)	(0.5)
Bank loans raised	318.7	134.6
Proceeds from issue of shares	<u>0.3</u>	<u>–</u>
Net cash (used in) from financing activities	<u>(169.5)</u>	<u>62.0</u>
Net (decrease) increase in cash and cash equivalents	(75.8)	24.7
Cash and cash equivalents at beginning of the year	311.2	287.5
Effect of foreign exchange rate changes	<u>1.3</u>	<u>(1.0)</u>
Cash and cash equivalents at end of the year	<u><u>236.7</u></u>	<u><u>311.2</u></u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	236.7	311.8
Bank overdrafts	<u>–</u>	<u>(0.6)</u>
	<u><u>236.7</u></u>	<u><u>311.2</u></u>

**Notes to the Consolidated Financial Statements**

For the year ended March 31, 2014

**1. General**

The Company is incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The Company’s controlling shareholders are Dr. Raymond Chan and his wife, Mrs. Chan Pau Shiu Yeng, Shirley. They hold a total interest of 57.13% of the issued share capital of the Company.

The Company acts as an investment holding company while its subsidiaries are engaged in the design, development, manufacture, sales and marketing of various consumer electronic products.

The consolidated financial statements are presented in Hong Kong dollars which is the same as the functional currency of the Company.

**2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)**

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC*) – INT 20	Stripping costs in the production phase of a surface mine

\* IFRIC represents the International Financial Reporting Interpretations Committee.



Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

***Impact of the application of HKFRS 10***

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) – INT 12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company (the "directors") made an assessment as at the date of initial application of HKFRS 10 (i.e. April 1, 2013) in respect of the Group's control in its subsidiaries, associates and joint ventures under the new definition in the new and revised HKFRSs and concluded that the application of the new standards have no impact on the consolidated financial statements.

***HKFRS 13 Fair value measurement***

HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. Other than the additional disclosures, the application of HKFRS 13 has no material impact on the amounts recognised in the consolidated financial statements.

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

The Group has applied the amendments to HKAS 1 “Presentation of items of other comprehensive income”. Upon the adoption of the amendments to HKAS 1, the Group’s “statement of comprehensive income” is renamed as the “statement of profit or loss and other comprehensive income” and the income statement is renamed as the “statement of profit or loss”. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

***New and revised HKFRSs issued but not yet effective***

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities <sup>1</sup>
Amendments to HKFRS 11	Accounting for acquisition of interests in joint operations <sup>6</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation <sup>6</sup>
Amendments to HKAS 19	Defined benefit plans: Employee contributions <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures <sup>3</sup>
Amendments to HKAS 32	Offsetting financial assets and financial liabilities <sup>1</sup>
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets <sup>1</sup>
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle <sup>4</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle <sup>2</sup>
HKFRS 9	Financial instruments <sup>3</sup>
HKFRS 14	Regulatory deferral accounts <sup>5</sup>
HK(IFRIC) – INT 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after July 1, 2014.

<sup>3</sup> Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

<sup>4</sup> Effective for annual periods beginning on or after July 1, 2014, with limited exceptions.

<sup>5</sup> Effective for first annual HKFRS financial statements beginning on or after January 1, 2016.

<sup>6</sup> Effective for annual periods beginning on or after January 1, 2016.

***HKFRS 9 Financial instruments***

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have impact on amounts reported for the Group’s financial assets in respect of available-for-sale investments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

***Amendments to HKAS 36 Recoverable amount disclosures for non-financial assets***

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (“CGU”) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group’s consolidated financial statements.

***Annual improvements to HKFRSs 2010 – 2012 cycle***

The Annual improvements to HKFRSs 2010 – 2012 cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of “vesting condition” and “market condition”; and (ii) add definitions for “performance condition” and “service condition” which were previously included within the definition of “vesting condition”. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010 – 2012 cycle will have a material effect on the Group’s consolidated financial statements.

#### ***Annual improvements to HKFRSs 2011 – 2013 cycle***

The Annual improvements to HKFRSs 2011 – 2013 cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of HKAS 40; and
- (b) the transaction meets the definition of a business combination under HKFRS 3.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011 – 2013 cycle will have a material effect on the Group's consolidated financial statements.

### 3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

***Goodwill***

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

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

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

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

### ***Revenue recognition***

Revenue is measured at 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.

Revenues from the sale of goods and moulds are recognised when the goods and moulds are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset excluding financial assets at fair value through profit or loss (“FVTPL”) 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.



***Property, plant and equipment***

Property, plant and equipment including leasehold land (classified as finance lease) and buildings held for use in the production of goods or for the administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost or revalued amount prior to September 30, 1995 less subsequent accumulated depreciation and accumulated impairment losses, if any.

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 “Property, plant and equipment” from the requirement to make regular revaluations of the Group’s land and buildings which had been carried at revalued amounts prior to September 30, 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to September 30, 1995, the revaluation increase arising on the revaluation of these assets was credited to the properties revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the properties revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to revenue reserve.

Depreciation is recognised to write off the cost or revalued amount prior to September 30, 1995 of items of property, plant and equipment other than properties under construction 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

***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.

***Product development costs***

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Subsequent to initial recognition, an internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any).

***Patents and trademarks***

Patents and trademarks are stated at cost less subsequent accumulated amortisation and any accumulated impairment loss. Amortisation is calculated on a straight line basis over the estimated useful economic life of the relevant patents and trademarks.

***Impairment loss on tangible and intangible assets (other than goodwill)***

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible 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, the 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 immediately in profit or loss.

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-generated unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

***Retirement benefit costs***

Payments to defined contribution retirement benefit plans, Mandatory Provident Fund Scheme and state-managed retirement benefits scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

***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 statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

The carrying amount of deferred tax assets is reviewed at the end of 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 rates (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 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 are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

***Leases***

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

***The Group as lessee***

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

***Financial instruments***

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

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

***Financial assets***

The Group's financial assets comprise financial assets FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

*Effective interest method*

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

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

*Financial assets at fair value through profit or loss*

Financial assets at FVTPL represents financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

If a reliable measure of fair value is no longer available for a financial asset, the fair value of the financial asset on that date becomes its deemed cost. The financial asset is subsequently measured at the deemed cost less any impairment. If a reliable measure becomes available for a financial asset for which such a measure was previously not available, the asset is remeasured at fair value, and the difference between its carrying amount and fair value is recognised in profit or loss.

*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 short-term bank deposits, bank balances and cash and trade and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses.

*Available-for-sale financial assets*

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets 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 or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial organisation.

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

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

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses 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***

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into 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 the Company are recognised 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 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 excluding derivatives*

Financial liabilities including trade and other payables, bank loans and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

#### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.



***Derecognition***

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

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

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

***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 recognised 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 consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on an acquisition of a foreign operation on or after April 1, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

***Share-based payments transactions******Share options granted to employees of the Group***

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share options reserve).

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

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

#### **4. Key Sources of Estimation Uncertainty**

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

##### ***Useful lives of property, plant and equipment***

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. At March 31, 2014, the carrying amount of property, plant and equipment is HK\$48.3 million (2013: HK\$65.2 million).

The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of a similar nature and function. Useful lives may change significantly as a result of technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, and it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

##### ***Recoverability of internally generated intangible asset***

During the year, management reconsidered the recoverability of its intangible asset arising from the Group's product development, which is included in its consolidated statement of financial position at March 31, 2014 at HK\$10.8 million (2013: HK\$37.6 million). The project continues to progress in a satisfactory manner, and customer reaction has reconfirmed management's previous estimates of anticipated revenues from the project. However, increased competitor activity has caused management to reconsider its assumptions regarding future market share and anticipated margins on these products. Detailed sensitivity analysis has been carried out and management is confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments will be made in future periods, if future market activity indicates that such adjustments are appropriate.

***Estimated impairment of goodwill***

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The recoverable amount calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where there is a downward revision of estimated cash flow or when the actual cash flows are less than expected, there will be a change of recoverable amount, a material impairment loss may arise. At March 31, 2014, the carrying amount of goodwill is HK\$33.8 million (2013: HK\$33.8 million). Details of the recoverable amount calculation are disclosed in note 14.

***Income taxes***

At March 31, 2014, a deferred tax asset of HK\$5.3 million (2013: HK\$21.2 million) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on tax losses of HK\$974.1 million (2013: HK\$710.0 million) due to the unpredictability of future profit streams. 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 less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. In cases where the actual future profits generated are more than expected, an addition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such an addition takes place.

**5. Segment Information**

Turnover represents the amounts received and receivable for goods sold by the Group to outside customers, net of discounts and sales related taxes. Turnover represents mainly Oregon Scientific branded sales ("Branded Sales") and Original Equipment Manufacturer and Original Design Manufacturer sales ("OEM/ODM Sales").

The reportable and operating segments were namely Sports, fitness and healthcare, Electronic learning products, Time and weather, Telecommunication and Wellness and beauty. In addition, energy and other electronic products which are individually insignificant were aggregated and reported under Others.

Sports, fitness and healthcare	–	design, development, manufacture, and sales and marketing of sports, fitness and healthcare electronic products
Electronic learning products	–	design, development, manufacture, and sales and marketing of electronic learning products
Time and weather	–	design, development, manufacture, and sales and marketing of time and weather electronic products

- Telecommunication – design, development, manufacture, and sales and marketing of telecommunication products
- Wellness and beauty – design, development, manufacture, and sales and marketing of wellness and beauty products
- Others – design, development, manufacture, and sales and marketing of energy and other electronic products

The Group disaggregated its turnover based on branded sales and OEM/ODM sales and reported to the Chief operating decision maker (“CODM”). No separate results of branded sales and OEM/ODM sales were reported to the CODM.

**Segment revenue and results**

The following is an analysis of the Group’s revenue and results by operating and reportable segments:

	Sports, fitness and healthcare HK\$ million	Electronic learning products HK\$ million	Time and weather HK\$ million	Telecom- munication HK\$ million	Wellness and beauty HK\$ million	Reportable total segments HK\$ million	Others HK\$ million	Total HK\$ million
<b>Year ended March 31, 2014</b>								
<b>Segment revenue</b>								
Branded sales	53.6	195.6	197.6	–	53.2	500.0	7.4	507.4
OEM/ODM sales	554.2	23.6	86.3	86.1	–	750.2	94.8	845.0
Total segment revenue	<u>607.8</u>	<u>219.2</u>	<u>283.9</u>	<u>86.1</u>	<u>53.2</u>	<u>1,250.2</u>	<u>102.2</u>	<u>1,352.4</u>
Segment profit (loss)	<u>22.5</u>	<u>(60.6)</u>	<u>7.3</u>	<u>1.0</u>	<u>–</u>	<u>(29.8)</u>	<u>1.2</u>	(28.6)
Gain on disposal of leasehold land and building								21.9
Gain on disposal of held for trading investment								14.0
Unallocated income								1.4
Unallocated expense								(55.9)
Finance costs								<u>(4.9)</u>
Loss before taxation								<u>(52.1)</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

	Sports, fitness and healthcare HK\$ million	Electronic learning products HK\$ million	Time and weather HK\$ million	Telecom- munication HK\$ million	Wellness and beauty HK\$ million	Reportable segments total HK\$ million	Others HK\$ million	Total HK\$ million
<b>Year ended March 31, 2013</b>								
<b>Segment revenue</b>								
Branded sales	57.0	414.5	239.0	1.6	72.6	784.7	13.2	797.9
OEM/ODM sales	<u>468.6</u>	<u>18.7</u>	<u>69.0</u>	<u>110.8</u>	<u>-</u>	<u>667.1</u>	<u>113.2</u>	<u>780.3</u>
Total segment revenue	<u>525.6</u>	<u>433.2</u>	<u>308.0</u>	<u>112.4</u>	<u>72.6</u>	<u>1,451.8</u>	<u>126.4</u>	<u>1,578.2</u>
Segment profit (loss)	<u>6.0</u>	<u>(35.8)</u>	<u>14.3</u>	<u>2.7</u>	<u>2.3</u>	<u>(10.5)</u>	<u>2.9</u>	<u>(7.6)</u>
Gain on disposal of leasehold land and building								47.4
Unallocated income								1.6
Unallocated expense								(50.4)
Finance costs								<u>(6.8)</u>
Loss before taxation								<u>(15.8)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) earned by each segment without allocation of interest income, gain on disposal of leasehold land and building, gain on disposal of held for trading investment, unallocated expense such as central administrative cost and finance costs. This is the measure reported to the Group's CODM, for the purposes of resource allocation and performance assessment.

No segment assets and segment liabilities are presented as such amounts are not reviewed by the Group's CODM for the purpose of resource allocation and performance assessment or otherwise regularly provided to the Group's CODM.

