
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in China Print Power Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

Approval in-principle has been obtained from Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing of and quotation for the New Shares (as defined herein) on the Main Board of the SGX-ST, subject to certain conditions. The New Shares will be admitted to the Official List of the SGX-ST and official quotation will commence after all conditions imposed by the SGX-ST are satisfied. Approval of the SGX-ST shall not be taken as an indication of the merits of the issue of the Convertible Note (as defined herein) and/or the New Shares.

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, any reports contained or opinions expressed in this circular.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.



China Print Power Group Limited **中國威力印刷集團有限公司**

(Incorporated in Bermuda with limited liability)

(Singapore Stock Code: B3C)

(Hong Kong Stock Code: 6828)

(1) MAJOR TRANSACTION IN RELATION TO ACQUISITION OF ASSETS INVOLVING ISSUE OF CONVERTIBLE NOTE UNDER SPECIFIC MANDATE AND (2) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

SUNWAH KINGSWAY

新華滙富

Kingsway Capital Limited

Singapore Independent Financial Adviser to the Company



Provenance Capital Pte. Ltd.

**(in its capacity as the independent financial adviser for the purpose of Rule 1013 of
the Singapore Listing Manual)**

A letter from the Board of the Company is set out on pages 8 to 53 of this circular. A notice convening the special general meeting of the Company to be held at Level 21, The Center, 99 Queen's Road Central, Hong Kong at 10:00 a.m. on Monday, 21 July 2014 is set out on pages N-1 to N-4 of this circular. The special general meeting is to be held to approve matters referred to in this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not later than 48 hours before the time of the meeting or any adjournment thereof to the office of the Company's Singapore share transfer agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 (for Singapore shareholders) or the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong shareholders). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

30 June 2014

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DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

A. DEFINITIONS

The following terms are used in this circular with the meanings set opposite them:

“Acquisition”	the proposed acquisition of the Sale Shares and all the benefits of the Loan
“Benxi Project”	the exclusive right of the PRC Operating Co to supply natural gas in the Supply District for 30 years commencing on 30 March 2012 from the Xihu Government
“Bermuda Companies Act”	the Companies Act 1981 of Bermuda, as amended or modified from time to time
“Board”	the board of directors of the Company
“Business Day(s)”	a day (excluding a Saturday) during which banks are regularly open for business in Hong Kong
“BVI”	the British Virgin Islands
“Bye-laws”	the bye-laws of the Company
“CDP”	The Central Depository (Pte) Limited
“Company”	China Print Power Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange and the SGX-ST
“Companies Act”	Companies Act (Cap. 50) of Singapore
“Completion”	completion of the Acquisition under the terms and conditions of the Sale and Purchase Agreement
“Consideration”	HK\$515,432,000, being the consideration for the Acquisition to be settled under the terms and conditions of the Sale and Purchase Agreement

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Controlling Shareholder”	a person who (i) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the Company (unless the SGX-ST determines that such person is not a Controlling Shareholder), or (ii) in fact exercises control over the Company according to the Listing Manual
“Conversion Price”	HK\$2.36 per Share, subject to adjustment
“Convertible Note”	the convertible note in the principal amount of HK\$498,432,000 to be issued by the Company
“Crown Castle”	Crown Castle Limited, a private limited company incorporated in Hong Kong on 11 October 2012 and a wholly-owned subsidiary of the Target Company
“Depositor”	a person being a depository agent or a holder of a securities account maintained with CDP
“DFH Industrial Park”	東風湖鋼鐵深加工產業園 (Dongfenghu Steel Deep Processing Industrial Park*) in the Xihu District of Benxi City, Liaoning Province, the PRC
“Directors”	the directors of the Company
“Enlarged Group”	the Group immediately after Completion
“EPS”	earnings per Share
“Exclusive Operation Agreement”	the exclusive operation agreement between the Xihu Government and the PRC Operating Co dated 30 March 2012 (as supplemented on 30 May 2013) for the granting of an exclusive right to supply natural gas in the Supply District for a term of 30 years commencing on 30 March 2012
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Lee Tsz Hang and Mr. Lin Zhangli, the legal and beneficial owners of the entire issued share capital of the Vendor

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Third Party(ies)”	party(ies) who is/are, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, independent of the Company and its connected persons (as defined in the Listing Rules)
“Latest Practicable Date”	24 June 2014, being the latest practicable date prior to the printing of this circular
“Listing Manual”	the listing manual of the SGX-ST
“Listing Rules”	the Rule Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan of about HK\$42,125,790 advanced by the Vendor to the Target Company as interest-free unsecured loans as at 31 December 2013 and all further loans advanced by the Vendor to the Target Company up to Completion
“New Shares”	shares of the Company which will be issued on the exercise of the conversion rights under the Convertible Note
“NTA”	net tangible assets
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Contracts”	the contracts entered into between the PRC Operating Co and various parties
“PRC Operating Co”	本溪遼油新時代燃氣有限公司 (Benxi Liaoyou Xinshidai Ranqi Company Limited*), a company established in the PRC on 27 March 2012 and a subsidiary of the Target Company
“PRC Subsidiaries”	the subsidiaries of the Target Company established in the PRC

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Properties”	the land use right of a site of 17,100 square meters at 中國遼寧省本溪市溪湖區東風街道辦事處新興村 up to 8 August 2063 for industrial use and the buildings thereon
“Proposed Conversion”	the proposed changing of the Company’s listed status on the Main Board of the SGX-ST from a primary listing to a secondary listing whilst retaining its primary listing on the Stock Exchange
“Purchaser”	Goldlink Capital Limited, a company incorporated in BVI and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 5 May 2014 (as supplemented on 23 June 2014) between the Vendor, the Purchaser and the Guarantors in respect of the Acquisition
“Sale Shares”	1,000 shares of US\$1 each of the Target Company, representing its entire issued share capital
“Securities Account”	a securities account maintained by a depositor with CDP but does not include a securities sub-account
“SGM”	the special general meeting to be convened by the Company to approve the Acquisition (including the Specific Mandate), notice of which is set out on pages N-1 to N-4 of this circular
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share(s)”	share(s) of HK\$0.55 each of the Company
“Shareholder(s)”	registered holder(s) of Shares
“Shenzhen Xiananda Nengyuan”	深圳先安達能源有限公司, a company established in the PRC on 29 September 2013 and a wholly-owned subsidiary of the Target Company

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Shenzhen Xinliaoyou Jishu Fuwu”	深圳新遼油技術服務有限公司, a company established in the PRC on 22 July 2013 and a 98% owned subsidiary of the Target Company
“Shenzhen Xinliaoyou Maoyi”	深圳新遼油貿易有限公司, a company established in the PRC on 19 July 2013 and a 98% owned subsidiary of the Target Company
“Shenzhen Xinliaoyou Xinxi Zixun”	深圳新遼油信息諮詢有限公司, a company established in the PRC and an Independent Third Party
“Singapore Independent Financial Adviser”	Provenance Capital Pte. Ltd.
“Singapore Take-over Code”	The Singapore Code on Take-overs and Mergers
“Sky Queen”	Sky Queen Limited, a private limited company incorporated in Hong Kong on 6 June 2013 and a wholly-owned subsidiary of the Target Company
“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Directors at the SGM for the allotment and issue of Shares upon exercise of the conversion right attached to the Convertible Note
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply District”	the Xihu District of Benxi City, Liaoning Province, the PRC (中國遼寧省本溪溪湖區) (including DFH Industrial Park)
“S\$”	Singapore dollar(s), the lawful currency of Singapore
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Target Company”	Cloud Decade Limited, a business company with limited liability incorporated under the laws of BVI
“Target Group”	the Target Company and its subsidiaries

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“US\$”	United States dollars, the lawful currency of the United States of America
“Valuer”	LCH (Asia-Pacific) Surveyors Limited
“Valuation”	the valuation of the Benxi Project as at 31 December 2013 performed by the Valuer, details of which are set out in Appendix V to this circular
“Vendor”	New Topic Limited
“Xihu Government”	the People’s Government of Xihu District of Benxi City, Liaoning Province, the PRC
“%”	per cent

For the purpose of this circular, unless otherwise specified, conversions of S\$ into HK\$ are based on the approximate exchange rate of S\$1 to HK\$6.2, conversions of US\$ into HK\$ are based on the approximate exchange rate of US\$1 to HK\$7.75, and conversions of RMB into HK\$ are based on the exchange rate of RMB1 to HK\$1.25.

* *The English translation of Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

The terms “depositor”, “depository agent” and “Depository Register” shall have the same meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall, where applicable, include corporations.

The headings in this circular are inserted for convenience only and shall be ignored in construing this circular.

Any reference in this circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the Listing Manual or any statutory modification thereof and not otherwise defined in this circular shall have the same meaning ascribed to that word under the Companies Act or the Listing Manual or any statutory modification thereof, as the case may be.

Any reference to a time of day and date shall be a reference to Hong Kong time and date unless otherwise stated.

B. GLOSSARY OF TECHNICAL TERMS

"CNG" compressed natural gas

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LETTER FROM THE BOARD



China Print Power Group Limited **中國威力印刷集團有限公司**

(Incorporated in Bermuda with limited liability)

(Singapore Stock Code: B3C)

(Hong Kong Stock Code: 6828)

Executive Directors:

Mr. Sze Chun Lee (*Chief Executive Officer*)

Mr. Chan Wai Ming

Mr. Lam Shek Kin

Ms. Chung Oi Ling, Stella

Mr. Hung Tao

Mr. Cheng Ming Kit

Independent non-executive Directors:

Mr. Lim Siang Kai (*Chairman of the Board*)

Mr. Wee Piew

Ms. Wong Fei Tat

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Headquarters and principal place of
business in Hong Kong:*

Flat 2, 13th Floor

Kodak House II

39 Healthy Street East

North Point

Hong Kong

30 June 2014

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF ASSETS INVOLVING ISSUE OF CONVERTIBLE NOTE UNDER SPECIFIC MANDATE

INTRODUCTION

On 5 May 2014, the Company announced that the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement for the acquisition of all the issued shares of, and the benefits of loans advanced to, the Target Company for a total consideration of HK\$515,432,000 which is to be satisfied as to HK\$17 million in cash and HK\$498,432,000 by the issue of the Convertible Note by the Company.

LETTER FROM THE BOARD

For the Company, the Acquisition is a major transaction under the Listing Rules and the Listing Manual which requires the approval of Shareholders in general meeting. The issue of the Convertible Note in connection to the Acquisition is also subject to the specific approval of Shareholders. The purpose of this circular is to give you (i) further details of the Acquisition and the issue of the Convertible Note under the Specific Mandate; and (ii) notice of the SGM to be convened and held for the purpose of considering and, if thought fit, passing the necessary resolution to approve the Acquisition (including the issue of the Convertible Note).

THE SALE AND PURCHASE AGREEMENT

Date:

5 May 2014 (as supplemented on 23 June 2014)

Parties:

- (A) Vendor: New Topic Limited
- (B) Purchaser: Goldlink Capital Limited
- (C) Guarantors: Mr. Lee Tsz Hang and Mr. Lin Zhangli, the shareholders and legal and beneficial owners of the Vendor

Assets to be acquired under the Sale and Purchase Agreement:

The Purchaser will acquire from the Vendor the Sale Shares (representing the entire issued share capital of the Target Company) and the entire benefits of and rights to the Loan. As at 31 December 2013, the Loan amounted to about HK\$42,125,790 and was advanced by the Vendor to the Target Group for the PRC Operating Co for its working capital requirement.

The Loan amount as at the Latest Practicable Date is HK\$58,613,276.80. Under the Sale and Purchase Agreement, the Vendor and the Guarantors have agreed to procure the Target Group not to borrow money or discharge any indebtedness without the prior written consent of the Purchaser. As the Purchaser will acquire the benefits of all the Loan as at Completion at the Consideration (which is a fixed amount), the amount of the Loan would not affect the fairness and reasonableness of the Consideration.

The Target Company is an investment holding company wholly-owned by the Vendor. The Target Company holds about 89.18% indirect equity interest in the PRC Operating Co, which has obtained from the Xihu Government the exclusive right to supply natural gas in the Supply District for 30 years commencing on 30 March 2012. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

Consideration and payment terms:

The total Consideration for the Acquisition shall be HK\$515,432,000 to be settled in the following manner on Completion:

- (a) HK\$17 million in cash; and
- (b) HK\$498,432,000 by the issue of the Convertible Note by the Company to the Vendor (or its nominees).

The Purchaser paid HK\$12 million to the Vendor on the signing of the Sale and Purchase Agreement as part of the deposit in the sum of HK\$17 million. The balance of HK\$5 million of the deposit was paid to the Vendor on 7 May 2014.

The Consideration is financed through a combination at internal resources and the issue of the Convertible Note.

The Convertible Note may be converted to, in accordance with the terms and conditions of the Convertible Note (and without taking into account the Conversion Restrictions), a maximum of 211,200,000 Shares at the initial Conversion Price of HK\$2.36 per Share, representing approximately 84.80% of the existing number of Shares of the Company in issue as at the Latest Practicable Date and approximately 45.90% of the total number of issued Shares of the Company following the full conversion. For further details on the Convertible Note and Conversion Restrictions, please refer to the section entitled “Convertible Note” on page 24 of this circular.

Basis of Consideration

The Consideration was arrived at after arm's length negotiations between the Company and the Vendor on normal commercial terms with reference to the Valuation at RMB589,600,000 as at 31 December 2013. Details of the Valuation are set out in Appendix V to this circular.

There was no material change during the period from 31 Dec 2013 to the date of the Sale and Purchase Agreement as the trial operation has started only in June 2014. The Board did not observe any material changes of the macroeconomic environment, and the Board considered that the cost burden in price fluctuations of natural gas supply will be completely transferred to the end users from time to time. Thus, the Directors are able to use the Valuation as reference.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the registered capital of the PRC Operating Co. amounted to RMB90,000,000, of which the Target Group and the non-controlling interests had paid up approximately RMB45,364,500 and RMB7,940,500, respectively. The outstanding capital contribution amount of RMB36,695,000 will be due on 20 March 2016 and it is expected that the amount will not be paid up before Completion. Therefore, after Completion, the Company (through the Target Group) and the non-controlling interests will be responsible for the outstanding capital contribution of RMB35,635,500 and RMB1,059,500, respectively, based on the respective shareholding in the PRC Operating Co. The Directors have already factored in such cash outflow of further capital contribution by the Target Company when valuing the Target Group in the Valuation based on the discounted cash flow and when negotiating the Consideration with the Vendor. Thus, the Directors consider the Consideration is fair and reasonable and in the interest of the Company.

As the Valuation is based on discounted cash flow method, it is regarded as a profit forecast under Rule 14.61 of the Listing Rules and Rules 1012 and 1013 of the Listing Manual (the “Forecast”). Information in compliance with Rule 14.62 of the Listing Rules in respect of the Forecast is contained in Appendix VI to this circular. Please refer to page 32 of this circular for information on the Valuation in compliance with the Listing Manual.

Conditions Precedent

Completion of the Sale and Purchase Agreement is conditional upon:

- (a) the passing at a special general meeting of the Company to be convened and held in accordance with the requirements of the Listing Rules and the Listing Manual of resolutions to approve the Sale and Purchase Agreement, and the transactions contemplated thereunder, including the issue of the Convertible Note and the issue of Shares upon the exercise of the conversion rights attached to the Convertible Note;
- (b) the approval of the Stock Exchange and/or the SGX-ST to the issue of the Convertible Note by the Company, if required;
- (c) the granting of a listing and quotation of and permission to deal in the Shares issuable upon exercise of the conversion rights attached to the Convertible Note by the Listing Committee of the Stock Exchange and the SGX-ST (as may be applicable);
- (d) the Purchaser completing a review of the financial, trading and legal position of the Target Group and such review not revealing any breach of the representations, warranties or undertakings of the Vendor and Guarantors in respect of the Target Group;

LETTER FROM THE BOARD

- (e) the Purchaser being reasonably satisfied that the PRC Operating Co has good marketable title to the Properties;
- (f) the Purchaser receiving opinion from its legal advisers in BVI and the PRC on the status of the Target Company and the PRC Subsidiaries respectively in form and substance satisfactory to the Purchaser;
- (g) the commencement of full commercial supply of natural gas to a customer in the Supply District to the satisfaction of the Purchaser;
- (h) each of the PRC Contracts remaining valid and subsisting with all parties thereto complying with its terms and conditions;
- (i) each of the representations, warranties and undertakings of the Vendors and Guarantors in respect of the Target Group remaining true and accurate in all material aspects; and
- (j) all necessary third party, governmental and regulatory consents, approvals and waivers where required for the transactions contemplated thereunder having been obtained by the parties thereto, and such consents, approvals and waivers not have been amended or revoked before Completion, and if any such consents, approvals or waivers are subject to conditions, such conditions being acceptable to the Purchaser.

The parties shall use their best endeavours to fulfill the above conditions precedent as soon as practicable. If the aforesaid conditions have not all been fulfilled or waived by the Purchaser (except the conditions set out in (a) to (c) and (j)) by 31 October 2014 (or such later date as the parties may mutually agree in writing by 31 October 2014), the Sale and Purchase Agreement shall lapse and be of no further effect, in which event the deposit shall be refunded to the Purchaser. The Directors would consider waiving any condition to an extent which would not materially affect the value or operation of the Target Group and do not expect any material delay in completion of the Acquisition. The Company will make an immediate announcement upon the waiver of any condition precedent of the Sale and Purchase Agreement or any material delay in completion of the Acquisition in accordance with the Listing Rules.

As at the Latest Practicable Date, save that the approval of the Stock Exchange to the issue of the Convertible Note by the Company as stated in condition (b) above is not required and the SGX-ST granted approval in-principle to the Company for the listing and quotation of the New Shares on the Main Board of the SGX-ST subject to certain conditions, the above conditions had not been fulfilled.

LETTER FROM THE BOARD

The approval in-principle granted by the SGX-ST to the Company for the listing and quotation of the New Shares on the Main Board of the SGX-ST is subject to the following conditions:

- (a) the Company's compliance with the SGX-ST's listing requirements;
- (b) Shareholders' approval being obtained for the Acquisition and the issue of the Convertible Note;
- (c) the Acquisition and/or the issue of the Convertible Note will not result in a change of control of the Company;
- (d) announcement of the conditions under which the Conversion Price may be adjusted and the conditions under which the Convertible Note may be redeemed; and
- (e) submission of the following:
 - (i) a written confirmation from the Company that the terms of the Convertible Note comply with Rule 829(1) of the Listing Manual;
 - (ii) a written undertaking from the Company that it will comply with Rule 803 of the Listing Manual;
 - (iii) a written undertaking from the Company that it will not place the Convertible Note to persons prohibited under Rule 812(1) of the Listing Manual; and
 - (iv) a written undertaking from the Company to announce any adjustment made pursuant to Rule 829(1) of the Listing Manual.

LETTER FROM THE BOARD

Approval in-principle granted by the SGX-ST to the Company for the admission of the New Shares to the Official List of the SGX-ST and the listing and quotation of the New Shares on the Main Board of the SGX-ST is not to be taken as an indication of the merits of the Acquisition, the Convertible Note, the New Shares, the Company and/or its subsidiaries.

Guarantee provided by the Guarantors

The Guarantors (as principal obligors and not merely as surety) have jointly and severally unconditionally guaranteed full prompt and complete performance by the Vendor of all of its obligations under or arising out of or in connection with the Sale and Purchase Agreement and undertaken to the Purchaser that if and whenever the Vendor shall be in default, the Guarantors will (subject to the foregoing) duly promptly perform or procure performance of such obligations, and shall fully indemnify the Purchaser against all loss and damages arising in connection thereof.

Completion

Completion of the Acquisition shall take place on the second Business Day after the Sale and Purchase Agreement has become unconditional.

INFORMATION ON THE COMPANY

The Group is principally engaged in book printing business and manufacturing of specialised products. As at the Latest Practicable Date, the Company is dual primary listed on the Main Board of the Stock Exchange and the SGX-ST. According to the Annual Report of the Company for the year ended 31 December 2013, it had an audited consolidated turnover of approximately HK\$154.5 million and an audited consolidated net loss of approximately HK\$58.6 million for such year.

The Company announced on 2 April 2014 that it had received the in-principle approval given by the SGX-ST for the Proposed Conversion. The Company despatched a circular to Shareholders on 6 June 2014 to provide further information on the Proposed Conversion and to convene a special general meeting of the Company on 30 June 2014 to seek Shareholders' approval for the same.

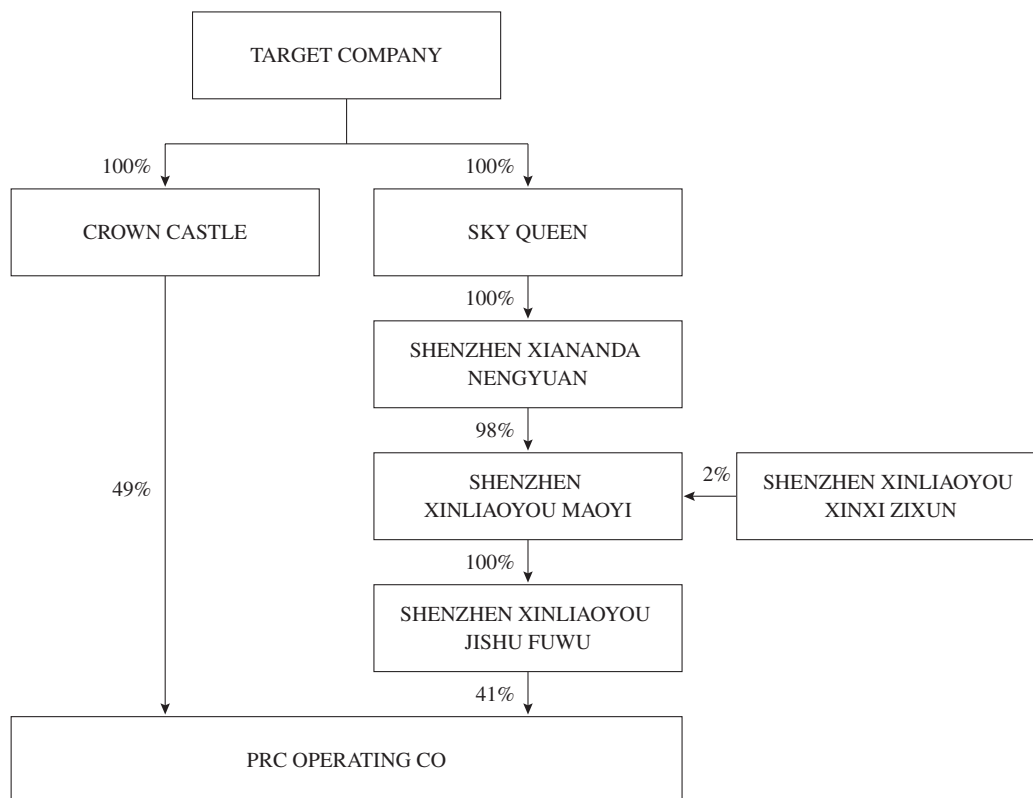
INFORMATION ON THE TARGET GROUP

Target Group's corporate structure

The Target Company is incorporated in BVI on 10 October 2012 and is wholly-owned by the Vendor. The principal business activity of the Target Company is investment holding.

LETTER FROM THE BOARD

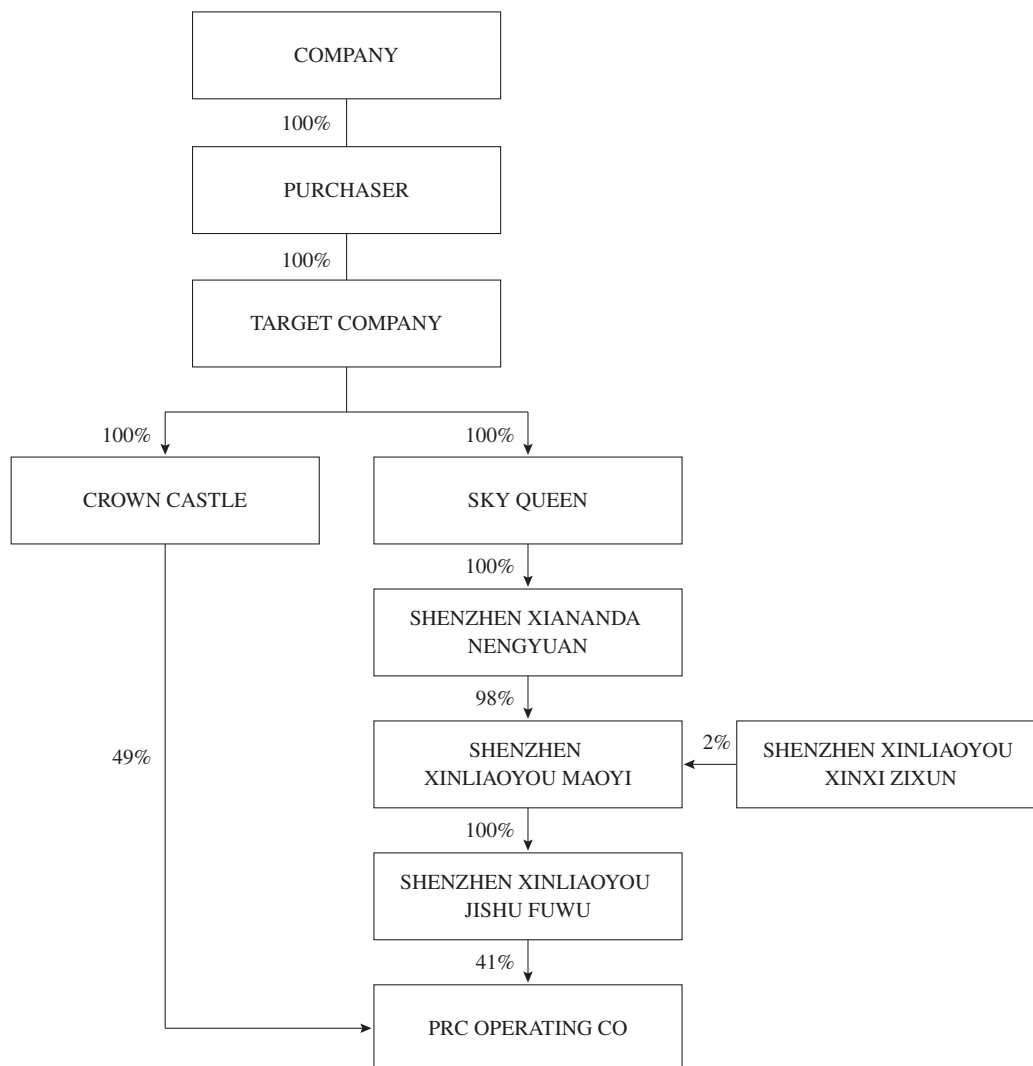
The following chart set forth the Target Group's corporate structure as at the Latest Practicable Date:



According to the corporate structure set out above, the effective interest of the Target Group in the PRC Operating Co is approximately 89.18%. To the best knowledge of the Directors, the remaining approximately 10.82% equity interest in the PRC Operating Co is owned by Independent Third Parties.

LETTER FROM THE BOARD

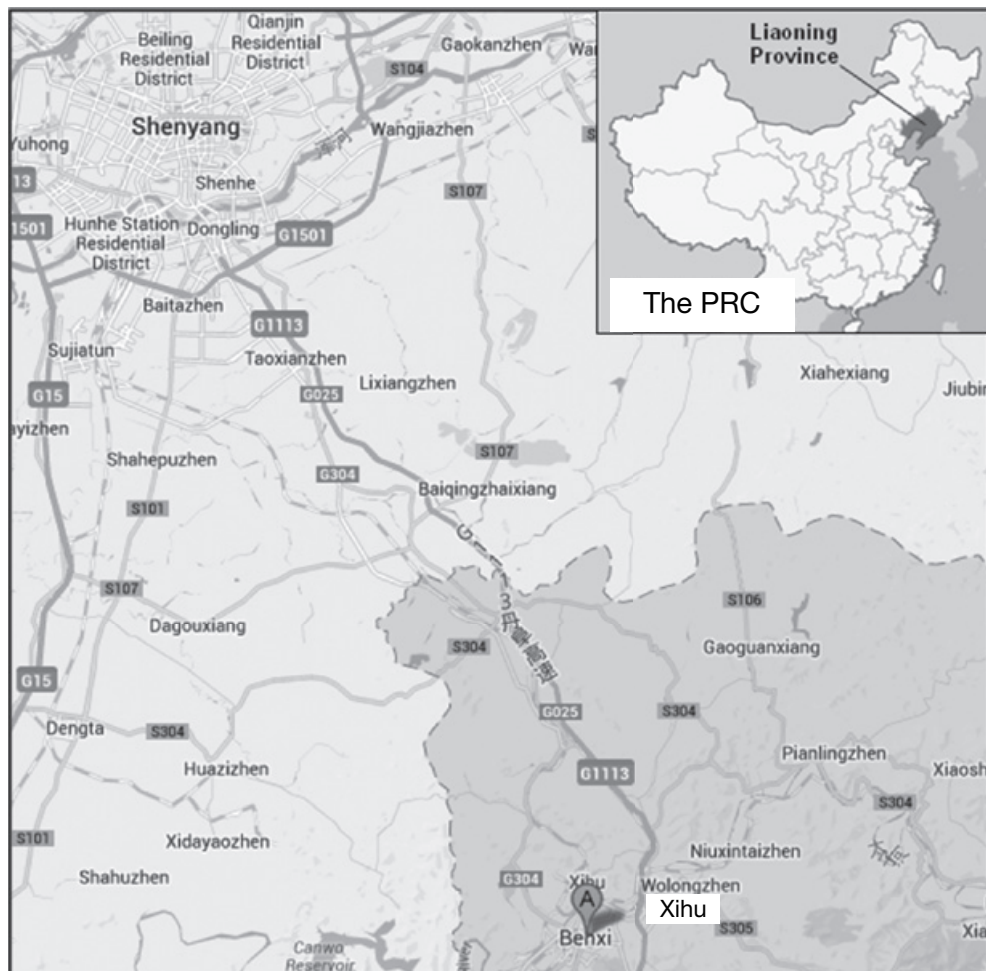
For illustrative purpose, the following chart set forth the shareholding structure of the Target Group immediately after Completion:



LETTER FROM THE BOARD

Demographic and Economic Profile of the Supply District

The map below shows the location of the Supply District in Benxi City as highlighted:



The Supply District is located in the north-west of Benxi City, has a total area of 138 km² and a population of approximately 250,000 in 2010. The economic structure of the Supply District mainly consists of heavy industries such as steel production, coal industry and construction material production. Other economic activities in the Supply District include electronics industry, chemical industry and other light industry. In 2012, the Supply District had accomplished industrial added value of over RMB3 billion.

LETTER FROM THE BOARD

Details of the terms of the Exclusive Operation Agreement

The PRC Operating Co entered into the Exclusive Operation Agreement with the Xihu Government, pursuant to which the PRC Operating Co is granted the exclusive right to operate the pipe line natural gas business in the administrative area of Xihu District (including DFH Industrial Park).

A summary of the key terms of the Exclusive Operation Agreement is set out as follows:

- ***Exclusivity, validity period and service scope of the exclusive operation right***

The Xihu Government authorizes the PRC Operating Co to operate the business of providing natural gas to natural gas users (for residential household, commercial business and industrial production, automobile fuel purposes) in Xihu District, which includes the pipe line, residential, commercial service, industrial, CNG, LNG, and CNG and LNG gas station business for 30 years, commencing on 30 March 2012. This agreement shall be renewed automatically if there is no agreement to terminate the same upon its expiry.

- ***Ownership of asset***

The PRC Operating Co owns the fixed assets invested by it in relation to the exclusive operation. Upon the expiry of the exclusive operation right or in the event that both parties have agreed to terminate the Exclusive Operation Agreement before the expiry of the contracted term, such assets must be transferred from the PRC Operating Co to the other party, who shall pay compensation to the PRC Operating Co based on the valuation results conducted by an intermediary institution approved by both parties.

- ***Early termination***

- (1) As a result of force majeure or in the event that one party shall consider necessary, both parties can terminate the agreement early upon negotiation, and entered into an early termination agreement. In the event that both parties are not able to reach such an agreement upon negotiation, the agreement may not be terminated.
- (2) As a result of the cancellation of the exclusive operation right due to (i) the unauthorized transfer or lease of the exclusive operation right by the PRC Operating Co; or (ii) the termination or suspension of operation without justification by the PRC Operating Co which has seriously affected the interest and safety of social public, both parties shall terminate the agreement.

LETTER FROM THE BOARD

- (3) Upon the occurrence of the termination circumstances, the PRC Operating Co has the right to protect its interests according to law and obtain compensation in respect of the assets and related interests that it has invested.

There is no operational or financial target or capital investment commitment under the Exclusive Operation Agreement or other arrangements with the Xihu Government.

Business scope of natural gas supply operations in the Supply District under the 30 year exclusive right

According to the Exclusive Operation Agreement between the Xihu Government and the PRC Operating Co dated 30 March 2012 (as supplemented on 30 May 2013), the PRC Operating Co is granted the exclusive operation right to supply natural gas, including LNG and CNG in the Supply District for a term of 30 years commencing on 30 March 2012 (the Benxi Project).

For the natural gas supply operations, the PRC Operating Co has planned and commenced the construction of the natural gas facilities in the Supply District since the second quarter of 2013. Details of the development plan of the Benxi Project is set forth in the following table:

		Capital requirements <i>RMB'000</i>	Development period	Progress of construction work as at the date of the Circular	Date of commencement of operations	Production Capacity <i>(Per annum)</i>
1	natural gas pipe lines within the commercial and industrial area of DFH Industrial Park and related facilities, including a natural gas station at DFH Industrial Park with capacity of 150 million cubic metres per year;	57,475	construction completed	100%	June 2014	150 million m ³ natural gas
2	one LNG main station or CNG main station and four LNG or CNG satellite stations within the Supply District;	72,351	April 2015 – March 2017	0%	November 2015**	35-40 million m ³ CNG 5-10 million kg LNG
3	a LNG or CNG station for the truck and public transportation of 火連寨 ^{Note} (Huolianzhai*) in the Supply District; and	12,727	April 2015 – March 2016	0%	March 2016**	10-15 million m ³ CNG 35-40 million kg LNG
4	facilities for the supply of LNG or CNG to a market of 52,500 households of residents in the Supply District.	66,738	April 2014 – March 2016	10%	January 2015**	20-30 million m ³ natural gas

* *for identification purpose only*

** *Expected date of commencement of operations*

Note: a city located in the Supply District

LETTER FROM THE BOARD

The Company will finance the capital requirement through internal resources such as daily working capital and external source such as bank borrowing.

Save as disclosed above, the Target Group has also planned to supply natural gas in industrial parks and residential buildings which are located at 火連寨新型建築材料產業園 (Huolianshai Xinxing Jianzhucailiao Industrial Park*), and 本溪湖資源綜合利用產業園 (Benxi Ziyuan Zongheliyong Industrial Park*), which are currently in preliminary construction phase. The expansion plans are expected to commence at the end of 2016.

The Target Group has entered into short term upstream natural gas supply contracts with the following natural gas suppliers:

- i) 盤錦遼河油田金東油氣工程有限公司 (Panjin Liaohe Youtian Jindong Youqi Gongcheng Company Limited*). The duration of the current contract is for the trial run period at the rate of RMB2.95 (including tax) per cubic meter of natural gas. A formal gas supply contract will be signed after the aforesaid trial run period. There is no maximum contracted supply volume in the contract; and
- ii) 昆崙能源(大連)有限公司 (Kunlun Energy (Da Lian) Company Limited*). The duration of the current contract is from 31 March 2014 to 31 December 2014. The price of the LNG will be based on the latest prevailing market rate. There is no maximum contracted supply volume in the contract.

As stipulated in the short term natural gas supply contract, upon the completion of the trial run period, the PRC Operating Co will renew the upstream natural gas supply contract with 盤錦遼河油田金東油氣工程有限公司 (Panjin Liaohe Youtian Jindong Youqi Gongcheng Company Limited*).