**Other segment information**

	Sports, fitness and healthcare HKS million	Electronic learning products HKS million	Time and weather HKS million	Telecom- munication HKS million	Wellness and beauty HKS million	Reportable total segment HKS million	Others HKS million	Unallocated items HKS million	Total HKS million
<b>Year ended March 31, 2014</b>									
Amounts included in the measure of segment profit or loss:									
Depreciation and amortisation									
- property, plant and equipment	7.6	8.9	4.5	1.0	1.3	23.3	1.2	2.8	27.3
- intangible assets	2.0	19.1	3.2	0.2	0.4	24.9	1.2	-	26.1
(Reversal of) impairment losses									
on trade receivable	0.8	(1.9)	-	-	-	(1.1)	-	-	(1.1)
Gain on disposal of property, plant and equipment									
	-	-	-	-	-	-	-	(21.9)	(21.9)
Impairment loss on intangible assets	1.0	2.1	1.4	-	0.1	4.6	-	-	4.6
Write down (reversal of) of inventories	5.2	3.6	3.3	(5.7)	0.3	6.7	0.9	-	7.6
<b>Year ended March 31, 2013</b>									
Amounts included in the measure of segment profit or loss:									
Depreciation and amortisation									
- property, plant and equipment	11.0	5.8	4.6	2.5	1.9	25.8	3.0	1.9	30.7
- intangible assets	1.3	19.9	1.2	0.3	0.6	23.3	1.4	-	24.7
Impairment losses on trade receivable	0.1	-	0.7	-	0.1	0.9	-	-	0.9
Gain on disposal of property, plant and equipment									
	-	-	-	-	-	-	-	(47.4)	(47.4)
Write down (reversal of) of inventories	9.7	(0.8)	0.3	2.4	(0.4)	11.2	2.2	-	13.4

**Geographical information**

The Group's operations are located in Asia Pacific, Europe and Americas (representing the United States of America and Latin America). The Group carries out its manufacturing and trading operations in Hong Kong and other parts of Mainland China (the "PRC"). The Group also operates marketing offices in Europe, the United States of America, Latin America and other Asia Pacific countries.

Information about the Group's revenue from external customers is presented based on the location of customers are detailed below:

	Revenue from external customers	
	2014 HK\$ million	2013 HK\$ million
Americas	393.9	566.0
Europe	607.5	671.2
Asia Pacific	<u>351.0</u>	<u>341.0</u>
	<u>1,352.4</u>	<u>1,578.2</u>

Non-current assets of the Group excluding deferred tax assets and financial instruments are substantially located in the PRC including Hong Kong.

#### **Information about major customers**

The Group has a very wide customer base, no single customer contributed over 10% of the total revenue of the Group for both years.

#### **6. Other Gains and Losses**

	2014 HK\$ million	2013 HK\$ million
Impairment losses reversed (recognised) in respect of trade receivables	1.1	(0.9)
Gain on disposal of property, plant and equipment	21.9	47.4
(Loss) gain on disposal of club membership	(0.1)	0.3
Gain on disposal of held for trading investment	14.0	–
Net exchange losses ( <i>note</i> )	<u>(7.6)</u>	<u>(4.7)</u>
	<u>29.3</u>	<u>42.1</u>

*Note:* Included in the net exchange losses are gain arising from changes in fair value of forward contracts of HK\$0.2 million (2013: gain of HK\$1.3 million).

## 7. Loss before Taxation

	2014 <i>HK\$ million</i>	2013 <i>HK\$ million</i>
Loss before taxation has been arrived at after charging:		
Directors' emolument ( <i>note 8</i> )	10.1	8.5
Retirement benefits scheme contributions for other staff, net of forfeited contributions of HK\$nil (2013: HK\$0.6 million)	17.2	20.0
Share option benefits expenses for other staff	0.9	0.6
Salaries for other staff	285.9	299.3
Other benefits for staff other than directors	<u>12.1</u>	<u>17.6</u>
Other staff costs	<u>316.1</u>	<u>337.5</u>
Total staff costs	326.2	346.0
Less: Staff costs capitalised in product development costs	–	(12.1)
Staff costs included in research and development costs	<u>(14.6)</u>	<u>(10.8)</u>
	<u>311.6</u>	<u>323.1</u>
Amortisation of product development costs (included in research and development costs)	23.9	22.6
Amortisation of patents and trademarks	2.2	2.1
Auditors' remuneration	4.4	4.3
Cost of inventories recognised as expense (including write down of inventories amounting to HK\$7.6 million (2013: HK\$13.4 million))	1,016.3	1,136.4
Depreciation of property, plant and equipment		
– held under finance leases	0.6	1.2
– owned by the Group	26.7	29.5
Impairment loss on intangible assets	4.6	–
Operating lease rentals in respect of		
– office equipment and motor vehicles	0.9	0.8
– rented premises	37.9	40.2
and after crediting to other income:		
Interest income	1.4	1.6
Sales of moulds and scraps	<u>3.7</u>	<u>3.8</u>



## 8. Directors' and Chief Executive's Emoluments

The emoluments paid or payable to each of the 7 (2013: 6) directors and the chief executive of the Company were as follows:

	Fees <i>HK\$ million</i>	Basic salaries and allowances <i>HK\$ million</i>	Retirement benefits scheme contributions <i>HK\$ million</i>	Share- based payments <i>HK\$ million</i>	Total <i>HK\$ million</i>
<b>Year ended March 31, 2014</b>					
<i>Executive directors:</i>					
Dr. Raymond Chan	0.1	3.2	0.1	0.1	3.5
Mrs. Chan Pau Shiu Yeng, Shirley	0.1	1.5	0.1	0.1	1.8
Mr. Leong Mun Hoong ( <i>note</i> )	0.1	2.9	0.1	0.1	3.2
<i>Independent non-executive directors:</i>					
Mr. Lo Kai Yiu, Anthony	0.3	–	–	0.1	0.4
Mr. Kao Ying Lun	0.3	–	–	0.1	0.4
Mr. Jack Schmuckli	0.4	–	–	0.1	0.5
Dr. Kenichi Ohmae	0.2	–	–	0.1	0.3
	<u>1.5</u>	<u>7.6</u>	<u>0.3</u>	<u>0.7</u>	<u>10.1</u>
<b>Year ended March 31, 2013</b>					
<i>Executive directors:</i>					
Dr. Raymond Chan	0.1	3.4	0.2	0.1	3.8
Mrs. Chan Pau Shiu Yeng, Shirley	0.1	1.6	0.1	0.1	1.9
<i>Independent non-executive directors:</i>					
Mr. Lo Kai Yiu, Anthony	0.3	–	–	0.4	0.7
Mr. Kao Ying Lun	0.3	–	–	0.4	0.7
Mr. Jack Schmuckli	0.4	–	–	0.4	0.8
Dr. Kenichi Ohmae	0.2	–	–	0.4	0.6
	<u>1.4</u>	<u>5.0</u>	<u>0.3</u>	<u>1.8</u>	<u>8.5</u>

*Note:* Mr. Leong Mun Hoong was appointed as executive director of the Company on April 8, 2013.

Dr. Raymond Chan is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Neither the chief executive nor any of the directors had waived any emoluments during the years ended March 31, 2014 and 2013.

### 9. Employees' Emoluments

The aggregate emoluments of the five highest paid individuals included three (2013: two) executive directors of the Company, one of them is also the chief executive of the Company, whose emoluments are included in note 8 above. The emoluments of the remaining two highest paid individuals are as follows:

	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Basic salaries and allowances	2.9	5.7
Bonus	0.2	0.3
Retirement benefits scheme contributions	<u>–</u>	<u>0.1</u>
	<u><u>3.1</u></u>	<u><u>6.1</u></u>

Bonus is determined with reference to the individual performance during the year.

The emoluments of the remaining two (2013: three) highest paid individuals are within the following bands:

	<b>Number of employees</b>	
	<b>2014</b>	<b>2013</b>
HK\$1,500,001 to HK\$2,000,000	2	2
HK\$2,500,001 to HK\$3,000,000	<u>–</u>	<u>1</u>

During both years, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

**10. Taxation**

	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
The charge comprises:		
Hong Kong Profits Tax		
– current year	(2.5)	(2.4)
– (under)overprovision in prior years	(0.5)	4.0
Taxation in other jurisdictions		
– current year	–	(0.4)
– underprovision in prior years	<u>–</u>	<u>(7.9)</u>
	(3.0)	(6.7)
Deferred taxation ( <i>note 16</i> )		
– current year	<u>(13.7)</u>	<u>(6.4)</u>
	<u>(16.7)</u>	<u>(13.1)</u>

The charge for the year is reconciled to the loss before taxation as follows:

	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Loss before taxation	<u>(52.1)</u>	<u>(15.8)</u>
Tax credit at the domestic income tax rate of 16.5%	8.6	2.6
Tax effect of expenses not deductible for tax purposes	(9.9)	(9.0)
Tax effect of income not taxable for tax purposes	10.1	12.2
Tax effect of tax losses not recognised	(45.3)	(27.1)
Effect of different tax rates of subsidiaries		
operating in other jurisdictions	14.9	6.0
Utilisation of tax losses previously not recognised	17.5	7.0
Underprovision in prior years	(0.5)	(3.9)
Others	<u>(12.1)</u>	<u>(0.9)</u>
Tax charge for the year	<u>(16.7)</u>	<u>(13.1)</u>

Hong Kong Profits Tax is calculated at 16.5% of estimated assessable profits for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the PRC on Enterprise Income Tax (“EIT Law”) and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiaries is 25%.

In prior year, the underprovision of taxation in other jurisdiction was mainly attributable to the settlement of taxation of an overseas subsidiary upon the finalisation of prior years' tax assessments with the local tax authority in respect of the dispute over the deductibility of certain expenses items.

### 11. Loss per Share

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

	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Loss:		
Loss for the year attributable to owners of the Company and loss for the purposes of basic and diluted loss per share	<u>(68.8)</u>	<u>(28.9)</u>
	<b>2014</b>	<b>2013</b>
Number of ordinary shares:		
Number of ordinary shares for the purposes of basic and diluted loss per share	<u>2,504,521,088</u>	<u>2,502,271,088</u>

The computation of diluted loss per share for the years ended March 31, 2014 and 2013 does not assume the exercise of the Company's outstanding share options as the inclusion of those options would result in decrease in loss per share for both years.

## 12. Property, Plant and Equipment

	Leasehold land and buildings HK\$ million	Furniture, fixtures and equipment HK\$ million	Motor vehicles HK\$ million	Plant and machinery HK\$ million	Construction in progress HK\$ million	Total HK\$ million
<b>COST OR VALUATION</b>						
At April 1, 2012	51.4	331.2	5.0	308.8	–	696.4
Currency realignment	–	(1.9)	(0.1)	–	–	(2.0)
Additions	–	8.3	–	10.8	0.3	19.4
Disposals	(18.2)	(11.4)	(0.6)	(4.6)	–	(34.8)
At March 31, 2013	33.2	326.2	4.3	315.0	0.3	679.0
Currency realignment	–	0.8	(0.1)	0.6	–	1.3
Additions	–	7.2	–	9.3	–	16.5
Disposals	(11.4)	(10.4)	(0.2)	(10.0)	–	(32.0)
At March 31, 2014	21.8	323.8	4.0	314.9	0.3	664.8
Comprising:						
At cost	9.0	323.8	4.0	314.9	0.3	652.0
At valuation						
– 1993	4.7	–	–	–	–	4.7
– 1994	8.1	–	–	–	–	8.1
	21.8	323.8	4.0	314.9	0.3	664.8
<b>DEPRECIATION</b>						
At April 1, 2012	25.8	297.6	4.0	280.9	–	608.3
Currency realignment	–	(1.6)	0.1	–	–	(1.5)
Provided for the year	0.4	18.4	0.2	11.7	–	30.7
Eliminated on disposals	(8.1)	(11.3)	(0.6)	(3.7)	–	(23.7)
At March 31, 2013	18.1	303.1	3.7	288.9	–	613.8
Currency realignment	–	0.6	(0.1)	0.3	–	0.8
Provided for the year	1.4	12.9	0.2	12.8	–	27.3
Eliminated on disposals	(6.0)	(9.5)	(0.2)	(9.7)	–	(25.4)
At March 31, 2014	13.5	307.1	3.6	292.3	–	616.5
<b>CARRYING VALUES</b>						
At March 31, 2014	8.3	16.7	0.4	22.6	0.3	48.3
At March 31, 2013	15.1	23.1	0.6	26.1	0.3	65.2

Note: At the end of the reporting period, the cost of property, plant and equipment that were fully depreciated but still in use amounted to HK\$521.1 million (2013: HK\$508.5 million).

Depreciation is provided to write off the cost of property, plant and equipment, less their residual values over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term the lease, or 25 years
Furniture, fixtures and equipment	10% – 25%
Motor vehicles	10% – 20%
Plant and machinery	10% – 20%

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The carrying values of the Group's property interests comprise:

	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Properties held under medium-term leases in Hong Kong	<u>8.3</u>	<u>15.1</u>

If the Group's land and buildings had not been revalued, the carrying value of land and buildings would have been HK\$4.5 million (2013: HK\$5.5 million).

At the end of the reporting period, the carrying value of furniture, fixtures and equipment held under finance leases was HK\$1.7 million (2013: HK\$2.3 million).

## 13. Intangible Assets

	<b>Product development costs</b>	<b>Patents and trademarks</b>	<b>Total</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
<b>COST</b>			
At April 1, 2012	452.0	16.0	468.0
Additions	21.4	0.8	22.2
Disposals	(10.4)	–	(10.4)
Written off	<u>(72.8)</u>	<u>–</u>	<u>(72.8)</u>
At March 31, 2013	390.2	16.8	407.0
Additions	1.7	0.6	2.3
Written off	<u>(31.0)</u>	<u>–</u>	<u>(31.0)</u>
At March 31, 2014	<u>360.9</u>	<u>17.4</u>	<u>378.3</u>
<b>AMORTISATION AND IMPAIRMENT</b>			
At April 1, 2012	402.8	7.2	410.0
Amortised for the year	22.6	2.1	24.7
Eliminated on written off	<u>(72.8)</u>	<u>–</u>	<u>(72.8)</u>
At March 31, 2013	352.6	9.3	361.9
Amortised for the year	23.9	2.2	26.1
Impairment	4.6	–	4.6
Eliminated on written off	<u>(31.0)</u>	<u>–</u>	<u>(31.0)</u>
At March 31, 2014	<u>350.1</u>	<u>11.5</u>	<u>361.6</u>
<b>CARRYING VALUES</b>			
At March 31, 2014	<u>10.8</u>	<u>5.9</u>	<u>16.7</u>
At March 31, 2013	<u>37.6</u>	<u>7.5</u>	<u>45.1</u>

*Note:* At the end of the reporting period, the cost of intangible assets that were fully amortised but still in use amounted to HK\$320.9 million (2013: HK\$325.1 million).