For LNG supply, as advised by the Vendor, Kunlun Energy (Da Lian) Company Limited intends to renew the LNG supply contract with the PRC Operating Co upon its expiry on 31 December 2014, but subject to the final negotiation between the two parties. Also, based on the local reputation of the PRC Operating Co which has obtained the exclusive operation rights of the Benxi Project for 30 years, it is expected that the PRC Operating Co should be able to source LNG from other alternative LNG suppliers as well.

LETTER FROM THE BOARD

Targeted industrial customers of the PRC Operating Co are mainly involved in heavy industries such as steel manufacturers and chemical manufacturers in the DFH Industrial Park. Targeted residential customers are estimated at 42,000 ^(note 1) households. Targeted commercial customers are estimated at 1,200 ^(note 2) restaurants and 120 ^(note 2) motels. Targeted customers for gas stations are estimated at approximately 480 ^(note 3) heavy trucks and 800 ^(note 3) public motor vehicles within the Supply District that use LNG and approximately 5,100 ^(note 3) motor vehicles within the Supply District that use CNG.

Note 1: Based on the population of 150,000 in the Supply District sourced from the local government of Benxi City and estimation from the independent expert, 中交煤氣熱力研究設計院有限公司 (Zhongjian Meiqireli Yanjiu Shejiyuan Company Limited*), that the number of household units in the Supply District would be 52,500 and expected to consume pipeline gas at full capacity.

Note 2: Based on information sourced from the local business services department of the local government of Benxi City.

Note 3: Based on information sourced from the local bureau of statistics of the local government of Benxi City.

FINANCIAL INFORMATION ON THE TARGET GROUP

According to the accountant's report on the Target Group for the period from 10 October 2012 to 31 December 2013 set out in Appendix II to this circular, selected financial information is set out as below:

	For the period From 10 October 2012 to 31 December 2013 (audited) (HKD'000)
Profit before taxation	<u><u>62,667</u></u>
Profit after taxation	<u><u>63,815</u></u>
	As at 31 December 2013 (audited) (HKD'000)
Net asset value	<u><u>120,771</u></u>

LETTER FROM THE BOARD

Impairment on the Target Group asset

As at the Latest Practicable Date, the Target Group incurred capital expenditures of HK\$1,240,000 for the staff quarter under construction. In the event of the failure to reach agreed terms with the local government, the staff quarter under construction will be demolished and the Target Group will be required to restore the site. The Target Group may need to bear additional costs, such as compensation to the contractor for non-performance of the contract terms and the possible site restoration cost. The Target Group has full impairment of HK\$1,240,000 (as stated in note 8 of Appendix IV) and provided HK\$125,000 in respect of site restoration (as stated in note 19 of Appendix IV). No provision has been recognised for non-performance of the construction contract because an agreement was reached with the contractor that no compensation is required. As the estimated maximum exposure of HKD1,365,000 has been fully provided, no further losses will be affected to the Group's financial statement after completion of the acquisition. No indemnity would be given to the Company from the Vendor and the Directors are of the view that the maximum exposure is immaterial and the arrangement is fair and reasonable.

INFORMATION ON THE VENDOR

The Vendor was incorporated in BVI on 2 July 2013 and is principally engaged in investment holding.

REASONS FOR THE ACQUISITION

In view of the weak business sentiments in the printing market, the Directors have been exploring different business opportunities to boost the business performance of the Group in order to enhance the Company's value as a whole. In late 2013, the Company began to venture into the natural gas supply industry by the acquisition of a 60% equity interest in CNG station operations. The Directors consider that as natural gas is one of the main sources of energy, natural gas supply operations will deliver the Company a relative stable income stream.

Given the demand of natural gas products in the PRC market and its future market potential, the Company proposes to make the Acquisition in order to further establish its market presence and strengthen its existing business portfolio of natural gas operations in the PRC. The Directors consider that the Acquisition, if materialises, will enable the Group to expand its natural gas business operation.

In view of the foregoing, Directors consider that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

DETAILS OF THE DIRECTORS' EXPERIENCE IN NATURAL GAS AND RELATED BUSINESS

Mr. Cheng Ming Kit (an executive Director) has 10 years of experience in the natural gas and energy industry and is currently an executive Director and the chief executive officer of New Times Energy Corporation Limited (stock code: 0166), a Stock Exchange-listed company engaged in business development in natural resources industry.

Mr. Hung Tao (an executive Director) has over 21 years of experience involving in due diligence and valuation for China state-owned and private enterprises and joint ventures (including oil and natural gas companies). Mr. Hung joined the Company in September 2013 and he is currently responsible for monitoring investment opportunities and is in charge of management of the Group's natural gas business.

Beside the experience of Mr. Cheng and Mr. Hung, the Group is planning to set up a team of natural gas experts to assist the Directors in managing the Target Group's business and the development of the Benxi Project.

EFFECTS ON EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the accounts of the Target Group will be consolidated into the accounts of the Group.

The pro forma financial effects below have been prepared based on the audited financial statements of the Group for the year ended December 2013 and are strictly for illustration purposes.

Please note that the financial figures computed below are for illustrative purposes only and do not necessarily reflect the actual results and financial performance and position of the Group after the Acquisition. No representation is made as to the actual financial position and/or results of the Group after completion of the Acquisition.

LETTER FROM THE BOARD

(i) Earnings

The Target Group commenced its commercial operations to supply natural gas to its industrial customer(s) at the beginning of June 2014. Following completion of the construction works of other natural gas supply facilities set out in the sub-paragraph headed “Business scope of natural gas supply operations in the Supply District under the 30 year exclusive right” above, the Target Group will supply natural gas to residential and commercial customers in the Supply District by the end of 2014 and 2015 respectively. The Directors consider if such business plan materialises as expected in accordance with the forecasted results of the Target Group set out in the valuation report in Appendix V to this circular, the Target Group will enhance the Group’s business performance and its earning prospect.

(ii) Assets and Liabilities

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, upon Completion, the total consolidated net assets of the Company would increase from approximately \$194 million to approximately \$469 million. The total assets would increase from approximately \$242 million to approximately \$1,042 million. The total liabilities would increase from approximately \$48 million to approximately \$573 million.

Please refer to page 37 of this circular for information on the financial effects of the Acquisition in compliance with the Listing Manual.

Shareholders should note that, as at 31 December 2013, the Target Group had net current liabilities of approximately HK\$495,000. Please refer to pages II-5 and III-1 of this circular for further information of the assets and liabilities of the Target Group.

CONVERTIBLE NOTE

Pursuant to the Sale and Purchase Agreement, the Company will issue the Convertible Note in the principal amount of HK\$498,432,000 to the Vendor as part payment of the Consideration upon Completion. The Convertible Note will not be listed and quoted on any stock exchange.

In addition to Shareholders’ approval for the Specific Mandate, the proposed issue of the Convertible Note to the Vendor will require the approval of the Shareholders pursuant to Rule 803 of the Listing Manual, which stipulates that an issuer must not issue securities to transfer a “controlling interest” (as defined in the Listing Manual) without the prior approval of its shareholders in a general meeting. Please refer to page 40 of this circular for further information in connection with Rule 803 of the Listing Manual.

LETTER FROM THE BOARD

A summary of the principal terms of the Convertible Note are as follows:

Interest

No interest will be payable.

Maturity

The third anniversary of the date of issue of the Convertible Note (the “Maturity Date”).

Conversion rights

The holder of the Convertible Note may convert the whole or part of the Convertible Note into New Shares of the Company at the Conversion Price during the conversion period mentioned below.

The exercise of the conversion rights is subject to the following restrictions (the “Conversion Restrictions”):

- (i) the public float of the Shares shall not be less than the specific percentage as required by the Listing Rules and/or the Listing Manual (where applicable) immediately following such exercise;
- (ii) the aggregate shareholding of the Noteholder and parties acting in concert with it (as defined in the Takeovers Code and/or the Singapore Take-over Code) immediately after such exercise shall not exceed 29.9% (or if applicable, the maximum percentage (to one decimal place) of the Shares it could then acquire without being required to make a mandatory general offer for the Shares under Rule 26 of the Takeovers Code and/or Rule 14 of the Singapore Take-over Code (if applicable)) of the enlarged issued share capital of the Company; and
- (iii) there shall not be a change in control (being the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies) of the Company under the Listing Manual (where applicable).

Without taking into account the Conversion Restrictions a maximum of 211,200,000 New Shares may be issued upon full conversion of the Convertible Note at the initial Conversion Price. Please refer to the section headed “Changes in the shareholding structure of the Company” on page 28 of this circular and the sub-section entitled “Change to the shareholding structure of the Group following the conversion of the Convertible Note” on page 48 of this circular on the resulting shareholding structure of the Company (in accordance with the Securities & Futures Ordinance of Hong Kong and the Securities and Futures Act (Cap 289) of Singapore, respectively).

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Conversion Price

The Conversion Price is HK\$2.36 per Share (subject to adjustment) and was negotiated on an arm's length basis with reference to the prevailing market prices of Shares. The initial Conversion Price represents:

- (a) a discount of approximately 12.92% and 14.18% to the closing prices of HK\$2.71 per Share and S\$0.44 per Share quoted on the Stock Exchange and the SGX-ST respectively on the date of the Sale and Purchase Agreement;
- (b) a discount of approximately 14.18% and 14.18% to the average closing prices of HK\$2.75 per Share and S\$0.44 per Share quoted on the Stock Exchange and the SGX-ST respectively for the last 5 consecutive trading days up to and including 5 May 2014 and 28 April 2014 respectively (the "Last Trading Day"), being the last trading day of the Shares on the Stock Exchange prior to the date of the Sale and Purchase Agreement; and
- (c) a discount of approximately 15.11% and 12.19% to the average closing prices of HK\$2.78 per Share and S\$0.43 per Share quoted on the Stock Exchange and the SGX-ST respectively for the last 10 consecutive trading days up to and including the Last Trading Day.

The initial Conversion Price also represents:

- (a) a discount of approximately 12.04% to the volume weighted average price per Share of S\$0.4329 per Share quoted on the Main Board of the SGX-ST on 28 April 2014, being the market day preceding the date of the Sale and Purchase Agreement on which Shares were transacted on the SGX-ST; and
- (b)
 - (i) a discount of approximately 16.31% and 4.84% to the closing prices of HK\$2.82 and S\$0.40 per Share quoted on the Stock Exchange and the SGXST respectively on the Latest Practicable Date;
 - (ii) a discount of approximately 18.62% and 8.5% to the average closing prices of HK\$2.90 per Share and S\$0.42 per Share quoted on the Stock Exchange and the SGX-ST respectively for the last 5 consecutive trading days up to and including the Latest Practicable Date; and
 - (iii) a discount of approximately 19.62% and 8.28% to the average closing prices of HK\$2.94 per Share and S\$2.57 per Share quoted on the Stock Exchange and the SGX-ST respectively for the last 10 consecutive trading days up to and including the Latest Practicable Date.

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The Conversion Price is subject to adjustments in certain events, including inter alia, subdivision or consolidation of shares in the capital of the Company, capitalisation of profits or reserves, capital distribution, rights issue and options over shares in the capital of the Company.

Please refer to pages 40 to 47 of this circular for details of the adjustments events to the Conversion Price.

Conversion period

From the issue date of the Convertible Note until the Maturity Date.

Ranking

The Conversion Shares shall rank *pari passu* with all other Shares in issue as at the date of conversion and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of conversion.

Voting

The holder of the Convertible Note will not be entitled to attend or vote at general meetings of the Company.

Transferability

The Convertible Note will be transferable subject to the approval of the Board and, if required, the Stock Exchange and/or the SGX-ST.

Application has been made by the Company to the Stock Exchange and the SGX-ST for the grant of listing of and permission to deal in the New Shares.

Events of Default

The Convertible Note shall become immediately due and payable upon the following events:

- (a) the Company fails to pay the principal on the Convertible Note when due; or
- (b) the Company defaults in performance or observance or compliance with any of its other obligations set out in the terms and conditions of the Convertible Note which default is incapable of remedy or, if capable of remedy, is not in the reasonable opinion of the holder of the Convertible Note remedied within 14 days after notice of such default shall have been given to the Company by the holder of the Convertible Note; or

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- (c) the Shares (as a class) is suspended from being or cease to be listed on the Stock Exchange or a recognised stock exchange for a continuous period of 14 days due to the default of the Company.

The Company's obligations under the terms and conditions of the Convertible Note principally include (a) undertakings by and restrictions on the Company for the protection of the rights of the holder of the Convertible Note; and (b) provisions relating to issue of Shares on exercise of the conversion rights under the Convertible Note.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set below is a summary of the shareholdings in the Company (i) as at the Latest Practicable Date; and (ii) immediately after issue and allotment of Shares upon conversion of the Convertible Note in full at the initial Conversion Price (a) subject to the Conversion Restrictions only; and (b) without taking into account the Conversion Restrictions, assuming there being no other change in the shareholding structure and share capital of the Company from the Latest Practicable Date up to the date of full conversion (Please refer to page 48 of this circular for the shareholdings in the Company subject to the Securities and Futures Act (Cap. 289) of Singapore.):

Shareholders	As at the Latest Practicable Date		After allotment of the maximum number of Shares upon full conversion of the Convertible Notes at the initial Conversion Price, subject to the Conversion Restrictions (For illustration purpose only) (Note 1)		After allotment of the maximum number of Shares upon full conversion of the Convertible Notes at the initial Conversion Price without taking into account the Conversion Restrictions (For illustration purpose only)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Sze Chun Lee ^{Note 2}	46,240,848	18.6	46,240,848	13.0	46,240,848	10.0
Chan Wai Ming ^{Note 2}	46,060,848	18.5	46,060,848	13.0	46,060,848	10.0
Chung Oi Ling Stella ^{Notes 3}	20,634,000	8.3	20,634,000	5.8	20,634,000	4.5
Cheng Ming Kit ^{Note 4}	20,000,000	8.0	20,000,000	5.6	20,000,000	4.3
Vendor ^{Note 5}	–	–	106,235,584	29.9	211,200,000	45.9
Public Shareholders	162,192,525	65.1	162,192,525	45.7	162,192,525	35.3
	<u>249,067,373</u>	<u>100.0</u>	<u>355,302,957</u>	<u>100.0</u>	<u>460,267,373</u>	<u>100.0</u>

Notes:

- Please refer to the paragraph headed "Conversion rights" in the section headed "Convertible Note" above for details of the Conversion Restrictions. Given the Conversion Restrictions, there will be no change of control of the Company on exercise of the conversion rights under the Conversion Note.
- Mr. Sze Chun Lee and Mr. Chan Wai Ming (both executive Directors) hold 43.75% and 37.5% interest in China Print Power Limited respectively, and accordingly are each deemed interested in the 46,060,848 Shares held by China Print Power Limited. Mr. Sze Chun Lee personally held 180,000 Shares.

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3. Ms. Chung Oi Ling Stella (an executive Director) holds 100% interest in Flame Capital Limited, the beneficial owner of 20,634,000 Shares.
4. Mr. Cheng Ming Kit (an executive Director) holds 100% interest in Grand Powerful Group Limited, the beneficial owner of 20,000,000 Shares.
5. The Vender is owned by Mr. Lin Zhangli and Mr. Lee Tsz Hang as to 84.38% and 15.62% respectively.

CONNECTION BETWEEN THE PARTIES

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and the Guarantors are Independent Third Parties.

Mr. Cheng Ming Kit had been a director of the Target Company and its wholly owned subsidiary, Crown Castle Limited, from October 2012 to February 2013. He did not have any beneficial interest in any company in the Target Group. He is independent of the Vendor and the Guarantors. He introduced the Target Group to the Company in respect of the Acquisition and there was no fee arrangement between the Company and him or any fee payable to him in connection with the Acquisition.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition is greater than 25% and less than 100%, as calculated under Rule 14.07 of the Listing Rules, the Acquisition constitutes a major transaction for the Company and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, the Directors will seek the Specific Mandate for the issue and allotment of the Shares upon exercise of the conversion rights attaching to the Convertible Note as part of the Consideration payable to the Vendor under the Sale and Purchase Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting for the relevant resolution to approve the Acquisition (including the grant of the Specific Mandate) and the transactions contemplated thereunder at the SGM.

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IMPLICATIONS UNDER THE SINGAPORE LISTING MANUAL

Set out below is the required disclosures and implications solely under the Listing Manual.

Relative figures under Rule 1006 of the Listing Manual

The relative figures computed on bases as set out in Rule 1006 of the Listing Manual, and based on the latest audited financial statements of the Group in the year ended 31 December 2013 are as follows:

- | | | |
|-----|--|-----------------------|
| (a) | Net asset value of the assets to be disposed of, compared with the Company's net asset value. This basis is not applicable to an acquisition of assets. | Not applicable |
| (b) | Net loss of HK\$8,147,000 attributable to the assets acquired or disposed of ⁽¹⁾ , compared with the Company's net loss of approximately HK\$19,643,000 in the year ended 31 December 2013. | 41.48% ⁽²⁾ |
| (c) | Aggregate value of the consideration ⁽³⁾ given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares (being HK\$668,249,250) ⁽⁴⁾ . | 87.34% |
| (d) | Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue ⁽⁵⁾ . | 84.80% |
| (e) | The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. | Not applicable |

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Notes:

- (1) As at the financial period from 10 October 2012 to 31 December 2013. The net loss of HK\$8,147,000 excludes the gain on bargain purchase of HK\$70,814,000, which is an extraordinary item. For further details of the bargain purchase, please refer to note 24 of Appendix II to this circular.
- (2) The relative figure is not meaningful as the Company had recorded a net loss in financial year 2013. Shareholders are to note that the relative figure is provided for illustrative purposes only.
- (3) For the purpose of the computation of the relative figure under Rule 1006(c) of the Listing Manual, pursuant to Rule 1003(3), where the consideration is in the form of shares, the value of the consideration given by the issuer shall be determined by reference to the higher of the market value of the shares and the net asset value representing the shares.

The net asset value represented by the New Shares, based on the audited financial statements of the Company for FY2013, is approximately HK\$164,430,000. Based on the volume weighted average price of S\$0.4329 per Share on 28 April 2014 (being the market day preceding the date of the Sale and Purchase Agreement on which Shares were traded) and the exchange rate of S\$1:HK\$6.19775, the market value of the New Shares is approximately HK\$566,649,600.

Accordingly, for the purpose of the computation of the relative figure under Rule 1006(c) and pursuant to Rule 1003(3), the value of the Consideration determined to be approximately HK\$583,649,600, being the aggregate of the cash component of the Consideration of HK\$17 million and the market value of the New Shares.

- (4) Based on the market capitalisation of the Company of approximately HK\$678,113,320.40 as at 28 April 2014, and based on the exchange rate of S\$1:HK\$6.19775. Under Rule 1002(5), the market capitalisation of the Company is determined by multiplying the number of Shares in issue excluding treasury shares, being 249,067,373 Shares, and the volume weighted average price of S\$0.4329 per Share on 28 April 2014 (being the market day preceding the date of the Sale and Purchase Agreement on which Shares were traded).
- (5) Based on 249,067,373 Shares in issue as at the Latest Practicable Date and the maximum number of New Shares that may be allotted and issued upon the full conversion of the Convertible Note (being 211,200,000 New Shares).

Notwithstanding that the relative figure under Rule 1006(b) is not meaningful, as the relative figures under Rule 1006(c) and 1006(d) exceed 20.0%, the Acquisition constitutes a major transaction as defined in Rule 1014 of the Listing Manual.

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Valuation and information required pursuant to Rule 1013 of the Listing Manual

The Valuation was commissioned by the Company for the purpose of the Acquisition of the Assets. The Valuation is dated 30 June 2014.

The Valuation, performed on the Benxi Project and which has been arrived at using the discounted cash flow method, is based on the discounted cash flow forecasts of the Target Group (the “Forecast”) provided by the management of the Company. The Forecasts are regarded as a profit forecast in relation to a major acquisition and so Rule 1013 of the Listing Manual are applicable.

The Forecast was based on the following general assumptions:

1. the legally interested parties in the Benxi Project have free and uninterrupted rights to use or assign, directly or indirectly, a part of or the whole of the interests of the Benxi Project for the whole terms granted and any relevant costs payable have already been fully paid;
2. the relevant operating licence(s) and business registration documents are able to be renewed after their expiration from time to time in order to achieve the expected result;
3. all required licences, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization have been or can readily be obtained before commencing the operation and be renewed or replaced on which the evaluation contained in the Valuation is based;
4. the PRC Operating Co successfully raises fund to finance and to develop the Benxi Project as planned;

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5. the prospective earnings would provide a return to the PRC Operating Co as projected in the profit forecast and that the PRC Operating Co has adequate working capital to implement the operation from time to time;
6. the legally interested parties in the Benxi Project have adopted reasonable and necessary security measures, and have considered several contingency plans against any disruption (such as fire, change of government policy, labour dispute and other types of unexpected accident) to its operations;
7. the Benxi Project, as part of a going concern business of the PRC Operating Co, can be freely disposed of and transferred free of all encumbrances for its existing or approved uses in the market to both local and overseas purchasers without payment of any premium to the government; and
8. all buildings are assumed to be usable for the entire operating period and all machinery is assumed to be usable before it is replaced as scheduled;

For the purpose of the Valuation, the Company had also prepared a financial projection to the valuer, supplemented by a feasibility study dated March 2013 prepared by 中交煤氣熱氣研究設計院有限公司 (Zhongjiao Meiqireli Yanjiu Shejiyuan Company Limited*) (the “Expert”) (the “Feasibility Study”). For further details of the Feasibility Study, please refer to page V-9 to this circular. The major parameters adopted in the financial projection extracted from the Feasibility Study are listed below:

- i. According to 關於本溪市車輛統計數據的查檔證明 (File Checking Proof Regarding Motor Vehicles Statistical Data in Benxi City*) issued by the local Bureau of Statistic of Benxi dated 4 March 2014, the number of dump trucks in Xihu District amounts to approximately 800, and according to the experience of the Expert, 60% is expected to be fuelled by LNG at full capacity;
- ii. According to 關於本溪市車輛統計數據的查檔證明 (File Checking Proof Regarding Motor Vehicles Statistical Data in Benxi City*) issued by the local Bureau of Statistic of Benxi dated 4 March 2014, the number of public buses in Xihu District amounts to approximately 1,000, and according to the experience of the Expert, 80% is expected to be fuelled by LNG at full capacity;

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- iii. According to 關於本溪市車輛統計數據的查檔證明 (File Checking Proof Regarding Motor Vehicles Statistical Data in Benxi City*) issued by the local Bureau of Statistic of Benxi dated 4 March 2014, the number of taxis in Xihu District amounts to approximately 4,500, and according to the experience of the Expert, 80% is expected to be fuelled by CNG at full capacity;
- iv. According to 關於本溪市車輛統計數據的查檔證明 (File Checking Proof Regarding Motor Vehicles Statistical Data in Benxi City*) issued by the local Bureau of Statistic of Benxi dated 4 March 2014, the number of private vehicles in Xihu District amounts to approximately 25,500, and according to the experience of the Expert, 20% is expected to be fuelled by CNG at full capacity;
- v. According to 關於遼河油田金輝燃氣有限公司城市天然氣業務特許經營範圍的說明 (Illustration Regarding The Urban Natural Gas Business Franchise Operation Scope of Liaohe Jinhiu Gas Company Limited*) issued by the local government dated 29 December 2012, the total population in Xihu District is approximately 147,000, and the Expert estimated that the number of household units in Xihu District amounts to 52,500, and according to the experience of the Expert, 80% is expected to consume pipeline gas at full capacity;
- vi. According to 本溪市溪湖區各類商業場所相關數據證明 (Respective Data Proof of Different Types of Commercial Complex in Xihu District, Benxi City*) issued by the Business Service Department of Benxi dated 1 February 2013, the number of restaurants in Xihu District amounts to 1,500, and according to the experience of the Expert, 80% is expected to consume pipeline gas at full capacity;
- vii. According to 本溪市溪湖區各類商業場所相關數據證明 (Respective Data Proof of Different Types of Commercial Complex in Xihu District, Benxi City*) issued by the Business Service Department of Benxi dated 1 February 2013, the number of accommodation facilities in Xihu District amounts to 200, and according to the experience of the Expert, 60% is expected to consume pipeline gas at full capacity; and
- viii. According to the Feasibility Study and based on the letter of intent signed with the industrial users, the daily usage of the industrial park would be approximately 295,900 cubic meters per day at full capacity.

LETTER FROM THE BOARD

Other assumptions made by the Company are as follows:

- (i) as advised, based on the development schedule, the daily service capacity is able to satisfy the according demand for the entire duration of the Benxi Project;
- (ii) the management expected that the cost burden in price fluctuations of natural gas supply could be completely transferred to end users from time to time, such that the gross profit for every unit of product sold is maintained;
- (iii) based on the development schedule, the capacity of the LNG and CNG refilling stations would be fully utilized in 2018;
- (iv) based on the development schedule, the capacity of the pipeline gas facilities would be fully utilized in 2017;
- (v) the management expects that the fixed assets have a usable life of 15 years with no residual value; and
- (vi) the working capital is expected to be insignificant due to the net off in receivables and payables, except for the initial set up of reserve/backup LNG tanks.

View of the Board

The Board confirms that the Forecast has been made upon due and careful enquiry. The Board is of the view that the Forecast is reasonable and attainable based on information provided by the Vendor, and in accepting the Forecast took into account the following considerations:

- (i) in view of the demand of natural gas products in the PRC market, the potential profitability of the Target Group and the importance of natural gas supply as a source of energy, the Acquisition and the Benxi Project presented an ideal opportunity for the Company to expand its revenue base and obtain a relatively stable income stream;
- (ii) the Consideration, which was arrived at on a willing buyer willing seller basis after arm's length negotiations, is HK\$515,432,000, which is lower than the value of the Assets, which include the Loan and the approximate value of the Company's effective interest in the Benxi Project acquired pursuant to the Acquisition of HK\$657 million ^{note} based on the Valuation provided by the Valuer. As such, in the view of the Board, the Consideration is reasonable; and

LETTER FROM THE BOARD

Note: It is based on valuation report for the Valuation of the Benxi Project of RMB 589,600,000, the effective interest of 89.18% of the PRC Operating Co proposed to be acquired by the Company pursuant to the Acquisition and the exchange rate of RMB 1.00 = HK\$ 1.25

- (iii) the Guarantors have agreed to be joined as parties to the Agreement to indemnify the Purchaser against and guarantee the obligations of the Vendor thereunder, including but not limited to the representations, warranties and undertakings in relation to the Target Group. The Board has considered the financial and professional positions of the Guarantors in accepting the aforementioned undertakings from the Guarantors.

Confirmation from the special accountant of the PRC Operating Co and the Singapore Independent Financial Adviser to the Company

Rule 1013(2) of the Listing Manual provides that where the transaction is a major transaction, the shareholders' circular must contain the information in Rule 1013(1) and the following:–

- (a) a confirmation from the auditors of the business/assets to be acquired that they have reviewed the bases and assumptions, accounting policies and calculations for the profit guarantee or the profit forecast, and their opinion on the bases, assumptions, policies and calculations; and
- (b) a statement by the Singapore Independent Financial Adviser to the issuer as to whether or not they are of the view that the transaction is on normal commercial terms and is not prejudicial to the interest of the issuer and its shareholders.

The Company has obtained an opinion from BDO LLP, Singapore, a joint auditor of the Company and the special accountant of the PRC Operating Co, on their review of the bases and assumptions, accounting policies and calculations for the Forecast. Based on their review of the Forecast, BDO LLP, Singapore has confirmed that nothing has come to their attention which causes them to believe that the assumptions adopted by the Directors do not provide a reasonable basis for the Forecast, and that the Forecast has been properly prepared and calculated on the basis of the assumptions adopted by the Directors and is consistent with the accounting policies which comply with the International Financial Reporting Standards, being the accounting framework adopted by the Company in the preparation of its financial statements. Shareholders are advised to read, in its entirety, the letter from BDO LLP, Singapore to the Directors of the Company as set out in Appendix IX to this circular.

LETTER FROM THE BOARD

The independent financial adviser to the Company in Singapore, Provenance Capital Pte. Ltd., has confirmed that they are of the view that the transaction is on normal commercial terms and is not prejudicial to the interest of the Company and its minority Shareholders. Shareholders are advised to read, in its entirety, the letter from the Singapore Independent Financial Adviser to the Directors of the Company as set out in Appendix VIII to this circular.

Financial effects of the Acquisition

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the accounts of the Target Company will be consolidated into the accounts of the Group.

The pro forma financial effects below have been prepared on the audited financial statements of the Group for the year ended 31 December 2013 and are strictly for illustration purposes. In order to provide a complete and meaningful illustration of the impact of the Acquisition on the Group, the financial effects illustrated below have been adjusted to take into account the Share placing that was completed by the Company on 28 January 2014, whereby 40,018,000 Shares were allotted and issued at an issue price of HK\$2.60 per Share.

Please note that the financial figures computed below are for illustrative purposes only and do not necessarily reflect the actual results and financial performance and position of the Group after the Acquisition. No representation is made as to the actual financial position and/or results of the Group after completion of the Acquisition.

LETTER FROM THE BOARD

(i) Earnings

Assuming that the Acquisition had been completed on 1 January 2013 and based on the audited consolidated financial statements of the Group for the year ended 31 December 2013, the pro forma financial effects which the Acquisition would have on the EPS are as follows:

		After Acquisition (assuming that the Convertible Note is fully converted to Shares at the initial Conversion Price)
	Before Acquisition	After Acquisition (assuming that the Convertible Note is not converted)
(Loss)/Profit attributable to Shareholders (HK\$'000)	(58,569,000)	6,645,000
Number of Shares	249,067,373	249,067,373
(Loss)/Profit per Share (HK cents)	(2.35)	0.27

LETTER FROM THE BOARD

(ii) Assets and Liabilities

Assuming that the Acquisition had been completed on 31 December 2013 and based on the audited financial statements of the Company for the financial year ended 31 December 2013, the pro forma financial effects which the Acquisition would have on the NTA per Share are as follows:

		After Acquisition (assuming that the Convertible Note is fully converted to Shares at the initial Conversion Price)
	Before Acquisition	After Acquisition (assuming that the Convertible Note is not converted)
NTA (HK\$)	193,904,000	(279,301,000)
Number of Shares	249,067,373	249,067,373
NTA per Share (HK\$)	0.78	(1.12)

Convertible Note

Pursuant to the Sale and Purchase Agreement, the Company will issue the Convertible Note in the principal amount of HK\$498,432,000 to the Vendor as part payment of the Consideration upon Completion. The Convertible Note will not be listed and quoted on any stock exchange. The specific approval by Shareholders for the issue of the Convertible Note will be sought at the SGM.

The Company confirms that, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and the Guarantors are not persons prohibited under Rule 812 of the Listing Manual. The Company also confirms that, save for Mr. Cheng Ming Kit who had been a director of the Target Company and its wholly-owned subsidiary Crown Castle Limited between October 2012 and February 2013, there are no further connections between the Directors and Substantial Shareholders and the Vendor.

LETTER FROM THE BOARD

Under the Listing Manual, the term “controlling interest” is defined as “the interest of the controlling shareholder(s)”, who is a person who (i) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the Company (unless the SGX-ST determines that such person is not a Controlling Shareholder), or (ii) in fact exercises control over the Company (according to the Listing Manual). As the issue of the Convertible Note may result in the Vendor holding 15% or more of the total number of Shares in the Company, the issue of the Convertible Note may result in the transfer of a “controlling interest” pursuant to Rule 803 of the Listing Manual.

For further details of the shareholding structure of the Company after the conversion of the Convertible Note and issue of the New Shares to the Vendor in pursuance thereto under the Securities and Futures Act (Cap 289) of Singapore, please refer to the section entitled “Changes in the Shareholding Structure of the Group following the conversion of the Convertible Note” on page 48 below.

Under the terms and conditions of the Convertible Note, the Conversion Price is subject to adjustments in certain events, including inter alia, subdivision or consolidation of shares in the capital of the Company, capitalisation of profits or reserves, capital distribution, rights issue and options over shares in the capital of the Company, as set out in the section entitled “Adjustments to the Conversion Price” below.

Adjustments to the Conversion Price

- (a) Subject as hereinafter provided, the Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of subparagraphs (i) to (vii) inclusive, it shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs:
 - (i) If and whenever the Shares by reason of any consolidation or subdivision become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or subdivision becomes effective.
 - (ii) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation. Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

LETTER FROM THE BOARD

- (iii) If and whenever, the Company shall make any Capital Distribution (as defined in paragraph (b) below) to Shareholders (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the market price (as defined in paragraph (b) below) on the date on which the Capital Distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) next preceding the date of the Capital Distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an approved merchant bank, of the portion of the Capital Distribution or of such rights which is attributable to one Share,

Provided that:

- (aa) if in the opinion of the relevant approved merchant bank, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the Capital Distribution or rights; and
- (bb) the provisions of this subparagraph (iii) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the Capital Distribution or grant.

LETTER FROM THE BOARD

- (iv) If and whenever the Company shall offer to Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 90 per cent. of the market price at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants (such adjustment to become effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant).
- (v) (aa) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 90 per cent. of the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the business day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the issuer determines the conversion or exchange rate or subscription price.

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- (bb) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this subparagraph (v) are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 90 per cent. of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

For the purposes of this subparagraph (v), the “total Effective Consideration” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

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- (vi) If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 90 per cent. of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.
- (vii) If and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share (as defined below) which is less than 90 per cent. of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the total Effective Consideration would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Each such adjustment shall be effective (if appropriate retroactively) from the close of business in Hong Kong on the business day immediately preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the issue price for such Shares. For the purpose of this subparagraph (vii) “total Effective Consideration” shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “total Effective Consideration per Share” shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.
- (b) For the purposes of the adjustment of the Conversion Price:
- “announcement” shall include the release of an announcement to the press or the delivery or transmission by telephone, telex or otherwise of an announcement to the Stock Exchange, the SGX-ST and/or such other stock exchange and “date of announcement” shall mean the date on which the announcement is first so released, delivered or transmitted;

LETTER FROM THE BOARD

“approved merchant bank” means a merchant bank of repute in Hong Kong selected by the Company and agreed by the Noteholder for the purpose of providing a specific opinion or calculation or determination hereunder and in the absence of such agreement shall be Kingsway Capital Limited;

“Capital Distribution” shall (without prejudice to the generality of that phrase) include distributions in cash or specie. Any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution Provided that any such dividend shall not automatically be so deemed if:

- (i) it is paid out of the aggregate of the net profits (less losses) attributable to the Shareholders for all financial periods after that ended 31st December, 2013 as shown in the audited consolidated profit and loss account of the Company and its subsidiaries for each such financial period; or
- (ii) to the extent that (i) above does not apply, the rate of that dividend, together with all other dividends on the class of capital in question charged or provided for in the accounts for the financial period in question, does not exceed the aggregate rate of dividend on such class of capital charged or provided for in the accounts for the last preceding financial period. In computing such rates, such adjustments may be made as are in the opinion of the auditors of the Company for the time being appropriate to the circumstances and shall be made in the event that the lengths of such periods differ materially;

“issue” shall include allot;

“market price” means the average of the closing prices of one Share on the Stock Exchange for each of the last five Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place ending on the last such dealing day preceding the day on or as of which the market price is to be ascertained;

“Shares” includes, for the purposes of Shares comprised in any issue, distribution or grant pursuant to subparagraphs (iii), (iv), (v), (vi) or (vii) of paragraph (a) above, any such ordinary shares of the Company as, when fully paid, will be Shares;

“reserves” includes unappropriated profits; and

“rights” includes rights in whatsoever form issued.