The above intangible assets, which have finite useful lives, are amortised on a straight line basis over the following periods:

Product development costs	2 years
Patents and trademarks	5 – 10 years

**14. Goodwill**

	<i>HK\$ million</i>
At April 1, 2012	33.9
Currency realignment	<u>(0.1)</u>
At March 31, 2013 and 2014	<u><u>33.8</u></u>

The carrying amount of goodwill allocated to these units are as follows:

	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Time and weather consumer electronic products unit (“CGU A”)	17.5	17.5
Telecommunications consumer electronic products unit (“CGU B”)	<u>16.3</u>	<u>16.3</u>
	<u><u>33.8</u></u>	<u><u>33.8</u></u>

During the years ended March 31, 2014 and 2013, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

The recoverable amounts of the CGU A and CGU B have been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management for the next year and for the following four years based on a steady growth rate of 3% per annum. Cash flows beyond the five-year period are extrapolated using zero growth rate. Management estimates discount rate of 5% for both CGU A and CGU B using a risk-free rate, the market return and CGU specific factors. The key assumptions are annual growth rates, estimated future selling prices and direct costs which are estimated are based on past practices and expectations of future changes in the market. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of both CGUs to exceed the aggregate recoverable amount of respective CGUs.

**15. Available-for-sale Investments**

	<b>2014 &amp; 2013</b>
	<i>HK\$ million</i>
Unlisted equity securities at cost	<u><u>0.9</u></u>

The above unlisted investments represent a 2.92% (2013: 2.92%) equity investments in a private entity that was established in Korea. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.



**16. Deferred Taxation**

The followings are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation <i>HK\$ million</i>	Product development costs <i>HK\$ million</i>	Revaluation of properties <i>HK\$ million</i>	Tax losses <i>HK\$ million</i>	Unrealised profits on inventories <i>HK\$ million</i>	Total <i>HK\$ million</i>
At April 1, 2012	0.9	(7.0)	(5.6)	29.3	5.9	23.5
Currency realignment	-	-	-	(0.4)	-	(0.4)
(Charge) credit to profit or loss for the year	(0.1)	1.1	-	(7.7)	0.3	(6.4)
Credit to equity	<u>-</u>	<u>-</u>	<u>2.6</u>	<u>-</u>	<u>-</u>	<u>2.6</u>
At March 31, 2013	0.8	(5.9)	(3.0)	21.2	6.2	19.3
Currency realignment	-	-	-	0.7	-	0.7
(Charge) credit to profit or loss for the year	(0.3)	3.7	-	(16.6)	(0.5)	(13.7)
Credit to equity	<u>-</u>	<u>-</u>	<u>1.7</u>	<u>-</u>	<u>-</u>	<u>1.7</u>
At March 31, 2014	<u>0.5</u>	<u>(2.2)</u>	<u>(1.3)</u>	<u>5.3</u>	<u>5.7</u>	<u>8.0</u>

The following is the analysis of the deferred tax balances for financial reporting purposes:

	<b>2014</b> <i>HK\$ million</i>	<b>2013</b> <i>HK\$ million</i>
Deferred tax assets	8.3	19.6
Deferred tax liabilities	<u>(0.3)</u>	<u>(0.3)</u>
	<u>8.0</u>	<u>19.3</u>

By reference to financial budgets, management believes that there will be sufficient future profits or taxable temporary differences available in the future for the realisation of the deferred tax assets.

At the end of the reporting period, the Group has unutilised tax losses of HK\$1,006.2 million (2013: HK\$838.5 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$32.1 million (2013: HK\$128.5 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$974.1 million (2013: HK\$710.0 million) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of HK\$103.8 million (2013: HK\$31.6 million expire in the years of 2013 to 2016) that will expire in the years of 2014 to 2019. Other losses may be carried forward indefinitely.

**17. Inventories**

	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Raw materials	92.3	77.5
Work in progress	18.7	20.3
Finished goods	<u>164.8</u>	<u>180.1</u>
	<u><u>275.8</u></u>	<u><u>277.9</u></u>

**18. Trade and Other Receivables**

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date which approximate the respective revenue recognition date at the reporting date.

	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
0 to 30 days	81.8	168.0
31 to 90 days	41.2	41.2
Over 90 days	<u>10.5</u>	<u>14.9</u>
Trade receivables	133.5	224.1
Other receivables	<u>72.3</u>	<u>73.5</u>
Total trade and other receivables	<u><u>205.8</u></u>	<u><u>297.6</u></u>

The Group normally allows credit period of 30 to 60 days to its trade customers. Customers with long business relationship and strong financial position are allowed to settle their balances beyond the normal credit terms up to 90 days.

The Group's management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality based on the good payment history of the related debtors from historical experience. Based on the payment pattern of the customers of the Group, trade receivables which are past due but not impaired are generally collectible. Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$48.2 million (2013: HK\$41.4 million) which are past due at the reporting date for which the Group has not provided for impairment loss as the directors assessed that the balances will be recovered based on their past settlement records. The Group does not hold any collateral over these balances. The average age of these receivables is 40.0 days (2013: 51.9 days).

Ageing of trade receivables which are past due but not impaired:

	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Overdue less than 30 days	32.6	20.1
Overdue 31 to 90 days	8.7	11.7
Overdue more than 90 days	<u>6.9</u>	<u>9.6</u>
	<u><u>48.2</u></u>	<u><u>41.4</u></u>

The Group estimates the future discount cash flow of trade receivables and provided fully for those receivables considered not recoverable because based on historical experiences such receivables are generally not recoverable, except for some major customers with longer credit terms at the discretion of senior management.

Movement in the allowance for doubtful debts on trade receivables:

	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Balance at beginning of the year	22.4	23.9
Impairment losses (reversed) recognised in respect of trade receivables	(1.1)	0.9
Amount written off as uncollectible	<u>–</u>	<u>(2.4)</u>
Balance at end of the year	<u><u>21.3</u></u>	<u><u>22.4</u></u>

The balance of the allowance for doubtful debts are individually impaired trade receivables which have been overdue more than 90 days and/or have no material transactions with the Group during the year. The Group does not hold any collateral over these balances.

Included in trade and other receivables are the following amounts denominated in currency other than the functional currency of the group entities to which they relate:

	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
USD	88.6	97.7
Renminbi	–	2.3
Euro	5.5	0.8
GBP	<u>1.2</u>	<u>1.3</u>
	<u><u>95.3</u></u>	<u><u>102.1</u></u>

**19. Held for Trading Investment**

As at March 31, 2013, the Group had an investment in equity securities listed in Hong Kong had been fully impaired.

Subsequent to suspension of trading of the listed entity's securities in 2011, the directors considered that the fair value of the listed security cannot be measured reliably because it was not apparent in the active market. As a result, the Group had set the quoted price of the listed security at the date of suspension as the deemed cost and had measured the investment at cost less identified impairment losses.

During the year ended March 31, 2012, the listed security was still under suspension and the resumption conditions have not been satisfied. Accordingly, the directors assessed impairment and recognised an impairment loss of HK\$5.7 million.

On March 26, 2013, the listed entity made an announcement that should all the resumption conditions stated are fulfilled after the publication of the annual results for the year ended December 31, 2012, trading in the listed equity securities was expected to be resumed.

As at March 31, 2013, the trading of the listed security was still suspended and the directors considered that the fair value of the listed securities could not be reliably measured and the investment was continued to be measured at cost less identified impairment loss.

On April 2, 2013, the listed equity securities resumed trading and the Group sold out all such listed equity securities and recognised a proceed and gain on disposal of HK\$14.0 million to profit or loss in the current year (*Note 6*).

**20. Short-term Bank Deposits/bank Balances and Cash**

Short-term bank deposits in prior year bore an average effective interest rate of 2.50% per annum had an original maturity of six months and were denominated in Renminbi. There were no short-term bank deposits as at March 31, 2014.

Bank balances and cash which comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less are at prevailing market interest rates in the range of 0.01% to 2.90% (2013: 0.01% to 3.05%) per annum.

Included in short-term bank deposits and bank balances and cash are the following amounts denominated in currency other than the functional currency of the group entities to which they relate:

	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
USD	86.9	53.4
Renminbi	41.6	69.9
Euro	10.7	41.3
GBP	<u>2.2</u>	<u>8.9</u>
	<u>141.4</u>	<u>173.5</u>

## 21. Trade and Other Payables and Accruals

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
0 to 30 days	67.4	54.3
31 to 90 days	30.7	43.3
Over 90 days	<u>4.0</u>	<u>10.0</u>
Trade payables	102.1	107.6
Other payables and accruals	<u>148.8</u>	<u>141.5</u>
Trade and other payables and accruals	<u>250.9</u>	<u>249.1</u>

The amount of other payables mainly represented receipt in advance from customers of HK\$59.5 million (2013: HK\$43.5 million), accrued expenses of HK\$39.5 million (2013: HK\$40.1 million) and provision for staff cost of HK\$17.9 million (2013: HK\$31.0 million).

Included in trade and other payables are the following amounts denominated in currency other than the functional currency of the group entities to which they relate:

	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
USD	26.7	46.7
Renminbi	–	18.2
Euro	<u>0.4</u>	<u>0.9</u>
	<u>27.1</u>	<u>65.8</u>

**22. Obligations under Finance Leases**

The Group lease certain of its furniture, fixtures and equipment under finance leases. The lease term ranges from 2 to 3 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates and range from 3% to 5%. These leases have no terms of renewal or purchase options and escalation clauses. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2014 <i>HK\$ million</i>	2013 <i>HK\$ million</i>	2014 <i>HK\$ million</i>	2013 <i>HK\$ million</i>
Amount payable under finance leases:				
Within one year	0.1	0.6	0.1	0.5
Between one to two years	–	0.1	–	0.1
Between two to three years	–	–	–	–
	0.1	0.7	0.1	0.6
<i>Less:</i> Future finance charges	–	(0.1)	–	–
Present value of lease obligations	<u>0.1</u>	<u>0.6</u>	0.1	0.6
<i>Less:</i> Amount due within one year shown under current liabilities			<u>(0.1)</u>	<u>(0.5)</u>
Amount due after one year			<u>–</u>	<u>0.1</u>

The fair value of the Group's finance lease obligations determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the end of the reporting period approximates to their carrying amount.

**23. Forward Contract Assets (Liabilities)**

	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Forward foreign exchange contracts		
– Derivative financial assets	–	0.3
– Derivative financial liabilities	<u>(0.1)</u>	<u>–</u>

The Group has used currency derivatives to minimize the exposure of significant future transactions and cash flows. The Group is a party to a variety of foreign currency forward contracts in the management of its foreign exchange rate exposures. The instruments entered are primarily denominated in the currencies of the Group's principal markets.

The ranges of the total nominal amounts of the outstanding forward foreign exchange contracts to which the Group is committed at the end of the reporting periods are as follows:

**At March 31, 2014**

<b>Notional amount</b>	<b>Maturity</b>	<b>Exchange rates</b>
Sell EURO100,000	July 3, 2014	USD/EURO1.3600
Sell AUD247,000	August 15, 2014	USD/AUD0.8930
Sell EURO500,000	September 5, 2014	USD/EURO1.3600
Sell EURO200,000	September 12, 2014	USD/EURO1.3763
Sell EURO300,000	September 30, 2014	USD/EURO1.3770

**At March 31, 2013**

<b>Notional amount</b>	<b>Maturity</b>	<b>Exchange rates</b>
Sell EURO500,000	July 19, 2013	USD/EURO1.3422
Sell EURO500,000	December 17, 2013	USD/EURO1.3070

The above foreign exchange contracts will be settled in net amount on maturity date.

At March 31, 2014, the fair value of the Group's currency derivatives is estimated to be forward contract liabilities of HK\$0.1 million (2013: forward contract assets of HK\$0.3 million).

During the year, gain arising from changes in the fair value of the Group's currency derivatives amounting to HK\$0.2 million (2013: HK\$1.3 million) has been recognised in profit or loss.

## 24. Bank Loans

	<b>2014</b> <i>HK\$ million</i>	<b>2013</b> <i>HK\$ million</i>
Bank loans	96.9	261.3
Bank overdrafts	<u>–</u>	<u>0.6</u>
	<u>96.9</u>	<u>261.9</u>
The bank loans are repayable as follows*:		
Within one year	84.9	238.6
More than one year but not exceeding two years	9.3	11.3
More than two years but not exceeding five years	<u>2.7</u>	<u>12.0</u>
	<u>96.9</u>	<u>261.9</u>
Comprising:		
Amount due within one year	84.9	238.6
Amount that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<u>12.0</u>	<u>23.3</u>
Total amount shown under current liabilities	<u>96.9</u>	<u>261.9</u>

\* *These amounts due are based on the scheduled repayment dates set out in the loan agreements.*

The bank loans and bank overdrafts are unsecured and denominated in Hong Kong dollars, the functional currency of the relevant group entities. They carry interest at Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.38% to 2.75% or prime rate plus 1.5% (2013: HIBOR plus 1.38% to 2.5% or prime rate plus 1% to 4.5%) per annum. The fair value of the bank loans approximates the corresponding carrying amount.

The effective interest rates (which are also equal to contracted interest rates) on the bank loans ranged from 1.75% to 2.96% (2013: 1.73% to 4.98%) per annum as at March 31, 2014. The bank overdrafts carried interest rate at 2.229% per annum as at March 31, 2013. There were no bank overdrafts as at March 31, 2014.



**25. Share Capital**

	<b>Number of shares</b>	<b>Amount HK\$ million</b>
<i>Authorised:</i>		
At April 1, 2012, March 31, 2013 and March 31, 2014		
– ordinary shares of HK\$0.10 each	3,500,000,000	350.0
– ordinary shares of US\$0.10 each	<u>10,000</u>	<u>–</u>
<i>Issued and fully paid:</i>		
At April 1, 2012 and March 31, 2013		
– ordinary shares of HK\$0.10 each	2,502,271,088	250.2
Issue upon exercise of share options	<u>2,250,000</u>	<u>0.3</u>
At March 31, 2014	<u>2,504,521,088</u>	<u>250.5</u>

No dividend was paid or proposed for both of the years, nor has any dividend been proposed since the end of the reporting period.

**26. Share Option Schemes*****2002 IDT International Option Scheme***

The Group offers share options to attract, motivate and retain key employees who contribute to the growth of the Group. At the special general meeting held on August 28, 2002, the Company adopted a share option scheme (“2002 IDT International Option Scheme”).

The 2002 IDT International Option Scheme was adopted on August 28, 2002 and will continue in operation for a maximum of ten years from such date.

Pursuant to this scheme, the board of directors of the Company offered to grant options to selected eligible participants, including full-time employees and full-time executive directors of the Company or employees or any of its subsidiaries.

At March 31, 2014, the number of shares in respect of which options had been granted and remained outstanding under this scheme was 98,864,000 (2013: 110,645,000), representing 3.9% (2013: 4.4%) of the shares of the Company in issue at that date.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 IDT International Option Scheme, together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of the Company, must not exceed 30% of the number of the Company's issued shares from time to time. Subject always to the aforesaid overall 30% limit, the total number of shares which may be issued upon exercise of all options to be granted, together with all options to be granted under other share option scheme(s) of the Company, must not exceed 207,179,540 shares, representing 10% of the issued share capital of the Company as at August 28, 2002, the adoption date of the 2002 IDT International Option Scheme. Such 10% limit may be refreshed or exceeded if approved by shareholders in general meeting subject always to the aforesaid overall 30% limit.

The total number of the Company's shares issued and which may be issued upon exercise of all options granted to a participant in any 12-month period immediately preceding the date of grant shall not exceed 1% of the number of shares in issue as at date of such grant. If the grant of options is offered to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates, the total number of the Company's shares issued and which may be issued to such participant upon exercise of all options granted in any 12-month period up to and including the date of grant shall not exceed 0.1% of the number of shares then in issue and having an aggregate value in excess of HK\$5,000,000.

The subscription price for an option granted under the 2002 IDT International Option Scheme shall be the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The vesting period of the share option is from the date of grant until the commencement of the exercisable period.

An offer for grant of an option under 2002 IDT International Option Scheme must be accepted within 28 days from the date of offer, and HK\$1 is payable as consideration on acceptance. An option shall be exercisable during the period as determined by the board of directors of the Company or its authorised committee, which shall commence on a date after the expiry of a 6-month period after the date of grant and not exceed 10 years from the date of such grant.

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

The movements of share options under the 2002 IDT International Option Scheme during the year ended March 31, 2014 and the balances at March 31, 2014 are set out below:

Participants	Date of grant (M/D/Y)	Exercisable period (M/D/Y)	Exercise price per share HK\$	Number of share options				Fair value at date of grant per option
				Outstanding at 4.1.2013	Reclassification during the year	Lapsed/ forfeited during the year	Exercised during the year HK\$	
Directors	11.30.2005	12.1.2006 – 11.30.2015	0.529	9,360,000	-	-	-	9,360,000
	11.28.2005	11.29.2007 – 11.28.2015	0.548	-	416,000	-	-	416,000
	11.28.2005	11.29.2008 – 11.28.2015	0.548	-	416,000	-	-	416,000
	12.1.2010	12.1.2012 – 11.30.2020	0.222	6,000,000	2,500,000	-	-	8,500,000
	12.1.2010	12.1.2013 – 11.30.2020	0.222	6,000,000	2,500,000	-	-	8,500,000
	12.12.2011	12.12.2013 – 12.11.2021	0.104	9,000,000	1,500,000	-	-	10,500,000
	12.12.2011	12.12.2014 – 12.11.2021	0.104	9,000,000	1,500,000	-	-	10,500,000
Employees	11.28.2005	11.29.2007 – 11.28.2015	0.548	1,768,000	(416,000)	(78,000)	-	1,274,000
	11.28.2005	11.29.2008 – 11.28.2015	0.548	1,768,000	(416,000)	(78,000)	-	1,274,000
	3.24.2010	3.24.2012 – 3.23.2020	0.275	1,500,000	-	-	-	1,500,000
	3.24.2010	3.24.2013 – 3.23.2020	0.275	1,500,000	-	-	-	1,500,000
	12.1.2010	12.1.2012 – 11.30.2020	0.222	13,625,000	(2,750,000)	(2,625,000)	-	8,250,000
	12.1.2010	12.1.2013 – 11.30.2020	0.222	13,000,000	(2,750,000)	(2,000,000)	-	8,250,000
	12.12.2011	12.12.2013 – 12.11.2021	0.104	13,000,000	(1,750,000)	(1,875,000)	(2,250,000)	7,125,000
	12.12.2011	12.12.2014 – 12.11.2021	0.104	13,000,000	(1,750,000)	(2,875,000)	-	8,375,000
	4.18.2012	4.18.2014 – 4.17.2022	0.136	2,250,000	-	-	-	2,250,000
	4.18.2012	4.18.2015 – 4.17.2022	0.136	2,250,000	-	-	-	2,250,000
Other Participants	11.28.2005	11.29.2006 – 11.28.2015	0.548	312,000	-	-	-	312,000
	11.28.2005	11.29.2007 – 11.28.2015	0.548	312,000	-	-	-	312,000
	12.01.2010	12.01.2012 – 11.30.2020	0.222	500,000	250,000	-	-	750,000
	12.01.2010	12.01.2013 – 11.30.2020	0.222	500,000	250,000	-	-	750,000
	12.12.2011	12.12.2013 – 12.11.2021	0.104	3,000,000	250,000	-	-	3,250,000
	12.12.2011	12.12.2014 – 12.11.2021	0.104	3,000,000	250,000	-	-	3,250,000
			<u>110,645,000</u>	<u>-</u>	<u>(9,531,000)</u>	<u>(2,250,000)</u>	<u>98,864,000</u>	
Exercisable at the end of the year			<u>42,645,000</u>				<u>72,239,000</u>	
Weighted average exercise price			<u>HK\$0.110</u>	<u>-</u>	<u>HK\$0.169</u>	<u>HK\$0.104</u>	<u>HK\$0.211</u>	

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

The movements of share options under the 2002 IDT International Option Scheme during the year ended March 31, 2013 and the balances at March 31, 2013 are set out below:

Participants	Date of grant (M/D/Y)	Exercisable period (M/D/Y)	Exercise price per share HK\$	Number of share options			Fair value at date of grant per option
				Outstanding at 4.1.2012	Granted during the year	Lapsed/ forfeited during the year	
Directors	11.30.2005	12.1.2006 – 11.30.2015	0.529	9,360,000	-	-	9,360,000
	12.1.2010	12.1.2012 – 11.30.2020	0.222	6,000,000	-	-	6,000,000
	12.1.2010	12.1.2013 – 11.30.2020	0.222	6,000,000	-	-	6,000,000
	12.12.2011	12.12.2013 – 12.11.2021	0.104	9,000,000	-	-	9,000,000
	12.12.2011	12.12.2014 – 12.11.2021	0.104	9,000,000	-	-	9,000,000
Employees	11.28.2005	11.29.2007 – 11.28.2015	0.548	2,158,000	-	(390,000)	1,768,000
	11.28.2005	11.29.2008 – 11.28.2015	0.548	2,158,000	-	(390,000)	1,768,000
	8.20.2007	8.20.2009 – 8.19.2017	0.315	1,250,000	-	(1,250,000)	-
	8.20.2007	8.20.2010 – 8.19.2017	0.315	1,250,000	-	(1,250,000)	-
	3.24.2010	3.24.2012 – 3.23.2020	0.275	1,500,000	-	-	1,500,000
	3.24.2010	3.24.2013 – 3.23.2020	0.275	1,500,000	-	-	1,500,000
	12.1.2010	12.1.2012 – 11.30.2020	0.222	14,250,000	-	(625,000)	13,625,000
	12.1.2010	12.1.2013 – 11.30.2020	0.222	14,250,000	-	(1,250,000)	13,000,000
	7.7.2011	7.7.2013 – 7.6.2021	0.184	500,000	-	(500,000)	-
	7.7.2011	7.7.2014 – 7.6.2021	0.184	500,000	-	(500,000)	-
	12.12.2011	12.12.2013 – 12.11.2021	0.104	14,125,000	-	(1,125,000)	13,000,000
	12.12.2011	12.12.2014 – 12.11.2021	0.104	14,125,000	-	(1,125,000)	13,000,000
4.18.2012	4.18.2014 – 4.17.2022	0.136	-	3,250,000	(1,000,000)	2,250,000	0.0435
4.18.2012	4.18.2015 – 4.17.2022	0.136	-	3,250,000	(1,000,000)	2,250,000	0.0541
Other Participants	11.28.2005	11.29.2006 – 11.28.2015	0.548	312,000	-	-	312,000
	11.28.2005	11.29.2007 – 11.28.2015	0.548	312,000	-	-	312,000
	12.1.2010	12.1.2012 – 11.30.2020	0.222	500,000	-	-	500,000
	12.1.2010	12.1.2013 – 11.30.2020	0.222	500,000	-	-	500,000
	12.12.2011	12.12.2013 – 12.11.2021	0.104	3,000,000	-	-	3,000,000
	12.12.2011	12.12.2014 – 12.11.2021	0.104	3,000,000	-	-	3,000,000
				<u>114,550,000</u>	<u>6,500,000</u>	<u>(10,405,000)</u>	<u>110,645,000</u>
Exercisable at the end of the year				<u>39,050,000</u>			<u>42,645,000</u>
Weighted average exercise price				<u>HK\$0.201</u>	<u>HK\$0.136</u>	<u>HK\$0.223</u>	<u>HK\$0.110</u>

The Company has used the Black-Scholes option pricing model (the “Model”) to value the share options granted during the year. The Model is one of the commonly used models to estimate the fair value of the option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Details of the fair values of share options determined at the date of grant using the Model with the inputs are as follows:

**2013**

Share options granted on April 18, 2012	
Share price at grant date	HK\$0.128
Exercise price	HK\$0.136
Expected volatility	53.426% – 57.602%
Expected life	3 – 4 years
Risk-free rate	0.329% – 0.417%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 to 4 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The 2002 IDT International Option Scheme expired on August 27, 2012. Options granted under the 2002 IDT International Option Scheme prior to such expiration will continue to be valid and exercisable in accordance with the terms of the 2002 IDT International Option Scheme.

At the annual general meeting held on August 29, 2012, the Company adopted a new share option scheme ("2012 IDT International Option Scheme"). The terms of the new option scheme is described below:

***2012 IDT International Option Scheme***

The 2012 IDT International Option Scheme was adopted on August 29, 2012 and will continue in operation for a maximum of ten years from such date.

Pursuant to this scheme, the board of directors of the Company offered to grant options to selected eligible participants, including full-time employees and full-time executive directors of the Company or employees or any of its subsidiaries.

At March 31, 2014, the number of shares in respect of which options had been granted and remained outstanding under the 2012 IDT International Option Scheme was 14,500,000 (2013: 10,250,000), representing 0.6% (2013: 0.4%) of the shares of the Company in issue at that date.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2012 IDT International Option Scheme, together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of the Company, must not exceed 30% of the number of the Company's issued shares from time to time. Subject always to the aforesaid overall 30% limit, the total number of shares which may be issued upon exercise of all options to be granted, together with all options to be granted under other share option scheme(s) of the Company, must not exceed 250,452,109 shares, representing 10% of the issued share capital of the Company as at August 29, 2012, the adoption date of the 2012 IDT International Option Scheme. Such 10% limit may be refreshed or exceeded if approved by shareholders in general meeting subject always to the aforesaid overall 30% limit.

The total number of the Company's shares issued and which may be issued upon exercise of all options granted to a participant in any 12-month period immediately preceding the date of grant shall not exceed 1% of the number of shares in issue as at date of such grant. If the grant of options is offered to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates, the total number of the Company's shares issued and which may be issued to such participant upon exercise of all options granted in any 12-month period up to and including the date of grant shall not exceed 0.1% of the number of shares then in issue and having an aggregate value in excess of HK\$5,000,000.

The subscription price for an option granted under the 2012 IDT International Option Scheme shall be the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The vesting period of the share option is from the date of grant until the commencement of the exercisable period.

An offer for grant of an option under 2012 IDT International Option Scheme must be accepted within 28 days from the date of offer, and HK\$1 is payable as consideration on acceptance. An option shall be exercisable during the period as determined by the board of directors of the Company or its authorised committee, which shall commence on a date after the expiry of a 6-month period after the date of grant and not exceed 10 years from the date of such grant.