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- (c) The provisions of subparagraphs (ii), (iii), (iv), (v), (vi) and (vii) of paragraph (a) above shall not apply to:
- (i) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any rights to acquire Shares which exist on or before the date hereof or upon conversion of the Note;
 - (ii) an issue of Shares or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or rights to acquire, Shares to officers or employees of the Company or any of its subsidiaries pursuant to any employee or executive share scheme;
 - (iii) an issue by the Company of Shares or by the Company or any subsidiary of the Company of securities wholly or partly convertible into or rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business provided that an adjustment has been made (if appropriate) under the terms and conditions of the Convertible Note in respect of the issue of such securities or granting of such rights (as the case may be);
 - (iv) an issue of fully paid Shares by way of capitalisation of all or part of any subscription right reserve, or any similar reserve which has been or may be established pursuant to the terms of any securities wholly or partly convertible into or rights to acquire Shares; or
 - (v) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares is not more than 110 per cent. of the amount of dividend which holders of the Shares could elect to or would otherwise receive in cash, for which purpose the “market value” of a Share shall mean the average of the closing prices for such Stock Exchange dealing days on which dealings in the Shares took place (being not less than five such days) as are selected by the directors of the Company in connection with determining the basis of allotment in respect of the relevant scrip dividend and which fall within the period of one month ending on the last day on which holders of Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash.

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- (d) If the Company or any subsidiary of the Company shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, Shares, the Company shall appoint an approved merchant bank to consider whether any adjustment to the Conversion Price is appropriate (and if such approved merchant bank shall certify that any such adjustment is appropriate the Conversion Price shall be adjusted accordingly).
- (e) Notwithstanding the above, in any circumstances where the directors of the Company shall consider that an adjustment to the Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the provisions, the Company may appoint an approved merchant bank to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner including without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such approved merchant bank to be in its opinion appropriate.
- (f) If application of any of the adjustment provisions herein would result in the Conversion Price being reduced so that on conversion Shares shall fall to be issued at a discount to their nominal value, then the Conversion Price shall be adjusted to an amount equal to the nominal value of one Share.

Listing and Quotation of the Convertible Note and New Shares

The Convertible Note will not be listed and quoted on any stock exchange.

On 27 June 2014, the SGX-ST granted approval in-principle to the Company for the listing and quotation of the New Shares on the Main Board of the SGX-ST subject to, inter alia, the Company's compliance with the Listing Manual and the receipt of approval from Shareholders for the Acquisition and the Convertible Note issue. Approval in-principle granted by the SGX-ST to the Company for the admission of the New Shares to the Official List of the SGX-ST and the listing and quotation of the New Shares on the Main Board of the SGX-ST is not to be taken as an indication of the merits of the Acquisition, the Convertible Note, the New Shares, the Company and/or its subsidiaries.

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Please refer to page 24 of this circular for the summary of the other principal terms of the Convertible Note and page 13 of this circular for the conditions to the approval in-principle granted by the SGX-ST.

Changes to the shareholding structure of the Group following the conversion of the Convertible Note

For illustrative purpose only, set below is a summary of the shareholdings in the Company pursuant to the Securities and Futures Act (Cap.289) of Singapore (i) as at the Latest Practicable Date; and (ii) immediately after issue and allotment of Shares upon conversion of the Convertible Note in full at the initial Conversion Price (a) subject to the Conversion Restrictions only; and (b) without taking into account the Conversion Restrictions, assuming there being no other change in the shareholding structure and share capital of the Company from the Latest Practicable Date up to the date of full conversion:

Shareholders	As at the Latest Practicable Date		After allotment of the maximum number of Shares upon full conversion of the Convertible Notes at the initial Conversion Price, subject to Conversion Restrictions <i>(For illustration purpose only)</i> <i>(Note 1)</i>		After allotment of the maximum number of Shares upon full conversion of the Convertible Notes at the initial Conversion Price without taking into account the Conversion Restrictions <i>(For illustration purpose only)</i>	
			<i>(Note 1)</i>			
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Sze Chun Lee ^{Note 2}	46,240,848	18.6	46,240,848	13.0	46,240,848	10.0
Chan Wai Ming ^{Note 2}	46,060,848	18.5	46,060,848	13.0	46,060,848	10.0
Chung Oi Ling Stella ^{Note 3}	20,634,000	8.3	20,634,000	5.8	20,634,000	4.5
Cheng Ming Kit ^{Note 4}	20,000,000	8.0	20,000,000	5.6	20,000,000	4.3
China Print Power Limited	46,060,848	18.5	46,060,848	13.0	46,060,848	10.0
Flame Capital Limited	20,634,000	8.3	20,634,000	5.8	20,634,000	4.5
Grand Powerful Group Limited	20,000,000	8.0	20,000,000	5.6	20,000,000	4.3
Vendor ^{Note 5}	–	–	106,235,584	29.9	211,200,000	45.9
Lin Zhangli ^{Note 5}	–	–	106,235,584	29.9	211,200,000	45.9
Public Shareholders	162,192,525	65.1	162,192,525	45.7	162,192,525	35.3
	249,067,373	100.0	355,302,957	100.0	460,267,373	100.0

LETTER FROM THE BOARD

Notes:

1. Please refer to paragraph headed “Conversion rights” in the section headed “Convertible Note” on page 24 of this circular for details on the Conversion Restrictions.
2. Mr. Sze Chun Lee and Mr. Chan Wai Ming (both executive Directors) hold 43.75% and 37.5% of China Print Power Limited respectively, and accordingly are each deemed interested in the 46,060,848 Shares held by China Print Power Limited.
3. Ms. Chung Oi Ling, Stella (an executive Director) holds 100% of Flame Capital Limited and is accordingly deemed interested in the 20,634,000 Shares held by Flame Capital Limited.
4. Mr. Cheng Ming Kit (an executive Director) holds 100% of Grand Powerful Group Limited and is accordingly deemed interested in the 20,000,000 Shares held by Grand Powerful Group Limited.
5. Mr. Lin Zhangli, a shareholder of the Vendor, holds 84.38% of the Vendor and is accordingly deemed interested in the Shares that may be held by the Vendor.

Interests of the Directors and Controlling Shareholders in the Acquisition and the issue of the Convertible Note

Save for their shareholdings in the Company, none of the Directors or Controlling Shareholders has any interest, direct or indirect, in the Acquisition and the issue of the Convertible Note. The Directors are also not aware of any substantial Shareholders who have any interest, direct or indirect (other than their shareholdings in the Company), in the Acquisition and the issue of the Convertible Note.

Service agreements

There is no person who is proposed to be appointed as a Director in connection with the Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

LETTER FROM THE BOARD

Directors' and Substantial Shareholders' interests

The interests of the Directors and Substantial Shareholders in the Shares of the Company as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Directors				
Lim Siang Kai	–	–	–	–
Sze Chun Lee <i>Note 1</i>	180,000	0.07	46,060,848	18.5
Chan Wai Ming <i>Note 1</i>	–	–	46,060,848	18.5
Lam Shek Kin <i>Note 2</i>	100,000	0.04	–	–
Chung Oi Ling Stella <i>Note 3</i>	–	–	20,634,000	8.3
Hung Tao	–	–	–	–
Cheng Ming Kit <i>Note 4</i>	–	–	20,000,000	8.0
Wong Fei Tat	–	–	–	–
Wee Piew	–	–	–	–
Substantial Shareholders				
China Print Power Limited <i>Notes 1 and 2</i>	46,060,848	18.5	–	–
Flame Capital Limited <i>Note 3</i>	20,634,000	8.3	–	–
Grand Powerful Group Limited <i>Note 4</i>	20,000,000	8.0	–	–

Notes:

1. Mr. Sze Chun Lee and Mr. Chan Wai Ming (both executive Directors) hold 43.75% and 37.5% of China Print Power Limited respectively, and accordingly are each deemed interested in the 46,060,848 Shares held by China Print Power Limited.
2. Mr. Lam Shek Kin (an executive Director) holds 18.75% of China Print Power Limited, and is accordingly not deemed interested in the 46,060,848 Shares held by China Print Power Limited.
3. Ms. Chung Oi Ling Stella (an executive Director) holds 100% of Flame Capital Limited and is accordingly deemed interested in the 20,634,000 Shares held by Flame Capital Limited.
4. Mr. Cheng Ming Kit (an executive Director) holds 100% of Grand Powerful Group Limited and is accordingly deemed interested in the 20,000,000 Shares held by Grand Powerful Group Limited.

LETTER FROM THE BOARD

Responsibility Statement of the Directors under the Listing Manual

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this circular constitutes full and true disclosure of all material facts about the Acquisition, the issue of the Convertible Note, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this circular misleading, and where the circular contains a profit forecast, the Directors are satisfied that the profit forecast has been stated after due and careful enquiry. Where information in the circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the circular in its proper form and context.

SPECIAL GENERAL MEETING

The notice convening the SGM is set out on pages N-1 to N-4 to this circular. Voting at the SGM will be taken by poll.

Singapore

Any Shareholder, Depositor or proxy who wishes to attend, speak and vote at the SGM may do so via video conferencing at Level 30, Singapore Land Tower, 50 Raffles Place, Singapore 048623.

If a Shareholder is unable to attend the SGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Shareholder Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Company's Share Transfer Agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 10:00 a.m. on Saturday, 19 July 2014, not less than 48 hours before the time fixed for the SGM. The completion and return of the Shareholder Proxy Form by a Shareholder will not prevent him from attending and voting at the SGM in person if he so wishes, and in such event the Shareholder Proxy Form submitted bearing his name shall be deemed to be revoked. **Please note that this paragraph is only applicable to Shareholders who do not hold Shares through an account with CDP (i.e. who hold Shares in scrip).**

Under the Bermuda Companies Act, only a person who agrees to become a shareholder of a Bermuda Company and whose name is entered in the register of members of such a Bermuda company is considered a member with rights to attend and vote at general meetings of such company.

LETTER FROM THE BOARD

Accordingly, under Bermuda laws, a Depositor holding Shares through the CDP would not be recognised as a shareholder of the Company, and would not have the right to attend and vote at general meetings convened by the Company. In the event that a Depositor wishes to attend and vote at the SGM, the Depositor would have to do so through CDP appointing him as a proxy, pursuant to the Bye-laws of the Company and the Bermuda Companies Act.

Pursuant to Bye-law 77 of the Company's Bye-laws, unless the CDP specifies otherwise in a written notice to the Company, the CDP shall be deemed to have appointed the Depositors who are individuals and whose names are shown in the records of the CDP as at a time not earlier than forty-eight (48) hours prior to the time of the relevant general meeting supplied by the CDP to the Company as the CDP's proxies to vote on behalf of the CDP at a general meeting of the Company. Notwithstanding any other provisions in the Bye-laws, the appointment of proxies by virtue of Bye-law 77 shall not require an instrument of proxy or the lodgment of any instrument of proxy.

Accordingly, Depositors (other than Depositors which are corporations) whose names are listed in the Depository Register as at 48 hours before the time of the SGM may attend and vote as CDP's proxies at the SGM without having to complete or return any form of proxy. A Depositor which is a corporation and who wishes to attend and vote at the SGM must complete and return the attached Depositor Proxy Form, for the nomination of person(s) to attend and vote at the SGM on its behalf as CDP's proxy, in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Company's Share Transfer Agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 10:00 a.m. on Saturday, 19 July 2014, not less than 48 hours before the time fixed for the SGM.

If an individual Depositor is unable to attend the SGM personally and wish to appoint nominee(s) to attend the meeting and vote on his behalf, he must complete, sign and return the attached Depositor Proxy Form attached to this circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Company's Share Transfer Agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 10:00 a.m. on Saturday, 19 July 2014, not less than 48 hours before the time fixed for the SGM.

The completion and return of the Depositor Proxy Form by a Depositor (who is an individual) will not prevent him from attending and voting in person at the SGM as a proxy of CDP if he subsequently wishes to do so, and in which event the Depositor Proxy Form submitted bearing his name shall be deemed to be revoked.

LETTER FROM THE BOARD

Hong Kong

Shareholders (whether or not able to attend the SGM) are requested to complete and return the enclosed Hong Kong proxy form in accordance with the instructions printed thereon and deposit with the Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should they elect to do so. **Please note that this paragraph is only applicable to Shareholders whose Shares are registered in the branch register of members in Hong Kong.**

The results of the SGM will be published after the conclusion of the SGM on the websites of the Stock Exchange, the SGXNET and the Company.

RECOMMENDATIONS

The Directors are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition (including the issue of the Convertible Note) is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition (including the grant of the Specific Mandate) and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

As the Completion is subject to the fulfillment of a number of conditions precedent, the Acquisition (including the issue of the Convertible Note) may or may not be completed. Shareholders and potential investors should exercise caution when dealing in Shares.

Your attention is drawn to the additional information set out in appendices to this circular.

Yours faithfully

For and on behalf of

China Print Power Group Limited

Sze Chun Lee

Chief Executive Officer and Executive Director

A. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2013

Financial information of the Group for the three years ended 31 December 2013 is set out on: (i) pages 47 to 100 of the annual report for the year ended 31 December 2013 of the Company published on 24 March 2014; (ii) pages 51 to 108 of the annual report for the year ended 31 December 2012 of the Company published on 26 March 2013; and (iii) pages 42 to 97 of the annual report for the year ended 31 December 2011 of the Company published on 25 March 2012 respectively, which are available on the website of the Stock Exchange (www.hkex.com.hk), the website of the SGX-ST (www.sgx.com) and the website of the Company (www.powerprint.com.hk).

B. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Upon Completion, the Enlarged Group will be principally engaged in (i) printing business; and (ii) natural gas business

(i) Printing business

Given the weak business sentiments in the printing market, the Group's financial performance exhibited a further decline in 2013. The Group's audited turnover for the year ended 31 December 2013 amounted to approximately HK\$154,745,000, representing a decrease of approximately 19.5% as compared to the same period in 2012. The Group recorded net loss for two consecutive years since 2011. The loss attributable to owners of the Company was approximately HK\$58,569,000 for the year ended 31 December 2013 as compared to approximately HK\$14,734,000 the same period in 2012.

At present, the Group will further enhance connections with customers by providing printing services such as customized printing solutions and high-quality product offerings. The Group will also prioritize the streamlining of manufacturing process and manpower allocation in order to improve operation efficiency and overcome the possible challenges in the current year.

(ii) Natural gas business

For details of the business prospects of the Target Group, please refer to the section headed "Information on the Target Group" in this letter.

Given the current financial instability in the United States and Europe, the Group expects the printing business will face challenges in the coming years. Therefore, given the Group's initial success in the investment of a natural gas project in Shandong that operates a CNG main station and a satellite station in November 2013, the Board considers it is an opportune time to acquire the Target Company in order to reduce its dependence on a single industry. At present, the Board will spare no efforts to explore investment opportunities in other potential natural gas projects.

As natural gas products are cleaner sources of energy as compared to traditional products such as coal and are promoted under PRC government policies, it is expected that the continual growth in demand for natural gas products will continue to grow. Thus the Directors believe that acquisition of the Target Group will bring recurring cash flow and returns to the Group following the commencement of full scale operations in the Supply District.

C. INDEBTEDNESS OF THE GROUP**1. Borrowings**

As at the close of business on 30 April 2014, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had outstanding borrowings of HK\$14,558,000 (which comprised trust receipt loans of HK\$3,503,000 and term loans of HK\$11,055,000), were secured by (i) a charge over certain of the Group's trade receivables of HK\$2,353,000; (ii) letters of undertaking issued by the Company and one of its subsidiaries, namely Power Printing Products Limited; and (iii) corporate guarantee issued by the Company and certain of its subsidiaries, namely Carta & Cuoio Company Limited and Power Printing (He Yuan) Co., Ltd.

2. Contingent Liabilities

As at the close of business on 30 April 2014, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had no material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances, acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as at the close of business on 30 April 2014.

D. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Completion and the present financial resources available to the Group, including internally generated revenue and funds and other available banking and other facilities, the Enlarged Group will have sufficient working capital to meet its present requirements for at least 12 months from the date of this circular in the absence of unforeseen circumstances.

E. MATERIAL ADVERSE CHANGE

The Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial and trading position or prospects of the Group since 31 December 2013, being the date to which the Company's latest published audited accounts were made up.

The following is the text of a report received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



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香港干諾道中111號
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30 June 2014

The Directors
China Print Power Group Limited

Dear Sirs,

We report on the financial information of Cloud Decade Limited (the “Target Company”) and its subsidiaries (together, the “Target Group”), which comprises the consolidated statement of financial position of the Target Group and the statement of financial position of the Target Company as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the period from 10 October 2012 (date of incorporation) to 31 December 2013 (the “Relevant Period”) and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of China Print Power Group Limited (the “Company”) and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 30 June 2014 (the “Circular”) in connection with the acquisition of 1,000 shares of the Target Company and the benefits of the loans advanced by New Topic Limited to the Target Company and the issue of convertible note in the principal amount of HK\$498,432,000 by the Company.

The Target Company was established in the British Virgin Islands (the “BVI”) as a company with limited liability on 10 October 2012. As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in Note 12 of Section II below. No audited statutory financial statements have been prepared for the Target Company as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

The statutory financial statements of Crown Castle Limited and Sky Queen Limited from the date of incorporation to 31 December 2013 prepared in accordance with Hong Kong Financial Reporting Standards were audited by BDO Limited, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The statutory financial statements of 本溪遼油新時代燃氣有限公司 (Benxi Liaoyou Xinshidai Ranqi Company Limited) for the year ended 31 December 2013 prepared in accordance with the relevant accounting principles of the Peoples’ Republic of China (the “PRC”) were audited by 本溪華豐會計師事務所有限公司 (Benxi Huafeng Certified Public Accountants Limited). The statutory financial statements of 深圳先安達能源有限公司 (Shenzhen Xiananda Nengyuan Company Limited), 深圳新遼油貿易有限公司 (Shenzhen Xinliaoyou Maoyi Company Limited) and 深圳新遼油技術服務有限公司 (Shenzhen Xinliaoyou Jishu Fuwu Company Limited) from the date of establishment to 31 December 2013 prepared in accordance with the relevant accounting principles of the PRC were audited by 深圳正理會計師事務所 (Shenzhen Zhengli Certified Public Accountants). We have not acted as their auditors for the Relevant Period referred in this report.

The directors of the Target Company are responsible for the preparation of the consolidated financial statements of the Target Group that give a true and fair view in accordance with International Financial Reporting Standards (“IFRSs”) (the “Underlying Financial Statements”), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with International Standards on Auditing pursuant to separate terms of engagement.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs and accounting policies adopted by the Company and its subsidiaries (together, the “Group”) as set out in the audited consolidated financial statements of the Company for the year ended 31 December 2013.

REPORTING ACCOUNTANT’S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Company and of the Target Group as at 31 December 2013 and of the Target Group's results and cash flows for the Relevant Period.

I FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the financial information of Cloud Decade Limited (the "Target Company") and its subsidiaries (together, the "Target Group") as at 31 December 2013 and for the period from 10 October 2012 (date of incorporation) to 31 December 2013 (the "Financial Information") prepared by the directors of the Company.

(A) Consolidated statement of comprehensive income

		For the period from 10 October 2012 (date of incorporation) to 31 December 2013
	<i>Notes</i>	<i>HK\$'000</i>
Revenue	6	–
Other income and gains	6	1,372
Administrative expenses		(8,124)
Other operating expenses		(155)
Impairment losses on non-financial assets	8	(1,240)
Gain on bargain purchase	24	70,814
Finance costs	7	–
Profit before income tax	8	62,667
Income tax credit	9	1,148
Profit for the period		63,815

	For the period from 10 October 2012 (date of incorporation) to 31 December 2013
<i>Notes</i>	<i>HK\$'000</i>
Other comprehensive income for the period	—
Total comprehensive income for the period	<u>63,815</u>
Profit for the period attributable to:	
Owners of the Target Company	65,214
Non-controlling interests	<u>(1,399)</u>
	<u>63,815</u>
Total comprehensive income for the period attributable to:	
Owners of the Target Company	65,214
Non-controlling interests	<u>(1,399)</u>
	<u>63,815</u>

(B) Consolidated statement of financial position

		As at 31 December 2013 HK\$'000
	<i>Notes</i>	
ASSETS AND LIABILITIES		
Non-current assets		
Leasehold land and land use rights	13	5,179
Property, plant and equipment	14	61,074
Exclusive operation rights	15	118,023
Deposits	16	2,337
		186,613
Current assets		
Deposits and other receivables	16	1,016
Cash and cash equivalents	17	2,591
		3,607
Current liabilities		
Other payables	18	3,978
Provisions	19	125
		4,103
Net current liabilities		(496)
Total assets less current liabilities		186,117
Non-current liabilities		
Other payables	18	36,182
Deferred tax liabilities	20	29,164
		65,346
Net assets		120,771

		As at 31 December 2013 HK\$'000
	Notes	
EQUITY		
Equity attributable to Target Company's owners		
Share capital	21	8
Reserves		101,857
		101,865
Non-controlling interests	23	18,906
Total equity		120,771

(C) Statement of financial position

		As at 31 December 2013 HK\$'000
	<i>Notes</i>	
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	12	—
		—
Current assets		
Other receivables	16	42,134
Net current assets		42,134
Total assets less current liabilities		42,134
Non-current liabilities		
Other payables	18	13,103
		13,103
Net assets		29,031
EQUITY		
Share capital	21	8
Capital contribution	22	29,023
Total equity		29,031

(D) Consolidated statement of cash flows

		For the period from 10 October 2012 (date of incorporation) to 31 December 2013
	<i>Notes</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Profit before income tax		62,667
Adjustments for:		
Amortisation of exclusive operation rights	8	3,227
Depreciation of property, plant and equipment	8	51
Fair value gain on initial recognition of amounts due to other creditors measured at amortised cost	6	(1,346)
Gain on bargain purchase	24	(70,814)
Impairment losses on non-financial assets	8	1,240
Interest income	6	(2)
Operating loss before working capital changes		(4,977)
Decrease in deposits and other receivables		855
Increase in other payables		1,099
Increase in provisions		125
<i>Net cash used in operating activities</i>		(2,898)

		For the period from 10 October 2012 (date of incorporation) to 31 December 2013
	<i>Notes</i>	<i>HK\$'000</i>
Cash flows from investing activities		
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	24	(3,908)
Government grant received	13	1,763
Interest received		2
Payments for leasehold land and land use rights	27	(2,067)
Payments for construction and purchase of property, plant and equipment	27	(37,861)
<i>Net cash used in investing activities</i>		(42,071)
Cash flows from financing activities		
Proceeds from issue of ordinary shares		8
Loan from holding company of the Target Company	18	42,126
Capital contribution from non-controlling interests		14,101
Acquisition of non-controlling interests	23	(8,675)
<i>Net cash from financing activities</i>		47,560
Net increase in cash and cash equivalents		2,591
Cash and cash equivalents at the end of the period		2,591

(E) Consolidated statement of changes in equity

	Attributable to owners of the Target Company				Non-controlling interests	Total equity
	Share capital	Capital contribution [#]	Retained profits [#]	Total		
	HK\$'000 (note 21)	HK\$'000 (note 22)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Issue of shares	8	–	–	8	–	8
Capital contribution from holding company	–	29,023	–	29,023	–	29,023
Non-controlling interests arising from acquisition of a subsidiary	–	–	–	–	22,499	22,499
Capital contribution from non-controlling interests	–	–	–	–	14,101	14,101
Changes in ownership interest in a subsidiary that do not result in loss of control – acquisition of non-controlling interests	–	–	7,620	7,620	(16,295)	(8,675)
Transactions with owners	8	29,023	7,620	36,651	20,305	56,956
Profit for the period	–	–	65,214	65,214	(1,399)	63,815
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the period	–	–	65,214	65,214	(1,399)	63,815
Balance as at 31 December 2013	8	29,023	72,834	101,865	18,906	120,771

[#] The total of these reserves accounts amounted to HK\$101,857,000 as at 31 December 2013.

II NOTES TO THE FINANCIAL INFORMATION**1. General information**

Cloud Decade Limited (the “Target Company”) and its subsidiaries (together, the “Target Group”) are principally engaged in processing, storage and distribution of natural gas. During the Relevant Period, the Target Group has not yet commenced its operation. The Target Company is a limited liability company established in the British Virgin Islands (the “BVI”). The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI and its principal place of business is Benxi City Xihu District Dongfeng Street Bureau Xinxingcun. The immediate and ultimate parent company of the Target Company is New Topic Limited, a company incorporated in the British Virgin Islands. The Financial Information are presented in Hong Kong dollars (“HK\$”) which is also the functional currency of the Target Company and all values are rounded to the nearest thousands (“HK\$’000”) except when otherwise indicated.

2. Summary of significant accounting policies***2.1 Basis of preparation***

The Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”), and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB.

For the purpose of preparing and presenting the Financial Information, the Target Group has consistently applied IFRSs which are effective for the accounting periods beginning on or after 10 October 2012. The significant accounting policies that have been used in the preparation of the Financial Information are summarised below. These policies have been consistently applied to the period presented unless otherwise stated.

The Financial Information has been prepared under historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

In preparing the Financial Information, the directors of the Target Company have considered the operations of the Target Group as a going concern in view of the facts that the Target Group's current liabilities has exceeded its current assets by HK\$496,000 as at 31 December 2013 and the Target Group's had outflow of cash from its operating activities of HK\$2,898,000 for the period from 10 October 2012 (date of incorporation) to 31 December 2013. In addition, the Target Group had capital commitments of HK\$90,950,000 (note 25) as at 31 December 2013. These conditions indicate the existence of material uncertainty which may cast significant doubts on the Target Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors of the Target Company prepare the Financial Information based on the assumption that the Target Group can be operated as a going concern and are of the view that the Target Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the next twelve months, after taking into considerations of the followings:

- (a) On 30 April 2014, the Target Company entered into an agreement to borrow an interest-free loan from its holding company of HK\$16,487,000, which was drawn down in January and March 2014 and is due for repayment on 1 January 2023.
- (b) On 22 May 2014, Benxi Liaoyou Xinshidai Ranqi Company Limited, a subsidiary of the Target Company, entered into an agreement to borrow an interest-free loan from the non-controlling equity holder of the subsidiary of RMB9,000,000 (HK\$11,250,000 equivalents), which was drawn down in May 2014 and is due for repayment on 31 May 2015.

- (c) Amongst the capital commitments of HK\$90,950,000 (note 25) as at 31 December 2013, HK\$84,056,000 is repayable 12 months after the completion of the related construction works, which are still in progress as at 30 April 2014.
- (d) The Target Group commenced its operation in June 2014 and will generate a profit and positive cash flows from its operating activities for the year ending 31 December 2014.

Should the Target Group be unable to continue in business as a going concern, adjustments would have to be made in the Financial Information to write down the value of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. The effect of these adjustments has not yet been reflected in the Financial Information.

2.2 Basis of consolidation

The Financial Information comprises the financial statements of the Target Company and its subsidiaries (see note 2.3) made up to 31 December 2013.

Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are excluded from consolidation from the date that control ceases.

Inter-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the Financial Information. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the perspective of the Target Group. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Target Group.

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

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

2.3 *Subsidiaries*

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

In the statement of financial position of the Target Company, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Target Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in profit or loss of the Target Company.

2.4 *Business combination*

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

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

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

2.5 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the Financial Information, all individual financial statements of foreign operations, originally presented in a currency different from the Target Group's presentation currency, have been converted into HK\$. Assets and liabilities have been translated into HK\$ at the closing rates at the reporting date. Income and expenses have been converted into HK\$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Goodwill and fair value adjustments on acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated into HK\$ at the closing rates at the reporting date. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity or allocated the relevant proportionate share of the translation difference to the non-controlling interests as appropriate.

2.6 Property, plant and equipment

Property plant and equipment, other than construction-in-progress ("CIP"), are carried at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Depreciation is provided to write off the cost less their estimated residual value over their estimated useful lives, using straight-line method, at the following rates per annum:

Buildings held for own use	3 ¹ / ₃ %
Natural gas pipelines	4%
Plant and machinery	5 to 10%
Furniture, fixtures and equipment	20 to 33 ¹ / ₃ %
Motor vehicles	12.5%

The asset's estimated residual value, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss of the financial period in which they are incurred.

CIP represents property, plant and equipment under construction for production or supply of goods or for administrative purposes. These are carried at cost less any impairment losses and are not depreciated. Cost comprises direct costs, such as cost of materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use incurred during the periods of construction. CIP is reclassified as appropriate classes of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for their intended use.

2.7 Leasehold land and land use rights

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.13. Amortisation is calculated on straight-line basis over the term of the lease/ right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Target Group from use of the land.

2.8 *Goodwill and gain on bargain purchase*

Goodwill represents the excess of the consideration of a business combination over the Target Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is stated at cost less accumulated impairment losses. Any excess of the Target Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the consideration of a business combination is recognised immediately in profit or loss.

2.9 *Intangible assets (other than goodwill)*

Intangible assets acquired separately are recognised initially at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any subsequent impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line method over their estimated useful life as follows:

Exclusive operation rights	3 1/3%
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Amortisation commences when the intangible assets are available for use. The assets' amortisation method and estimated useful lives are reviewed, and adjusted if applicable, at each reporting date.

2.10 *Financial assets*

The Target Group's financial assets are classified into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These (including other receivables and cash and cash equivalents) are recognised when, and only when, the Target Group becomes a party to the contractual provisions of the instrument.

Loans and receivables are recognised initially at fair value, plus directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

De-recognition of financial assets occurs when, and only when the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

At each reporting date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Target Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- granting concession to a debtor because of the debtor's financial difficulty.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the financial period in which the impairment occurs.

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 was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the financial period in which the reversal occurs.

Impairment losses are written off against the receivables directly except where the recovery of loans and receivables is considered doubtful but not remote, in which case, the impairment losses for doubtful receivables are recorded using an allowance account. When the Target Group is satisfied that recovery of receivables is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.12 Financial liabilities

The Target Group's financial liabilities included other payables. These are recognised when, and only when the Target Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Target Group's accounting policy for borrowing costs (see note 2.19).

A financial liability is derecognised when, and only when the obligation under the financial liability is discharged or cancelled or expires.

Other payables are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2.13 Leases

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

(i) Classification of assets leased to the Target Group

Assets that are held by the Target Group under leases which transfer to the Target Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Target Group has the right to use the assets held under operating leases, payments made under the leases are charged to profit or loss on straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payment made.

Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

2.14 Provision and contingent liabilities

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligations.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

2.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

2.16 Impairment of non-financial assets

Property, plant and equipment, intangible assets and leasehold land and land use rights are subject to impairment testing and are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset for which the future cash flow estimates have not been adjusted.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

An impairment loss is recognised as an expense immediately for the amount by which the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment loss recognised for CGUs is charged pro-rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value-in-use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount of the asset or the CGU and only to the extent that the carrying amount of the asset or the CGU does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversal of impairment losses is credited to profit or loss of the financial period in which the reversals occurs.

2.17 Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the Target Group. Government grants which represent compensation for the cost of an asset are deducted from the cost of the asset in arriving at its carrying value to the extent of the amounts received and receivable as at the reporting date. Government grants which represent compensation for expenses or losses are deducted from the related expenses.

2.18 Employee benefits***Retirement benefits***

The Target Group participates in a defined contribution retirement scheme for their employees in the PRC, as organised by the relevant local government authorities. The assets of the scheme are held separately from those of the Target Group in an independently administered fund. The retirement benefit scheme is generally funded by payments from employees and by the relevant group companies. They are required to make contributions to the retirement benefit schemes at a specified percentage of the employees' relevant income and there are no other further obligations to the Target Group. The retirement benefit scheme costs charged to profit or loss represents contributions payable by the Target Group to the scheme.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.19 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs is suspended or ceases when the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2.20 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, taxation authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Target Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply to the period when the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Current tax and changes in deferred tax assets or liabilities are recognised as a component of income tax expense in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if:

- (a) the Target Group has a legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Target Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

- (a) the Target Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.21 Segment reporting

The Target Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors for their decisions about resource allocation to the Target Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the directors are determined following the Target Group's major business lines.

2.22 Related parties

- (i) A person or a close member of that person's family is related to the Target Group if that person:
 - (a) has control or joint control over the Target Group;
 - (b) has significant influence over the Target Group; or
 - (c) is a member of the key management personnel of the Target Group or of the Target Group's parent.
- (ii) An entity is related to the Target Group if:
 - (a) the entity and the Target Group are members of the same group.
 - (b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (c) both entities are joint venture of the same third party.
 - (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group.

- (f) the entity is controlled or jointly controlled by a person identified in (i).
- (g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependants of that person or that person's spouse or domestic partner.

3. Adoption of new or amended IFRSs

At the date of this report, certain new or amended IFRSs have been issued but are not yet effective. Except for the following standards, the Target Group had not adopted any new or amended IFRSs that are not yet effective for the Relevant Period.

- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IAS 27 (2011), Separate Financial Statements
- IAS 28 (2011), Investments in Associates and Joint Ventures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures were issued including IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities, IAS 27 (2011) Separate Financial Statements and IAS 28 (2011) Investments in Associates and Joint Ventures. In the Relevant Period, the Target Group has applied these five standards in advance of their effective dates for annual periods beginning on or after 1 January 2013. The impact of the application of these standards is set out below:

IFRS 10, Consolidated Financial Statements

IFRS 10 replaces the requirements in IAS 27 “Consolidated and Separate Financial Statements” relating to the preparation of consolidated financial statements and SIC-12 “Consolidation – Special Purpose Entities”. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. All these criteria must be met for an investor to have control over an investee. Under IAS 27, 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 IFRS 10 to explain when an investor has control over an investee.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Target Group, the Target Group has provided those disclosures in notes 12 and 23.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Information on new or amended IFRSs that have not been adopted early by the Target Group but expected to have impact on the Target Group's accounting policies is provided below. The directors of the Target Company anticipate that all of the pronouncements will be adopted in the accounting policies of the Target Group for the first period beginning after the effective date of the pronouncement.

Amendments to IAS 36, Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets

IFRS 13 introduces consequential amendments to disclosure requirements under IAS 36 in respect of each CGU to which significant goodwill or indefinite-lived intangible assets have been allocated. In June 2013, additional amendments to IAS 36 were issued to modify some of the consequential amendments made by IFRS 13. The additional amendments remove the requirement made by IFRS 13 to disclose the recoverable amount of a CGU which is not impaired. Meanwhile, the amendments expand the disclosure requirements for an individual asset (including goodwill) and a CGU for which an impairment loss has been recognised or reversed during the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2014. The directors of the Target Company do not anticipate that the adoption of these amendments to IAS 36 will have significant impact on the financial statements of the Target Group.

IFRS 9, Financial Instruments

IFRS 9 addresses the classification and measurement of financial assets, it also addresses the requirements for financial liabilities and for derecognition of financial assets and financial liabilities.

The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income.

In relation to financial liabilities, the significant changes relates to financial liabilities that are designated as at fair value through profit or loss, specifically, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

The mandatory effective date of IFRS 9 is yet determined by the IASB. The Target Group is currently assessing the possible impact of the new standard on the Target Group's results and financial position in the first year of application until the final standard is issued.

4. Critical accounting estimates and judgements

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

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

(i) Purchase price allocation for business combination

Accounting for acquisitions require the Target Group to allocate the cost of acquisition to specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. In connection with the acquisition of Benxi Liaoyou Xinshidai Ranqi Company Limited, the Target Group has undertaken a process to identify all assets and liabilities acquired, including acquired intangible assets where appropriate. Judgements made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed could materially impact the calculation of gain on bargain purchase, and depreciation and amortisation charges of acquired assets in subsequent periods.

Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management.

(ii) Depreciation of property, plant and equipment and amortisation of intangible assets

Depreciation is provided to write off the cost of property, plant and equipment (other than CIP) less their estimated residual value whilst amortisation for intangible assets is provided over their estimated useful lives, using straight-line method. The estimated useful lives reflect the directors' estimate of the periods that the Target Group intends to derive future economic benefits from the use of these assets. Their net carrying amounts as at 31 December 2013 were HK\$61,074,000 and HK\$118,023,000, respectively. Management reassesses the estimates at each reporting date.

(iii) Impairment of non-financial assets

Determining whether the non-financial assets are impaired and the amount of impairment losses require an estimation of the value-in-use of the assets or CGUs to which the assets has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the assets or CGUs and a suitable discount rate in order to calculate the present value of those cash flows. The net carrying amounts of the Target Group's non-financial assets as at 31 December 2013 were HK\$184,276,000.

(iv) Recognition of deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses and deductible temporary difference to the extent that it is probable that taxable profit will be available against which the tax losses and deductible temporary difference can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The carrying amount of deferred tax assets as at 31 December 2013 was HK\$341,000 (note 20).

5. Segment reporting

During the Relevant Period, the directors considered that the Target Group is operated and managed as a single segment – processing, storage and distribution of natural gas. No separate segment information was presented for the Relevant Period.

The Target Group is domiciled in the PRC. All of the Target Group's non-current assets are located in the PRC during the Relevant Period.

6. Revenue and other income and gains

During the Relevant Period, as the Target Group has not yet commenced its operations, no revenue was derived from its principal activities. An analysis of other income and gains is as follows:

	For the period from 10 October 2012 (date of incorporation) to 31 December 2013 <i>HK\$'000</i>
Fair value gain on initial recognition of amounts due to other creditors measured at amortised cost	1,346
Interest income on financial assets not at fair value through profit or loss	2
Sundry income	24
	1,372

7. Finance costs

For the
period from
10 October
2012
(date of
incorporation)
to 31 December
2013
HK\$'000

Imputed interest expense on:

- Amounts due to other creditors
- Construction cost payables

530
601

Total interest expense on financial liabilities not
at fair value through profit or loss

1,131

Less: Interest expense capitalised into CIP

(1,131)

Amount recognised in profit or loss

–

Interest rate of borrowing costs capitalised

11%

8. Profit before income tax

For the
period from
10 October
2012
(date of
incorporation)
to 31 December
2013
HK\$'000

Profit before income tax is arrived at after charging:

Auditors' remuneration	–
Amortisation of concession operating rights included in administrative expenses	3,227
Depreciation of property, plant and equipment	51
Employee benefit expense (including directors' emoluments):	
– Salaries and allowances	1,760
– Contribution to defined contribution plans	275
	2,035
Impairment losses on non-financial assets (<i>note</i>)	1,240
Operating lease charges on motor vehicles	113

Note: During the Relevant Period, the Target Group entered into a construction contract to build a staff quarter for a contract sum of HK\$1,988,000. As the construction of the staff quarter was under construction on a piece of land not owned by the Target Group, the Target Group was requested by the local government in the PRC to suspend its construction work and restore the site. The Target Group is presently in discussions with the relevant authorities in the PRC.

As at the reporting date, the Target Group incurred capital expenditures of HK\$1,240,000 for the staff quarter under construction. In the event of the failure to reach agreed terms with the local government, the staff quarter under construction will be demolished and the Target Group will be required to restore the site. The Target Group may need to bear additional costs, such as compensation to the contractor for non-performance of the contract terms and the possible site restoration cost.

The directors of the Target Company reviewed the recoverable amounts of the staff quarter under construction on the basis of value-in-use and full impairment losses of HK\$1,240,000 (note 14), representing the gross carrying amount of the staff quarter as at 31 December 2013, were recognised in profit or loss for the Relevant Period. In addition, the Target Group has provided HK\$125,000 in respect of site restoration (note 19). No further provision has been recognised for non-performance of the construction contract as at the end of the reporting date, because an agreement was reached with the contractor that no compensation is required.

9. Income tax credit

Income tax credit represents the deferred tax arising from reversal of the taxable temporary differences and origination of the deductible temporary differences (note 20). No Hong Kong profits tax or PRC Enterprise Income tax has been provided as the Target Group has not yet commenced its operation and did not derive any assessable profits for the Relevant Period.

Reconciliation between the income tax credit and accounting profit at applicable tax rates:

	For the period from 10 October 2012 (date of incorporation) to 31 December 2013 HK\$'000
Profit before income tax	62,667
Notional tax on profit before income tax, calculated at the rates applicable to profit in the tax jurisdictions concerned	15,667
Tax effect of non-deductible expenses	1,232
Tax effect of non-taxable revenue and gains	(18,047)
Total income tax credit	(1,148)

10. Earnings per share

No earnings per share is presented as its inclusion is not meaningful for the purpose of this accountant's report.

11. Directors' remuneration and five highest paid individuals

No emoluments were paid by the Target Group to any of the following directors and the five highest paid individuals as an inducement to join or upon joining the Target Group or as compensation for loss of office or are there any arrangement under which a director waived or agree to waive any remuneration during the Relevant Period.

(a) Directors' emoluments

	Fee	Salaries and allowances	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the period from 10 October 2012 (date of incorporation) to 31 December 2013				
Mr. Lee Tsz Hang (note (i))	–	–	–	–
Mr. Cheng Kam Chiu (note (ii))	–	–	–	–
Mr. Cheng Ming Kit (note (ii))	–	–	–	–
	–	–	–	–
	–	–	–	–

Notes:

- (i) appointed on 6 February 2013.
- (ii) appointed on 18 October 2012 and resigned on 6 February 2013.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Group for the Relevant Period do not include any director whose emoluments are reflected in the analysis presented above. The emoluments payable to the five highest paid individuals, which are within HK\$1,000,000 during the Relevant Period, are as follows:

	For the period from 10 October 2012 (date of incorporation) to 31 December 2013 HK\$'000
Salaries and other emoluments	776
Retirement scheme contributions	—
	<u>776</u>

12. Investments in subsidiaries – The Target Company

	As at 31 December 2013 HK\$'000
Unlisted investments, at cost	<u>—</u>

As at 31 December 2013 and the date of this report, the Target Company has direct and indirect equity interests in the following subsidiaries:

Name	Place and date of incorporation/ establishment and operation	Issued and fully paid-up share capital/ paid-up capital		Percentage of equity interest attributable to the Target Company		Principal activities
		31/12/2013	30/06/2014	31/12/2013	30/06/2014	
Directly held						
Crown Castle Limited	Hong Kong, 11 October 2012	1 ordinary share of HK\$1	1 ordinary share of HK\$1	100	100	Investment holding
Sky Queen Limited	Hong Kong, 6 June 2013	1 ordinary share of HK\$1	1 ordinary share of HK\$1	100	100	Investment holding
Indirectly held						
Benxi Liaoyou Xinshidai Ranqi Company Limited 本溪遼油新時代燃氣 有限公司 (“New Times”) <i>(note (a), (d))</i>	The People’s Republic of China (the “PRC”), 27 March 2012	Paid-up capital of RMB40,401,000	Paid-up capital of RMB53,305,000	89.18	89.18	Processing, storage and distribution of natural gas in the PRC
Shenzhen Xiananda Nengyuan Company Limited 深圳先安達能源有限公司 <i>(note (b), (d))</i>	PRC 29 September 2013	Paid-up capital of HK\$200,000	Paid-up capital of HK\$200,000	100	100	Investment holding
Shenzhen Xinliaoyou Maoyi Company Limited 深圳新遼油貿易有限公司 <i>(note (c), (d))</i>	PRC, 19 July 2013	–	Paid-up capital of RMB50,000	98	98	Investment holding
Shenzhen Xinliaoyou Jishu Fuwu Company Limited 深圳新遼油技術服務有限公司 <i>(note (c), (d))</i>	PRC, 22 July 2013	–	Paid-up capital of RMB50,000	98	98	Investment holding

Notes:

- (a) This company was registered as a Sino-foreign equity joint venture.
- (b) This company was registered as a wholly-owned foreign enterprise.
- (c) These companies were registered as limited liabilities companies.
- (d) The English name of subsidiaries referred to above represented the best efforts by management of the Company in translating their Chinese names as they do not have official English names.

No audited statutory financial statements have been prepared for the Target Company as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

The statutory financial statements of Crown Castle Limited and Sky Queen Limited from the date of incorporation to 31 December 2013 prepared in accordance with Hong Kong Financial Reporting Standards were audited by BDO Limited, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

The statutory financial statements of New Times for the year ended 31 December 2013 prepared in accordance with the relevant accounting principles of the PRC were audited by 本溪華豐會計師事務所有限公司 (Benxi Huafeng Certified Public Accountants Limited). The statutory financial statements of Shenzhen Xiananda Nengyuan Company Limited, Shenzhen Xinliaoyou Maoyi Company Limited and Shenzhen Xinliaoyou Jishu Fuwu Company Limited from the date of establishment to 31 December 2013 prepared in accordance with the relevant accounting principles of the PRC were audited by 深圳正理會計師事務所 (Shenzhen Zhengli Certified Public Accountants).

13. Leasehold land and land use rights – The Target Group

The Target Group's interests in leasehold land and land use rights, which are located in the PRC and held on leases of 50 years, represent prepaid operating lease payments.

HK\$'000

Period from 10 October 2012 (date of incorporation) to 31 December 2013

Additions	5,179
Amortisation	—
Closing net carrying amount	5,179

As at 31 December 2013

Cost	5,179
Accumulated amortisation	—
Net carrying amount	5,179

During the Relevant Period, the Target Group received a government grant of HK\$1,763,000 for obtaining the land use rights, which was deducted from the cost above.

14. Property, plant and equipment – The Target Group

	Leasehold buildings <i>HK\$'000</i>	Natural gas pipelines <i>HK\$'000</i>	CIP <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Period from 10 October 2012 (date of incorporation) to 31 December 2013							
Acquisition through business combination (<i>note 24</i>)	–	–	660	785	15	88	1,548
Additions	–	–	53,047	6,036	758	976	60,817
Reclassifications	13,365	30,388	(43,753)	–	–	–	–
Depreciation	–	–	–	–	(3)	(48)	(51)
Impairment losses (<i>note 8</i>)	–	–	(1,240)	–	–	–	(1,240)
Closing net carrying amount	<u>13,365</u>	<u>30,388</u>	<u>8,714</u>	<u>6,821</u>	<u>770</u>	<u>1,016</u>	<u>61,074</u>
As at 31 December 2013							
Cost	13,365	30,388	9,954	6,821	773	1,064	62,365
Accumulated depreciation and impairment	<u>–</u>	<u>–</u>	<u>(1,240)</u>	<u>–</u>	<u>(3)</u>	<u>(48)</u>	<u>(1,291)</u>
Net carrying amount	<u>13,365</u>	<u>30,388</u>	<u>8,714</u>	<u>6,821</u>	<u>770</u>	<u>1,016</u>	<u>61,074</u>

In respect of the leasehold buildings of HK\$13,365,000 as at 31 December 2013, the Target Group is in the process of applying the building ownership certificate up to the date of this report. The directors of the Target Company, based on the opinion from a lawyer in the PRC, do not expect any legal obstacles for the Target Group in obtaining the relevant title certificate.

15. Exclusive operation rights – The Target Group*HK\$'000***Period from 10 October 2012 (date of incorporation) to
31 December 2013**

Additions through business combination (<i>note 24</i>)	121,250
Amortisation	(3,227)

Closing net carrying amount	118,023
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As at 31 December 2013

Cost	121,250
Accumulated amortisation	(3,227)

Net carrying amount	118,023
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Exclusive operation rights represent the exclusive rights granted to distribute natural gas for an initial term of 30 years in Xihu District of Benxi City, the PRC, pursuant to an agreement entered into by the local government and New Times, the subsidiary acquired by the Target Group during the Relevant Period.

Amortisation was recognised over the remaining useful life of the exclusive operation rights. The remaining amortisation period of the exclusive operation rights is approximately 28.3 years as at 31 December 2013. During the Relevant Period, no impairment losses has been recognised in respect of the exclusive operation rights as the directors of the Target Company are of the opinion that there is no indication of impairment during the Relevant Period.

16. Deposits and other receivables

	As at 31 December 2013	
	The Target Group	The Target Company
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	2,783	–
Other receivables	570	–
Amounts due from subsidiaries	–	42,134
	<u>3,353</u>	<u>42,134</u>
<i>Less: Non-current portion</i>		
Deposits for construction and purchases of property, plant and equipment	<u>2,337</u>	<u>–</u>
Current portion	<u><u>1,016</u></u>	<u><u>42,134</u></u>

17. Cash and cash equivalents – The Target Group

Included in cash and bank balances of the Target Group as at 31 December 2013 are bank balances of HK\$2,526,000 denominated in RMB which are placed with the banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

18. Other payables

As at 31 December 2013			
	Effective interest rate	The Target Group <i>HK\$'000</i>	The Target Company <i>HK\$'000</i>
Other creditors	11%	5,382	–
Construction cost payables	11%	21,675	–
Loan from holding company of the Target Company	13%	<u>13,103</u>	<u>13,103</u>
		40,160	13,103
<i>Less: Non-current portion</i>			
Other creditors		4,684	–
Construction cost payables		18,395	–
Loan from holding company of the Target Company		<u>13,103</u>	<u>13,103</u>
		<u>36,182</u>	<u>13,103</u>
Current portion		<u><u>3,978</u></u>	<u><u>–</u></u>

Loan from holding company of the Target Company is due for repayment on 1 January 2023. Amongst the balances due to other creditors of HK\$5,382,000, HK\$4,684,000 are repayable on 1 July 2015 while the remaining balances are repayable on demand. In respect of construction cost payables, except for an amount of HK\$18,395,000, which is repayable 12 months after the completion of the related construction works, the remaining balances are repayable on demand. The maturity profile of other payables is as follows:

	As at 31 December 2013	
	The Target Group HK\$'000	The Target Company HK\$'000
On demand or within 1 year	3,978	–
Within 2nd to 5th years, inclusive	23,079	–
More than 5 years	13,103	13,103
Total	40,160	13,103

All other payables are interest-free. Using the prevailing market interest rates for an equivalent loan (i.e. the effective interest rate) as disclosed above, fair value of these payables is estimated to be HK\$39,029,000 on initial recognition. Difference between the gross proceeds of HK\$42,126,000 and the fair value on initial recognition of the interest-free loan from holding company of HK\$13,103,000 represents capital contribution and is recognised within equity (note 22), whilst differences between the gross contractual amounts and the fair value on initial recognition of other creditors of HK\$1,346,000 represents fair value gain on initial recognition and is recognised in profit or loss (note 6).

19. Provisions – The Target Group

	Site restoration HK\$'000
Additions	125
As at 31 December 2013	125

Note: The provision for site restoration relates to the construction of staff quarter on a piece of land which is not owned by the Target Group, further details of which are set out in note 8. The site restoration cost has been estimated on the basis of the quotation from a contractor for similar work.

20. Deferred tax liabilities – The Target Group

For the purpose of presentation of the Financial Information, the following deferred tax assets and liabilities have been offset. Movements in the deferred tax liabilities during the Relevant Period are as follows:

	Exclusive operation rights <i>HK\$'000</i>	Impairment losses <i>HK\$'000</i>	Provisions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Arising from business combination (<i>note 24</i>)	30,312	–	–	30,312
Credited to profit or loss	(807)	(310)	(31)	(1,148)
As at 31 December 2013	<u>29,505</u>	<u>(310)</u>	<u>(31)</u>	<u>29,164</u>

21. Share capital

	<i>Number of ordinary shares of US\$1 each</i>	<i>HK\$'000</i>
<i>Authorised, issued and fully paid:</i>		
As at 31 December 2013	<u>50,000</u>	<u>390,000</u>
<i>Issued and fully paid:</i>		
Issue of ordinary shares	<u>1,000</u>	<u>8</u>
As at 31 December 2013	<u>1,000</u>	<u>8</u>

The Target Company was incorporated on 10 October 2012. Upon incorporation, the Target Company authorised share was US\$50,000 divided into 50,000 ordinary shares of US\$1 each. The initial share capital was US\$100, being 100 subscriber shares of US\$1 each. On 6 May 2013, an additional 900 shares of US\$1 each were allotted to 1,000 shares of US\$1 each.

22. Capital Contribution***The Target Group and the Target Company***

The amount represents the capital contribution from the holding company that was arising from the interest-free loan granted by the holding company of the Target Company (note 18).

23. Non-controlling interests

On 10 January 2013, the Target Group acquired 80% equity interest in New Times (note 24) and on 25 October 2013, the Target Group further acquired an additional 9.18% equity interest in New Times for a consideration of RMB6,941,000 (or HK\$8,675,000 equivalents). The effect of changes on the equity attributable to owners of the Target Company during the Relevant Period is as follows:

	<i>HK\$'000</i>
Carrying amount of non-controlling interests acquired	16,295
Consideration paid to non-controlling interests	<u>(8,675)</u>
Increase in equity attributable to owners of the Target Company	<u><u>7,620</u></u>

The following table lists out the information relating to New Times, the subsidiary of the Target Group which has material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

HK\$'000

As at 31 December 2013

Current assets	3,282
Non-current assets	186,613
Current liabilities	(4,150)
Non-current liabilities	(52,243)

Net assets	133,502
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Equity attributable to owners of the Target Company	114,596
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Non-controlling interests	18,906
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For the period from 10 January 2013 to 31 December 2013

Other income and gains	1,372
Expenses	(8,368)

Loss and total comprehensive income for the period	(6,996)
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Attributable to:

Owners of the Target Company	(5,597)
Non-controlling interests	(1,399)

Loss and total comprehensive income for the period	(6,996)
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Dividends paid to non-controlling interests	—
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Cash flows from operating activities	(2,791)
Cash flows from investing activities	(38,163)
Cash flows from financing activities	43,001

24. Business combination

On 10 January 2013, the Target Group acquired 80% equity interest in New Times whose principal activities involved the processing, storage and distribution of natural gas in the PRC. The principal assets of New Times comprised of exclusive operation rights for distribution of natural gas in Xihu District of Benxi City, the PRC, the acquisition provides a prime opportunity for the Target Group to enter the natural gas business in the PRC. Had the acquisition was completed on 10 October 2012, the date of incorporation of the Target Company, total revenue of the Target Group for the Relevant Period would remain unchanged but the profit for the Relevant Period would have been decreased by HK\$940,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Target Group that actually would have been achieved had the acquisition been completed on 10 October 2012, nor is it intended to be a projection of future results. Other than the purchase consideration HK\$4,185,000, the Target Group did not incurred significant acquisition related costs.

The fair value of the identifiable net assets acquired, the related gain on bargain purchase as well as the net cash flow on acquisition of New Times as at the date of acquisition were as follows:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value of identifiable net assets acquired		
– Property, plant and equipment	1,548	
– Exclusive operation rights	121,250	
– Deposits and other receivables (<i>note</i>)	9,834	
– Cash and cash equivalents	277	
– Other payables	(5,099)	
– Deferred tax liabilities	(30,312)	
	<u> </u>	97,498
<i>Less: Cash consideration transferred</i>		(4,185)
<i>Less: Non-controlling interests (note)</i>		<u>(22,499)</u>
		70,814
		<u> </u>
Cash consideration transferred		4,185
<i>Less: Cash and cash equivalents acquired</i>		<u>(277)</u>
		3,908
		<u> </u>
Cash outflow on acquisition of subsidiaries		<u> </u>

Note: The gross contractual amounts of the deposits and other receivables at the date of acquisition amounted to HK\$9,834,000 approximate to their fair value, none of these amounts are not expected to be recovered. The non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The gain from this bargain purchase is mainly attributable to the financial constraints of the vendors to contribute further funds as New Times is a developing stage entity requiring significant capital.

25. Commitments

Capital commitments

At the reporting date, the Target Company did not have any capital commitments, commitments in respect of property, plant and equipment of the Target Group that are contracted but not provided for amounted to HK\$90,950,000.

Operating lease commitments as lessee

At the reporting date, the Target Company did not have any significant operating lease commitments, total future minimum lease payments of the Target Group in respect of a motor vehicle under non-cancellable operating leases are as follows:

	As at 31 December 2013 HK\$'000
Within one year	113
In the second to fifth year	39
	152

The Target Group leases a motor vehicle under an operating lease. The lease runs for an initial period of three years. The lease does not include contingent rentals.

26. Related party transactions

In addition to the transactions and information detailed elsewhere in this report, the Target Group entered into the following material transaction with related parties for the Relevant Period:

	For the period from 10 October 2012 (date of incorporation) to 31 December 2013 HK\$'000
<i>Key management personnel</i>	
Short-term employee benefits	776
Post employment benefits	—
	776

No material transaction with related parties was entered by the Target Company during the Relevant Period.

27. Major non-cash transactions

As at 31 December 2013, the Target Group had construction cost payables with nominal amount of HK\$25,023,000 and paid deposits of HK\$2,337,000 for the construction and purchases of property, plant and equipment (note 16). Moreover, amongst the additions of property, plant and equipment during the Relevant Period, HK\$3,088,000 was prepaid by New Times before it was acquired by the Target Group.

The Target Group also obtained the rights to use a leasehold land at a consideration of HK\$6,942,000, of which HK\$4,875,000 was paid by New Times before it was acquired by the Target Group, whilst the remainder was paid by the Target Group during the Relevant Period.

28. Capital management

The Target Group's objective of managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust capital structure, the Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Target Group consists of equity attributable to owners of the Target Company only, comprising share capital and reserves. Subsidiaries of the Target Group established in Mainland China are required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to certain restrictions as set out in the relevant regulations. The externally imposed capital requirement has been complied with by the Target Group for the Relevant Period.

29. Financial risk management and fair value measurements

The Target Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investing and financing activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. In light of the simplicity of operations, risk management of the Target Group is carried out by the board of directors ("Board") directly. The Board discusses principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, liquidity risk and use of financial instruments.

29.1 Categories of financial instruments

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities as at the reporting date:

	As at 31 December 2013	
	The Target Group	The Target Company
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets		
Loans and receivables:		
– Other receivables	570	42,134
– Cash and cash equivalents	2,591	–
	<u>3,161</u>	<u>42,134</u>
	<u><u>3,161</u></u>	<u><u>42,134</u></u>
Financial liabilities		
Financial liabilities measured at amortised cost:		
– Other payables	40,160	13,103
	<u>40,160</u>	<u>13,103</u>
	<u><u>40,160</u></u>	<u><u>13,103</u></u>

29.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Group. The Target Group's exposure to credit risk mainly arises from other receivables as well as cash and cash equivalents. Other receivables are neither past due nor impaired at the reporting date and management are of the opinion that there is no recoverability problem based on their knowledge of the financial position of these counterparties. Credit risk for liquid funds is considered negligible as the counterparties are reputable banks with high quality external credit ratings.

29.3 Liquidity risk

Liquidity risk relates to the risk that the Target Group will not be able to meet its obligations associated with its financial liabilities that are settled by cash or other financial assets. The Target Group is exposed to liquidity risk in respect of settlement of other payables, and also in respect of its cash flow management. The Target Group's policy is to regularly monitor current and expected liquidity requirements by reviewing each operating entity's cash flow forecast, to ensure that the Target Group maintains an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and long term.

As disclosed in note 2.1 to this report, the Target Group's current liabilities had exceeded its current assets by HK\$496,000 as at 31 December 2013. The liquidity of the Target Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations as they fall due, and on its ability to obtain external financing. The directors of the Target Company had carried out a detailed review of the cash flow projection of the Target Group for the next 12 months from the reporting date. Based on such projection, the directors of the Target Company have determined that adequate liquidity exists to finance its working capital and investing activities of the Target Group for the next 12 months.

Analysed below is the remaining contractual maturities for the financial liabilities of the Target Group and the Target Company as at 31 December 2013. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date which the Target Group and the Target Company can be required to pay. The maturity analysis for other financial liabilities is prepared based on the scheduled repayment dates.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	On demand or within 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	More than 5 years <i>HK\$'000</i>
As at 31 December 2013				
<i>The Target Group</i>				
Other payables	3,978	26,624	619	42,126
	<u>3,978</u>	<u>26,624</u>	<u>619</u>	<u>42,126</u>
	<u><u>3,978</u></u>	<u><u>26,624</u></u>	<u><u>619</u></u>	<u><u>42,126</u></u>
<i>The Target Company</i>				
Other payables	–	–	–	42,126
	<u>–</u>	<u>–</u>	<u>–</u>	<u>42,126</u>
	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>42,126</u></u>

29.4 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Group's interest rate risk arises primarily from cash and cash equivalents. Cash and cash equivalents bearing variable rates expose the Target Group to cash flow interest rate risk.

The Target Group manages interest rate risk by monitoring its interest rate profile on an ongoing basis. The Target Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2013, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would increase the Target Group's profit after income tax by approximately HK\$13,000. A general decrease of 50 basis points would have had the equal but opposite effect to the amounts shown above. The assumed changes in interest rates are considered to be reasonably possible change on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period.

The calculation is based on a change in average market interest rates for the period, and the financial instruments held at the reporting date that are sensitive to changes in interest rates. All other variable are held constant. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the period.

As the Target Company has no interest-bearing financial assets and liabilities, no sensitivity analysis on interest rate risk exposure to the Target Company is presented.

29.5 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Target Group's exposure to foreign currency risk is limited as financial assets and financial liabilities are primarily denominated in HK\$ and RMB and its major subsidiary operates in the PRC with most of the transactions denominated and settled in RMB.

The Target Group reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant. However, the Target Group would consider hedging of its foreign currency exposures if its foreign exchange risk becomes significant.

No sensitivity analysis on foreign currency risk exposure is presented due to the insignificant foreign currency risk exposure.

29.6 Fair value measurements

The carrying amounts and fair value of the financial instruments of the Target Group and the Target Company, other than those with carrying amounts that reasonably approximate to fair value, are as follows:

	As at 31 December 2013			
	The Target Group		The Target Company	
	Carrying amounts HK\$'000	Fair value HK\$'000	Carrying amounts HK\$'000	Fair value HK\$'000
Financial liabilities				
Financial liabilities measured at amortised cost:				
– Other payables	36,182	35,687	–	–
	<u>36,182</u>	<u>35,687</u>	<u>–</u>	<u>–</u>

The fair value of the non-current portion of the other payables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair value of cash and cash equivalents, other receivables and current portion of other payables are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited consolidated financial statements have been prepared by the Target Group in respect of any period subsequent to 31 December 2013. No dividend or distribution has been declared or made by the Target Group in respect of any period subsequent to 31 December 2013.

Yours faithfully,

BDO Limited

Certified Public Accountants

Au Yiu Kwan

Practising Certificate Number: P05018

Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the operating results and business review of the Target Group for the period from 10 October 2012 (the date of incorporation of the Target Company) to 31 December 2013 (the “Track Record Period”).

Business review

The Target Company was incorporated on 10 October 2012 and is an investment holding company holding about 89.18% indirect equity interest in the PRC Operating Co, which has obtained an exclusive right to supply natural gas in the form of LNG/CNG in the Supply District for 30 years commencing on 30 March 2012 from the local government. Please refer to the paragraph headed “Business scope of natural gas supply operations in the Supply District under the 30 year exclusive right” in the section headed “Information on the Target Group” in the letter from the Board for information on the construction of facilities and status of the operations of the PRC Operating Co.

Liquidity and financial resources

As at 31 December 2013, the net current liabilities of the Target Group were approximately HK\$496,000. The current assets mainly comprised of trade and other receivables of approximately HK\$1,016,000 and cash and cash equivalents of approximately HK\$2,591,000. The current liabilities mainly comprised of trade and other payables of approximately HK\$3,978,000 and provisions of approximately HK\$125,000. The Target Group had total assets of approximately HK\$190,220,000, current liabilities of approximately HK\$4,103,000 and non-current liabilities of approximately HK\$65,346,000 as at 31 December 2013.

Gearing ratio

The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 36.5% as at 31 December 2013.

Treasury policies

There were no treasury policies for the Track Record Period.

Capital commitments

The capital commitments of the Target Group in the Track Record Period mainly comprised the construction of LNG/CNG main stations and satellite stations, LNG/CNG filling station for truck and public transportation, supply hubs, pipe lines and facilities for supply of LNG/CNG to residential, commercial and industrial areas.

Significant investment, material acquisition and disposals

As at 31 December 2013, the Target Group did not have any other significant investments and had not entered into any material acquisitions and/or disposals of any of its subsidiaries and associated companies for the Track Record Period.

Prospect of new business

The Target Company did not have any plans for new investments as at 31 December 2013.

Pledge of assets

There was no pledge of assets as at 31 December 2013.

Remuneration policies and employee information

As at 31 December 2013, the Target Group had 37 employees. Total staff costs for the Relevant Period were approximately HK\$2,035,000, of which salaries and allowance were approximately HK\$1,760,000 and contribution to defined contribution plan were approximately HK\$275,000. The Target Group remunerated its employees based on the job nature, individual performance, working experiences, professional qualification and market trends. The Target Group also provides various training to the employees periodically. The Targeted Group has no share option scheme. The Group intends to employ all of the Target Group's employees and retain their current positions after Completion, whereby the Company will bear staff remuneration of the Target Group after Completion.

Foreign exchange exposure

The assets, liabilities and business transactions of the Target Group were all in RMB and HKD. The borrowings and cash and cash equivalents were also all in RMB and HKD. There was no financial arrangement for hedging purpose in respect of the Target Group during the Track Record Period.

Contingent liabilities

As at 31 December 2013, the Target Group did not have any contingent liabilities.

Segmental information

During the Track Record Period, the Target Group had not commenced operation. Accordingly no analysis of business and geographical segments is presented.

Future plans

Save as disclosed above, as at the Latest Practicable Date, there are no other proposed material investments of the Target Group.

APPENDIX IV**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group which has been prepared to illustrate the effect of the Acquisition and the issue of Convertible Note, as if it had been completed on 31 December 2013. The unaudited pro forma consolidated statement of assets and liabilities has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition and the issue of Convertible Note been completed on 31 December 2013 or any future date.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group is based on the audited consolidated statement of financial position of the Group as at 31 December 2013 and the unaudited pro forma adjustments to reflect the effect of the Acquisition described below:

	The Group as at 31 December 2013 <i>HK\$'000</i> <i>(Note 1)</i>	The Target Group as at 31 December 2013 <i>HK\$'000</i> <i>(Note 2)</i>	Pro forma adjustment #1 <i>HK\$'000</i> <i>(Note 3)</i>	Pro forma adjustment #2 <i>HK\$'000</i> <i>(Note 4)</i>	Pro forma adjustment #3 <i>HK\$'000</i> <i>(Note 5)</i>	Unaudited pro forma for the Enlarged Group <i>HK\$'000</i>
Non-current assets						
Leasehold land and land use rights	5,546	5,179				10,725
Property, plant and equipment	99,834	61,074				160,908
Investment properties	29,262	–				29,262
Goodwill	–	–		346,998		346,998
Intangible assets	–	118,023		284,802		402,825
Deposits	12,000	2,337	(12,000)			2,337
Investments in subsidiaries	–	–	639,795	(639,795)		–
Other non-current assets	423	–				423
	147,065	186,613	627,795	(7,995)	–	953,478
Current assets						
Inventories	17,273	–				17,273
Trade and other receivables	42,937	1,016				43,953
Current tax assets	4,090	–				4,090
Cash and bank balances	30,346	2,591	(5,000)		(3,555)	24,382
	94,646	3,607	(5,000)	–	(3,555)	89,698

APPENDIX IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group as at 31 December 2013 <i>HK\$'000</i> <i>(Note 1)</i>	The Target Group as at 31 December 2013 <i>HK\$'000</i> <i>(Note 2)</i>	Pro forma adjustment #1 <i>HK\$'000</i> <i>(Note 3)</i>	Pro forma adjustment #2 <i>HK\$'000</i> <i>(Note 4)</i>	Pro forma adjustment #3 <i>HK\$'000</i> <i>(Note 5)</i>	Unaudited pro forma for the Enlarged Group <i>HK\$'000</i>
Current liabilities						
Trade and other payables	24,186	3,978				28,164
Bank borrowings, secured	23,621	–				23,621
Provisions	–	125				125
	<u>47,807</u>	<u>4,103</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>51,910</u>
Net current assets/ (liabilities)	<u>46,839</u>	<u>(496)</u>	<u>(5,000)</u>	<u>–</u>	<u>(3,555)</u>	<u>37,788</u>
Total assets less current liabilities	193,904	186,117	622,795	(7,995)	(3,555)	991,266
Non-current liabilities						
Other payables	–	36,182	(13,103)	(495)		22,584
Convertible notes	–	–	397,796			397,796
Deferred tax liabilities	–	29,164		71,200		100,364
	<u>–</u>	<u>65,346</u>	<u>384,693</u>	<u>70,705</u>	<u>–</u>	<u>520,744</u>
Net assets	<u>193,904</u>	<u>120,771</u>	<u>238,102</u>	<u>(78,700)</u>	<u>(3,555)</u>	<u>470,522</u>

Notes:

- The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2013, as set out in the published annual report of the Company for the year ended 31 December 2013.
- The amounts are extracted from the financial information of the Target Group, as set out in Appendix II to this circular.
- The adjustment represents the consideration of the Acquisition which will be settled in the following manner:
 - HK\$17,000,000 of the consideration shall be paid in cash on Completion, of which a deposit of HK\$12,000,000 has been paid as at 31 December 2013; and
 - The remaining consideration shall be settled by issuance of the Convertible Note by the Company.

The holder of the Convertible Note may convert the whole or part of the Convertible Note into shares of the Company (the “New Shares”) at HK\$2.36 per Share, subject to adjustments. The Convertible Note shall be measured at fair value on Completion considering both the fair value of the debt component and equity component. The debt component of the Convertible Note is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the Convertible Note as a whole and the fair value of the debt component. Any directly attributable transaction costs are allocated to the debt and equity components in proportion to their initial carrying amount.

For the purpose of this unaudited pro forma financial information, the fair value of the Convertible Note is estimated by the Directors to be HK\$635,898,000, which comprises the fair value of the debt component of HK\$397,796,000 and fair value of the equity component of HK\$238,102,000 as at 31 December 2013. Fair value of the Convertible Note is determined using the binomial option pricing model based on the key assumptions including volatility of daily stock price return of 40% and risk free rate of 0.66%.

Fair value of the debt component of the Convertible Note is determined by using the discounted cash flow estimates, which represents the present value of the redemption price discounted at a fair market rate of 7.80%, which is based on (i) the risk free rate of 0.66%, (ii) spread of comparable bond of 6.53% and (iii) country risk premium of 0.60%.

Accordingly, the pro forma fair value of the consideration for the Acquisition as at 31 December 2013 would be HK\$652,898,000 (which comprises of cash consideration of HK\$17,000,000 and fair value of the Convertible Note of HK\$635,898,000).

Volatility of daily stock price return is determined based on the annualised standard deviation of daily stock price return of entities engaged in the natural gas business listed in Hong Kong and the PRC over the past 250 days as extracted from Bloomberg. Risk free rate is determined with reference to the market yield of Hong Kong Government Bonds with maturity of 3 years as at 31 December 2013, the observable period consistent with maturity of the Convertible Note. The spread of comparable bond is determined with reference to the coupon rates of comparable bonds in the United States (“US”). Country risk premium has been applied to adjust the spread of the US bonds for the Convertible Note will be issued in Hong Kong.

Since the fair value of the Convertible Note to be issued on Completion may be substantially different from its fair value used in preparing this unaudited pro forma financial information, the amount of the consideration for the Acquisition and, accordingly, the amount of investment cost to the Company at the Completion may be different from the amounts presented above and the difference may be significant.

The Acquisition involves the proposed acquisition of the entire issued share capital of the Target Company and all benefits of the Loan. For the purpose of this unaudited pro forma financial information, the Loan is assumed to be HK\$13,103,000, representing the amount of indebtedness due to the Vendor by the Target Group as at 31 December 2013. Accordingly, the net amount of the fair value of the consideration of the Acquisition and the carrying amount of the Loan of HK\$639,795,000 is recognised in the unaudited pro forma financial information as cost of investments in subsidiaries, and the fair value of the debt component of the Convertible Note of HK\$397,796,000 is recognised in the unaudited pro forma information as non-current liabilities.