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

The movements of share options under the 2012 IDT International Option Scheme during the year ended March 31, 2014 and the balances at March 31, 2014 are set out below:

Participants	Date of grant (M/D/Y)	Exercisable period (M/D/Y)	Exercise price per share HK\$	Number of share options			Fair value at date of grant per option	
				Outstanding at 4.1.2013	Granted during the year	Lapsed/ forfeited during the year		Outstanding at 3.31.2014 HK\$
Employees	12.3.2012	12.3.2013 – 12.2.2022	0.131	2,875,000	-	(375,000)	2,500,000	
	12.3.2012	12.3.2014 – 12.2.2022	0.131	2,875,000	-	(375,000)	2,500,000	
	3.27.2013	3.27.2014 – 3.26.2023	0.130	1,250,000	-	-	1,250,000	
	3.27.2013	9.27.2014 – 3.26.2023	0.130	500,000	-	-	500,000	
	3.27.2013	3.27.2015 – 3.26.2023	0.130	750,000	-	-	750,000	
	6.27.2013	6.27.2014 – 6.26.2023	0.134	-	2,500,000	-	2,500,000	0.0422
	6.27.2013	6.27.2015 – 6.26.2023	0.134	-	2,500,000	-	2,500,000	0.0500
Other Participants	12.3.2012	12.3.2013 – 12.2.2022	0.131	1,000,000	-	-	1,000,000	
	12.3.2012	12.3.2014 – 12.2.2022	0.131	1,000,000	-	-	1,000,000	
				<u>10,250,000</u>	<u>5,000,000</u>	<u>(750,000)</u>	<u>14,500,000</u>	
Exercisable at the end of the year				<u>3,875,000</u>			<u>4,750,000</u>	
Weighted average exercise price				<u>HK\$0.130</u>	<u>HK\$0.134</u>	<u>HK\$0.131</u>	<u>HK\$0.132</u>	

The movements of share options under the 2012 IDT International Option Scheme during the year ended March 31, 2013 and the balances at March 31, 2013 are set out below:

Participants	Date of grant (M/D/Y)	Exercisable period (M/D/Y)	Exercise price per share HK\$	Number of share options			Fair value at date of grant per option	
				Outstanding at 4.1.2012	Granted during the year	Lapsed/ forfeited during the year		Outstanding at 3.31.2013 HK\$
Employees	12.3.2012	12.3.2013 – 12.2.2022	0.131	-	2,875,000	-	2,875,000	0.0405
	12.3.2012	12.3.2014 – 12.2.2022	0.131	-	2,875,000	-	2,875,000	0.0497
	3.27.2013	3.27.2014 – 3.26.2023	0.130	-	1,250,000	-	1,250,000	0.0418
	3.27.2013	9.27.2014 – 3.26.2023	0.130	-	500,000	-	500,000	0.0418
	3.27.2013	3.27.2015 – 3.26.2023	0.130	-	750,000	-	750,000	0.0510
Other Participants	12.3.2012	12.3.2013 – 12.2.2022	0.131	-	1,000,000	-	1,000,000	0.0405
	12.3.2012	12.3.2014 – 12.2.2022	0.131	-	1,000,000	-	1,000,000	0.0497
				<u>-</u>	<u>10,250,000</u>	<u>-</u>	<u>10,250,000</u>	
Exercisable at the end of the year				<u>-</u>			<u>3,875,000</u>	
Weighted average exercise price				<u>-</u>	<u>HK\$0.130</u>	<u>-</u>	<u>HK\$0.130</u>	

The Company has used the Model to value the share options granted during the year. The Model is one of the commonly used models to estimate the fair value of the option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Details of the fair values of share options determined at the date of grant using the Model with the inputs are as follows:

**2014**

Share options granted on June 27, 2013

Share price at grant date	HK\$0.120
Exercise price	HK\$0.134
Expected volatility	57.358% – 57.795%
Expected life	3 – 4 years
Risk-free rate	0.566% – 0.940%
Expected dividend yield	0%

**2013**

Share options granted on December 3, 2012

Share price at grant date	HK\$0.124
Exercise price	HK\$0.130
Expected volatility	50.892% – 54.237%
Expected life	3 – 4 years
Risk-free rate	0.160% – 0.222%
Expected dividend yield	0%

Share options granted on March 27, 2013

Share price at grant date	HK\$0.130
Exercise price	HK\$0.130
Expected volatility	47.469% – 50.609%
Expected life	3 – 4 years
Risk-free rate	0.239% – 0.398%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 to 4 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised total expense of HK\$1.6 million for the year ended March 31, 2014 (2013: HK\$2.4 million) in relation to share options granted by the Company.



**27. Capital Risk Management**

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

The capital structure of the Group consists of bank loans and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associates with the capital, and takes appropriate actions to adjust the Group's capital structure.

**28. Financial Instruments*****Categories of financial instruments***

	<b>3.31.2014</b>	<b>3.31.2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	402.6	558.2
Derivative financial assets	–	0.3
Available-for-sale financial assets	<u>0.9</u>	<u>0.9</u>
	<u><u>403.5</u></u>	<u><u>559.4</u></u>
Financial liabilities		
Amortised cost	160.5	388.8
Derivative financial liabilities	<u>0.1</u>	<u>–</u>
	<u><u>160.6</u></u>	<u><u>388.8</u></u>

***Financial risk management objectives and policies***

The Group's major financial instruments include trade and other receivables, available-for-sale investments, short-term bank deposits, bank balances and cash, trade and other payables, forward contract assets (liabilities), bank overdraft and bank loans. 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 financial instruments are fundamental to the Group's daily operations. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

### **Market risk**

#### *Currency risk*

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group also entered into foreign exchange forward contracts during the year.

The management monitors foreign currency exposures and will consider hedging significant foreign currency exposures should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities including bank balances and cash, trade and other receivables, and trade and other payables at the end of the reporting period are as follows:

	<b>Liabilities</b>		<b>Assets</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
USD	26.7	46.7	175.7	151.1
Renminbi	–	18.2	41.6	72.2
Euro	0.4	0.9	16.2	42.1
GBP	–	–	3.4	10.2

#### Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in the functional currency of the respective group entities against the relevant foreign currencies. 5% (2013: 5%) sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2013: 5%) change in foreign currency rates. The analysis has excluded USD denominated monetary items as HKD, the functional currency of the group entity holding these monetary items, is pegged to USD. The directors consider that the currency risk in this regard is minimal. A positive number below indicates an increase in post-tax loss for the year where functional currency strengthens 5% against the relevant foreign currencies. For a 5% weakening

of functional currency of the respective group entities against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax loss and the balances below would be negative.

	<b>Effect on post-tax result for the year</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Renminbi	1.7	2.3
Euro	0.7	1.7
GBP	<u>0.1</u>	<u>0.4</u>

For the outstanding foreign exchange contracts, if the market bid forward foreign exchange rate of USD against the relevant currencies had been 5% higher/lower and other factors remain constant, post-tax loss for the year would decrease/increase by HK\$0.7 million (2013: HK\$0.5 million).

In management's opinion, the analysis is used for reference purpose and is unrepresentative of the inherent currency risk as the year end exposure does not reflect the exposure during the year.

#### *Interest rate risk*

The Group is exposed primarily to cash flow interest rate risk in relation to variable-rate bank balances, bank overdrafts and bank borrowings (see notes 20 and 24 for details of these bank balances, bank overdrafts and bank borrowings). The Group currently does not have policy on hedging of interest rate risks. However, the management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate arising from the Group's Hong Kong borrowings at variable rates.

The management considers that the fair value interest rate risk on the obligation under finance lease is insignificant.

#### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for bank loans at the end of the reporting period. The analysis is prepared assuming bank loans at the end of the reporting period were outstanding for the whole year. A 50 basis points (2013: 50 basis points) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2013: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended March 31, 2014 would decrease/increase by HK\$0.4 million (2013: HK\$1.1 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

For bank deposits, no sensitivity analysis is performed as the range of possible change in interest rates for bank deposits is considered as insignificant.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

### ***Credit risk***

As at March 31, 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of Group entities to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable regularly to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers spread across diverse industries and geographical areas.

The credit risk for bank deposits is considered minimal as such amounts are placed in banks with high credit ratings.

### ***Liquidity risk***

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

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the 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 non-derivative financial liabilities are based on agreed repayment dates. The table includes both interest and principal cash flows.

*Liquidity and interest risk tables*

	Weighted average effective interest rate %	On demand or within 3 months HK\$ million	3 months to 1 year HK\$ million	1 to 5 years HK\$ million	Total undiscounted cash flows HK\$ million	Carrying amount at 3.31.2014 HK\$ million
<b>2014</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	–	63.5	–	–	63.5	63.5
Bank loans – variable rate	2.50	96.9	–	–	96.9	96.9
Obligations under finance leases	3.84	0.1	–	–	0.1	0.1
		<u>160.5</u>	<u>–</u>	<u>–</u>	<u>160.5</u>	<u>160.5</u>
<b>Derivative-net settlement</b>						
Foreign exchange forward contracts	–	–	0.1	–	0.1	0.1
		<u>–</u>	<u>0.1</u>	<u>–</u>	<u>0.1</u>	<u>0.1</u>
<b>2013</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	–	126.3	–	–	126.3	126.3
Bank loans – variable rate	3.03	261.3	–	–	261.3	261.3
Obligations under finance leases	3.80	0.2	0.4	0.1	0.7	0.6
Bank overdraft	2.23	0.6	–	–	0.6	0.6
		<u>388.4</u>	<u>0.4</u>	<u>0.1</u>	<u>388.9</u>	<u>388.8</u>

Bank loans with a repayment on demand clause are included in the “on demand or within 3 months” time band in the above maturity analysis. As at March 31, 2014, the aggregate amount of the bank loans amounted to HK\$96.9 million (2013: HK\$261.9 million). Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that the bank loans will be repaid within one to three (2013: one to three) years after the reporting date in

accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will be HK\$97.9 million (2013: HK\$266.5 million) which is analysed as follows:

	Weighted average effective interest rate %	Less than 1 month HK\$ million	1 to 3 months HK\$ million	3 months to 1 year HK\$ million	1 to 5 years HK\$ million	Total undiscounted cash flows HK\$ million	Carrying amount HK\$ million
<b>2014</b>							
Bank loans	2.50	51.5	25.8	8.3	12.3	97.9	96.9
	Weighted average effective interest rate %	Less than 1 month HK\$ million	1 to 3 months HK\$ million	3 months to 1 year HK\$ million	1 to 5 years HK\$ million	Total undiscounted cash flows HK\$ million	Carrying amount HK\$ million
<b>2013</b>							
Bank loans	3.03	98.5	40.3	103.3	24.4	266.5	261.9

### ***Fair value***

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

- the fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- the fair values of derivative instruments are calculated using discounted cash flow analysis using the applicable forward rates for the remaining duration of the instruments.

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximates to their fair values.

*Fair value measurements recognised in the consolidated statement of financial position*

	<b>2014</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	
	<i>million</i>	<i>million</i>	<i>million</i>	
<b>Financial liabilities</b>				
Forward contract liabilities	<u>–</u>	<u>0.1</u>	<u>–</u>	<u>0.1</u>
<b>2013</b>				
<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	
<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	
<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	
<b>Financial assets</b>				
Forward contract assets	<u>–</u>	<u>0.3</u>	<u>–</u>	<u>0.3</u>

There were no transfers between Levels 1 and 2 in current year.

***The fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis***

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used). As well as the level of the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements are observable.

Financial assets and financial liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Fair Value as at	
			March 31, 2014	March 31, 2013
			<i>HK\$ million</i>	<i>HK\$ million</i>
Foreign currency forward contracts classified as forward contract assets (liabilities) in the consolidated statement of financial position	Level 2	Fair value of forward contract is determined by discounted cash flow that future cash flow is estimated based on forward foreign currency rates (from observable yield curves at the end of the reporting period) and contract foreign currency rates, discounted at a rate that reflects the credit risk of various counterparties.	(0.1)	0.3

**29. Major Non-cash Transactions**

During the year ended March 31, 2013, the Group disposed product development costs of HK\$10.4 million to certain customers at consideration of HK\$10.4 million and the consideration was not yet settled and included in other receivables as at March 31, 2013. The amount has been settled during the current year.

**30. Operating Lease Commitments**

At the end of the reporting period, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
<b>Office equipment and motor vehicles</b>		
Within one year	0.6	0.3
In the second to fifth year inclusive	<u>0.5</u>	<u>0.2</u>
	<u>1.1</u>	<u>0.5</u>
<b>Rented premises</b>		
Within one year	21.8	21.2
In the second to fifth year inclusive	19.7	29.5
After five years	<u>1.7</u>	<u>1.1</u>
	<u>43.2</u>	<u>51.8</u>

Operating leases relate to office equipment, motor vehicles and rented premises with lease terms of between 2 to 6 years (2013: 2 to 7 years). The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Certain retail outlets include payment obligations with rentals varied with gross revenue. The additional rental payable (contingent rents) is determined generally by applying pre-determined percentages to future expected sales less the basic rentals of the respective leases. The contingent rents were excluded from the above amounts.



**31. Capital Commitments**

	2014 <i>HK\$ million</i>	2013 <i>HK\$ million</i>
Capital expenditure in respect of acquisition of property, plant and equipment – contracted for but not provided in the consolidated financial statements	0.1	0.3

**32. Retirement Benefits Schemes**

The Group principally operates defined contribution retirement schemes for all qualifying employees, including directors. The assets of the schemes are held separately from those of the Group in funds under the control of independent trustees.