APPENDIX IV

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4. Upon Completion, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting in accordance with International Financial Reporting Standard No. 3 (Revised), “Business Combinations”. For the purpose of the unaudited pro forma financial information, the Directors have estimated the fair value of the identifiable assets and liabilities of the Target Group, after taking reference of a separate valuation report dated 30 June 2014 for the purpose of determining the preliminary fair value of exclusive operation rights (“Assets Valuation”) of the Target Group prepared by the independent valuer, LCH (Asia-Pacific) Surveyors Limited. Such valuation report is different from that in Appendix V which is in relation to the financial net present value of the business of Benxi Project (“Business Valuation”). Different value for both valuations is mainly associated with the different discount rates, where 20% was adopted in the Business Valuation as opposed to 23% that was used in Assets Valuation. The lower discount rate used in the Business Valuation reflects the status of the Benxi Project, whereas a standalone intangible asset was perceived to involve a higher risk. The pro forma fair value of identifiable assets acquired and liabilities assumed of the Target Group as at 31 December 2013 is as follows:

	Carrying amount HK\$'000	Fair value adjustments HK\$'000	Fair value HK\$'000
Leasehold land and land use rights	5,179	–	5,179
Property, plant and equipment	61,074	–	61,074
Intangible assets (<i>note (a)</i>)	118,023	284,802	402,825
Deposits and other receivables	3,353	–	3,353
Cash and bank balances	2,591	–	2,591
Other payables (<i>note (b)</i>)	(40,160)	495	(39,665)
Provisions	(125)	–	(125)
Deferred tax liabilities (<i>note (c)</i>)	(29,164)	(71,200)	(100,364)
	<u>120,771</u>	<u>214,097</u>	<u>334,868</u>

- (a) Exclusive operation rights acquired in a business combination are initially recognised at fair value at date of acquisition and subsequently carried at cost less accumulated amortisation and any subsequent impairment losses. For the purpose of this unaudited pro forma financial information, the fair value of the exclusive operation rights has increased to HK\$402,825,000, mainly attributable to the expanded scope of natural gas business as approved by the government on 10 May 2013 as well as the governmental support. On 10 May 2013, the government approved the distribution of LNG and CNG and the operation of LNG gas stations in addition to the distribution of pipeline natural gas. In order to support these businesses, the government also promoted the use of natural gas in the Supply District as a cleaner energy source. As the expanded scope of natural gas business as well as the governmental support are conditions existing after the business combination of the Target Group on 10 January 2013, the effect of these conditions are not reflected in the initial carrying amount of the exclusive operation rights of the Target Group but will be reflected in the consolidated financial statements of the Enlarged Group upon Completion.

The fair value of the intangible assets is estimated by the independent valuer by using the discounted cash flow method. Key parameters and assumptions adopted in the Assets Valuation are summarised as follows:

- discount rate of 23%, which is mainly based on risk free rate of 4.62%, (ii) market premium of 9.79%, (iii) average beta of 0.805, (iv) size premium of 3.81% and (v) other risk premium of 7.00%. *(note (i))*
 - the daily usage of the industrial users in DFH Industrial Park of approximately 295,900 cubic meters *(note (ii))*
 - the number of dump trucks in Supply District amounts to approximately 800 *(note (iii))*, and 60% *(note (vi))* of which is expected to be fuelled by LNG at full capacity;
 - the number of public buses in Supply District amounts to approximately 1,000 *(note (iii))*, and 80% *(note (vi))* of which is expected to be fuelled by LNG at full capacity;
 - the number of taxis in Supply District amounts to approximately 4,500 *(note (iii))*, and 80% *(note (vi))* of which is expected to be fuelled by CNG at full capacity;
 - the number of private vehicles in Supply District amounts to approximately 25,500 *(note (iii))*, and 20% *(note (vi))* of which is expected to be fuelled by CNG at full capacity;
 - the number of household units in Supply District amounts to 52,500 *(note (iv))*, and 80% *(note (vi))* of which is expected to consume pipeline gas at full capacity;
 - the number of restaurants in Supply District amounts to 1,500 *(note (v))*, and 80% *(note (vi))* of which is expected to consume pipeline gas at full capacity;
 - the number of accommodation facilities in Supply District amounts to 200 *(note (v))*, and 60% *(note (vi))* of which is expected to consume pipeline gas at full capacity;
 - the daily service capacity is able to satisfy the according demand for the entire duration of the Benxi Project;
 - the cost burden in price fluctuations of natural gas supply could be completely transferred to end-users from time to time, such that the gross profit margin for selling natural gas could be maintained;
 - the working capital is expected to be insignificant due to the expected settlement pattern of receivables and payables, except for the initial natural gas reserve to be stored in the LNG tanks.
- (i) Risk free rate is determined with reference to the market yield of China Government Bonds with maturity of 10 years as at 31 December 2013, the longest-live government bond in China. Market risk premium is determined with reference to the expected return in excess of the market yield of the China Government Bond. Average beta is derived from various listed entities engaged in similar business in the PRC. Size and other risk premium has been applied to adjust the risk associated with the size of the PRC Operating Co. and the natural gas business.

- (ii) Based on the letters of intent signed with the industrial users in the DFH Industrial Park.
 - (iii) Based on information as set out in a document 《關於本溪市車輛統計數據的查檔證明》 (Filing Proof Regarding Motor Vehicles Statistical Data In Benxi City*) dated 4 March 2014 issued by the local bureau of statistics of Benxi City.
 - (iv) Based on the population of 147,000 in the Supply District as set out in a document 《關於本溪遼河油田金輝燃氣有限公司城市天然氣業務特許經營範圍的說明》 (Illustration Regarding The Urban Natural Gas Business Franchise Operation Scope of Liaohu Jinhu Gas Company Limited*) dated 29 December 2012 issued by the local government of Benxi City and estimation by the independent expert, 中交煤氣熱力研究設計院有限公司 (Zhongjian Meiqireli Yanjiu Shejiyuan Company Limited), that the number of household units in the Supply District would be 52,500.
 - (v) Based on information as set out in a document 《本溪市溪湖區各類商業場所相關數據證明》 (Respective Data Proof of Different Types of Commercial Complex in Xihu District, Benxi City*) dated 1 February 2013 issued by local business services department of Benxi City.
 - (vi) Estimated based on experience an independent expert, Zhongjian Meiqireli Yanjiu Shejiyuan Company Limited.
- (b) The fair value of other payables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities of 11.25% to 12.85%. In determining the discount rate, risk-free rate, credit risk premium and country risk premium are considered. Risk-free rate is determined with reference to the market yield of China Government Bonds with similar maturities as at 31 December 2013. Credit risk premium is determined with reference to the coupon rates of comparable bonds in the US. Country risk premium has been applied to adjust the spread of the US bonds for these balances are originated from the PRC Operating Co.
- (c) The adjustment to deferred tax liabilities was arising from the fair value adjustment of the intangible assets and is calculated based on the PRC Enterprise Income Tax rate of 25%, given the intangible assets are held by the PRC Operating Co.

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- (d) The pro forma goodwill arising from the Acquisition is calculated as the excess of the pro forma consideration over the Group's share of the pro forma fair value of the identifiable net assets of the Target Group as if the Acquisition were completed on 31 December 2013, as follows:

	HK\$'000	HK\$'000
Pro forma fair value of consideration for the Acquisition (note 3)		652,898
Less: Assignment of the Loan (note 3)		<u>(13,103)</u>
		639,795
Pro forma fair value of identifiable net assets of Target Group (note 4)	334,868	
Less: Pro forma non-controlling interests [#]	<u>(42,071)</u>	
Pro forma fair value of identifiable net assets acquired		<u>(292,797)</u>
Goodwill		<u><u>346,998</u></u>

[#] Non-controlling interests are attributable to the PRC Operating Co which are calculated based on the proportionate share of the pro forma fair value of the identifiable net assets of the PRC Operating Co. attributable to the non-controlling interests. As at 31 December 2013, the registered capital of the PRC Operating Co. is RMB90,000,000, of which the Target Group and the non-controlling interests had paid-up approximately RMB32,461,000 and RMB7,940,000, respectively, and the outstanding capital contribution of RMB49,599,000 are due on 20 March 2016.

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As the amount contributed by the equity holders as at 31 December 2013 was not in proportion to the percentage of equity interests held by each party, for the purpose of the unaudited pro forma financial information, non-controlling interests represent approximately 12.1% of the pro forma fair value of identifiable net assets of the PRC Operating Co., versus the 10.82% equity interests held by the independent third parties. The following present the reconciliation of the non-controlling interests:

	HK\$'000	HK\$'000
As at 31 December 2013		
Paid-up capital of the PRC Operating Co.	50,501	
Less: Capital contribution from the Target Group	(40,576)	
		9,925
Reserves of the PRC Operating Co.	83,001	
Less: Amount attributable to the Target Group (89.18%)	(74,020)	
		8,981
Pro forma fair value adjustments attributable to the PRC Operating Co.	214,097	
Less: Amount attributable to the Target Group (89.18%)	(190,932)	
		23,165
Pro forma non-controlling interests		42,071

Since the amount of the Loan, the fair value of the Convertible Note of the Company and the amounts of the identified net assets (including intangible assets) on Completion may be substantially different from the amounts and their fair value used in preparing this unaudited pro forma financial information, goodwill to be recognised in connection with the Acquisition may be different from the amounts presented above and the difference may be significant. For the purpose of this unaudited pro forma financial information, the Directors consider that no impairment in the value of leasehold land and land use rights, property, plant and equipment, investment properties, goodwill, intangible assets and other non-current assets is necessary in accordance with International Accounting Standards 36 "Impairment of Assets" as the Directors assessed that there is no indication of further impairment, when preparing this unaudited pro forma financial information. Subject to any changes in the accounting standards, the Directors will apply consistent accounting policies, principal applicable and appropriate assumptions and valuation methods in order to assess the impairment of these assets in subsequent reporting periods in accordance with the International Financial Reporting Standards.

- The adjustment represents estimated expenditures incurred that are directly attributable to the Acquisition which is charged to profit or loss of the Group, including legal fees and other advisory fees, accountants' fees, printing and translation fees of this circular and will be subject to further changes upon Completion.
- No adjustment has been made to the unaudited pro forma consolidated statement of assets and liabilities, to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2013.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.



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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA PRINT POWER GROUP LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Print Power Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of assets and liabilities as at 31 December 2013, and related notes as set out on pages IV-1 to IV-8 of the circular (the "Circular") issued by the Company dated 30 June 2014 (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on pages IV-1 to IV-8 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of 1,000 shares of Cloud Decade Limited and the benefits of the loan advanced by New Topic Limited to Cloud Decade Limited and the issue of convertible note in the principal amount of HK\$498,432,000 by the Company on the Group's assets and liabilities as at 31 December 2013 as if the transaction had taken place at 31 December 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 December 2013, on which an auditor's report has been published.

DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited*Certified Public Accountants***Au Yiu Kwan**

Practising Certificate Number: P05018

Hong Kong, 30 June 2014

The following is the text of the valuation report issued by LCH (Asia-Pacific) Surveyors Limited, an independent valuer, for the purpose of inclusion in this circular.



The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the International Valuation Standards 2011 and published by the International Valuation Standards Council which entitles the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for readers' identification purpose only and have no legal status or implication on the report. This report is prepared and signed off in English format, translation of this report in language other than English should not be regarded as a substitute to this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to the valuer at the date of this report. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusion.

17th Floor
Champion Building
Nos. 287-291 Des Voeux Road Central
Hong Kong

30 June 2014

The Board of Directors
China Print Power Group Limited
Flat 2, 13th Floor, Kodak House II
No. 39 Healthy Street East
North Point
Hong Kong

Dear Sirs,

In accordance with the recent instructions given to us by the present management of China Print Power Group Limited (hereinafter referred to as the "Instructing Party"), we were retained to analyse and prepare an agreed-upon procedures evaluation on the financial net present value of a project (hereinafter referred to as the "Benxi Project") as at 31 December 2013 (hereinafter referred to as the "Relevant Date") for the Instructing Party's internal management reference. The Benxi Project is located in Xihu District, Benxi City, Liaoning Province, the People's Republic of China (hereinafter referred to as the "PRC" or "China"). We confirm that we have carried out inspections, made relevant inquiries and have based our work on a set of documents as supplied by the Instructing Party or its appointed personnel to arrive at our conclusion.

We understand that the Instructing Party will use our work product as part of its business due diligence, and we have not been engaged to make specific sales or purchase recommendations, or to give our opinion of value for financing arrangement. We further understand that the Instructing Party will not rely solely on our work, and that the use of our work product will not supplant other due diligence which the Instructing Party should conduct in reaching its business decision with regard to the Benxi Project. We need to state that our work is designed solely to provide information that will give a reference to the Instructing Party as part of its internal due diligence process, and our work should not be the only factor to be referenced by the Instructing Party.

OUR INSTRUCTIONS TO THIS ENGAGEMENT

China Print Power Group Limited (hereinafter referred to as “China Print” or the “Company”) and its subsidiaries (collectively, together with China Print, hereinafter referred to as the “Group”) are principally engaged in printing business and sales of paper and leather products. China Print is dual primary listed on the Main Board of The Stock Exchange of Hong Kong Limited (hereinafter referred to as “HKEX”) and Singapore Exchange Securities Trading Limited. As of 31 December 2013, it had a market capitalisation of approximately HK\$575 million with issued shares of 209,049,373. According to the 2012 Annual Report of China Print, it had an audited turnover of approximately HK\$192 million and an audited net loss of approximately HK\$15 million for the year ended 31 December 2012.

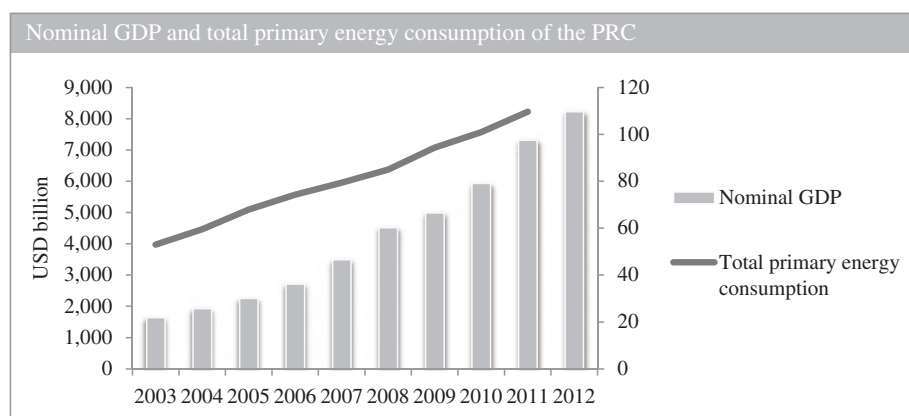
According to the information provided to us by the Instructing Party, China Print’s announcement dated 5 May 2014, and Sale and Purchase Agreement dated 5 May 2014, Goldlink Capital Limited, a wholly-owned subsidiary of China Print, will acquire from New Topic Limited (hereinafter referred to as the “Vendor”), a limited liability company incorporated in the British Virgin Islands, the entire issued share capital of Cloud Decade Limited beneficially owned by the Vendor. Cloud Decade Limited holds approximately 89.18% indirect equity interests in 本溪遼油新時代燃氣有限公司 (hereinafter referred to as “Benxi Liaoyou” or the “PRC Operating Co”). The PRC Operating Co is interested in the Benxi Project which involves in construction of natural gas related facilities located in Xihu District, and their operations upon completion of the construction thereof.

At the instruction of the Instructing Party, we were retained to base on a set of documents provided by the Instructing Party or its appointed personnel to analyse and prepare an agreed-upon procedures project evaluation report to evaluate the financial net present value of the Benxi Project. The documents include various government approvals to support the constructions and operations of natural gas related facilities which the PRC Operating Co is interested in. According to the 《本溪市溪湖區工業園區及城區燃氣特許經營協議書》(Benxishi Xihuqu Gongyeyuan ji Chengqu Natural Gas Exclusive Operation Agreement*) (hereinafter referred to as the “Agreement”) dated 30 March 2012, and its supplemental agreement dated on 30 May 2013, signed between the PRC Operating Co and the local government, the PRC Operating Co has the exclusive right to construct, maintain and operate natural gas related facilities in Xihu District of Benxi City, with a term of 30 years.

INDUSTRY OVERVIEW (SEE NOTE)

Economic Overview

For the past decade, the Chinese economy has grown by a compound annual growth rate (CAGR) of approximately 20% from approximately USD1,641 billion in 2003 to approximately USD8,227 billion in 2012 by nominal GDP. Spanning the period, the PRC has crossed the milestone to become the second-largest economy and the largest primary energy user by country worldwide.

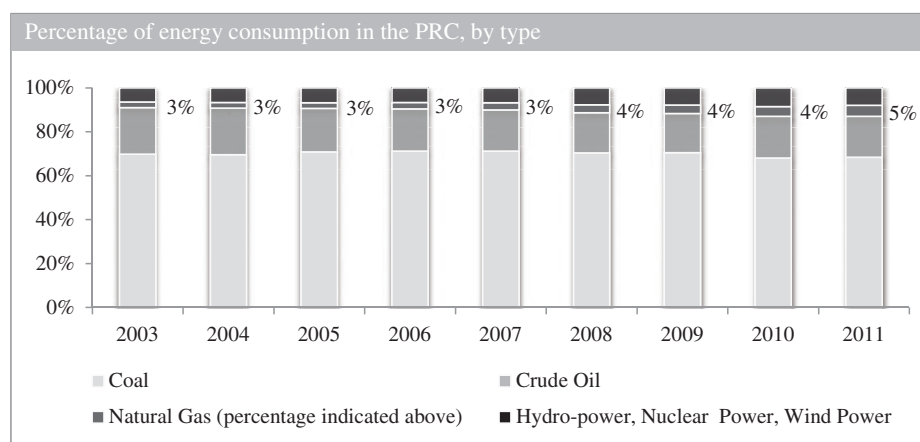


Source: The World Bank, EIA US Department of Energy

Note: The information provided in this section relating to the natural gas industry and market is derived in part or extracted or referred to from various official and unofficial sources. The official sources include various quasi-governmental or world organisation websites (such as National Bureau of Statistics China, World Bank, and Energy Information Administration). The unofficial sources include information provided by the Instructing Party and its appointed personnel, various websites, newspapers, research reports and journals from various industry practitioners or analysts. We need to state that such official and unofficial information have not been prepared or independently verified by us, and may not be consistent with other information compiled within or outside the industry. None of our staff involved in preparing this report make any representation as to the correctness or accuracy of such information and accordingly such information should not be unduly relied upon. The readers should conduct his/her due diligence with regard to the correctness and accuracy of such information for his/her own use. Unless otherwise stated, the copyright of the quoted information belongs to the relevant owner.

Energy Consumption and Policy in the PRC

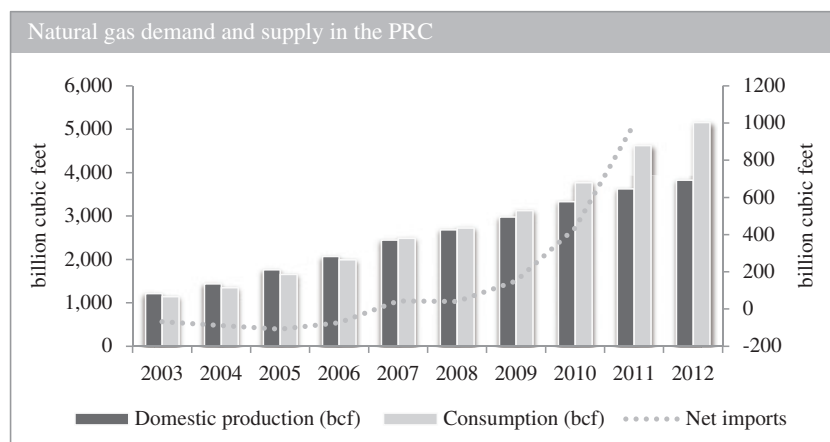
As the largest primary energy user by 2010 onwards, the PRC has topped the world's largest emitter of greenhouse gases by country. While coal still constitutes the major portion of the PRC's energy consumption, Chinese policymakers lean more and more towards cleaner fuel sources, particularly natural gas. As part of its 12th Five-Year Plan (2011-2015), the government of the PRC has emphasised the use of natural gas as energy source and has set targets to increase the share of natural gas in the energy consumption mix from its current 5% to 8% by 2015, with a longer-term goal of a 10% share by 2020, to cut carbon emissions.



Source: National Bureau of Statistics China

Natural Gas Demand and Supply in the PRC

Natural gas consumption has experienced significant growth in the past decade from approximately 1143 billion cubic feet in 2003 to approximately 5152 billion cubic feet in 2012, which represents a CAGR of 18.21% over the period. The high increase in natural gas demand has led gas consumptions to overtake the domestic production of natural gas in the PRC in 2007 and a net import of natural gas is recorded ever since to satisfy the increasing demands. From 2009 and after, the volume of net import in natural gas rose sharply to meet the intense growth of natural gas consumption in the PRC over the period. China imported approximately 41.4 billion cubic meters natural gas in 2012, among which 21.4 and 20.0 billion cubic meters were imported by pipeline and in form of liquefied natural gas (LNG) respectively. Pipeline supplies mainly came from Turkmenistan, and the LNG imports mainly came from Qatar, Australia and Indonesia.



Source: EIA US Department of Energy

Natural Gas Price Reform in the PRC

The pricing of natural gas in the PRC was originally regulated and guided by the government, which did not necessarily reflect demand and supply relationship of the market. Until late December 2011, the National Development and Reform Commission (NDRC) issued a notice announcing a natural gas price reform pilot scheme. According to the notice, the pilot scheme will be implemented in Guangdong province and the Guangxi Autonomous Region, such that the ultimate goal of the reform is to liberalise and let the market decide the well-head prices of the natural gas.

Under the scheme, the city-gate price of natural gas will be linked to international prices of alternative energies, imported fuel oil for power generation and liquefied petroleum gas in Shanghai, each having a weight of 60% and 40% in the natural gas pricing calculation to provide the reference for benchmark, and a 15% discount will be accounted for price advantage of natural gas. The State Council will still set price ceilings on city-gate gas prices, and negotiations between buyers and sellers could take place within the price limits. The pricing reform is restricted to industrial users for the time being but pricing reform is expected to be implemented to include residential users by 2015. According to the NDRC, the scheme will be implemented nationwide to encourage rational domestic usage of natural gas in the country after some experiences have been obtained.

ESTABLISHMENT OF TITLES

For the purpose of this engagement, the Instructing Party was requested to provide us the necessary documents to support that the legally interested parties in the Benxi Project have free and uninterrupted rights, directly or indirectly, to assign or to transfer the Benxi Project (a part of or the whole of) free of all encumbrances and any premiums/administrative costs payable have already been paid in full. However, our procedures to evaluate as agreed with the Instructing Party did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested parties obtained the Benxi Project from the relevant authorities. We agreed with the Instructing Party that this should be the responsibility of the legal advisor to the Instructing Party. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the title to the Benxi Project.

In our evaluation, we have assumed that the legally interested parties in the Benxi Project have obtained all the approval and/or endorsement from the relevant authorities for operation, and that there would be no legal impediment (especially from the regulators) for the legally interested parties to continue the interest in the Benxi Project. Should this not be the case, it will affect our conclusion in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

PROCEDURES TO EVALUATE

In performing our work, we have adopted the following procedures which were agreed with the Instructing Party before the engagement. They were:

- to prepare and submit a list(s) of required document and information regarding the Benxi Project during the course of evaluation.
- to read and based on the content of the supplied information, such as feasibility study, business plan, profit forecast, market information, financial information, and its related materials such as explanatory statements and relevant correspondence and recent updates from the Instructing Party or its appointed personnel, to arrive at our conclusion. In the course of our evaluation, we will assume that the information provided in the materials is correct and we will only verify the information when and where possible. However, we will not ascertain the correctness of the information contained in the materials like an auditor in giving an audit opinion;
- to hold discussions with relevant appointed personnel of the Instructing Party in order to have a better understanding of the Benxi Project;
- to conduct a limited scope of on-site inspection at the location of the Benxi Project at the direction of the relevant appointed personnel of the Instructing Party;
- to conduct appropriate research in order to obtain sufficient information to arrive at our conclusion. The extent of research and consultation is at our discretion;
- to evaluate the financial net present value of the Benxi Project using the appropriate method(s); and
- to document our findings and conclusion in our project evaluation report.

THE BASIS OF EVALUATION AND ASSUMPTIONS

The Benxi Project is evaluated on the basis of continued use and as part of a going concern business of a business enterprise (see Note), in this case the PRC Operating Co, We were given to understand that there are no significant assets held by the PRC Operating Co other than the Benxi Project. The continued use premise assumes that the Benxi Project will be operated in accordance with the Feasibility Study (to be defined below), and the scheduled business plan.

Note: A business enterprise is defined as a commercial, industrial, service, or investment entity, or a combination thereof, pursuing an economic activity.

Our evaluation has been made on the following general assumptions as at the Relevant Date. They are:

1. the legally interested parties in the Benxi Project have free and uninterrupted rights to use or assign, directly or indirectly, a part of or the whole of the interests of the Benxi Project for the whole terms granted and any relevant costs payable have already been fully paid;
2. the relevant operating licence(s) and business registration documents are able to be renewed after their expiration from time to time in order to achieve the expected result;
3. all required licences, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation have been or can readily be obtained before commencing the operation and be renewed or replaced on which the evaluation contained in our report is based;
4. the PRC Operating Co successfully raises fund to finance and to develop the Benxi Project as planned;
5. the prospective earnings would provide a return to the PRC Operating Co as projected in the profit forecast and that the PRC Operating Co has adequate working capital to implement the operation from time to time;
6. the legally interested parties in the Benxi Project have adopted reasonable and necessary security measures, and have considered several contingency plans against any disruption (such as fire, change of government policy, labour dispute and other types of unexpected accident) to its operations;
7. the Benxi Project, as part of a going concern business of the PRC Operating Co, can be freely disposed of and transferred free of all encumbrances for its existing or approved uses in the market to both local and overseas purchasers without payment of any premium to the government; and
8. all buildings are assumed to be usable for the entire operating period and all machinery is assumed to be usable before it is replaced as scheduled.

For the purpose of this assignment, the Instructing Party was requested to provide a financial projection to us. In addition, as supplemented to the financial projection, we were also provided with a feasibility study (hereinafter referred to as the “Feasibility Study”) dated March 2013, and prepared by 中交煤氣熱力研究設計院有限公司 (Zhongjiao Meiqireli Yanjiu Shejiyuan Company Limited* and hereinafter referred to the “Expert”). We were given to understand the Feasibility Study had made reference to i.) the development plan of the PRC Operating Co; ii.) information provided by the PRC Operating Co; iii) development schedule of the Benxi Project; and iv) market statistics. We were further advised that the Feasibility Study was based on the Expert’s research of the local demand of the potential consumption of natural gas as well as the promotion notice issued by the local government. As advised by the Instructing Party, there is no material change since the issue of the Feasibility Study to the date of this report, including the population, number of vehicles and households. After discussion with the Instructing Party, the Feasibility Study was adopted in the evaluation. The major parameters adopted in the financial projection extracted from the Feasibility Study are listed below:

- i. according to 關於本溪市車輛統計數據的查檔證明 (File Checking Proof Regarding Motor Vehicles Statistical Data in Benxi City*) issued by the local Bureau of Statistic of Benxi dated 4 March 2014, the number of dump trucks in Xihu District amounts to approximately 800, and according to the experience of the Expert, 60% is expected to be fuelled by LNG at full capacity;
- ii. according to 關於本溪市車輛統計數據的查檔證明 (File Checking Proof Regarding Motor Vehicles Statistical Data in Benxi City*) issued by the local Bureau of Statistic of Benxi dated 4 March 2014, the number of public buses in Xihu District amounts to approximately 1,000, and according to the experience of the Expert, 80% is expected to be fuelled by LNG at full capacity;
- iii. according to 關於本溪市車輛統計數據的查檔證明 (File Checking Proof Regarding Motor Vehicles Statistical Data in Benxi City*) issued by the local Bureau of Statistic of Benxi dated 4 March 2014, the number of taxis in Xihu District amounts to approximately 4,500, and according to the experience of the Expert, 80% is expected to be fuelled by CNG at full capacity;
- iv. according to 關於本溪市車輛統計數據的查檔證明 (File Checking Proof Regarding Motor Vehicles Statistical Data in Benxi City*) issued by the local Bureau of Statistic of Benxi dated 4 March 2014, the number of private vehicles in Xihu District amounts to approximately 25,500, and according to the experience of the Expert, 20% is expected to be fuelled by CNG at full capacity;
- v. according to 關於遼河油田金輝燃氣有限公司城市天然氣業務特許經營範圍的說明 (Illustration Regarding The Urban Natural Gas Business Franchise Operation Scope of Liaohe Jinhiu Gas Company Limited*) issued by the local government dated 29 December 2012, the total population in Xihu District is approximately 147,000, and the Expert estimated that the number of household units in Xihu District amounts to 52,500, and according to the experience of the Expert, 80% is expected to consume pipeline gas at full capacity;

- vi. according to 本溪市溪湖區各類商業場所相關數據證明 (Respective Data Proof of Different Types of Commercial Complex in Xihu District, Benxi City*) issued by the Business Service Department of Benxi dated 1 February 2013, the number of restaurants in Xihu District amounts to 1,500, and according to the experience of the Expert, 80% is expected to consume pipeline gas at full capacity;
- vii. according to 本溪市溪湖區各類商業場所相關數據證明 (Respective Data Proof of Different Types of Commercial Complex in Xihu District, Benxi City*) issued by the Business Service Department of Benxi dated 1 February 2013, the number of accommodation facilities in Xihu District amounts to 200, and according to the experience of the Expert, 60% is expected to consume pipeline gas at full capacity; and
- viii. according to the Feasibility Study, the daily usage of the industrial park would be approximately 295,900 cubic meters per day at full capacity. We were further given to understand that the usage forecast was based on the letter of intent signed with the industrial users.

Other assumptions made by the appointed personnel of the Instructing Party are listed below:

- (i) as advised, based on the development schedule, the daily service capacity is able to satisfy the according demand for the entire duration of the Benxi Project;
- (ii) the management expected that the cost burden in price fluctuations of natural gas supply could be completely transferred to end users from time to time, such that the gross profit for every unit of product sold is maintained;
- (iii) based on the development schedule, the capacity of the LNG and CNG refilling stations would be fully utilised in 2018;
- (iv) based on the development schedule, the capacity of the pipeline gas facilities would be fully utilised in 2017;
- (v) the management expects that the fixed assets have a usable life of 15 years with no residual value; and
- (vi) the working capital is expected to be insignificant due to the net off in receivables and payables, except for the initial set up of reserve/backup LNG tanks.

Should any of the above not be the case, it could have adverse impact to our reported findings and conclusion.

BACKGROUND INFORMATION OF THE EXPERT

中交煤氣熱力研究設計院有限公司 (Zhongjiao Meiqireli Yanjiu Shejiyuan Company Limited*), located in Shenyang, Liaoning Province, the PRC, is the earliest state-level research Expert specialising in urban coal gasification in China. It is mainly engaged in scientific research focusing on urban gas and heat, engineering consultancy, engineering design, engineering supervision and engineering master sub-contracting works. The Expert has numerous practitioner qualifications including Class A municipal utilities (gas, heat) engineering design certificate; design permits for specialty equipment like pressure pipeline Class GA1(1), GA2, GB1, GB2, GC1(2), GC2, GC3 and pressure container Class A2 Category III low and medium pressure container and Class A3 sphere-typed tank; Class B petrochemical storage and transportation sector, pipeline transmission sector, construction engineering design certificate; Class A municipal utilities (gas, heat) engineering consultancy certificate; Class B construction engineering consultancy certificate; Class A engineering master sub-contracting certificate. The Expert is one of the organisers of the national publication “Gas & Heat”, a high-tech enterprise in Shenyang and an affiliated unit of Liaoning Urban Gas Professional Committee. In 1999, the Expert passed the ISO9001 Quality Management System Certification and its quality management system complies with the requirements of GB/T19001-2008idtISO9001:2008 standard.

The Expert was founded in 1963. At the early stage, the Expert carried out the major research mission of “Replacing Urban Gas By Low Quality Coal” issued by State Science and Technology Commission. This Expert commenced its urban gasification search and established the first low quality coal gasification experiment research base in China. This Expert completed the state’s “Sixth Five-year Plan”, “Seventh Five-year Plan” and “Eighth Five-year Plan” on key scientific and technological projects, with research scope shifting from coal gasification process, purification, by-products recycle to gas transmission and applications. At the same time, it expanded the engineering service sector to the heat industry. In over five decades, the Expert always aims at nationwide development in terms of coal gasification technology research, urban gas, heat engineering design, and improves the technology standard of the national industry as its own mission. Through the efforts of several generations, the Expert has become the research and design Expert with strong technological force focusing on two sectors in gas and heat. It formed the scientific & research and design talents team with professional equipped, reasonable knowledge structure, strong service mentality. It has a total of over 1,000 projects spreading across 31 provinces, municipalities and autonomous regions in China, as well as in Europe and Southeastern Asia. A number of its projects have obtained the Ministry of Construction, provincial, municipal-level’s first, second and third class awards in scientific and technological progress, excellent survey design and excellent consultancy.

FACTORS CONSIDERED IN THE EVALUATION

Unless otherwise stated, the evaluation of the Benxi Project has taken into account a number of pertinent factors affecting the Benxi Project and its ability, if successful, to generate future investment returns as part of a going concern business of the PRC Operating Co. The factors considered in the evaluation included, but were not limited to, the following:

- the nature and the characteristics of the Benxi Project, including the historical background and the remaining life for the Benxi Project;
- the PRC Government's support on promoting the use of LNG and CNG;
- the use of the Benxi Project as part of a going concern business of the PRC Operating Co;
- the cost and financial information as contained in the profit forecast;
- the projected future returns mentioned in the profit forecast and based on the assumptions made by the appointed personnel of the PRC Operating Co and China Print;
- the economic interest and general characteristics of the Benxi Project;
- the PRC Operating Co being able to obtain all relevant licences as part of a going concern business;
- the capability and determination of the PRC Operating Co to follow the planned development schedule in the profit forecast;
- the capability and determination of the PRC Operating Co to follow the government and industry management quality standards and to review/up-lift its standards to catch the industry need from time to time;
- the capability and determination of the legally interested parties in the Benxi Project to protect its operations against any disruption of the normal operation in the Benxi Project;
- the capability and determination of the PRC Operating Co to maintain a cost effective operation in the Benxi Project;

- the capability and determination of the PRC Operating Co to maintain an experienced management team as part of a going concern business;
- the economic and industry data affecting the Benxi Project and natural gas business in the PRC; and
- the risks facing the Benxi Project and the PRC Operating Co.

FINANCIAL EVALUATION

Generally speaking, there are several conventional capital investment evaluation techniques, namely the Payback Period, the Rate of Return Method and the Discounted Cash Flows Method. The use of the Payback Period and the Rate of Return Method or the like is designed to serve the purpose of comparing between two or more capital investment projects simultaneously, and to help the investor(s) to examine a sound investment decision between the analysed projects by comparing the period to recover cost of investments or rate of return on capital employed. While the Discounted Cash Flows Method is designed to serve the purpose of evaluating the total sum of money to be received during the useful life of a project by investing certain amount of capital after considered the time value of money (see Note).

Payback Period

Payback measures the number of years it is expected to take to recover the cost of the original investment. It is calculated by estimating the annual cash flows from the commencement of a project to the end of its useful life. Initially the outflow will be negative, but, within a year or two from the start of most projects, positive cash flows will occur. This is a simple method and usually used as a first screening method (quoted from Investment Appraisal by G. Mott for the readers' easy reference).

However, we have reservation to use this simple method for it ignores any cash received after the payback period which cash flows after the payback period are usually much larger than before. And, it makes no attempt to relate the cash earned on the investment to the amount actually invested. In other words, it failed to measure the total profitability over the whole life of the investment. Some analysts commented this method encouraging a short term view and discriminating against long term projects and growth projects, like the Benxi Project. This technique is only good to make comparison between two capital investment projects and to help examine a sound investment decision between the two projects and, appropriate for entity where short term cash flows are more important than long term cash flows.

Note: The time value of money is based on the premise that one will prefer to receive a certain amount of money today more than the same amount in the future, all else equal.

Return on Capital Employed

This method is also known as the accounting rate of return. It is calculated by estimating average annual pre-tax profit as a percentage of the average capital employment i.e. the original investment. Analysts considered this method good to measure a project if the entity is concerned with profits rather than liquidity over a period of time. However, like the previous method, it ignores the time value of money and takes no account of the timing of the profits for it takes averaging over a period of time (quoted from Investment Appraisal of The CIMA for the readers' easy reference).