The retirement scheme cost represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The Group operates a Mandatory Provident Fund Scheme (the “MPF” Scheme) for all qualifying employees in Hong Kong. All qualifying employees are required to participate in the MPF Scheme. Mandatory benefits are being provided under the MPF Scheme.

The employees of the Company’s PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company’s PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

**33. Related Party Transactions*****Compensation of key management personnel***

The remuneration of key management during the year was as follows:

	2014 <i>HK\$ million</i>	2013 <i>HK\$ million</i>
Short-term benefits	10.8	11.3
Post-employment benefits	0.4	0.3
	11.2	11.6

The remuneration of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

### 34. Principal Subsidiaries

At March 31, 2014 and 2013, the Company's principal subsidiaries, are all indirectly wholly owned by the Company except Huger Electronics GmbH which is 99.83% indirectly owned by the Company. Details of the Company's principal subsidiaries at March 31, 2014 and 2013 are as follows:

Name of subsidiary	2014		2013		Principal activities
	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	
<b>Manufacturing business</b>					
IDT Holdings (Singapore) Pte. Limited	Singapore	S\$35,122,525	Singapore	S\$35,122,525	Investment holding
Cheer Win Electronics (Shenzhen) Co. Ltd. (Note)	PRC	US\$1,700,980	PRC	US\$1,700,980	Manufacture and sales of consumer electronic products
Huger Electronics GmbH	Germany	DM3,500,000	Germany	DM3,500,000	Marketing and distribution of consumer electronic products
IDT Technology Limited	Hong Kong	HK\$2	Hong Kong	HK\$2	Trading of consumer electronic products
萬威電子(深圳)有限公司 (Note)	PRC	HK\$35,000,000	PRC	HK\$35,000,000	Manufacture of consumer electronic products and plastic parts and provision of surface mount technology assembly services
IDT Electronic Products Limited	Hong Kong	HK\$2	Hong Kong	HK\$2	Trading of consumer electronic products
IDT Communication Technology Limited	Hong Kong	HK\$2	Hong Kong	HK\$2	Trading of telecommunication products
<b>Sales and distribution business</b>					
Oregon Scientific Australia Pty Limited	Australia	A\$6,010,000	Australia	A\$6,010,000	Marketing and distribution of consumer electronic products

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

Name of subsidiary	2014		2013		Principal activities
	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	
Oregon Scientific Brasil Ltda	Brazil	BRL11,332,974	Brazil	BRL11,332,974	Marketing and distribution of consumer electronic products
Oregon Scientific (Deutschland) GmbH	Germany	DM2,550,000	Germany	DM2,550,000	Marketing and distribution of consumer electronic products
Oregon Scientific France S.A.R.L.	France	EUR3,500,000	France	EUR3,500,000	Marketing and distribution of consumer electronic products
Oregon Scientific Global Distribution Limited	Hong Kong	HK\$2	Hong Kong	HK\$2	Marketing and distribution of consumer electronic products
Oregon Scientific Hong Kong Limited	Hong Kong	HK\$500,000	Hong Kong	HK\$500,000	Marketing and distribution of consumer electronic products
Oregon Scientific Ibérica, S.A.	Spain	EUR300,000	Spain	EUR300,000	Marketing and distribution of consumer electronic products
Oregon Scientific Italia S.p.A.	Italy	EUR2,156,000	Italy	EUR2,156,000	Marketing and distribution of consumer electronic products
Oregon Scientific (U.K.) Limited	United Kingdom	GBP2,400,002	United Kingdom	GBP2,400,002	Marketing and distribution of consumer electronic products
Oregon Scientific, Inc.	United States of America	US\$2,060,000	United States of America	US\$2,060,000	Marketing and distribution of consumer electronic products
Oregon Scientific SmartLiving Limited	Hong Kong	HK\$2	Hong Kong	HK\$2	Marketing and distribution of consumer electronic products

Name of subsidiary	2014		2013		Principal activities
	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	
Oregon Scientific Enterprise (Shanghai) Company Limited <i>(Note)</i>	PRC	US\$2,440,000	PRC	US\$2,440,000	Marketing and distribution of consumer electronic products
Oregon Scientific Trading (Beijing) Company Limited <i>(Note)</i>	PRC	US\$900,000	PRC	US\$900,000	Marketing and distribution of consumer electronic products
Oregon Scientific (Guangzhou) Trading Co., Ltd. <i>(Note)</i>	PRC	HK\$2,300,000	PRC	HK\$2,300,000	Marketing and distribution of consumer electronic products
IDT (Japan) Limited	Japan	JPY30,000,000	Japan	JPY30,000,000	Trading of consumer electronic products
Nature Bird Company Limited	Hong Kong	HK\$2	Hong Kong	HK\$2	Marketing and distribution of wellness and beauty products
<b>Corporate</b>					
Integrated Display Technology Limited	Hong Kong	HK\$6,000,000	Hong Kong	HK\$6,000,000	Provision of group administrative services
IDT Electronic Technology (Shenzhen) Company Limited <i>(Note)</i>	PRC	USD6,300,000	PRC	USD6,300,000	Provision of group research and development services

*Note:* These are wholly foreign owned enterprises established in the PRC.

All of the above subsidiaries operate principally in their respective place of incorporation/establishment.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

## III. UNAUDITED CONSOLIDATED FINANCIAL STATEMENT

The following is the full text of the unaudited interim financial statements of the Group for the six months ended September 30, 2014 as extracted from the interim report of the Company for the six months ended September 30, 2014:

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Six months ended September 30,	
		2014 (Unaudited) HK\$ million	2013 (Unaudited) HK\$ million
Turnover	3	603.1	724.5
Cost of goods sold		<u>(445.7)</u>	<u>(538.0)</u>
Gross profit		157.4	186.5
Other income		6.9	4.2
Other gains and losses		(1.8)	13.8
Research and development costs		(26.5)	(31.3)
Distribution and selling expenses		(92.3)	(127.0)
General administrative expenses		(48.3)	(51.0)
Interest on bank and other borrowings wholly repayable within five years		<u>(1.1)</u>	<u>(2.8)</u>
Loss before taxation	4	(5.7)	(7.6)
Taxation	5	<u>(1.1)</u>	<u>(1.2)</u>
Loss for the period		<u>(6.8)</u>	<u>(8.8)</u>
Other comprehensive expenses:			
Exchange differences arising on translation of foreign operations		<u>(6.0)</u>	<u>(0.6)</u>
Total comprehensive expenses for the period		<u>(12.8)</u>	<u>(9.4)</u>
Loss for the period attributable to:			
Owners of the Company		(6.8)	(8.8)
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>(6.8)</u>	<u>(8.8)</u>
Total comprehensive expenses attributable to:			
Owners of the Company		(12.8)	(9.4)
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>(12.8)</u>	<u>(9.4)</u>
Loss per share			
– Basic and diluted	6	<u>(0.27 HK cents)</u>	<u>(0.35 HK cents)</u>

## Condensed Consolidated Statement of Financial Position

		At September 30, 2014 (Unaudited) HK\$ million	At March 31, 2014 (Audited) HK\$ million
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		41.1	48.3
Intangible assets		11.2	16.7
Goodwill		33.8	33.8
Available-for-sale investments		0.9	0.9
Deferred tax assets		8.3	8.3
Deposit paid for acquisition of property, plant and equipment		<u>0.1</u>	<u>0.1</u>
		<u>95.4</u>	<u>108.1</u>
<b>Current assets</b>			
Inventories		296.6	275.8
Trade and other receivables	7	294.2	205.8
Tax recoverable		2.2	1.8
Bank balances and cash		<u>210.2</u>	<u>236.7</u>
		<u>803.2</u>	<u>720.1</u>
<b>Current liabilities</b>			
Trade and other payables and accruals	8	351.1	250.9
Forward contract liabilities		–	0.1
Taxation payable		–	0.1
Obligations under finance leases due within one year		–	0.1
Bank loans		<u>79.4</u>	<u>96.9</u>
		<u>430.5</u>	<u>348.1</u>
<b>Net current assets</b>		<u>372.7</u>	<u>372.0</u>
<b>Total assets less current liabilities</b>		<u>468.1</u>	<u>480.1</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>0.3</u>	<u>0.3</u>
<b>Net assets</b>		<u>467.8</u>	<u>479.8</u>
<b>Capital and reserves</b>			
Share capital	9	250.8	250.5
Reserves		<u>216.9</u>	<u>229.2</u>
Equity attributable to owners of the Company		467.7	479.7
Non-controlling interests		<u>0.1</u>	<u>0.1</u>
<b>Total equity</b>		<u>467.8</u>	<u>479.8</u>

## Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company							Total (Unaudited) HK\$ million	Non- controlling interests (Unaudited) HK\$ million	Total equity (Unaudited) HK\$ million
	Share capital (Unaudited) HK\$ million	Share premium (Unaudited) HK\$ million	Other reserve (Unaudited) HK\$ million	Properties revaluation reserve (Unaudited) HK\$ million	Share options reserve (Unaudited) HK\$ million	Translation reserve (Unaudited) HK\$ million	Revenue reserve (Unaudited) HK\$ million			
At April 1, 2014	250.5	151.7	32.5	6.2	7.0	(81.3)	113.1	479.7	0.1	479.8
Exchange differences arising from translation of foreign operations	-	-	-	-	-	(6.0)	-	(6.0)	-	(6.0)
Loss for the period	-	-	-	-	-	-	(6.8)	(6.8)	-	(6.8)
Total comprehensive expenses for the period	-	-	-	-	-	(6.0)	(6.8)	(12.8)	-	(12.8)
Share issued upon exercise of share options	0.3	0.3	-	-	(0.2)	-	-	0.4	-	0.4
Recognition of equity- settled share based payments	-	-	-	-	0.4	-	-	0.4	-	0.4
Lapse of share options	-	-	-	-	(0.3)	-	0.3	-	-	-
At September 30, 2014	<u>250.8</u>	<u>152.0</u>	<u>32.5</u>	<u>6.2</u>	<u>6.9</u>	<u>(87.3)</u>	<u>106.6</u>	<u>467.7</u>	<u>0.1</u>	<u>467.8</u>
At April 1, 2013	250.2	151.6	32.5	14.6	6.0	(83.1)	171.3	543.1	0.1	543.2
Exchange differences arising from translation of foreign operations	-	-	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Loss for the period	-	-	-	-	-	-	(8.8)	(8.8)	-	(8.8)
Total comprehensive expenses for the period	-	-	-	-	-	(0.6)	(8.8)	(9.4)	-	(9.4)
Recognition of equity- settled share based payments	-	-	-	-	1.1	-	-	1.1	-	1.1
At September 30, 2013	<u>250.2</u>	<u>151.6</u>	<u>32.5</u>	<u>14.6</u>	<u>7.1</u>	<u>(83.7)</u>	<u>162.5</u>	<u>534.8</u>	<u>0.1</u>	<u>534.9</u>

## Condensed Consolidated Statement of Cash Flows

	Six months ended	
	September 30,	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$ million	HK\$ million
Net cash (used in)/generated from operating activities	(3.2)	64.8
Net cash (used in)/generated from investing activities	(4.1)	1.8
Net cash used in financing activities	<u>(18.3)</u>	<u>(102.0)</u>
Net decrease in cash and cash equivalents	(25.6)	(35.4)
Cash and cash equivalents at April 1	236.7	311.2
Effect of foreign exchange rate changes	<u>(0.9)</u>	<u>0.2</u>
Cash and cash equivalents at September 30	<u>210.2</u>	<u>276.0</u>
Analysis of the cash and cash equivalents:		
Cash and bank balances	<u>210.2</u>	<u>276.0</u>



**Notes:****1. Basis of Preparation and Accounting Policies**

The unaudited condensed consolidated interim financial information for the six months ended September 30, 2014 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”).

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amount or fair value, as appropriate. The accounting policies and method of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended March 31, 2014, except as mentioned below.

In the current period, the Group has applied, for the first time, the following amendments to standards and interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning April 1, 2014.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The adoption of the above new and revised standards, amendments and interpretations did not result in a significant impact on the result and financial position of the Group.

The Group has not early adopted any new and revised standards, amendments and interpretations that have been issued but are not effective.

**2. Critical Accounting Estimates and Judgements**

Estimates and judgements used in preparing this condensed consolidated interim financial information are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities include the useful lives of property, plant and equipment, recoverability of intangible asset, impairment of goodwill, allowances for trade receivable and inventories and the determination of income taxes.

### 3. Turnover and Segment Information

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, net of discounts and sales related taxes.