We consider this method irrelevant for the ratio in consideration is based on averaging profit over a period of time, not cash flows, which is hard to determine for the Benxi Project at present moment.

Ipsa facto, we have reservation to use the non-discounting but comparison evaluation technique in evaluating the Benxi Project for there were no other capital investment project(s) to compare. We take the view that the comparison evaluation technique, in this instance, can only be used when there are benchmarks to compare, say, statutory planned rate of return or payback period, and the evaluation is required for statutory purposes. However, to the best of our understanding, this evaluation is not intended to serve such statutory purposes nor there are reasonable, market-orientated benchmarks published by any recognised authorities in China for the investors to follow. Last but not the least, our instruction was to conduct a financial evaluation based on the materials provided in the profit forecast and to arrive at the financial net present value of the Benxi Project. Under such circumstance, we consider the use of the non-discounting comparison evaluation technique in this engagement irrelevant.

Discounted Cash Flows Method (see Note)

In considering the Discounted Cash Flow ("DCF") Method as the most appropriate method to assess the profitability of the Benxi Project, we have used the Net Present Value Analysis. By using this method, the expected cash flows on the Benxi Project are set out year by year and brought to a present value by use of present value factors at the appropriate rate. In constructing the cumulative present value table, positive present values are netted off against deficit present values so as to arrive at the "net present value" or in short form, NPV. When this net figure is positive then the Benxi Project is said to be viable because the stream of net cashflows is sufficient to pay the required rate of return at the specified rate. Conversely, when the net present value is negative then the Benxi Project is not viable.

Note: An evaluation method used to estimate the attractiveness of an investment opportunity. Discounted cash flow (DCF) analysis uses future free cash flow projections and discounts them to arrive at a present value to evaluate the potential for investment.

The NPV is the difference between the present values of project benefits and project costs. The financial NPV is computed using the following formula (for illustration purpose):

$$NPV = \sum_{i=0}^n \frac{b_i - c_i}{(1 + r)^i}$$

where b_i = benefits in period i
 c_i = costs in period i
 r = discount rate
 n = discounting period

The decision criterion is, as said, simple – to accept a project with NPV greater than or equal to zero, and reject if otherwise.

By constructing a cumulative present value table, a cash flows table is required. The cash flows table consists of (1) cash inflow items including revenues generated from the subject project, net working capital inflows and debt borrowing; and (2) cash outflow items including all cash related expenses such as operating expenses, administrative expenses, tax expenses, capital expenditures, net working capital outflows and debt repayment. The use of the NPV Method and its related analysis reflects investment criteria and requires the valuer to make empirical and subjective assumptions.

The first step of the evaluation is to estimate the economic income projection. The projections of the future revenues used in this evaluation were based on the profit forecast prepared by the Vendor and made available to us by the Instructing Party, and they are responsible for the assumptions upon which the projections are based. We were given to understand that the profit forecast was prepared after due and careful enquiry. Having discussed with the appointed personnel of the Instructing Party, we were instructed to follow the projection as contained in the information provided to us and no further verification work is required. For the purpose of this assignment, we have been provided with various documents, including the Feasibility Study, government promotional documents, documents issued by the local Bureau of Statistic of Benxi etc. and, we noticed that the provided forecast was in line with the statistic from the local Bureau of Statistic of Benxi. We further understand that the forecast was prepared based on the experience of the Expert and the appointed personnel of the Instructing Party.

The next step is to estimate the appropriate present value factor i.e. discount rate. Discount rate equals to cost of capital. The cost of capital represents investors' expectations and for any given investment is a combination of two basic factors, namely the risk-free rate and a premium for risk. There are many ways to estimate the discount rate such as the Build-up Model, the Capital Asset Pricing Model ("CAPM") and the Arbitrage Pricing Model for equity investment, and the Weighted Average Cost of Capital for normal project investment. The use of the appropriate model in each analysis depends on numerous factors, in particular the future capital structure of the investment. There is no universal model that applies to all cases. In this case, we have adopted the CAPM in the evaluation which reflects the value of the project to the project investors.

The CAPM is a model in which the cost of capital for any stock or portfolio of stocks equals a risk-free rate plus a risk premium that is proportionate to the systematic risk of the stock or portfolio (See ASA Business Valuation Standards). The CAPM concluded that a security's equity risk premium (the required excess rate of return for a security over and above the risk-free rate) is a linear function of the security's beta. This linear function is described as follows,

$$r_a = r_f + \beta_a (r_m - r_f)$$

Where, r_a = CAPM derived discount rate
 r_f = risk free rate
 β_a = beta of the asset
 r_m = expected market return

In estimating the discount rate in the evaluation, we have adopted the market-derived discount rate by the CAPM by using the market data of various listed companies with business similar to the PRC Operating Co and the Benxi Project.

Beta in the CAPM is a measurement of systematic risk. In order to obtain the industry representative beta, we have established a set of criteria to select the most appropriate guideline companies.

The selection criteria are:

- the comparable companies should be either listed on the HKEX, Shenzhen Stock Exchange or the Shanghai Stock Exchange;
- the main business of the comparable listed companies should be operated in the PRC; and
- the main business of the comparable listed companies should be related to gas distribution or gas stations operations.

Based on the above selection criteria and after further discussion with the Instructing Party and the appointed personnel of the Company to better understand the business of the Benxi Project, 10 most appropriate guideline companies were identified and selected. To the best of our knowledge, these companies could reflect the risk facing of the Benxi Project and could form a best representative beta for the Benxi Project.

Details of the representative guideline companies are set out as follows:

Stock Code	Name of the Listed Companies	Description of the business	Debt/ Equity	Adjusted Beta
603 HK	China Oil and Gas Group Ltd.	China Oil and Gas Group Ltd. is engaged in the investments in, and the operation and management of the natural gas and energy related business. Gas operations include city piped gas business, natural gas vehicle refilling stations, pipeline construction and operation, as well as transportation, delivery and distribution of compressed natural gas and liquefied natural gas.	62%	0.903
1600 HK	China Tian Lun Gas Holdings Ltd.	China Tian Lun Gas Holdings Ltd. processes and distributes natural gas through urban pipelines. The company operates in Henan Province, China. The company also operates a compressed natural gas filling station.	13%	0.531
002700 CH	Xinjiang Haoyuan Gas Company Ltd	Xinjiang Haoyuan Gas Company Ltd. processes, sells, services and delivers natural gas. The company's main products include delivery and sales of natural gas, and home residential pipeline installation services	0%	0.918
002267 CH	Shaan Xi Provincial Natural Gas Company Ltd.	Shaan Xi Provincial Natural Gas Company Ltd. transports natural gas through pipelines	36%	1.028

Stock Code	Name of the Listed Companies	Description of the business	Debt/ Equity	Adjusted Beta
956 HK	China Suntien Green Energy Corp.	China Suntien Green Energy Corp. operates a wind farm and a natural gas business. The company intends to build wind power projects and develop natural gas projects throughout China	105%	0.990
384 HK	China Gas Holdings Ltd.	China Gas Holdings Ltd. invests in, operates and manages natural gas distribution pipelines. The company distributes and sells natural gas to residential, commercial and industrial users, and bottles and sells compressed natural gas. The company also constructs and operates gas stations.	33%	0.825
1083 HK	Towngas China Company Ltd.	Towngas China Company Ltd. distributes and markets gas. The company sells LPG (liquefied petroleum gas) in bulk and in cylinder, provides piped LPG and natural gas, constructs gas pipelines, operates city gas-pipeline networks and gas stations, and sells LPG and natural gas household appliances.	26%	0.709
2688 HK	ENN Energy Holdings Ltd.	ENN Energy Holdings Ltd. distributes natural gas in China. The company, through its subsidiaries, invests in, operates, and manages gas pipelines, and sells and distributes piped and bottled gas in China.	26%	0.701
600642 CH	Shenergy Company Limited	Shenergy Company Limited develops, constructs, and invests in electric power and other energy related projects. The company distributes electric power, heat, and gas.	31%	1.020

Stock Code	Name of the Listed Companies	Description of the business	Debt/Equity	Adjusted Beta
601139 CH	Shenzhen Gas Corporation Ltd.	Shenzhen Gas Corporation Ltd. supplies gas in Shenzhen. The company's business includes wholesale of gas, pipeline and the supply of bottled gas, investment and construction in the distribution network of gas transmission.	16%	1.077

* Due to rounding process, the figures may be different from the actual worksheet.

Source: Bloomberg, as at the Relevant Date

According to Bloomberg, adjusted beta is an estimate of a security's future beta, which is derived from historical data, but modified by the assumption that beta moves toward the market average over time. The calculation is adjusted beta = (0.67* historical beta) + (0.33*1).

The beta of each guideline company represents its systematic risk and return relative to the domestic market, the PRC. In calculating the discount rate, the adjusted beta of the guideline companies, as sourced from Bloomberg, is adopted. The adjusted beta is modified from corresponding raw beta by assuming the guideline company's beta will move toward to the market average (i.e. beta equals to 1) in the long run.

As the leverages (debt levels) of the comparable companies are all different, in order to form a beta that is relevant to the Benxi Project, the beta needs to be adjusted for the difference in debt levels. Unlevered beta is the beta of a company without any debt (i.e. unlevering a beta removes the financial effects from leverage). The unlevered beta can be calculated by the equation below (for illustration purpose only).

$$\beta_U = \frac{\beta_L}{([1+(1-T)(D/E)])}$$

where

β_U	=	Unlevered beta
β_L	=	Levered beta (adjusted beta)
T	=	Corporate tax rate
D/E	=	Debt to equity ratio

Also, by definition, cash has no systematic risk, the beta will need to be further adjusted for the cash amount. The cash adjusted beta can be calculated by the equation below (for illustration purpose only).

$$\beta_c = \frac{\beta_u}{(\text{Weight of noncash asset})}$$

where

$$\begin{aligned} \beta_c &= \text{Beta adjusted for cash} \\ \beta_u &= \text{Unlevered beta} \\ \text{Weight of noncash asset} &= 1 - \frac{\text{Cash}}{\text{Debt} + \text{Market capitalisation}} \end{aligned}$$

The adopted average re-levered beta (see Note) is 0.805 which reflects the systematic risk of the Benxi Project. The risk-free rate of 4.62% and the Chinese market premium of 14.41% as at 31 December 2013 (both sourced from Bloomberg) were adopted in our evaluation. Due to its relatively small scale, a size premium of 3.81% (sourced from Ibbotson SBBI) is considered, and the representative cost of equity (see Note) is approximately 16%. Since all of the comparable companies are listed companies with historical track record, and the Benxi Project was still in the development stage with no historical track record, the Benxi Project was considered to be riskier compared to the comparable companies, as such a more conservative cost of equity of 20% was adopted to capture the riskiness of the Benxi Project.

Note: Cost of equity refers to the required rate of return (discount rate) on an equity investment.

The risk free rate and market premium were based on the China government bond yield and historical return of CSI 300 index quoted from Bloomberg. Government bond yield and index return were considered to be a commonly accepted reference for the risk free rate and market return.

Size premium was based on the research conducted by SBBI, and SBBI is a commonly referenced source for the size premium.

As the leverages (debt levels) of the comparable companies are all different, in order to form a beta that is relevant to the Benxi Project, the beta needs to be adjusted for the difference in debt levels. Also, by definition, cash has no systemic risk, the beta would need to be further adjusted for the cash amount.

Cash Flow Projection

Table below presented the summary of cash flow projections from year 2014 to year 2041:

Years ending 31 December (All figures in RUB '000 unless specified otherwise)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Total revenue	95,769	593,167	861,617	979,259	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501	1,035,501
Average selling price																												
LNG	15.00	6.80	6.77	6.73	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70	6.70
CNG	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70
Natural gas	4.00	4.09	4.15	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20
Pipeline installation Revenue	-	42,120	56,160	42,120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Volume																												
LNG	162	18,229	27,236	36,135	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034	45,034
CNG	-	16,863	25,295	33,726	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158	42,158
Natural gas	23,336	85,023	121,042	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430	127,430
Cost of goods sold per unit																												
LNG	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
CNG	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15
Natural gas	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95
Total cost of goods sold	(69,667)	(396,905)	(575,654)	(666,443)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)	(738,387)
Selling expenses	(1,177)	(7,242)	(10,838)	(13,017)	(14,957)	(15,406)	(15,868)	(16,344)	(16,834)	(17,340)	(17,860)	(18,395)	(18,947)	(19,516)	(20,101)	(20,704)	(21,325)	(21,965)	(22,624)	(23,303)	(24,002)	(24,722)	(25,464)	(26,228)	(27,014)	(27,825)	(28,660)	(29,519)
Administrative expenses	(10,780)	(20,240)	(26,621)	(29,353)	(32,543)	(33,150)	(33,775)	(34,418)	(35,081)	(35,764)	(36,467)	(37,191)	(37,937)	(38,705)	(39,497)	(40,314)	(41,155)	(42,021)	(42,913)	(43,831)	(44,775)	(45,745)	(46,741)	(47,763)	(48,811)	(49,885)	(50,985)	(52,110)
Other expenses	(4,214)	(26,099)	(37,911)	(43,087)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)	(45,562)
Earnings before tax (EBT)	9,932	142,681	226,779	204,051	202,996	201,909	200,789	200,789	199,656	198,448	197,225	195,965	194,667	193,330	191,953	185,483	182,538	178,732	176,400	174,804	173,160	171,467	169,722	167,926	166,075	164,169	162,206	160,184
Income Tax Expenses	(2,483)	(55,670)	(52,648)	(56,695)	(51,013)	(50,749)	(50,477)	(50,197)	(49,909)	(49,612)	(49,306)	(48,991)	(48,667)	(48,333)	(47,988)	(46,371)	(45,655)	(44,883)	(44,100)	(43,701)	(43,290)	(42,867)	(42,431)	(41,981)	(41,519)	(41,042)	(40,552)	(40,046)
Net Income	7,449	107,011	157,945	170,084	153,038	152,247	151,432	150,592	149,727	148,836	147,919	146,974	146,000	144,998	143,965	139,112	136,904	134,049	132,300	131,103	129,870	128,600	127,292	125,944	124,566	123,127	121,655	120,138
Adjustments																												
Depreciation	6,294	8,204	10,762	11,411	11,411	11,411	11,411	11,411	11,411	11,411	11,411	11,411	11,411	11,411	11,411	16,090	17,463	19,594	20,319	20,319	20,319	20,319	20,319	20,319	20,319	20,319	20,319	20,319
Net Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	(1,574)	(67,557)	(81,320)	(20,444)	-	-	-	-	-	-	-	-	-	-	-	(89,551)	(57,537)	(89,258)	(30,334)	-	-	-	-	-	-	-	-	-
Change in Working Capital	(2,256)	(1,800)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flow to Equity	9,613	45,858	87,387	161,052	165,658	162,843	162,003	161,138	160,248	159,330	158,385	157,412	156,409	155,376	153,766	65,650	98,830	64,386	122,284	151,422	150,189	148,919	147,610	146,263	144,875	143,446	141,973	140,457

PARAMETERS ADOPTED IN THE PROJECTION BY THE INSTRUCTING PARTY

- i) The capital expenditure was estimated by the Instructing Party based on their business plan. According to the business plan, we were given to understand that 5 gas stations will be built, and the estimated capital expenditure had also made reference to pipeline requirement and requirement for the industrial users.
- ii) As advised by the Instructing Party, the useful life of the fixed assets is 15 years, for evaluation sake, additional capital expenditure, with reference to the current capital expenditure amount and adjusted for inflation, starting in 2029 is assumed.
- iii) The selling price, cost of goods sold and sale volume were based on the Feasibility Study. As advised by the Instructing Party, the selling price was referenced to the natural gas selling price of the city near Benxi, cost of goods sold was based on the negotiation status with the gas supplier, and the sale volume was based on the statistics from the local Bureau of Statistic of Benxi, the Expert's experience, and the letter of intent signed with the industrial users.
- iv) As advised by the Instructing Party, the pipeline installation revenue would be RMB3,000 per household, and the installation volume was based on the number of households stated in the Feasibility Study.
- v) Selling expense includes the transportation and storage cost of LNG and CNG, and the cost was based on the Expert's experience on similar-type projects, and adjusted for inflation.
- vi) According to the Feasibility Study, administration expense includes salaries expenses, utilities expenses, office expenses, depreciation, and equipment maintenance expenses. We were given to understand that those expenses were forecasted based on the required number of workers, utilities requirement, and fixed assets level, those expenses were further adjusted for inflation.
- vii) An inflation of 3%, which was referenced to the China consumer price index, was assumed in the calculation.
- viii) Other expense includes business tax, urban construction tax, and educational tax, and advised by the Instructing Party that those taxes were forecasted based on the relevant government policy.
- ix) A corporate tax rate of 25% was assumed.

Sensitivity Analysis

As part of the agreed procedures evaluation, we were instructed to conduct a sensitivity analysis of the value of Benxi Project to changes of the discount rate. A sensitivity analysis on the estimated financial net present value of Benxi Project is presented as the following table below,

Discount Rate	18%	19%	20%	21%	22%
Total Indicated Value* (<i>RMB' 000</i>)	664,400	625,200	589,600	557,200	527,500

* figures rounded

NOTES TO EVALUATION

There are three generally accepted appraisal approaches to value, namely, the Income Approach (DCF), the Sales Comparison Approach (also known as the Market Approach) and the Cost Approach. The Sales Comparison Approach is basically a comparison method to evaluate a project by comparison to the prices at which other similar projects or interests changed hands in arm's-length transactions. The Cost Approach is to estimate the cost to replace each elements of working capital, tangible and intangible assets, and the sum of the assets should form the value of the project.

We were given to understand that the Benxi Project is still at the development stage as at the Relevant Date, with no stable financial track records. Due to the lack of operation history and the fact that the business is at the startup stage and is not asset-rich, the Sales Comparison Approach and the Cost Approach are considered less appropriate as at the Relevant Date.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

No allowance has been made in our evaluation for any charges, mortgages, outstanding premium or amounts owing in the Benxi Project. Also, no allowance has been made in our evaluation for any expenses or depreciation or taxation, which may be incurred in effecting a sale of the Benxi Project. Unless otherwise stated, it is assumed that the Benxi Project is free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

In the course of evaluation, we have assumed that the Benxi Project is able to be implemented without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported conclusion significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

INSPECTIONS AND INVESTIGATIONS

At the representation of the appointed personnel of the Instructing Party, we have conducted a limited scope of inspection to the location of the natural gas business in respect of which we have been provided with such information as we have requested for the purpose of our evaluation. We have not inspected those parts of the land which were covered, unexposed, not being arranged or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of uninspected parts and our report should not be taken as making any implied representation or statement about such parts. No structural survey, investigation, test or examination has been made, but in the course of our inspections we did not note any serious defects in the involved assets. We are not, however, able to report that the involved assets are free from rot, insect, infestation or any other defects. No tests were carried out to the services (if any) and we are unable to identify those services covered, unexposed or inaccessible.

Our evaluation has been made on the assumption that no unauthorised alteration, extension or addition has been made on the land that occupied by the Benxi Project (if any), and that the inspection and the use of our report do not purport to be a building or conditional survey of the inspected property. We have assumed that the premises are free of rot and inherent danger or unsuitable materials and techniques.

If there is a third party other than the legally interested parties in the Benxi Project proposing to acquire the Benxi Project and wants to satisfy them as to the Benxi Project of which forms part of a going concern business of the PRC Operating Co, if successful, then the third party should obtain a relevant surveyor's detailed inspection and report of their own before deciding whether or not to enter into an agreement for sale and purchase.

SOURCES OF INFORMATION AND ITS VERIFICATION

For the purpose of our work, we were provided with a latest version of financial projections from the appointed personnel of the Instructing Party, and they are responsible for the assumptions upon which the projections are based. Having discussed with the appointed personnel of the Instructing Party, we understood that the assumptions adopted reflect their judgment of their ability to promote and to commercialise the contracts through their marketing strategy and sales platform. The projections are based on their view of the most likely action to be taken by the respective management of the PRC Operating Co in the operation of the business, and they attested that the supplied data are accurate and reasonable. The financial projection is the source of the cash inflow and cash outflow items mentioned above. We noted that the cash inflow and cash outflow items are in real term in the financial projections. This information has been utilised without further verification. We have had no reason to doubt the truth and accuracy of the information that we have been furnished. No responsibility is assumed for the accuracy of the provided information.

For the purpose of this evaluation, we were furnished with various copies of the above named or unnamed documents related to this report and these copies have been referenced without further verifying with the relevant bodies and/or authorities. We need to state that we are not legal professionals, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the appointed personnel of the Instructing Party. No responsibility is assumed.

We have relied solely on the information provided by the Instructing Party or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, procedures to obtain necessary approvals, locations, titles, easements, clientele, products (type and class), site areas and all other relevant matters.

We are not contracted to conduct a due diligence to review the existing natural gas industry in the PRC. In the course of our work, we have solely depended on the advice given by the Instructing Party or its appointed personnel. We are unable to accept any responsibility for the reliability of the advice.

Also, we are not contracted to conduct a detailed geological study or pre-feasibility study or feasibility study, thus, the report is not a detailed evaluation of the feasibility of developing natural gas business. In the course of our work, we have solely depended on the profit forecast and advice given by the Instructing Party or its appointed personnel. We are unable to accept any responsibility for the reliability of the advice.

Information furnished by others, upon which all or portions of our report are based, is believed to be reliable but has not been verified in all cases. Our procedures to evaluate or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our report.

When we adopted the work products from other professions, external service/data providers and/or the Instructing Party in our evaluation, the assumptions and caveats adopted by them in arriving at their opinions also applied in our evaluation. The procedures we have taken do not require us to examine all the evidences, like an auditor, in reaching at our opinion. As we have not performed an audit, we are not expressing an audit opinion in our evaluation.

We are unable to accept any responsibility for the information that has not been supplied to us by the Instructing Party or its appointed personnel. We have sought and received confirmation from the Instructing Party that no material factors have been omitted from the information supplied. The report is based upon the assumption of full disclosure between the Instructing Party and us of material and latent facts that may affect the evaluation. No responsibility is assumed for withheld information (if any).

Unless otherwise stated, the base currency of our report is Renminbi Yuan (“RMB”).

LIMITING CONDITIONS OF THIS REPORT

This report is provided strictly for the sole use of the Instructing Party. Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of the this report in this circular for the Company’s Shareholders’ reference.

Our findings and opinion in this report are valid only for the stated purpose and only for the Relevant Date and only of the sole use of the Instructing Party. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person. Should any other parties interested in the Benxi Project, they shall conduct their own due diligence work and shall not rely on this report.

No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or financial condition or other conditions, which occur subsequent to the date hereof. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of our services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

It is agreed that the Instructing Party and/or its appointed personnel are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

CONCLUSION

Based on the investigation, analysis, reasoning and data outlined as above, and on the method employed, it is our opinion that as at the Relevant Date, the financial net present value (before taking into consideration any transaction costs) of the Benxi Project as part of a going concern business of the PRC Operating Co, was reasonably stated as ***RENMINBI FIVE HUNDRED EIGHTY NINE MILLION AND SIX HUNDRED THOUSAND YUAN ONLY (RMB589,600,000).***

STATEMENTS

Our conclusion is based on generally accepted evaluation procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgement in arriving at the evaluation, the readers are urged to consider carefully the nature of such assumptions which are disclosed in our report and should exercise caution in interpreting our report.

The evaluation has been undertaken by valuer, acting as external valuer, qualified for the purpose of the evaluation.

We retain a copy of our report and the summary evaluation report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, be kept for a period of 6 years from the date of our report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of findings.

Yours faithfully,

For and on behalf of

LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui *BSc MSc RPS(GP)*

Director

Contributing Valuers:

Kevin Lee Ho Man *BMath*

Marco Lo Man Ho *BMath*

The following is the text of a report received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong for the purpose of incorporation in this circular.



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The Board of Directors
China Print Power Group Limited
Flat 2, 13/F, Kodak House II
39 Healthy Street East
North Point, Hong Kong

30 June 2014

Dear Sirs

**CHINA PRINT POWER GROUP LIMITED (THE “COMPANY”)
DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN
CONNECTION WITH THE EVALUATION ON THE BUSINESS OF
本溪遼油新時代燃氣有限公司 (THE “PRC CO”), A SUBSIDIARY OF
CLOUD DECADE LIMITED (THE “TARGET COMPANY”)**

INDEPENDENT ASSURANCE REPORT

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the valuation dated 30 June 2014 prepared by LCH (Asia-Pacific) Surveyors Limited in respect of the financial net present value of the business of the PRC Co as at 31 December 2013 (the “Valuation”) is based. The Valuation is set out in Appendix V to the circular of the Company dated 30 June 2014 in connection with the proposed acquisition of the entire issue share capital of, and the benefit of loans advanced by New Topic Limited to, the Target Company and the issue of the convertible note in the principal amount of HK\$498,432,000 by the Company (the “Circular”). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

DIRECTORS' RESPONSIBILITY FOR THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors as detailed in Appendix V to the Circular. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows of the PRC Co for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANT'S RESPONSIBILITY

It is our responsibility to report, as required by paragraph 29(2) of Appendix 1B of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions adopted in the discounted future estimated cash flows on which the Valuation is based.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions determined by the directors of the Company as detailed in Appendix V to the Circular. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors of the Company.

The discounted cash flows used in the Valuation do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 29(2) of Appendix 1B of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

OPINION

Based on the foregoing, in our opinion, the discounted future estimated cash flows in respect of the Valuation, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions made by the directors of the Company as detailed in Appendix V to the Circular.

Yours faithfully
BDO Limited

The following is the text of a report received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong for the purpose of incorporation in this circular.



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The Board of Directors
China Print Power Group Limited
Flat 2, 13/F, Kodak House II
39 Healthy Street East
North Point, Hong Kong

30 June 2014

Dear Sirs

**CHINA PRINT POWER GROUP LIMITED (THE “COMPANY”)
DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN
CONNECTION WITH THE VALUATION ON EXCLUSIVE
OPERATION RIGHTS (THE “APPRAISED ASSET”) OWNED BY
本溪遼油新時代燃氣有限公司 (THE “PRC CO”), A SUBSIDIARY OF
CLOUD DECADE LIMITED (THE “TARGET COMPANY”)**

INDEPENDENT ASSURANCE REPORT

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the valuation dated 30 June 2014 prepared by LCH (Asia-Pacific) Surveyors Limited in respect of the fair value of the Appraised Asset of the PRC Co as at 31 December 2013 (the “Valuation”) is based. The Valuation is set out in note 4(a) on pages IV-5 to IV-6 to the circular of the Company dated 30 June 2014 in connection with the proposed acquisition of the entire issue share capital of, and the benefit of loans advanced by New Topic Limited to, the Target Company and the issue of the convertible note in the principal amount of HK\$498,432,000 by the Company (the “Circular”). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

DIRECTORS' RESPONSIBILITY FOR THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors as detailed in note 4(a) on pages IV-5 to IV-6 to the Circular. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows of the PRC Co for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANT'S RESPONSIBILITY

It is our responsibility to report, as required by paragraph 29(2) of Appendix 1B of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions adopted in the discounted future estimated cash flows on which the Valuation is based.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions determined by the directors of the Company as detailed in note 4(a) on pages IV-5 to IV-6 to the Circular. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors of the Company.

The discounted cash flows used in the Valuation do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 29(2) of Appendix 1B of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

OPINION

Based on the foregoing, in our opinion, the discounted future estimated cash flows in respect of the Valuation, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions made by the directors of the Company as detailed in note 4(a) on pages IV-5 to IV-6 to the Circular.

Yours faithfully
BDO Limited

LETTER FROM KINGSWAY CAPITAL LIMITED

SUNWAH KINGSWAY
新華滙富
Kingsway Capital Limited

30 June 2014

The Board of Directors
China Print Power Group Limited (the “Company”)

Dear Sirs,

Re: Forecasts in connection with the valuations of (i) the business of 本溪遼油新時代燃氣有限公司, a subsidiary of Cloud Decade Limited (the “Target Company”) and (ii) its exclusive rights to supply natural gas under the exclusive operation agreement (the “Valuations”)

We refer to the two valuations prepared by LCH (Asia-Pacific) Surveyors Limited (the “Valuer”) set out in (i) Appendix V to the circular of the Company dated 30 June 2014 (the “Circular”) in relation to the acquisition of all the issued shares of, and the benefits of loans advanced to, the Target Company and; (ii) note 4 to the Unaudited Pro Forma Financial Information of the Enlarged Group set out on page IV-4 to IV-8 of the Appendix IV to the Circular in relation to the fair value of the exclusive rights under the exclusive operation agreement. Terms defined in this letter shall have the same meanings as those used in the Circular, unless the context otherwise requires.

The Valuations, which has been arrived at using the discounted cash flow method, are based on the cash flow forecasts of the PRC Operating Co (the “Forecasts”) provided by the management of the Company. As the Forecasts are regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), we have been engaged solely for the purpose of reporting to you under Rule 14.62(3) of the Listing Rules and for no other purpose. We are not reporting on the arithmetical calculations of the Forecasts or the Valuation, nor the adoption of accounting policies thereof. Our work does not constitute any valuation of the PRC Operating Co. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

We have discussed with the management of the Company and the Valuer the information and documents provided by the Company and the Target Company. We understand such information and documents form part of the bases and assumptions upon which the Forecasts have been prepared and for which you as the Directors are solely responsible. The Forecasts are based on a number of bases and assumptions pertaining to the businesses of the PRC Operating Co. As the relevant bases and assumptions are about future events which may or may not occur, the actual financial performance of the businesses of the PRC Operating Co may or may not achieve as expected and the variation may be material.

We have also considered the letter from BDO Limited of today to you regarding the calculations upon which the Forecasts have been made. We have noted that no accounting policies of the Company have been adopted in your preparation of the Forecasts as the Valuation relates only to discounted future estimated cash flows.

On the basis of the foregoing, we are of the opinion that the Forecasts, for which you as the Directors are solely responsible, have been made after due and careful enquiry.

Yours faithfully
For and on behalf of
Kingsway Capital Limited
Chow Hung Yan
Associate Director

APPENDIX VII REGULATORY AND LICENCE REQUIREMENTS AND RISK FACTORS OF NATURAL GAS SUPPLY INDUSTRY

REGULATORY AND LICENCE REQUIREMENTS

The following articles are extracted from the Administrative Measures For Gas Business License of Liaoning Province (《遼寧省燃氣經營許可管理辦法》) which summarizes the regulatory and licence requirements of the industry:

Article 6

An enterprise applying for gas business license shall satisfy the following conditions:

- (1) Compliance with the requirements of the local Special Planning for Urban Gas Development (《城鎮燃氣發展專項規劃》) and Development Planning for Automobile Gas Station Sector (《汽車加氣站行業發展規劃》) that have already been approved under legal procedures. A gas pipe line enterprise shall execute a franchise operation agreement for urban gas supply with local competent administration department for gas (subject to the authorization by the urban and county (municipal) governments (in districts)) under the stipulated Special Planning for Urban Gas Development (《城鎮燃氣發展專項規劃》). The urban automobile gas station shall strictly comply with the approval in providing a service radius of not less than 0.9 km (the driving distance between two stations shall be not less than 1.8 km), and within one hundred kilometers, not more than 10 stations shall be operating along the national, provincial, county and town-level roads (the distance between two automobile gas stations shall be within about 10 kilometers);
- (2) A stable gas source that is in compliance with the national standard and an emergency reserve gas source that can satisfy the residential user consumption needs in the region for 10 days. A gas supply agreement entered into with a gas source supply enterprise;
- (3) A gas transmission and distribution system that is in compliance with the national standard, which includes the equipment for storage, transmission and distribution and gas charging, and gas metering, fire control, safety protection facilities and others;
- (4) A capital fund size corresponds to its scale of operation;

APPENDIX VII REGULATORY AND LICENCE REQUIREMENTS AND RISK FACTORS OF NATURAL GAS SUPPLY INDUSTRY

- (5) Corporate legal representative (or authorized person-in-charge), chairman and manager engaging in specific operation and management, corporate deputy manager responsible for engineering technology and safety production management, department heads and management personnel, and personnel serving at key positions like operating, maintaining and conducting emergency rescue and repair, must receive professional technical trainings, and obtain the qualifications certificate and occupation qualifications certificate for safety and management skills issued by the provincial quality and technique supervision bureau, the provincial safety and production supervision bureau, the provincial human resources and social security bureau, the provincial fire protection bureau, the provincial transportation bureau, the provincial housing and urban-rural development bureau after passing the tests based on the relevant requirements;
- (6) A fixed operation and office venue that are in compliance with the safety conditions;
- (7) A comprehensive enterprise management and safety management system, a sound operation plan, a complete proposal for emergency rescue and repair, the ability and methods of stringent inspection and troubleshooting solutions for outdoor pipe line gas facilities, the ability of gas emergency rescue and repair, equipped with the essential emergency rescue and repair tools and equipment, and a gas pipe line enterprise must equip with exclusive vehicles for emergency rescue and repair that are correspond to its scale of operation;
- (8) With professional technical personnel corresponding to its scale of gas operation, the qualified management and operation personnel for gas operation;
 - 1. For a pipe line enterprise with a gas supply scale of more than 100,000 households or daily gas supply of more than 500,000 cubic meters, it must have not less than 30 personnel with gas and related professional technical titles, of which there are at least 15 personnel with an engineer title or above (3 personnel with a senior title), 2 personnel with an accountant title or above; no less than 30 qualified management and operation personnel, of which there are at least 20 qualified personnel for special emergency rescue and repair.

APPENDIX VII REGULATORY AND LICENCE REQUIREMENTS AND RISK FACTORS OF NATURAL GAS SUPPLY INDUSTRY

2. For a pipe line enterprise with a gas supply scale of more than 30,000 households or daily gas supply of more than 100,000 cubic meters, it must have not less than 15 personnel with gas and related professional technical titles, of which there are at least 10 personnel with an engineer title or above (2 personnel with a senior title), 2 personnel with an accountant title or above; not less than 15 qualified management and operation personnel, of which there are at least 10 qualified personnel for special emergency rescue and repair.
3. For a pipe line enterprise with a gas supply scale of less than 30,000 households or daily gas supply of less than 100,000 cubic meters, it must have not less than 10 personnel with gas and related professional technical titles, of which there are at least 5 personnel with an engineer title or above (1 personnel with a senior title), 1 personnel with an accountant title or above; not less than 10 qualified management and operation personnel, of which there are at least 5 qualified personnel for special emergency rescue and repair.
4. For an operating enterprise with master CNG gas stations and the production, storage and distribution and gas stations for LNG, it must have not less than 5 personnel with gas and related professional technical titles, of which there are at least 2 personnel whom should be engaged in gas sector for over 3 years; not less than 15 qualified safety management and operation personnel, of which there are at least 5 personnel for emergency rescue repair and have qualified accounting personnel.
5. For a CNG standard stations and sub-stations operating enterprise, it must have not less than 3 personnel with gas professional technical titles, of which not less than 1 engineer should be engaged in gas sector for over 3 years, more than 10 qualified safety management and operating personnel, of which not less than 3 special emergency rescue and repair personnel should possess operating qualifications, and have qualified accounting personnel;
6. For a bottled LNG storage and distribution operating enterprise, it must have not less than 1 personnel with gas and related professional technical title, not less than 5 qualified gas management and operating personnel, and have qualified accounting personnel.

APPENDIX VII REGULATORY AND LICENCE REQUIREMENTS AND RISK FACTORS OF NATURAL GAS SUPPLY INDUSTRY

7. For a large-scale gas enterprise with a group management operation, it can share the professional technical personnel, qualified gas management and emergency repair personnel among the group companies if they are located in the same city.

- (9) Other conditions required by laws and regulations

Article 7

An enterprise applying for a gas business license shall provide the following information:

- (i) Liaoning provincial gas business license application form;
- (ii) Capital verification report;
- (iii) Memorandum and Articles of Association;
- (iv) Positions, titles and safety skills examination qualifications certificates of corporate legal representative (or the authorized person-in-charge), chairman, manager, corporate deputy manager responsible for engineering technology and safety production management and head of department, as well as the titles and qualifications certifications of professional technical personnel, accounting personnel, safety management, emergency rescue and repair and other operating personnel;
- (v) Proof of operation and office venue;
- (vi) Information in respect of the authorization documents relating to gas project planning, construction permit, etc., project completion comprehensive inspection documents, filing documents of gas management department, specialty equipment, safety and fire control individual inspection documents, qualified certificates for metering equipment. A pipe line operating enterprise shall also provide documentation proof of the operating region designated by the local competent administration department for gas;

APPENDIX VII REGULATORY AND LICENCE REQUIREMENTS AND RISK FACTORS OF NATURAL GAS SUPPLY INDUSTRY

- (vii) Proof of origin of gas source. Gas supply agreement or letter of intent on gas supply;
- (viii) Corporate safety production and management system; operating procedures on safety and technology postings; accident emergency rescue proposals and emergency rescue vehicles and equipment catalog; operating plans including corporate operating strategies, development planning and scheme, service specifications, etc.;
- (ix) Other documentation proof required by laws and regulations.

Article 10

Upon receipt of gas operation licensing application, the competent administration department for gas at urban or county (municipal) (in districts) shall make the approval decision within 10 working days. Upon making the approval decision, the competent administration department for gas shall issue a Gas Business License《燃氣經營許可証》 within 10 working days. For applications not approved, the department shall provide written explanations to the applicants with reasons.

The Company's PRC legal adviser advises that the Target Group has complied with the above regulatory and licence requirements.

APPENDIX VII REGULATORY AND LICENCE REQUIREMENTS AND RISK FACTORS OF NATURAL GAS SUPPLY INDUSTRY

RISK FACTORS

Shareholders are advised to pay attention to the following risk factors associated to the Acquisition.

Risk factors associated with the Acquisition

The Group does not have a proven track record in the natural gas supply operations of the PRC Operating Co

The Group began to venture natural gas supply industry in November 2013 and thus it does not have a proven track record in natural gas supply operations. There is no assurance that the PRC Operating Co will be successful in the natural gas supply operations or that the natural gas supply operations will be profitable or will be able to provide capital gains and capital preservation. The PRC Operating Co may not prove to be profitable in the short and/or long term or actualize the anticipated level of returns projected by the management. If the Group does not derive sufficient revenue and/or profits from the operations of the PRC Operating Co, the overall financial position and profitability of the Group may be adversely affected.

The performance of the natural gas supply business of the PRC Operating Co is dependent on the health of the economy and the industries which operate in the Supply District

As stated in section entitled “Information on the Target Group” in this circular, the PRC Operating Co has entered into an exclusive operation agreement with the People’s Government of Xihu District of Benxi City dated 30 March 2012 (as supplemented on 30 May 2013), pursuant to which the PRC Operating Co is granted the exclusive operation right to supply natural gas in the Supply District for a term of 30 years. The Supply District mainly consists of heavy industries such as steel production, coal industry, construction material production as well as light industries including the electronics industry and chemical industry. The performance of the natural gas supply business of the PRC Operating Co will therefore be correlated to the economic situation and the performance of the industries operating in the Supply District. A downturn in the regional or the global economy, and/or the relevant industries, (whether or not due to the financial or regulatory environment in the Supply District) will dampen general sentiments in the industries that operate in the Supply District, which may have a material adverse effect on the business and financial performance of the PRC Operating Co as the demand for natural gas by the industries in the Supply District may be lowered. This may potentially cause the business and financial condition of the Group to be adversely affected.

APPENDIX VII REGULATORY AND LICENCE REQUIREMENTS AND RISK FACTORS OF NATURAL GAS SUPPLY INDUSTRY

There can be no assurance that the Forecasts will be met

The Valuation of the Benxi Project was arrived at using the discounted cash flow method and is based on the discounted cash flow forecasts of the Target Group (the “**Forecasts**”) provided by the Company. The Forecasts were based on, *inter alia*, the bases and assumptions as further detailed on in Appendix V of this circular. There can be no assurance that the assumptions which the Forecasts were based on will materialize. Such assumptions include (without limitation):

- the ability of the daily service capacity of the Benxi Project to satisfy the according demand for the entire duration of the Benxi Project;
- the ability of the PRC Operating Co to fully transfer cost burden in price fluctuations of natural gas supply may be completely transferred to end users from time to time, such that the gross profit for every unit of product sold is maintained;
- the full utilization of the capacity of the LNG and CNG refilling stations and the pipeline gas facilities as planned;
- the projected number of users and demand for natural gas; and
- the using life of fixed assets.

If any of the assumptions and bases which the Forecasts were based on does not materialize as expected, the prospects and performance of natural gas supply business of the PRC Operating Co and in turn the financial condition of the Group may be materially and adversely affected.

The natural gas supply business of the PRC Operating Co is dependent on approvals and licences which may not be obtainable or renewable, or obtainable or renewable in a timely manner

The PRC Operating Co and its natural gas supply business is subject to various laws and regulations which requires the Group to obtain and/or renew from time to time the requisite regulatory approvals, permits, certificates, consents, and/or operating or other licences to engage in the natural gas supply business. The PRC Operating Co may also require licences, certificates, consents, or other legislative or administrative authority from local, provincial, or national government or private entity or organization for the commencement and/or operation of the natural gas supply business. As at the Latest Practicable Date, the PRC Operating Co has obtained all requisite regulatory approvals, permits, certificates, consents, licences and authorisations for the commencement and/or operation of the natural gas supply business. Notwithstanding so, the PRC

APPENDIX VII REGULATORY AND LICENCE REQUIREMENTS AND RISK FACTORS OF NATURAL GAS SUPPLY INDUSTRY

Operating Co will be required to renew such approvals and licences from time to time, or may be required to obtain further regulatory approvals and/or licences pursuant to changes to laws and regulations which are or become applicable to the PRC Operating Co. In the event that the Group is unable to obtain and/or renew such approvals, licences and/or its business registration documents, or where there is a delay in obtaining or renewing them, the operations of the PRC Operating Co may not commence or be able to continue and will be adversely affected, which may result in the business and revenue of the Group being adversely affect.

The PRC Operating Co may not be able to successfully implement its future plans

The natural gas supply business is a capital-intensive business which may require capital expenditure to be incurred on a regular basis to refurbish natural gas pipelines and other facilities and infrastructure in connection with the operation of the natural gas supply business. The refurbishment may require substantial capital expenditure and financial resources. There is no assurance that the natural gas supply business will achieve revenue and profits that will be commensurate with our investment costs. If the PRC Operating Co fails to achieve a sufficient level of profits, obtain adequate financing at a reasonable cost or manage our costs efficiently, it may not be able to successfully implement its future plans, and the Group may fail to recover its investment and its future financial performance and position could be adversely affected.

The construction of the infrastructure with the Supply District is dependent on the PRC Operating Co ability to obtain adequate financing at a reasonable cost

In pursuance of the natural gas supply business of the PRC Operating Co in the Supply District, the PRC Operating Co has planned and commenced the construction of facilities in the Supply District as described in the section entitled “Information on the Target Group” in this circular. The PRC Operating Co’s ability to complete the construction of these facilities would be subject to its ability to secure adequate funding at a reasonable cost. Furthermore, if the interest costs on borrowings increase, the profitability of the natural gas supply business of the PRC Operating Co may be adversely affected, and result in the Group’s financial position and profitability being adversely affected.

APPENDIX VII REGULATORY AND LICENCE REQUIREMENTS AND RISK FACTORS OF NATURAL GAS SUPPLY INDUSTRY

The PRC Operating Co relies on third party contractors to provide construction services

The PRC Operating Co outsources construction work for the facilities in the Supply District for the natural gas supply business to third party contractors. To that extent, the ability of the PRC Operating Co to commence operations of the natural gas supply business will be affected by the performance and timeliness of such third party contractors. Notwithstanding that the PRC Operating Co may monitor the work of such contractors regularly to ensure that the construction of the facilities in the Supply District for the natural gas supply business is carried out on time, within budget, to specification and in compliance with quality, safety and environmental regulations and standards, the Group cannot assure Shareholders that the third party contractors will not breach any regulations or fall below the requisite standards. Any such failure could result in liability to third parties, and restrictions on the operations of the Company's facilities, damage, potential contamination of land and other resources, fines, penalties and other sanctions. Whether or not held liable, the PRC Operating Co's reputation could also suffer as a result. The delay caused by any of the third party contractors may also result in the delay in the commencement of the operations of the natural gas supply business of the PRC Operating Co. The occurrence of any of these events may create a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The natural gas supply business of the PRC Operating Co is dependent on a few major suppliers

The natural gas supply of the Group for the operation of its natural gas supply business is obtained through its upstream natural gas supply agreements with Panjin Liaohe Youtian Jindong Youqi Gongcheng Company Limited* and Kunlun Energy (Da Lian) Company Limited* which are for very short terms. If the upstream natural gas supply agreements are terminated, or if the supply of natural gas from the aforementioned major suppliers is disrupted, or if the supply agreements cannot be renewed or be replaced by alternative supply agreement with new suppliers, the revenues and financial position of the PRC Operating Co may be adversely affected, which may in turn affect the profits and financial position of the Group.

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The attraction, retention and training of employees is necessary to meet business and operational needs of the natural gas supply business of the PRC Operating Co

The operation of the natural gas supply business requires experienced employees with particular areas of expertise, such as qualified engineers to operate the natural gas facilities. The number of persons with the requisite experience and expertise in the natural gas supply business may be limited. We cannot be assured that the Company's staffing needs can be met. We may compete with our competitors and/or other industries which require similar skill sets for experienced employees and such competition may result in the retention of an insufficient number of skilled employees and increases to compensation paid to such employees. In addition, the PRC Operating Co's ability to train operating and maintenance personnel continually is a key factor for the success of its business activities. If it is not successful in recruiting, training and retaining the personnel it requires to meet actual staffing needs, its business and results of operations and in turn the Group's financial position and performance could be materially and adversely affected.

There may be a concentration of voting power in the Company following the conversion of the Convertible Note

As partial consideration for the Acquisition, the Company will issue the Convertible Note to the Vendor. Subject to the Conversion Restrictions described in the section entitled "Convertible Note – Conversion rights" in this circular, the Vendor will become a "controlling shareholder" (as defined in the Listing Manual) of the Company, which will allow him to influence the outcome of matters submitted to Shareholders for approval. Please see the paragraphs entitled "Changes to the Shareholding Structure of the Group" and "Changes to the Shareholding Structure of the Group following the conversion of the Convertible Note" in the Letter from the Board of this circular for more information on the effects of the conversion of the Convertible Note on the Company and the resulting shareholding structure of the Company (in accordance with the Securities & Futures Ordinance of Hong Kong and Securities and Futures Act (Cap 289) of Singapore, respectively). As a result, the Vendor may be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions, which may also have the effect of delaying, preventing or deterring a change in control or management of the Company which may otherwise benefit the Shareholders.

APPENDIX VII REGULATORY AND LICENCE REQUIREMENTS AND RISK FACTORS OF NATURAL GAS SUPPLY INDUSTRY

Risk factors associated with the industry

The natural gas supply business of the PRC Operating Co may be affected by volatility of natural gas prices and markets

The PRC Operating Co's financial condition, operating results and future growth is dependent on the prevailing prices for natural gas. The market for natural gas has been volatile and is likely to continue to be volatile in the future. Prices for natural gas are subject to large fluctuations in response to relatively minor changes to the demand for natural gas as well as alternative energy sources to natural gas such as crude oil and coal, whether the result of uncertainty or a variety of additional factors beyond the control of the Group. Any substantial decline in the prices of or demand for natural gas could have a material adverse effect on the profitability of the natural gas supply operations of the PRC Operating Co and the financial position of the Group.

Long term demand for natural gas as a source of fuel may be affected by the relative commercial, social and political attractiveness of alternative sources of energy which may affect the demand for natural gas in the Supply District

The operation and production of natural gas involve the emission of greenhouse gas emissions ("GHG emissions") and other pollutants. Competition may be presented by substitute sources of energy which are cleaner and but generally considered too expensive now but may become increasingly commercially viable and more politically and socially attractive to use than conventional sources of energy like natural gas. Such developments may decrease the attractiveness and therefore demand for natural gas in the Supply District, which could create a material adverse effect to the natural gas supply business of the PRC Operating Co and in turn the Group's business, results of operations, financial position and prospects.

Risk factors associated with the PRC

The PRC Operating Co may be affected by changes in laws and regulations in the PRC

The PRC Operating Co and its natural gas supply business is subject to the laws and regulations of the PRC. From time to time, the state and/or provincial governments may adopt new laws and regulations which the PRC Operating Co may have to comply with. Any changes in the applicable laws and regulations, or in the regulatory conditions, could result in higher compliance costs and adversely affect the operations of the PRC Operating Co. There is no assurance that any

APPENDIX VII REGULATORY AND LICENCE REQUIREMENTS AND RISK FACTORS OF NATURAL GAS SUPPLY INDUSTRY

changes in the applicable laws and regulations will not have an adverse effect on the financial performance of the Group. In the event that the PRC Operating Co is unable to obtain the relevant licences or certificates or any other approvals required for the natural gas supply business resulting from any changes in laws and regulations, the business and operations of the PRC Operating Co and the financial performance of the Group may be adversely affected.

We are subject to political, economic and social developments in the PRC

Our business, prospects, financial position and results of operations may be adversely affected by political, economic, social and legal developments that are beyond our control in the PRC, where the operations of the PRC Operating Co are located. Such political and economic uncertainties include, but are not limited to, the risks of war, terrorism, nationalism, expropriation or nullification of contracts, changes in interest rates, rates of economic growth, fiscal and monetary government policies, inflation, deflation, methods of taxation and tax policy, unemployment trends, and other matters that influence consumer confidence, spending and tourism. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude. Negative developments in the socio-political environment in the PRC may adversely affect our business, financial position, results of operations and prospects. In addition, changes in tax laws or other regulations or actions taken by the PRC government to partially or wholly nationalize or compulsorily acquire our properties or the underlying land may have a material adverse effect on our business, financial position, results of operations and prospects.

The natural gas supply business of the PRC Operating Co may be subject to increasing government and industry management quality standards

Due to the nature of natural gas, the supply of natural gas may carry risks of pollution and other negative effects to the health and wellbeing of the local community if certain discharges of natural gas occur. As such, the supply of natural gas is subject to environmental and social risks and regulations and law, which may become increasingly stringent and exacting. Compliance with more stringent laws or regulations, or more vigorous enforcement policies by regulatory authorities and/or the government could require material expenditure by the PRC Operating Co, which may materially and adversely affect the profitability and prospects of the PRC Operating Co and the Group.

PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)

(Incorporated in the Republic of Singapore)

96 Robinson Road #13-01 SIF Building

Singapore 068899

30 June 2014

To: The Directors of China Print Power Group Limited

Executive Directors:

Mr. Sze Chun Lee (*Chief Executive Officer*)

Mr. Chan Wai Ming

Mr. Lam Shek Kin

Ms. Chung Oi Ling, Stella

Mr. Hung Tao

Mr. Cheng Ming Kit

Independent Non-Executive Directors:

Mr. Lim Siang Kai (*Chairman of the Board*)

Mr. Wee Piew

Ms. Wong Fei Tat

Dear Sirs/Mdm,

**THE ACQUISITION OF CLOUD DECADE LIMITED
("ACQUISITION") – IN COMPLIANCE WITH RULE 1013(2) OF
THE LISTING MANUAL OF THE SGX-ST ("LISTING MANUAL")**

Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to the Shareholders of the Company dated 30 June 2014 ("Circular"). For the purpose of our Letter, where applicable, we have used the exchange rates of S\$1:HK\$6.2052 and RMB1:HK\$1.2441 as at 24 June 2014, being the Latest Practicable Date referred to in the Circular. The above exchange rates are extracted from published information by Bloomberg L.P. and are provided solely for information.

1. INTRODUCTION

- 1.1 On 29 July 2013, China Print Power Group Limited (“**Company**”) announced that its wholly-owned subsidiary, Goldlink Capital Limited (“**Purchaser**”), and New Topic Limited (“**Vendor**”) had entered into a memorandum of understanding (“**MOU**”) in relation to a possible acquisition of all the issued shares of Cloud Decade Limited (“**Target Company**”).

On 5 May 2014 (“**S&P Announcement Date**”), the Company announced that the Purchaser had entered into the sale and purchase agreement (“**S&P Agreement**”) for the acquisition of all the issued shares of, and the entire benefits of and rights to loans advanced to, the Target Company for a total consideration (“**Consideration**”) of HK\$515,432,000 which is to be satisfied as to HK\$17 million in cash and HK\$498,432,000 by the issue of the Convertible Note by the Company.

The Target Company is an investment holding company which holds approximately 89.18% indirect equity interest in Benxi Liaoyou Xinshidai Ranqi Company Limited (本溪遼油新時代燃氣有限公司) (“**PRC Operating Co**”) which has obtained an exclusive right to supply natural gas, including LNG and CNG, in the Supply District for 30 years commencing on 30 March 2012 from the local government (“**Benxi Project**”). Upon completion, the Target Company will become a wholly-owned subsidiary of the Company.

The Acquisition and the issue of the Convertible Note in connection with the Acquisition are subject to Shareholders’ approval at the SGM to be convened. The approval for the Acquisition and the issue of Convertible Note are inter-conditional upon one another.

- 1.2 As at the Latest Practicable Date, the Company is primary listed on both the Stock Exchange of Hong Kong Limited (“**SEHK**”) and the SGX-ST. The Company had earlier applied for the conversion of the Company’s primary listing status on the SGX-ST to a secondary listing (“**Proposed Conversion**”) while maintaining its primary listing on the SEHK. On 2 April 2014, the SGX-ST had given its in-principle approval for the Proposed Conversion subject to, *inter alia*, approval from the Shareholders at a SGM. Under the Listing Manual, a company with a secondary listing on the SGX-ST will be subject to the listing rules of the home exchange where it has a primary listing and need not comply with the listing rules of the SGX-ST subject to the provisions under Rule 217 of the Listing Manual.

As at the Latest Practicable Date, we note that the Proposed Conversion has not been effected yet. Hence, for the purpose of the Acquisition and the issue of the Convertible Note, the Company has decided that it will comply fully with the listing rules of both SEHK and the SGX-ST as it is primary listed on both the SEHK and SGX-ST. It should be noted, however, that in the event that the Proposed Conversion is effected during the interim period when the Company is seeking Shareholders' approval for the Acquisition and the issue of the Convertible Note in compliance with the Listing Manual, some of the compliance actions may eventually be deemed unnecessary when the Company becomes re-designated as a secondary listing status on the SGX-ST.

- 1.3 The Acquisition is a major transaction under the Listing Rules of the SEHK. In addition, as the Consideration is arrived at, among other things, with reference to the valuation on the Benxi Project prepared by the independent valuer, LCH (Asia-Pacific) Surveyors Limited (“**LCH**”) using the discounted cash flow method, it is regarded as profit forecasts under Rule 14.61 of the Listing Rules of the SEHK (“**Forecasts**”). Accordingly, the Forecasts were reviewed and commented on by the Company's Financial Adviser in Hong Kong, namely Kingsway Capital Limited, and its auditors, BDO Limited Hong Kong, in compliance with the Listing Rules of the SEHK.

Pursuant to Rules 1013(1) and 1013(2) of the Listing Manual, as the Acquisition constitutes a major transaction and the Company accepts the Forecasts from the Vendor, the Company is to seek the opinion of a financial adviser (“**Singapore Independent Financial Adviser**”) on whether the Acquisition is on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders.

In this regard, Provenance Capital Pte. Ltd. (“**Provenance Capital**”) has been appointed as the Singapore Independent Financial Adviser to advise the Directors on the Acquisition with respect to Rule 1013(2) of the Listing Manual.

- 1.4 We note that Mr. Cheng Ming Kit, who is the Executive Director of the Company, was a director of the Target Company and its wholly-owned subsidiary, Crown Castle Limited, for the period between October 2012 and February 2013. The Company has confirmed that Mr. Cheng Ming Kit is deemed independent with respect to the Acquisition as he does not hold any interest in the Target Group.

As all the Directors are deemed independent with respect to the Acquisition, this letter (“**Letter**”) is therefore addressed to all the Directors and sets out, *inter alia*, our evaluation and advice on the Acquisition with respect to Rule 1013(2) of the Listing Manual of SGX-ST. This Letter forms part of the Circular to Shareholders which provides, *inter alia*, details of the Acquisition and the recommendations of the Directors in respect thereof.

2. TERMS OF REFERENCE

We have been appointed as the Singapore Independent Financial Adviser to advise the Directors on the Acquisition with respect to Rule 1013(2) of the Listing Manual. We are not and were not involved or responsible, in any aspect, in the negotiations in relation to the Acquisition, nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the Acquisition or to obtain the approval of the Shareholders for the Acquisition, and we do not, by this Letter, warrant the merits of the Acquisition other than to express an opinion on whether the Acquisition is on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders.

It is not within our terms of reference to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks of the Acquisition or to compare its relative merits vis-à-vis alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the sole responsibility of the Directors and/or the Management although we may draw upon the views of the Directors and/or the Management or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

In the course of our evaluation, we have held discussions with the Directors and Management, the Directors and/or management of the Target Company (“**Target Representatives**”) and their professional advisers, and have examined and relied on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management, the professional advisers and the Target Representatives, including information contained in the Circular. We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations.

The Directors (including those who may have delegated detailed supervision of the Circular) have confirmed, having made all reasonable inquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Acquisition, the Company and the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other material information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

The Target Representatives have also confirmed to us similar responsibility statement with respect to the information on the Target Company and/or the Target Group.

We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiries. Whilst care has been exercised in reviewing the information on which we have relied on, we have not independently verified the information but nevertheless have made such enquiries and judgment as were deemed necessary and have found no reason to doubt the accuracy or reliability of the information and representations.

Save as disclosed, we would like to highlight that all information relating to the Company, the Group, the Target Company and the Target Group that we have relied upon in arriving at our opinion has been obtained from publicly available information and/or from the Directors, the Management and the Target Representatives. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Company, the Group, the Target Company or the Target Group at any time or as at 24 June 2014, being the Latest Practicable Date as used in the Circular.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Company, the Group, the Target Company and the Target Group, or to express, and we do not express, a view on the future growth prospects, value and earnings potential of the Company and/or the Group after the Acquisition. Such review or comment, if any, remains the responsibility of the Directors and the Management, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Code and/or the Listing Manual and/or deemed necessary or appropriate by us) in arriving at our advice as set out in this Letter. In addition, we are not expressing any view herein as to the prices at which the Shares may trade or the future value, financial performance or condition of the Company, upon or after completion of the Acquisition or if the Acquisition is not completed successfully. We have not made an independent evaluation or appraisal of the assets and liabilities of the Company, the Group and the Target Group (including without limitation, property, plant and equipment). However, we have been furnished with (a) the valuation report of the Benxi Project as part of a going concern business of the PRC Operating Co ("**Benxi Project Valuation Report**"); and (b) the valuation report on the fair value of the Convertible Note ("**CN Valuation Report**"), as prepared by LCH (Asia-Pacific) Surveyors Limited ("**LCH**"), the independent valuer, and which we have placed reliance on for such appraisals.

The Benxi Project Valuation Report dated 30 June 2014 is set out in Appendix V to the Circular. We note that the CN Valuation Report is not made available in the Circular.

Our view as set out in this Letter is based upon market, economic, industry, monetary and other conditions (if applicable) prevailing as of the Latest Practicable Date and the information provided and representations provided to us as of the Latest Practicable Date. In arriving at our view, with the consent of the Directors and/or the Company, we have taken into account certain other factors and have made certain assumptions as set out in this Letter. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements which may be released by the Company after the Latest Practicable Date which are relevant to the Acquisition and/or other related corporate actions.

In rendering our opinion, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder or any specific group of Shareholders. As each Shareholder would have different investment objectives and profiles, we recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) or objective(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this Letter). We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, whether express or implied, on the contents of the Circular (other than this Letter).

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any purposes other than for the purposes of the Shareholders' resolutions in relation to the Acquisition at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

We have prepared this Letter for the use of the Directors in their consideration with respect to Rule 1013(2) of the Listing Manual and their respective advice to the Shareholders arising thereof. The recommendations made to the Shareholders in relation to the Acquisition with respect to Rule 1013(2) of the Listing Manual remain the sole responsibility of the Directors.

Our opinion in relation to the Acquisition with respect to Rule 1013(2) of the Listing Manual should be considered in the context of the entirety of this Letter and the Circular.

3. THE ACQUISITION

The details of the Acquisition and related matters are set out on page 8 to page 50 in the “Letter from the Board” of the Circular. The key information on the Acquisition is set out below for your reference:

3.1 Key Terms of the Acquisition

- (a) The Purchaser, being the Company’s wholly-owned subsidiary, is to acquire from the Vendor the entire issued share capital of the Target Company (“**Sale Shares**”) and the entire benefits of and rights to the loan (“**Loan**”), which amounted to HK\$42,125,790 as at 31 December 2013, being advances by the Vendor to the Target Company as interest free unsecured loan and all further advances by the Vendor to the Target Company up to the completion of the Acquisition;
- (b) The Consideration for the Sale Shares is HK\$515,432,000, to be satisfied by (a) HK\$17 million in cash, and (b) the issue of a Convertible Note of HK\$498,432,000 by the Company to the Vendor (or its nominees). (Please refer below on the key terms of the Convertible Note.) As at the Latest Practicable Date, the Purchaser had paid in full HK\$17 million in cash to the Vendor;
- (c) The Consideration was arrived at after arm’s length negotiations between the Company and the Vendor on normal commercial terms with reference to the financial net present value of the business of the PRC Operating Co as at 31 December 2013 as appraised by LCH, the independent valuer; and
- (d) Mr. Lee Tsz Hang and Mr. Lin Zhangli, as shareholders and ultimate legal and beneficial owners of the Vendor, are the Guarantors and they have jointly and severally unconditionally guaranteed full, prompt and complete performance by the Vendor of all its obligations under the S&P Agreement.

3.2 Key Terms of the Convertible Note

- (a) As mentioned in paragraph 3.1(b) above, the Company proposes to issue the Convertible Note in the principal amount of HK\$498,432,000 to the Vendor as part payment of the Consideration. The Convertible Note will not be listed and quoted on any stock exchange;
- (b) There will be no interest payable on the Convertible Note;
- (c) The Convertible Note will mature on the third anniversary date of issue of the Convertible Note (“**Maturity Date**”);
- (d) The conversion price of Convertible Note is HK\$2.36 per Share (“**Conversion Price**”). The Conversion Price is subject to adjustment in certain events, including, *inter alia*, subdivision or consolidation of shares in the capital of the Company, capitalisation of profits or reserves, capital distribution, rights issues and options over shares in the capital of the Company;
- (e) The conversion period is from the issue date of the Convertible Note until the Maturity Date (“**Conversion Period**”). New Shares issued on conversion will rank *pari passu* in all respects with the existing shares of the Company at the date of conversion. Application has been made by the Company to the SEHK and SGX-ST, among others, for the grant of listing of and permission to deal in the New Shares;
- (f) The holder of the Convertible Note may convert the whole or part of the Convertible Note into the New Shares of the Company at the Conversion Price during the Conversion Period, subject to the following restrictions (“**Conversion Restrictions**”):
 - (i) the public float of the Shares shall not be less than the specific percentage required by the Listing Rules of the SEHK and/or the Listing Manual (where applicable) immediately following such exercise;

- (ii) the aggregate shareholding of the noteholder and parties acting in concert with it (as defined in the Hong Kong Takeovers Code and/or the Singapore Take-over Code) immediately after such exercise shall not exceed 29.9% (or if applicable, the maximum percentage (to one decimal place) of the Shares it could then acquire without being required to make a mandatory general offer for the Shares under Rule 26 of the Hong Kong Takeovers Code and/or Rule 14 of the Singapore Take-over Code (if applicable) of the enlarged issued share capital of the Company; and
- (iii) there shall not be a change in control (being the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies) of the Company under the Listing Manual (where applicable) (“**Change in Control Restriction**”);
- (h) The holder of the Convertible Note will not be entitled to attend or vote at general meetings of the Company; and
- (i) The Convertible Note will be transferable subject to the approval of the Board and, if required, the SEHK and/or the SGX-ST.

3.3 Conditions Precedent for the completion of the S&P Agreement

As disclosed on pages 11 and 12 in the “Letter from the Board” of the Circular, the completion of the S&P Agreement is conditional upon various matters which we have extracted and set out below for your reference:

- “(a) *the passing at a special general meeting of the Company to be convened and held in accordance with the requirements of the Listing Rules and the Listing Manual of resolutions to approve the Sale and Purchase Agreement, and the transactions contemplated thereinunder, including the issue of the Convertible Note and the issue of Shares upon the exercise of the conversion rights attached to the Convertible Note;*
- (b) *the approval of the Stock Exchange and/or the SGX-ST to the issue of the Convertible Note by the Company, if required;*
- (c) *the granting of a listing and quotation of and permission to deal in the Shares issuable upon exercise of the conversion rights attached to the Convertible Note by the Listing Committee of the Stock Exchange and the SGX-ST (as may be applicable);*

- (d) *the Purchaser completing a review of the financial, trading and legal position of the Target Group and such review not revealing any breach of the representations, warranties or undertakings of the Vendor and Guarantors in respect of the Target Group;*
- (e) *the Purchaser being reasonably satisfied that the PRC Operating Co has good marketable title to the Properties;*
- (f) *the Purchaser receiving opinion from its legal advisers in BVI and the PRC on the status of the Target Company and the PRC Subsidiaries respectively in form and substance satisfactory to the Purchaser;*
- (g) *the commencement of full commercial supply of natural gas to a customer in the Supply District to the satisfaction of the Purchaser;*
- (h) *each of the PRC Contracts remaining valid and subsisting with all parties thereto complying with its terms and conditions;*
- (i) *each of the representations, warranties and undertakings of the Vendors and Guarantors in respect of the Target Group remaining true and accurate in all material aspects; and*
- (j) *all necessary third party, governmental and regulatory consents, approvals and waivers where required for the transactions contemplated thereunder having been obtained by the parties thereto, and such consents, approvals and waivers not have been amended or revoked before Completion, and if any such consents, approvals or waivers are subject to conditions, such conditions being acceptable to the Purchaser.*

The parties shall use their best endeavours to fulfill the above conditions precedent as soon as practicable. If the aforesaid conditions have not all been fulfilled or waived by the Purchaser (except the conditions set out in (a) to (c) and (j)) by 31 October 2014 (or such later date as the parties may mutually agree in writing by 31 October 2014), the Sale and Purchase Agreement shall lapse and be of no further effect, in which event the deposit shall be refunded to the Purchaser. The Directors would consider waiving any condition to an extent which would not materially affect the value or operation of the Target Group and do not expect any material delay in completion of the Acquisition. The Company will make an immediate announcement upon the waiver of any condition precedent of the Sale and Purchase Agreement or any material delay in completion of the Acquisition in accordance with the Listing Rules.”

3.4 Information on the Company

The Company and its subsidiaries (“**Group**”) are engaged in the business of the book printing and manufacture of specialised products such as leather and fabric-bound diaries, journals and greeting cards. The Group provides a full suite of services from pre-press to printing to binding and packaging, and produces tailor-made and value-adding printing products such as pop-up children books, photo albums and stationery.

As disclosed in the annual report of the Company for the financial year ended 31 December (“**FY**”) 2013, the Group had seen a decline in its revenue from HK\$191.9 million in FY2012 to HK\$154.5 million in FY2013, which was mainly due to a plunge in sales orders and stagnant selling prices as a result of the weak market sentiments. The Group was also affected by impairment losses of HK\$40.8 million in FY2013, due mainly to the Group’s impairment of its property, plant and equipment resulting from the slowdown in sales and continuing operating losses which had made certain plant and machinery redundant or idle. As a result, the Group registered a net loss after tax of HK\$14.7 million in FY2012 and HK\$58.6 million in FY2013.

As disclosed in the Statement from the CEO in the FY2013 annual report, in view of the challenges faced by the Group’s core printing business, the Group had sped up its efforts to tap into the natural gas industry as a strategic move in its corporate restructuring to improve profitability in the long run. In FY2013, the Group had announced acquisitions of natural gas assets in various parts of China.

On 5 May 2014, the Company announced the Acquisition of the Target Company. The Directors of the Company consider it an opportune time to acquire the Target Company in order to reduce its dependence on a single industry given the Group’s initial success in the investment of a CNG main station in late 2013.

To reflect the Group’s business strategy, business expansion and new corporate image, the Company had announced, on 19 May 2014, the proposed change in the English name of the Company from “China Print Power Group Limited” to “Blue Sky Power Holdings Limited” and the change of the Chinese name (secondary name) of the Company from “中國威力印刷集團有限公司” to “藍天威力控股有限公司”. The change in name is subject to the passing of a special resolution to be approved by Shareholders at the SGM on 30 June 2014. As at the Latest Practicable Date, the above change in name has not been effected yet. We note that the Acquisition and the proposed change in name are not inter-conditional upon each other.

As mentioned in paragraph 1.2 of this Letter, as at the Latest Practicable Date, the Company is primary listed on both the SEHK and SGX-ST. The Company had earlier applied to the SGX-ST for the Proposed Conversion from a primary listing to a secondary listing on the SGX-ST and had, on 2 April 2014, obtained the SGX-ST in-principle approval for the Proposed Conversion. The Company had, on 6 June 2014, despatched a circular to Shareholders to provide further information on the Proposed Conversion and to convene a SGM on 30 June 2014 to seek Shareholders' approval for the same.

The Company has an existing issued share capital comprising 249,067,373 Shares as at the Latest Practicable Date. Based on the last transacted price as at the Latest Practicable Date of HK\$2.82 on the SEHK, the Company has a market capitalisation of approximately HK\$702.4 million (S\$113.2 million). Based on the last transacted price as at the Latest Practicable Date of S\$0.40 on the SGX-ST, the Company has a market capitalisation of approximately S\$99.6 million.

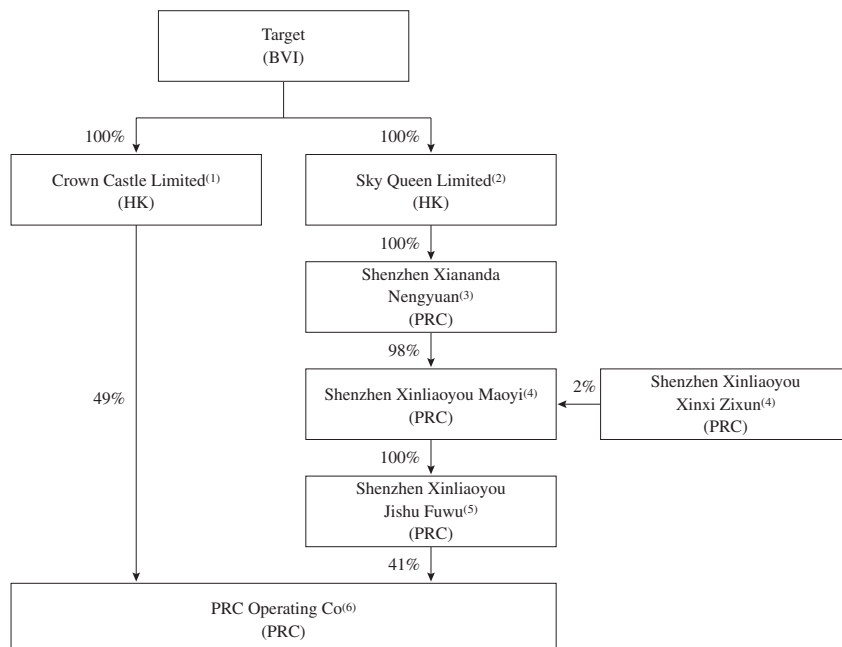
3.5 Information on the Target Group

Details on the Target Group are set out under "Information on the Target Group" in the "Letter from the Board" of the Circular and in Appendices II and III to the Circular. We set out below selected information on the Target Group for your reference.