The following is an analysis of the Group's revenue and results by operating segments:

	Sports Fitness & Health <i>HK\$ million</i>	Smart Learning Products <i>HK\$ million</i>	Time & Weather <i>HK\$ million</i>	Telecom- Communication <i>HK\$ million</i>	Wellness & Beauty <i>HK\$ million</i>	Others <i>HK\$ million</i>	Total <i>HK\$ million</i>
<b>Six months ended</b>							
<b>September 30, 2014</b>							
<b>Segment revenue</b>							
Branded sales	21.5	42.0	88.7	-	19.1	4.5	175.8
OEM/ODM sales	<u>318.0</u>	<u>-</u>	<u>20.5</u>	<u>66.6</u>	<u>-</u>	<u>22.2</u>	<u>427.3</u>
Total segment revenue	<u>339.5</u>	<u>42.0</u>	<u>109.2</u>	<u>66.6</u>	<u>19.1</u>	<u>26.7</u>	<u>603.1</u>
Segment profit/(loss)	<u>9.2</u>	<u>(21.8)</u>	<u>1.0</u>	<u>1.0</u>	<u>-</u>	<u>-</u>	<u>(10.6)</u>
Unallocated income							6.9
Unallocated expenses							(0.9)
Finance costs							<u>(1.1)</u>
Loss before taxation							<u>(5.7)</u>
<b>Six months ended</b>							
<b>September 30, 2013</b>							
<b>Segment revenue</b>							
Branded sales	24.3	141.6	88.2	-	23.4	3.6	281.1
OEM/ODM sales	<u>311.1</u>	<u>-</u>	<u>43.3</u>	<u>42.4</u>	<u>0.6</u>	<u>46.0</u>	<u>443.4</u>
Total segment revenue	<u>335.4</u>	<u>141.6</u>	<u>131.5</u>	<u>42.4</u>	<u>24.0</u>	<u>49.6</u>	<u>724.5</u>
Segment profit/(loss)	<u>1.7</u>	<u>(29.5)</u>	<u>0.9</u>	<u>2.1</u>	<u>3.0</u>	<u>0.2</u>	<u>(21.6)</u>
Unallocated income							18.2
Unallocated expenses							(1.4)
Finance costs							<u>(2.8)</u>
Loss before taxation							<u>(7.6)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both periods.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of interest income, unallocated expenses such as central administrative cost and finance costs. This is the measure reported to the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

**4. Loss Before Taxation**

Loss before taxation has been arrived at after charging/(crediting) the following:

	<b>Six months ended</b>	
	<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Depreciation of property, plant and equipment	11.1	15.6
Amortisation of intangible assets	5.8	13.2
Net exchange losses	1.1	0.2
Interest income	<u>(0.3)</u>	<u>(0.5)</u>

**5. Taxation**

The charge comprises:

	<b>Six months ended</b>	
	<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Taxation of the Company and its subsidiaries:		
Hong Kong Profits Tax	(1.0)	(3.4)
Taxation in other jurisdictions	(0.1)	(0.1)
Deferred tax credit	<u>–</u>	<u>2.3</u>
	<u>(1.1)</u>	<u>(1.2)</u>

Hong Kong profits tax has been provided at the statutory tax rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period less available tax losses. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

**6. Loss Per Share**

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

	<b>Six months ended</b>	
	<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Loss for the period attributable to owners of the Company for the purposes of calculating basic and diluted loss per share	<u>(6.8)</u>	<u>(8.8)</u>
	<b>2014</b>	<b>2013</b>
Number of ordinary shares for the purposes of calculating basic and diluted loss per share	<u>2,507,521,088</u>	<u>2,502,271,088</u>

The computation of diluted loss per share for the six months ended September 30, 2014 and 2013 does not assume the exercise of the Company's outstanding share options, as the exercise price of those options is higher than the average market price for shares for both of the six months ended September 30, 2014 and 2013.

**7. Trade and Other Receivables**

The following is an ageing analysis of trade receivables (net of provision for doubtful debts) presented based on the invoice date at the reporting date.

	<b>At</b>	<b>At</b>
	<b>September 30,</b>	<b>March 31,</b>
	<b>2014</b>	<b>2014</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
0 to 30 days	126.0	81.8
31 to 90 days	63.5	41.2
Over 90 days	<u>6.0</u>	<u>10.5</u>
Trade receivables	195.5	133.5
Other receivables	<u>98.7</u>	<u>72.3</u>
Total trade and other receivables	<u>294.2</u>	<u>205.8</u>

The Group normally allows credit period of 30 to 60 days to its trade customers. Customers with long business relationship and strong financial position are allowed to settle their balances beyond the normal credit terms up to 90 days.

**8. Trade and Other Payables and Accruals**

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	At September 30, 2014 <i>HK\$ million</i>	At March 31, 2014 <i>HK\$ million</i>
0 to 30 days	71.8	67.4
31 to 90 days	83.3	30.7
Over 90 days	<u>9.1</u>	<u>4.0</u>
Trade payables	164.2	102.1
Other payables and accruals	<u>186.9</u>	<u>148.8</u>
Total trade and other payables and accruals	<u><u>351.1</u></u>	<u><u>250.9</u></u>

**9. Share Capital**

	Number of shares	Amount <i>HK\$ million</i>
<i>Authorised:</i>		
At April 1, 2013, March 31, 2014 and September 30, 2014		
– ordinary shares of HK\$0.10 each	3,500,000,000	350.0
– ordinary shares of US\$0.10 each	10,000	–
<i>Issued and fully paid:</i>		
At April 1, 2013 and March 31, 2014		
– ordinary shares of HK\$0.10 each	2,504,521,088	250.5
Issue upon exercise of share options	<u>3,000,000</u>	<u>0.3</u>
At September 30, 2014	<u><u>2,507,521,088</u></u>	<u><u>250.8</u></u>

**10. Event After the Reporting Period**

Subsequent to the end of the reporting period, on October 30, 2014, an indirect wholly owned subsidiary of the Company (the “subsidiary”) entered into a provisional sale and purchase agreement with an independent third party (the “purchaser”) to dispose three of its properties situated at Hunghom, Kowloon (the “disposal”) to the purchaser at a total consideration of HK\$43,561,840 and the estimated gain on disposal will be approximately HK\$36.0 million.

#### IV. INDEBTEDNESS STATEMENT

At the close of business on December 31, 2014, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Composite Document, the Group had the following indebtedness:

##### **Bank borrowings**

The Group had total current bank borrowings of HK\$148.4 million. Within the Group's total current bank borrowings, the Group had secured bank borrowings of approximately HK\$109.7 million and unsecured bank borrowings of approximately HK\$38.7 million. The secured bank borrowings have been secured by a charge over a subsidiary of the Company's deposit for HK\$15.0 million placed with the bank supported by registered security over deposits.

All bank borrowings were supported by corporate guarantees from the Company and subsidiaries of the Company respectively. In addition, bank borrowings of approximately HK\$14.1 million were supported by government guarantee issued by the Government of the Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme.

Save as aforesaid or as otherwise disclosed herein, apart from intra-group liabilities, the Group did not have outstanding at the close of business on December 31, 2014 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

#### V. MATERIAL CHANGE

Save for

- (i) as disclosed in the interim report of the Company for the six months ended September 30, 2014 (the "**2015 Interim Report**"), in particular:
  - (a) the decrease in turnover due to discontinuation of production of low-margin products and promoting high priced and high margin products;
  - (b) the decrease in operating expenses as a result of the implementation of stringent cost control and streamlining measures; and
  - (c) the disposal of the Group's properties for a consideration of approximately HK\$43.6 million as disclosed in note 10 to the financial statement to the Company's 2015 Interim Report; and
- (ii) as disclosed in the announcement of the Company dated March 10, 2015, the disposal of the Group's property for a consideration of HK\$17.2 million,

the Directors confirm that there had been no other material change in the financial or trading position or outlook of the Group since March 31, 2014 (the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

## 1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Sellers, the Offeror, Huatai, their respective associates and parties acting in concert with any of them) contained in this Composite Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document have been arrived (other than that relating to the Sellers, the Offeror, Huatai, their respective associates and parties acting in concert with any of them) 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 OF THE COMPANY

The authorised and issued share capitals of the Company as at the Latest Practicable Date are as follows:

*Authorised share capital:*

<u>3,500,000,000</u>	Shares of HK\$0.1 each	<u>HK\$350,000,000</u>
<u>10,000</u>	Shares of US\$0.1 each	<u>US\$1,000</u>

*Issued and paid-up share capital:*

<u>2,568,183,088</u>	Shares	<u>HK\$256,818,308.8</u>
----------------------	--------	--------------------------

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

As at the Latest Practicable Date, the Company had 45,338,000 Options conferring rights on the Optionholders to subscribe for Shares under the Share Option Schemes. Excluding the Sellers' Exercisable Options and the Sellers' Non-Exercisable Options, the Company had 30,138,000 Options outstanding as at the Latest Practicable Date. The exercisable period of the Options and the corresponding exercise price are illustrated in the table below:

Option	Exercisable period of the Options	Exercise price per Share	Number of new Shares issued upon exercise of Options (excluding 15,200,000 Options held by Dr. Chan and Mrs. Chan)
2002 Options	November 29, 2007 to November 28, 2015	HK\$0.548	884,000
	November 29, 2008 to November 28, 2015	HK\$0.548	884,000
	December 1, 2006 to November 30, 2015 (Note 1)	HK\$0.529	3,120,000
	December 1, 2012 to November 30, 2020	HK\$0.222	2,875,000
	December 1, 2013 to November 30, 2020	HK\$0.222	2,875,000
	December 12, 2013 to December 11, 2021 (Note 2)	HK\$0.104	4,125,000
	December 12, 2014 to December 11, 2021 (Note 3)	HK\$0.104	4,625,000
	April 18, 2015 to April 17, 2022	HK\$0.136	1,500,000
2012 Options	December 3, 2013 to December 2, 2022	HK\$0.131	1,000,000
	December 3, 2014 to December 2, 2022	HK\$0.131	1,500,000
	March 27, 2015 to March 26, 2023	HK\$0.130	750,000
	June 27, 2015 to June 26, 2023	HK\$0.134	2,500,000
	July 7, 2015 to July 6, 2024	HK\$0.172	1,750,000
	July 7, 2016 to July 6, 2024	HK\$0.172	1,750,000

## Notes:

1. Excluding the Sellers' Non-Exercisable Options.
2. Excluding the Sellers' Exercisable Options.
3. Excluding the Sellers' Exercisable Options.

As at the Latest Practicable Date, other than the Options, the Company did not have any outstanding options, warrants, derivatives or other conversion rights affecting the Shares.

The number of Shares in issue as at March 31, 2014, being the date to which the latest audited financial statements of the Company were made up, was 2,504,521,088. Save for the 63,662,000 Shares issued by the Company pursuant to exercise of Options, no Shares have been issued since that date until the Latest Practicable Date.



## 3. DISCLOSURE OF INTERESTS

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

Name	No. of shares held				% of the issued capital	Number of underlying shares held under equity derivatives (Note 3)	Number of underlying shares under short position
	Personal interests	Family interests	Corporate interests	Total			
Dr. Chan	105,505,102	62,770,544 (Note 1)	117,295,039 (Note 2)	285,570,685	11.12%	8,120,000	168,116,160 (Note 4)
Mrs. Chan	62,086,544	222,800,141 (Note 1)	684,000 (Note 2)	285,570,685	11.12%	7,080,000	168,116,160 (Note 4)
Mr. Lo Kai Yiu, Anthony	6,040,000	-	-	6,040,000	0.24%	-	-
Mr. Kao Ying Lun	-	-	-	-	-	6,040,000	-
Mr. Jack Schmuckli	-	-	-	-	-	1,040,000	-
Dr. Kenichi Ohmae	5,000,000	-	-	5,000,000	0.20%	1,040,000	-

## Notes:

- (1) Mrs. Chan is the wife of Dr. Chan. The personal and corporate interests of Mrs. Chan are disclosed as family interests of Dr. Chan. The personal and corporate interests of Dr. Chan are disclosed as family interests of Mrs. Chan.
- (2) 117,295,039 ordinary shares are held by IDTL, which is wholly and beneficially owned by Dr. Chan. 684,000 ordinary shares are held by Raymax which is wholly and beneficially owned by Mrs. Chan.
- (3) These represent the interests in underlying shares in respect of the Options granted by the Company under the Share Option Schemes.
- (4) These represent the short positions in respect of the Retained Shares under the Call Option which have been fully exercised by Jiangsu Hongtu on March 23, 2015.

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

#### 4. INTERESTS IN THE OFFEROR

As at the Latest Practicable Date, none of the Company nor any of its Directors had any interest in the shares, convertible securities, warrants, options or derivatives in respect of the shares of the Offeror, and no such person had dealt in the shares of the Offeror during the Relevant Period.

#### 5. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY

During the Relevant Period and up to the Latest Practicable Date, the following Directors have dealt for value in any Share or any convertible securities, warrants, Option or derivatives issued by the Company:

Name of Director	Date of dealing	Nature of dealing	Number of relevant Shares dealt	Selling price/ exercise price per Share	(In respect of Options exercised) any option money paid or received
Mr. Jack Schmuckli	December 18, 2014	Exercise of Share Options	3,000,000	0.222	666,000
	December 18, 2014	Exercise of Share Options	2,000,000	0.104	208,000
	February 25, 2015	Sale	1,000,000	0.520	–
	February 25, 2015	Sale	5,316,000	0.530	–
	February 25, 2015	Sale	350,000	0.540	–
	February 25, 2015	Sale	1,200	0.495	–
Mr. Lo Kai Yiu, Anthony	March 2, 2015	Sale	500,000	0.700	–
	March 3, 2015	Sale	900,000	0.630	–
	March 3, 2015	Sale	310,000	0.640	–
	March 3, 2015	Sale	1,779	0.600	–
	March 9, 2015	Exercise of Share Options	1,040,000	0.529	550,160
	March 9, 2015	Exercise of Share Options	3,000,000	0.222	666,000
	March 9, 2015	Exercise of Share Options	2,000,000	0.104	208,000
Dr. Kenichi Ohmae	March 9, 2015	Exercise of Share Options	3,000,000	0.222	666,000
	March 9, 2015	Exercise of Share Options	2,000,000	0.104	208,000

Save for the Sale Shares and save as disclosed above, none of the Directors have dealt for value in any Share or any convertible securities, warrants, Option or derivatives issued by the Company during the Relevant Period and up to the Latest Practicable Date.

As at the Latest Practicable Date,

- (a) no Share or any convertible securities, warrants, option or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders), and no such person had dealt in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (b) no Shares or any convertible securities, warrants, option or derivatives issued by the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) (if any) connected with the Company, and no such person had dealt in the Share or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (c) save and except for the Sale and Purchase Agreement, no Shares or any convertible securities, warrants, option or derivatives issued by the Company was owned or controlled by a person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code, and no such person had dealt in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (d) save and except for the Sale and Purchase Agreement, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code, and any other person;
- (e) save and except the Sellers' undertakings in respect of the Retained Shares and the Sellers' Exercisable Options as disclosed in the paragraph headed "Undertakings" in the "Letter from Huatai", the other Directors have indicated that they intend:
  - (i) not to accept the Offers (as the case may be) if the market price of the Shares continues to be above the Offer Price and will consider selling some or all of their respective Shares (in case of Options, upon exercise of the Options) in the market;
  - (ii) to seriously consider accepting the Offers (as the case may be) in respect of some or all of their respective Shares or Options if the market price of the Shares falls below the Offer Price, depending on the circumstances which have caused such a sharp Share price fall; and
- (f) none of the Company or any of its Directors has borrowed or lent any Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period.

**6. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS**

As at the Latest Practicable Date,

- (a) no benefit (other than statutory compensation) had been and would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (b) save and except the Sale and Purchase Agreement, no material contracts had been entered into by the Offeror in which any Director has a material personal interest; and
- (c) save and except the Sale and Purchase Agreement, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.

**7. DIRECTORS' SERVICE CONTRACTS**

The Company has entered into a service agreement with the following Directors for a fixed term of more than 12 months irrespective of notice period (in which case, the appointment shall be subject to the provision for retirement by rotation in the bye-laws of the Company). Details of such service agreements are set out below:

<b>Name of Directors</b>	<b>Commencement date of service agreement</b>	<b>Expiry date of service agreement</b>	<b>Fixed fee per annum</b>
Mr. Lo Kai Yiu, Anthony	November 10, 2013	November 9, 2016	HK\$200,000 (plus additional fee of HK\$100,000 for acting as Chairman of the Audit Committee)
Mr. Kao Ying Lun	November 10, 2013	November 9, 2016	HK\$200,000 (plus additional fee of HK\$100,000 for acting as member of the Audit Committee, Remuneration Committee and Nomination and Corporate Governance Committee)
Mr. Jack Schmuckli	November 10, 2013	November 9, 2016	HK\$200,000 (plus additional fee of HK\$150,000 for acting as Chairman of Nomination and Corporate Governance Committee and Remuneration Committee and member of Audit Committee)
Mr. Kenichi Ohmae	November 10, 2013	November 9, 2016	HK\$200,000

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Group:

- (a) which (including both continuous and fixed term contracts) have been entered into or amended within 6 months prior to the commencement of the Offer Period;
- (b) which are continuous contracts with a notice period of 12 months or more; or
- (c) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

## **8. QUALIFICATIONS AND CONSENT OF EXPERT**

The following are the qualifications of the expert who has given opinions in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
Somerley Capital Limited	a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Somerley Capital Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter and/or references to its name in the form and context in which it is included.

## **9. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against either the Company or any of its subsidiaries.

## **10. MATERIAL CONTRACT**

The Group had not entered into any material contracts (not being contracts entered into in the ordinary course of business) within 2 years prior to the date of commencement of the Offer Period and up to the Latest Practicable Date.

## **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection on (i) the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); (ii) the Company's website ([www.idthk.com](http://www.idthk.com)); and (iii) the website of Jiangsu Hongtu ([www.hiteker.com.cn](http://www.hiteker.com.cn)) during the period from the date of this Composite Document up to and including the Offer Closing Date:

- (a) the memorandum of association and Bye-Laws of the Company;

- (b) the annual reports of the Company for the two financial years ended March 31, 2013 and 2014 respectively;
- (c) the interim report of the Company for the six month period ended September 30, 2014;
- (d) the letter from the Board, the text of which is set out on pages 24 to 32 of this Composite Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 33 to 34 of this Composite Document;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 35 to 56 of this Composite Document;
- (g) the consent letter from the Independent Financial Adviser referred to in the paragraph headed “Expert and Consent” in this Appendix; and
- (h) the service contracts of the Directors referred to in the paragraph headed “Directors’ Service Contracts” in this Appendix.

**1. RESPONSIBILITY STATEMENT**

The information contained in this Composite Document relating to the Offeror and its intentions has been supplied by the Offeror.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Group, the Sellers, their associates and parties acting in concert with any of them (other than the Offeror)) contained in this Composite Document, 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 Group, the Sellers, their associates and parties acting in concert with any of them (other than the Offeror)) 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. MARKET PRICES**

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

<b>Date</b>	<b>Closing price per Share HK\$</b>
July 31, 2014	0.2050
August 29, 2014	0.2150
September 30, 2014	0.6800
October 31, 2014	0.6800
November 28, 2014	0.6900
December 31, 2014	0.4450
January 14, 2015 (being the last Business Day immediately preceding the date of the Initial Announcement)	0.6100
January 30, 2015	0.5700
February 12, 2015 (being the Last Trading Day)	0.5000
February 27, 2015	0.7000
March 23, 2015 (being the Latest Practicable Date)	0.6100

During the Relevant Period:

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.83 per Share on October 8, 2014; and
- (ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.18 per Share on July 17, 2014.

### 3. DISCLOSURE OF INTERESTS

#### Disclosure of interests of the Offeror and parties acting in concert with it (other than the Sellers)

As at the Latest Practicable Date (after Closing having taken place), the Offeror and parties acting in concert with it (other than the Sellers) were interested in 1,145,146,990 Shares, representing approximately 44.59% of the entire issued share capital of the Company as at the Latest Practicable Date.

By virtue of the existence and the terms of the Call Option only, the Sellers are considered as persons acting in concert with the Offeror. As at the Latest Practicable Date (after Closing having taken place), the Sellers beneficially owned an aggregate of 285,570,685 Shares, representing approximately 11.12% of the issued share capital of the Company. In addition, as at the Latest Practicable Date, Dr. Chan and Mrs. Chan hold the following Options:

Exercisable period	Exercise price (HK\$)	Dr. Chan	Mrs. Chan	Total
December 1, 2006 to November 30, 2015	0.529	3,120,000	2,080,000	5,200,000 (the Sellers' Non-Exercisable Options)
December 12, 2013 to December 11, 2021	0.104	2,500,000	2,500,000	10,000,000 (the Sellers' Exercisable Options)
December 12, 2014 to December 11, 2021	0.104	2,500,000	2,500,000	

As at the Latest Practicable Date, Huatai and its respective group companies did not have any beneficial interest in any Shares or any options, warrants, derivatives or securities convertible into Shares.



As at the Latest Practicable Date, save for the Share Mortgage, which may be granted by Hongtu (Seychelles) as chargor in favour of Huatai Capital Finance Limited as lender over the Shares acquired or to be acquired by the Offeror pursuant to the Sale and Purchase Agreement and the Offers, respectively, to secure the Facility, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any party acting in concert with the Offeror and there was no agreement, arrangement for or understanding for any transfer, charge or pledge of Shares acquired pursuant to the Offers to any other person.

Save as disclosed above, none of the Offeror, its directors and parties acting in concert with any of them (including the Sellers) had owned or controlled any other interest in any securities of the Company as at the Latest Practicable Date.

#### **4. DEALINGS IN SECURITIES OF THE COMPANY**

During the Relevant Period:

- (i) None of the Offeror and parties acting in concert with it and their respective directors (other than the Sellers) had dealt for value in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.
- (ii) No person who had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any party acting in concert with the Offeror had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

#### **5. INTERESTS IN THE COMPANY AND OTHER ARRANGEMENTS IN CONNECTION WITH THE OFFERS**

(a) As at the Latest Practicable Date:

- (i) save as disclosed under the paragraph headed “3. Disclosure of Interests” in this Appendix, sub-paragraph 5(b) of this Appendix and save for the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement by the Offeror and the Retained Shares which are subject to the Call Option, none of the Offeror and/or parties acting in concert with any of them (including the Sellers) owned or had control or direction over any voting rights or rights over the Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities;
- (ii) there is no outstanding derivative in respect of the securities in the Company entered into by the Offeror nor any person acting in concert with any of them;
- (iii) save in relation to the Call Option, there were no persons who owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares who had, prior to the posting of this Composite Document, irrevocably committed themselves to accept or reject the Offers;

- (iv) no benefit (other than statutory compensation) was or would be given to any Directors as compensation for loss of office or otherwise in connection with the Offers;
  - (v) save for the Share Mortgage, none of the Offeror, the sole member of the board of directors of the Offeror, or any party acting in concert with it had any arrangement with any other person of the kind (whether by way of option, indemnity, or otherwise) referred to in Note 8 to Rule 22 of the Takeovers Code;
  - (vi) none of the Offeror or any party acting in concert with any of them had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company;
  - (vii) save for the Sale and Purchase Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or parties acting in concert with any of them and any Director, recent Director, Shareholder or recent Shareholder which had any connection with or dependence upon the Offers; and
  - (viii) save for the Sale and Purchase Agreement, there was no agreement or arrangement to which the Offeror and/or parties acting in concert with any of them was a party which related to the circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or condition to the Offers.
- (b) As stated in the “Letter from Huatai”, the Offeror has entered into the Facility to finance up to HK\$281 million of the consideration payable by the Offeror under the Offers, under the terms of which the Shares successfully acquired through the Acquisition and the Share Offer by the Offeror may be charged to Huatai under the Share Mortgage for the Facility. As at the Latest Practicable Date, save for the above, there was no agreement, arrangement or understanding that any securities of the Company, acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons.

## **6. QUALIFICATIONS AND CONSENT OF EXPERT**

The following are the qualifications of the expert whose letter/opinions is/are contained in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
Huatai Financial Holdings (Hong Kong) Limited	A licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its advice, letter and/or the references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interest in any assets which had been, since March 31, 2014, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## **7. MATERIAL CONTRACTS**

The following contracts have been entered into by the Offeror and their parties acting in concert (other than the Sellers) which are or may be material:

- (a) the Sale and Purchase Agreement;
- (b) the Facility agreement dated February 13, 2015 and entered into among Huatai Capital Finance Limited, as lender, Hongtu (HK), as borrower, and Sanpower Group, as guarantor, of an amount of up to HK\$281 million in respect of the financing of the Offers; and
- (c) the Loan agreement dated February 17, 2015 and entered into between Sanpower (Hong Kong) Company Limited (三胞(香港)有限公司), as lender to Hongtu (HK), as borrower, of an amount of up to HK\$300 million in respect of the financing of the Acquisition pursuant to the Sale and Purchase Agreement and part of the Offers.

## **8. MISCELLANEOUS**

- (a) The principal members of the Offeror's concert group are the Offeror and Sanpower Group.
- (b) The directors of Jiangsu Hongtu are Mrs. Yang Huaizhen (楊懷珍女士)(Chairman), Mr. Yi Chuilin (儀垂林先生)(Vice-Chairman), Mr. Chen Bin (陳斌先生), Mr. Ba Jing (巴晶先生), Mr. Cheng Xuegen (程雪根先生), Mr. Hu Fang (胡方先生), Mr. Zhang Wei (張偉先生) and independent non-executive directors, namely, Mr. Shen Kunrong (沈坤榮先生), Mr. Su Wenbing (蘇文兵先生), Mr. Hui Guanping (恢光平先生) and Mr. Sui Hongming (睚紅明先生). The registered office of Jiangsu Hongtu is situated at 11 Xinke Si Road, High-tech Development Zone, Pukou District, Nanjing, Jiangsu Province, the People's Republic of China.
- (c) The sole director of Hongtu (HK) is Mr. Song Rongrong (宋榮榮先生). The registered office of Hongtu (HK) is situated at Room D, 10/F, Tower A, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

- (d) The sole director of Hongtu (Seychelles) is Mr. Song Rongrong (宋榮榮先生). The registered office of Hongtu (Seychelles) is situated at Second Floor, Capital City, Independence Avenue, Victoria, Mahe, Seychelles.
- (e) The directors of Sanpower Group are Mr. Yuan Yafei (袁亞非先生), Mr. Yao Yun (姚昀先生), Mr. Hu Qiang (胡強先生) and Ms. Li Guifeng (李桂鳳女士). The registered office of Sanpower Group is situated at Block A2, Level 11, 18 Zhongshan East Road, Baxia District, Nanjing, Jiangsu Province, the People's Republic of China.
- (f) The correspondence Hong Kong address of the Offeror is Room D, 10/F, Tower A, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.
- (g) The registered office of Huatai is situated at Room 5808-12, 58/F, The Center, 99 Queen's Road Central, Hong Kong.
- (h) The English text of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese texts in the case of inconsistency.

#### **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection on (i) the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); (ii) the website of the Company ([www.idthk.com](http://www.idthk.com)); and (iii) the website of Jiangsu Hongtu ([www.hiteker.com.cn](http://www.hiteker.com.cn)) during the period from the date of this Composite Document onwards for as long as the Offers remain open for acceptance:

- (a) the memorandum and articles of association of the Offeror;
- (b) the annual report of Jiangsu Hongtu for the financial year ended December 31, 2012;
- (c) the annual report of Jiangsu Hongtu for the financial year ended December 31, 2013;
- (d) the letter from Huatai, the text of which is set out in this Composite Document;
- (e) the written consent referred to in the paragraph headed "6. Qualifications and Consent of Expert" in this Appendix; and
- (f) the material contracts referred to under the paragraph headed "7. Material Contracts" in this Appendix.