The Target Company was incorporated on 10 October 2012 in the British Virgin Islands ("BVI") as a company with limited liability, and is wholly-owned by the Vendor. As at the Latest Practicable Date, the Target Company has an issued and paid up capital of US\$1,000 comprising 1,000 Sale Shares of US\$1 each. The director of the Target Company is Mr. Lee Tsz Hang.

The principal activity of the Target Company is investment holding. Through the various levels of subsidiaries which are all intermediate holding companies with no other significant business interest or activities, the Target Company has an effective interest of approximately 89.18% in the PRC Operating Co, which is the main operating subsidiary of the Target Group. To the best knowledge of the Directors, the remaining approximately 10.82% effective equity interest in the PRC Operating Co is owned by independent third parties. The PRC Operating Co is in the business of processing, storage and distribution of liquefied natural gas and it will undertake the Benxi Project.

The corporate structure of the Target Group as at the Latest Practicable Date is set out as follows:



Notes:

- (1) Crown Castle Limited is an investment holding company established in Hong Kong on 11 October 2012;
- (2) Sky Queen Limited is an investment holding company established in Hong Kong on 6 June 2013;
- (3) Shenzhen Xiananda Nengyuan Company Limited (深圳先安達能源有限公司) is an investment holding company registered as a wholly-owned foreign enterprise in the PRC on 29 September 2013;
- (4) Shenzhen Xinliaoyou Maoyi Company (深圳新遼油技術服務有限公司) is an investment holding company registered as a limited liability company in the PRC on 19 July 2013. The remaining 2% interest of Shenzhen Xinliaoyou Maoyi is owned by Shenzhen Xinliaoyou Xinxu Zixun (深圳新遼油信息諮詢有限公司), a company established in the PRC and an independent third party;
- (5) Shenzhen Xinliaoyou Jishu Fuwu Company Limited (深圳新遼油技術服務有限公司) is an investment holding company registered as a limited liability company in the PRC on 22 July 2013; and
- (6) PRC Operating Co, whose principal activity is in the supply of natural gas, is registered as a Sino-foreign equity joint venture in the PRC on 27 March 2012.

The PRC Operating Co is to undertake the Benxi Project as it has been granted the exclusive operation rights from the local government, the People's Government of Xihu District of Benxi City, to supply natural gas, including LNG and CNG, in the Supply District for 30 years commencing on 30 March 2012. The Supply District as defined in the Circular refers to the Xihu District of Benxi City, Liaoning Province, the PRC (中國遼寧省本溪溪湖區) (including DFH Industrial Park).

For the natural gas supply operations, the PRC Operating Co has planned and commenced the construction of natural gas related facilities in 4 different phases as set out below:

- (1) natural gas pipelines within the commercial and industrial area of DFH Industrial Park and related facilities, including a natural gas station at DFH Industrial Park with capacity of 150 million cubic metres per year;
- (2) one LNG main station or CNG main station and four LNG or CNG satellite stations within the Supply District;
- (3) a LNG or CNG station for the truck and public transportation of 火連寨 (Huolianzhai) in the Supply District; and
- (4) facilities for the supply of LNG or CNG to a market of 52,500 households of residents in the Supply District.

As at the Latest Practicable Date, the construction work of the natural gas pipelines within the commercial and industrial area of DFH Industrial Park as described in phase 1 above has been completed. The Target Group has entered into upstream natural gas supply agreements with 盤錦遼河石油勘探局油氣工程技術處 (Panjin Liaohe Youtian Jindong Youqi Gongcheng Company Limited) and 昆倫能源(大連)有限公司 (Kunlun Energy (Da Lian) Company Limited) respectively and has commenced natural gas supply operations to its industrial customers in the DFH Industrial Park of the Supply District in June 2014 initially on a trial basis.

The remaining phases 2 to 4 above are currently in progress and the Target Group expects to commence natural gas supply operations for the residential and commercial sectors by the end of 2014 and 2015, respectively.

Selected Financial Information and Analysis of the Target Group

No audited financial statements have been prepared for the Target Company as the Target Company is not subject to statutory audit requirements under the relevant rules and regulations of the BVI, being its jurisdiction of incorporation.

In connection with the Acquisition, BDO Limited Hong Kong has been appointed as the reporting accountants of the Target Group for its first financial period since its incorporation from 10 October 2012 to 31 December 2013 (“**FP2013**”). The financial statements were prepared in accordance with International Financial Reporting Standards and were prepared based on the assumption that the Target Group can be operated as a going concern, although BDO Limited Hong Kong had highlighted the existence of material uncertainty in view of the cash outflow from the operating activities of the Target Group during FP2013 which may cast significant doubts on the Target Group’s ability to continue as a going concern.

The audited accounts of the Target Group for FP2013 are attached as Appendix II to the Circular.

A summary of the key audited financial performance of the Target Group for FP2013 is set out below:

	Period from 10 October 2012 (date of incorporation) to 31 December 2013
<i>(HK\$'000)</i>	
Revenue	NIL
Other income and gains	1,372
Administrative expenses	(8,124)
Other operating expenses	(155)
Impairment losses on non-financial assets	(1,240)
Gain on bargain purchase	70,814
Profit before income tax	62,667
Income tax credit	1,148
Profit for the period	63,815
– attributable to owners of the Target Group	65,214
– non-controlling interests	(1,399)

For FP2013, the Target Group reported profit attributable to owners of the Target Group of approximately HK\$65.2 million. The profit was mainly contributed by the gain of HK\$70.8 million arising from the bargain purchase by the Target Company of an effective interest in the PRC Operating Co. In January 2013, the Target Group acquired a 80% equity interest in the PRC Operating Co and in October 2013, the Target Group further acquired an additional 10% equity interest in the PRC Operating Co. The gain on bargain purchase was mainly attributable to the exclusive operation rights, that is, the 30-year exclusive rights secured by the PRC Operating Co to supply natural gas to the Supply District.

As the Target Group had not commenced operations during FP2013 and the profit achieved during FP2013 was due mainly to the gain on bargain purchase, it is neither relevant nor meaningful to evaluate the Acquisition based on the historical earnings of the Target Group for FP2013.

The main components of the audited financial position of the Target Group as at 31 December 2013 are set out below:

	As at 31 December 2013
<i>(HK\$'000)</i>	
Non-current assets	186,613
Current assets	3,607
<i>Less: Non-current liabilities</i>	(65,346)
<i>Less: Current liabilities</i>	(4,103)
Net assets	120,771
Represented by:	
Equity attributable to owners of the Target Group	101,865
Non-controlling interest	18,906
Total equity	120,771

As at 31 December 2013, the main assets of the Target Group are the concession operating rights (HK\$118.0 million) and property, plant and equipment (HK\$61.1 million), which accounted for approximately 62.0% and 32.1% of the total assets of the Target Group of HK\$190.2 million, respectively. Concession operating rights are in relation to the exclusive operation rights and have remaining amortisation period of approximately 28.3 years as at 31 December 2013. Property, plant and equipment relates to mainly leasehold buildings, natural gas pipelines and construction-in-progress of the natural gas pipelines which are expected to be completed over four phases until 2017.

As at 31 December 2013, the main liabilities are construction cost payables (HK\$21.7 million), the Loan owing to the Vendor (HK\$13.1 million) and deferred tax liabilities (HK\$29.2 million) arising from the recognition of concession operating rights from the business combination when the Target Group acquired the equity interests in the PRC Operating Co. The above accounted for approximately 92.2% of total liabilities of HK\$69.4 million.

Pursuant to the S&P Agreement, the Vendor will assign all the benefits of and rights of the Loan to the Purchaser. The Loan, being advances by the Vendor to the Target Company, amounted to HK\$42.1 million as at 31 December 2013. As disclosed in note 18 of the Accountants' Report of the Target Group, the difference of HK\$29.0 million between the gross proceeds of HK\$42.1 million and the fair value of the interest-free Loan of HK\$13.1 million represents capital contribution and is recognised within equity of the Target Group. The remaining HK\$13.1 million is recognised as the liabilities of the Target Group as at 31 December 2013.

The net asset value ("NAV") of the Target Group as at 31 December 2013 was HK\$101.9 million.

3.6 Valuation of the Target Group

For the purpose of the Acquisition, the Company had commissioned LCH to carry out an independent valuation of the financial net present value of the Benxi Project as at 31 December 2013 ("**Benxi Project Valuation Date**"). The Benxi Project Valuation Report dated 30 June 2014 as prepared by LCH is set out in Appendix V to the Circular.

We note that LCH had evaluated the Benxi Project on the basis of continued use and as part of a going concern business of the PRC Operating Co, as there are no other significant assets held by the PRC Operating Co.

In arriving at the valuation of the Benxi Project, LCH had considered three conventional capital investment evaluation techniques, namely:

- (a) **Payback Period:** This measures the number of years it is expected to take to recover the cost of the original investment. It is calculated by estimating the annual cash flows from the commencement of a project to the end of its useful life;

- (b) Return on Capital Employed: This is the accounting rate of return method to calculate the estimated average annual pre-tax profit as a percentage of the average capital employed, that is, the original investment; and
- (c) Discounted Cash Flows (“DCF”): By using the discounted cash flows method, the expected cash flows on the project are set out year by year and brought to a present value by use of present value factors at the appropriate rate. Positive present values are netted off against deficit present values to arrive at the net present value (“NPV”). When the net present value is positive, then, the project is said to be viable because the stream of net cash flows is sufficient to pay the required rate of return at the specified rate.

LCH is of the opinion that the Payback Period method and the Return on Capital Employed method are inappropriate methods to assess the financial net present value of the Benxi Project, whereas the DCF method is the most appropriate method to assess the profitability of the Benxi Project using the NPV analysis.

The Payback Period method is a simple method but it ignores any cash received after the payback period where cash flows after the payback period are usually much larger than before the payback period. It also does not measure the total profitability over the whole life of the investment.

The Return on Capital Employed method was also deemed as inappropriate as this method, like the Payback Period method, ignores the time value of money and is based on averaging profit over a period of time, not cash flows, which is hard to determine for the Benxi Project at the present moment.

LCH also noted that there are no other capital investment projects which are published market-oriented benchmarks to compare with the Benxi Project and considered the use of non-discounting comparison evaluation technique as irrelevant as they were commissioned to appraise the financial net present value of the Benxi Project.

LCH has therefore relied solely on the DCF method to arrive at the financial net present value of the Benxi Project.

Based on LCH’s assessment of the Benxi Project, LCH is of the opinion that as at 31 December 2013, the financial net present value (before taking into consideration any transaction costs) of the Benxi Project as part of a going concern business of the PRC Operating Co is reasonably stated at RMB589.6 million.

As the Target holds an effective interest of approximately 89.18% in the PRC Operating Co, and the Benxi Project is presently the only business activity of the Target Group, the proportionate valuation of the Target Group is therefore approximately RMB525.8 million (HK\$654.2 million), being 89.18% of RMB589.6 million.

3.7 Forecasts and Rule 1013(2) of the Listing Manual

The valuation of the Target Group, which has been arrived at using the DCF method as discussed above, is based on the discounted cash flow forecasts of the Target Group as prepared by the Vendor and made available to LCH by the Management. The Forecasts were based on various assumptions as set out on pages 32 to 35 of the “Letter from the Board” of the Circular.

The Forecasts are regarded as profit forecasts in relation to the Acquisition under Rule 14.61 of the Listing Rules of the SEHK. Accordingly, the Forecasts were reviewed and commented on by the Company’s Financial Adviser in Hong Kong, namely Kingsway Capital Limited, its auditors, BDO Limited Hong Kong, and the Board of Directors of the Company in compliance with the Listing Rules of the SEHK.

Kingsway Capital Limited had given its opinion in its letter dated 30 June 2014 that:

“On the basis of the foregoing, we are of the opinion that the Forecasts, for which you as the Directors are solely responsible, have been made after due and careful enquiry.”

BDO Limited Hong Kong had given its opinion in its letter dated 30 June 2014 that:

“Based on the foregoing, in our opinion, the discounted future estimated cash flows in respect of the Valuation, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions made by the directors of the Company as detailed in Appendix V to the Circular.”

The respective letters by Kingsway Capital Limited and BDO Limited Hong Kong are set out in Appendix VI to the Circular.

The Board of Directors of the Company has given its confirmation as disclosed on pages 35 and 36 in the “Letter from the Board” of the Circular under “View of the Board”, an extract of which is set out below:

“The Board confirms that the Forecast has been made upon due and careful enquiry. The Board is of the view that the Forecast is reasonable and attainable based on information provided by the Vendor, and in accepting the Forecast took into account the following considerations....”

Pursuant to Rule 1013(2) of the Listing Manual, as the Acquisition constitutes a major transaction and the Company accepts the Forecasts from the Vendor, the Company is to seek:

- (a) a confirmation from the auditors of the Target Company that they have reviewed the bases and assumptions, accounting policies and calculations for the Forecasts, and their opinion on the bases, assumptions, policies and calculations: and
- (b) a statement by the financial adviser to the Company on whether the Acquisition is on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders.

In this regard, BDO LLP Singapore, who is the special accountant of the Target Company has given its confirmation in its report as attached in Appendix IX to the Circular, an extract of which is set out below:

“Based on BDO’s review of the Forecast, nothing has come to our attention which causes us to believe that the assumptions adopted by the Directors do not provide a reasonable basis for the Forecast. Furthermore, the calculation of the Forecast has been properly prepared on the basis of the assumptions adopted by the Directors, and is consistent with the accounting policies which comply with the International Financial Reporting Standards, being the accounting framework adopted by China Print in the preparation of the financial statements.”

The term “Directors” in the extract above refers to the director of the Target Company.

Likewise, we have been appointed as the Singapore Independent Financial Adviser to advise the Directors on the Acquisition with respect to the above Rule 1013(2) of the Listing Manual and our evaluation of the Acquisition and opinion are set forth in this Letter.

3.8 Valuation of the Convertible Note

The Consideration for the Acquisition is to be settled substantially by the Convertible Note with a principal amount of HK\$498,432,000, the key terms of which are summarised in paragraph 3.2 of this Letter.

The Convertible Note has both the fixed income and equity characteristics and the fair value of the Convertible Note could be worth more than the principal amount of the Convertible Note. In particular, we note that:

- (a) The Conversion Price of the Convertible Note is fixed at HK\$2.36 per Share. Based on the closing price of HK\$2.71 per Share quoted on the SEHK on the S&P Agreement Date, the Conversion Price is at a discount of approximately 12.9% to the market share price. Accordingly, if the Vendor were to immediately convert the Convertible Note into the New Shares and sell these New Shares at the above prevailing share price, the Vendor would have potentially made a gain of approximately 14.8% above the principal amount of the Convertible Note (before taking into consideration transaction costs). In addition, the option to convert into the New Shares over the three-year Conversion Period has certain option value. The above constitutes the equity component of the Convertible Note; and
- (b) On the other hand, the Convertible Note, which is non-interest bearing, is a liability owing by the Group to the Vendor. Had the normal borrowing cost of the Group been taken into consideration, the fair value of the debt component would be lower than the principal amount of the Convertible Note.

The Company had therefore commissioned LCH to provide an independent valuation of the Convertible Note as at 5 May 2014 (“**CN Valuation Date**”) for the purpose of the Acquisition.

We note that LCH had carried out the valuation on a fair value basis as defined by the International Valuation Standards 2013 and published by the International Valuation Standards Council as *“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”*.

In arriving at the assessed fair value for the Convertible Note, LCH have considered that the fair value of the Convertible Note consists of two components, namely the debt component and the equity component.

Using the binomial option pricing model based on various assumptions, LCH is of the opinion that the fair value of the Convertible Note to be issued by the Company as if issued on the CN Valuation Date is as follows:

Equity Component	Debt Component	Fair Value of the Convertible Note
HK\$229,800,000	HK\$396,800,000	HK\$626,600,000

When compared against the principal amount of the Convertible Note of HK\$498,432,000, it can be inferred that the Company is giving the Vendor an additional value of approximately HK\$128,168,000 for the Acquisition due largely to the fair value of the Convertible Note. We are therefore of the opinion that the Acquisition should be assessed based on the fair value of the Consideration which takes into consideration the fair value of the Convertible Note, as opposed to the principal amount of the Consideration of HK\$515,432,000.

4. EVALUATION OF THE ACQUISITION WITH RESPECT TO RULE 1013(2) OF THE LISTING MANUAL OF SGX-ST

In our evaluation of the Acquisition with respect to Rule 1013(2) of the Listing Manual, we have given due consideration to, *inter alia*, the following key factors:

- (i) rationale for the Acquisition;
- (ii) assessment of the Consideration for the Acquisition;
- (iii) assessment of the Conversion Price of the Convertible Note to be issued for the Acquisition;
- (iv) dilution impact arising from the Acquisition on the Shareholders;
- (v) financial effects of the Acquisition; and
- (vi) other relevant consideration.

4.1 Rationale for the Acquisition

The full text of the rationale for the Acquisition is set out on page 22 titled “Reasons for the Acquisition” in the “Letter from the Board” of the Circular, and is reproduced in italics below for your reference:

“In view of the weak business sentiments in the printing market, the Directors have been exploring different business opportunities to boost the business performance of the Group in order to enhance the Company’s value as a whole. In late 2013, the Company began to venture into the natural gas supply industry by the acquisition of a 60% equity interest in CNG station operations. The Directors consider that as natural gas is one of the main sources of energy, natural gas supply operations will deliver the Company a relative stable income stream.

Given the demand of natural gas products in the PRC market and its future market potential, the Company proposes to make the Acquisition in order to further establish its market presence and strengthen its existing business portfolio of natural gas operations in the PRC. The Directors consider that the Acquisition, if materialises, will enable the Group to expand its natural gas business operation.”

It is not within our terms of reference to comment or express an opinion on the merits of the Acquisition or the future prospects of the Group. Nevertheless, we have reviewed the rationale for the Acquisition.

4.2 Assessment of the Consideration for the Acquisition

In assessing the Consideration for the Acquisition, we have considered the following:

- (i) independent valuation of the Target Group and the Convertible Note;
- (ii) financial information of the Target Group; and
- (iii) comparison of valuation ratios of selected listed companies whose businesses are broadly comparable to the Target Group.

4.2.1 Independent Valuation of the Target Group and the Convertible Note

As disclosed in paragraph 3.6 of this Letter, the Company had commissioned LCH to carry out an independent valuation of the Benxi Project as at 31 December 2013 and LCH is of the opinion that as at 31 December 2013, the financial net present value (before taking into consideration any transaction costs) of the Benxi Project as part of a going concern business of the PRC Operating Co is reasonably stated at RMB589.6 million.

As the Target holds an effective interest of approximately 89.18% in the PRC Operating Co, and the Benxi Project is presently the only business activity of the Target Group, the proportionate valuation of the Target Group is therefore approximately RMB525.8 million (HK\$654.2 million), being 89.18% of RMB589.6 million.

The principal amount of the Consideration of HK\$515,432,000 represents a 21.2% discount to the independent valuation of the Target Group of HK\$654.2 million.

As mentioned in paragraph 3.8 above, we are of the view that the Acquisition should be assessed based on the fair value of the Consideration which takes into consideration the fair value of the Convertible Note, as opposed to the principal amount of the Convertible Note.

The table below summarises our assessment of the Consideration as a premium/ (discount) above/(to) the independent valuation of the Target Group:

<i>(HK\$ million)</i>	Principal amount of the Convertible Note	Fair Value of the Convertible Note
Cash	17.0	17.0
Convertible Note	498.4	626.6
Total consideration	515.4	643.6
Independent valuation of the Target Group	654.2	654.2
Premium/(Discount) above/(to) valuation of Target Group	(21.2)%	(1.6)%

Based on the fair value of the Convertible Note, the fair value of the Consideration of HK\$643.6 million represents a slight discount of 1.6% to the independent valuation of the Target Group of HK\$654.2 million.

4.2.2 Financial Information of the Target Group

Our evaluation below is made with reference to the selected financial information and our analysis of the Target Group as set out in paragraph 3.5 of this Letter.

We have analyzed the Target Group using the earnings approach and net asset backing approach as set out below, and the payback period as an additional assessment of the Acquisition.

Earnings potential of the Target Group

As discussed in paragraph 3.5 of this Letter, as the Target Group has not commenced operations during FP2013 and the profit achieved during FP2013 was due mainly to the gain on bargain purchase, it is neither relevant nor meaningful to evaluate the Acquisition based on the historical earnings of the Target Group for FP2013.

We understand from LCH's Benxi Project Valuation Report and the Management that the estimated cost to construct the 4 phases of the Benxi Project is about RMB200 million, of which some HK\$40 million had already been expended as at 31 December 2013. As at the Latest Practicable Date, the construction of the first phase has already been completed and the natural gas supply operations in the first phase has commenced in June 2014 on a trial basis. The remaining phases 2 to 4 are currently in progress and are expected to complete by the end of 2014 and 2015 respectively. Revenue and cash flows will be ramped up in the initial years from FY2014 (1st year) until the Benxi Project reaches its optimal capacity in around FY2018 (5th year). Such revenue and cash flows are projected to be sustainable for another 10 years until FY2019, when another round of capital expenditure is expected to be incurred to refurbish the natural gas pipelines over a four-year period. Cash flows during these four years will be affected by the capital expenditure but revenue is projected to be sustainable until the end of the Benxi Project (28th year).

Based on the above profile, we have extracted from the DCF model, as disclosed in the Benxi Project Valuation Report, the revenue and net profit after tax projections from FY2014 to FY2018 to arrive at the average net profit over the initial 5-year period of the Benxi Project as follows:

Forecast (RMB'000)	FY2014	FY2015	FY2016	FY2017	FY2018	Average over the 5-year period
Revenue	95,769	593,167	861,617	979,259	1,035,501	713,063
Net profit after tax	7,449	107,011	157,945	170,084	153,038	119,105

Source: DCF model of the Benxi Project Valuation Report

Based on the fair value of the Consideration of HK\$643.6 million as computed in paragraph 4.2.1 above, the forward price-earning ratio (“**PER**”) of the Target Group is approximately 5.4 times of the average projected net profit after tax over the first 5-year period of the Benxi Project of HK\$119.1 million.

We wish to highlight that there are certain limitations in evaluating the Target Group based on the forward PER, including the following:

- (a) The Benxi Project is new and the PRC Operating Co does not have any historical track record to give any assurance of the achievability of the forecast revenue and net profit;
- (b) The PRC Operating Co has been granted the exclusive operation rights from the local government for a period of 30 years commencing from 30 March 2012. There are approximately 28 remaining years to the Benxi Project as at the S&P Announcement Date. The discounted cash flow is based on the projection over a 28-year period on various assumptions;

- (c) The senior management of the PRC Operating Co who oversees the construction of the Benxi Project have expressed their intention to remain with the PRC Operating Co and continue to manage the Benxi Project after the Acquisition. We note that Mr. Cheng Ming Kit, who is the Executive Director of the Company, was a director of the Target Company and its wholly-owned subsidiary, Crown Castle Limited, for the period between October 2012 and February 2013. Mr. Cheng Ming Kit owns 8.0% of the issued Shares of the Company as at the Latest Practicable Date through Grand Powerful Group Limited; and
- (d) The average projected 5-year profit used in computing the forward PER is a relatively more conservative profit figure as it is based on the projected earnings during the first few years of the Benxi Project when the revenue and profits are projected to be growing rapidly before they stabilise at the projected optimal capacity in the outer years.

The computation of the forward PER as implied by the fair value of the Consideration is to illustrate the profitability and the valuation of the Target Company as a going concern. However, in view of the limitations, the forward PER merely serves as an illustrative guide only. We have used the forward PER when comparing against the valuation ratios of the Target Group's comparable companies in paragraph 4.2.3 below.

Price-to-NAV ("P/NAV") ratio

As at 31 December 2013, the Target Group has NAV of HK\$101.9 million. Accordingly, the P/NAV ratio as at 31 December 2013 as implied by the fair value of the Consideration is approximately 6.3 times.

We wish to highlight that, as at 31 December 2013, the Target Group had only expended some construction costs on the natural gas pipelines as described in paragraph 3.5 of this Letter. Subsequent to 31 December 2013 and up to the Latest Practicable Date, the Target Group had completed phase 1 of the Benxi Project and had commenced operation on the natural gas supply on a trial basis since June 2014. The remaining phases 2 to 4 are currently still in progress and are expected to be completed by the end of 2014 and 2015 respectively. Total estimated construction cost for the Benxi Project is RMB200 million, with a significant amount to be expended over the next 4 years.

Using the historical P/NAV ratio or NAV approach in assessing the Acquisition may not be meaningful nor relevant in this case as the Benxi Project is a new project being developed and has yet to be fully constructed or completed, and with no established operating track record. In addition, as the Target Group is not an asset backed company involved in, for example, real estate development business, but on an on-going basis with profit growth potential, the Target Group should be assessed based on the earnings approach rather than on the asset backed approach.

Payback period

Although payback period has its limitations, it is a simple method to evaluate infrastructure projects like the Benxi Project on the number of years it takes for the project to generate profits to recover the original investment cost.

From the perspective of the Group, based on the fair value of the Consideration of HK\$643.6 million and the projected profits for the Benxi Project, the payback period of the Company's investment in the Target Group is within 5 years.

4.2.3 Comparison of valuation ratios of selected listed companies whose businesses are broadly comparable to the Target Group

For the purpose of assessing the Consideration, we have considered companies which are listed on the SEHK, the Shenzhen Stock Exchange and the Shanghai Stock Exchange, principally engaged in the supply of natural gas business in the PRC and own exclusive rights for distribution of gas in certain cities or districts in the PRC to be considered as broad proxies to the Target Group ("**Target Comparable Companies**"). For a more meaningful comparison, we have excluded companies with market capitalisations of HK\$10.0 billion and above as at 5 May 2014, being the S&P Announcement Date. Based on the above selection, we have a list of 5 Target Comparable Companies.

We have had discussions with the Management of the Group about the suitability and reasonableness of the selected Target Comparable Companies acting as a basis for comparison with the Target Group. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the selected Target Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The selected Target Comparable Companies' accounting policies with respect to the values for which the assets or the revenue and cost are recorded may differ from that of the Target Group. More importantly is that the Target Group has only commenced operations in June 2014 on a trial basis and the construction of the entire Benxi Project which are to be carried out in phases has not been fully completed yet. As such, the Target Group does not have any meaningful historical track record to be compared with the Target Comparable Companies.

We wish to highlight that the Target Comparable Companies may differ from the Target Group in terms of, *inter alia*, market capitalization, size of operations, clientele base, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. As such, any comparison made is necessarily limited and merely serves as an illustrative guide. However, we note that the Target Comparable Companies are the closest proxies to the Target Group based on our selection criteria.

The following is the list of comparable companies for the Target Group:

Company	Stock Exchange	Principal Business
Tianjin Jinran Public Utilities Company Limited ("Tianjin Jinran")	SEHK	Tianjin Jinran, through its subsidiaries, operates and manages gas pipeline infrastructure, and sells and distributes piped gas in China. The company also sells gas appliances, invests in gas supply projects, and provides other services in connection with gas supply.
China Tian Lun Gas Holdings Ltd. ("China Tian Lun Gas")	SEHK	China Tian Lun Gas processes and distributes natural gas through urban pipelines. The company operates in Henan Province, China. China Tian Lun Gas also operates a compressed natural gas filling station.

Company	Stock Exchange	Principal Business
China Oil and Gas Group Ltd. ("China Oil and Gas")	SEHK	China Oil and Gas is engaged in the investments in, and the operation and management of the natural gas and energy related business. Gas operations include city piped gas business, natural gas vehicle refilling stations, pipeline construction and operation, as well as transportation, delivery and distribution of compressed natural gas (CNG) and liquefied natural gas (LNG).
Zhongyu Gas Holdings Limited ("Zhongyu Gas")	SEHK	Zhongyu Gas operates in exploration, exploitation, development and production of coal bed methane and the sale of coalbed methane in the PRC. It also develops, constructs and operates natural gas projects in PRC, which include design and construction of natural gas pipeline network and ancillary facilities, and sale and maintenance of natural gas and its appliances.
Xinjiang Haoyuan Gas Company Limited ("Xinjiang Haoyuan Gas")	Shenzhen	Xinjiang Haoyuan Gas processes, sells, services and delivers natural gas. The company's main products include delivery and sale of natural gas, and home residents pipeline installation services.

Source: Bloomberg L.P.

For the purpose of our evaluation and for illustration, we have made comparisons between the Target Group and the Target Comparable Companies on a historical basis using the following:

- (i) **PER.** The historical PER ratio is commonly used for the purposes of illustrating the profitability and hence the valuation of a company as a going concern; and
- (ii) **P/NAV ratio.** The P/NAV ratio or NAV approach is used to show the extent the value of each share is backed by net assets. The NAV approach of valuing a group of companies is based on the aggregate value of all the assets of the group in their existing condition, after deducting the sum of all liabilities.

Target Comparable Companies	Last Financial Year-end	Market Capitalisation as at the S&P Announcement Date (HK\$' million)	P/NAV ⁽¹⁾ (times)	PER ⁽²⁾ (times)
Tianjin Jinran	31 Dec 2013	2,538.2	1.3	24.2
China Tian Lun Gas	31 Dec 2013	6,267.4	5.5	29.9
China Oil and Gas	31 Dec 2013	6,400.9	1.8	15.9
Zhongyu Gas	31 Dec 2013	5,300.4	3.1	20.2
Xinjiang Haoyuan Gas	31 Dec 2013	4,542.6	5.4	43.3
Maximum			5.5	43.3
Minimum			1.3	15.9
Mean			3.4	26.7
Median			3.1	24.2
Target Group	31 Dec 2013	643.6 (based on fair value of the Consideration)	6.3	5.4 (based on forward PER)

Source: Bloomberg L.P., annual reports and publicly available announcements

Notes:

- (1) The P/NAV ratios of the Target Comparable Companies were computed based on their respective NAV values as set out in their latest published financial statements as at the S&P Announcement Date; and
- (2) The historical PERs of the Target Comparable Companies were computed based on their respective latest published full year earnings or their trailing 12 months earnings, where applicable, as at the S&P Announcement Date. The forward PER of the Target Group as implied by the fair value of the Consideration is based on the Target Group's average projected net profit after tax over the first 5-year period of the Benxi Project.

Based on the above, we note that:

- (i) the forward PER of the Target Group of 5.4 times as implied by the fair value of the Consideration is below the lower end of the range of historical PERs of the Target Comparable Companies, and much lower than the mean and median of the historical PERs of the Target Comparable Companies. However, we wish to point out that the forward PER of the Target Group may not be directly comparable to the historical PERs of the Target Comparable Companies as the forward PER is based on forecast earnings which are estimated based on various assumptions; and

- (ii) the P/NAV ratio of the Target Group of 6.3 times as implied by the fair value of the consideration is higher than the upper end of the range of the P/NAV ratios of the Target Comparable Companies and much higher than the mean and median of the P/NAV ratios of the Target Comparable Companies. However, the P/NAV ratio of the Target Group may not be directly comparable with the P/NAV ratios of the Target Comparable Companies as the Target Group's Benxi Project is a new project being developed and has yet to be fully constructed or completed and with no established operating track record.

Hence, any comparison of the valuation ratios with the Target Comparable Companies merely serves as an illustration guide. Our assessment of the Consideration for the Acquisition is therefore mainly supported by the fair value of the Convertible Note and the independent valuation of the Target Group.

4.3 Assessment of the Conversion Price of the Convertible Note to be issued for the Acquisition

In connection with the Acquisition, the Consideration for the Acquisition is to be satisfied partly by cash and partly by the issue of the Convertible Note by the Company to the Vendor (or its nominees). We have assessed the fair value of the Consideration in paragraph 4.2.1 above, which shows that the fair value of the Consideration is higher than the principal amount of the Consideration due mainly to the fair value of the Convertible Note, which include the intrinsic value and the time value of the conversion option. The intrinsic value is due to the conversion price being fixed at a discount to the then prevailing market share price at the S&P Announcement Date and the time value is derived from the 3-year conversion option. In this regard, LCH has ascribed a value of HK\$229.8 million to the equity component of the Convertible Note.

The purpose of this section is to evaluate the reasonableness of the issue price of the New Shares, that is, the Conversion Price of the Convertible Note of HK\$2.36 per New Share, after taking into consideration the following:

- (i) historical share price performance and trading activity of the Shares; and
- (ii) comparison of valuation ratios of selected listed companies whose businesses are broadly comparable to the Group.

4.3.1 Historical share price performance and trading activity of the Shares

As at the Latest Practicable Date, the Company is dual primary listed on the Mainboard of the SEHK and the SGX-ST and has an existing issued share capital comprising 249,067,373 Shares. The Directors have indicated that approximately 5% of the Shares are registered in Singapore and traded on the SGX-ST while the remaining approximately 95% of the Shares are registered in Hong Kong and traded on the SEHK.

As a comparison of the share price performance (in HK\$) on the SEHK and SGX-ST, we set out below a chart showing the Conversion Price relative to the daily last transacted prices and trading volume of the Shares on the SEHK and the SGX-ST from 6 May 2013 (being the 1-year period prior to the S&P Announcement Date) to the Latest Practicable Date (“**Period Under Review**”):

**Price movement and traded volume of the Shares from
6 May 2013 to the Latest Practicable Date**



Source: Bloomberg L.P.

As can be observed from the chart above, the Shares traded on the SGX-ST were relatively in line with those on the SEHK except that they were traded at most times at discounts to the share prices on the SEHK. In addition, the trading volume on the SEHK had been a lot more active than those traded on the SGX-ST.

Given that the Shares are mainly transacted on the SEHK as compared to the SGX-ST, we have therefore in our analysis below evaluated the Conversion Price against the share price performance on the SEHK instead of the share price performance on the SGX-ST as we believe that an actively traded counter is more indicative of the prevailing market valuation of the Shares.

In addition to the share price chart above, we have tabulated below selected statistical information based on the share price performance and trading liquidity of the Shares on the SEHK for the Period Under Review:

Reference period	Highest traded price (HK\$)	Lowest traded price (HK\$)	VWAP ⁽¹⁾ (HK\$)	Premium/ (Discount) of Conversion Price over/(to) VWAP (%)	Number of traded days ⁽²⁾	Average daily trading volume ⁽³⁾ ('000)	Average daily trading volume as a percentage of free float ⁽⁴⁾ (%)
Prior to the S&P Announcement Date							
Last 1 year	2.980	1.440	2.500	(5.6)	246	2,764	1.7
Last 6 months	2.980	2.120	2.642	(10.7)	121	3,084	1.9
Last 3 months	2.920	2.520	2.680	(11.9)	60	3,275	2.0
Last 1 month	2.920	2.640	2.753	(14.3)	18	3,922	2.4
5 May 2014 (being the last traded market day prior to the S&P Announcement Date	2.770	2.710	2.755	(14.4)	1	3,250	2.0
After the S&P Announcement Date							
After the S&P Announcement Date up to the Latest Practicable Date	3.240	2.710	2.989	(21.0)	34	4,676	2.9
Latest Practicable Date	2.900	2.810	2.846	(17.1)	1	5,818	3.6

Source: Bloomberg L.P.

Notes:

- (1) The volume-weighted average price (“VWAP”) for the respective periods are calculated based on the daily VWAP turnover divided by VWAP volume as extracted from Bloomberg L.P.. Off market transactions are excluded from the calculation;
- (2) Traded days refer to the number of days on which the Shares were traded on the SEHK during the period;
- (3) The average traded volume of the Shares is computed based on the total volume of Shares traded during the relevant periods, divided by the number of market trading days (excluding market trading days with full day trading halts) during that period; and
- (4) Free float refers to the Shares other than those directly and deemed held by the Directors and substantial Shareholders of the Company. For the purpose of computing the average daily trading volume as a percentage of free float, we have used the free float of approximately 162.09 million Shares based on the free float of 65.08% as disclosed in the Company’s annual report for FY2013.

Based on the above, we observe the following with regard to the share price performance on the SEHK for the Period Under Review:

- (i) Over the 1-year period prior to the S&P Announcement Date, the Shares have traded between a low of HK\$1.440 and a high of HK\$2.980. The Conversion Price represents a premium of HK\$0.92 (or 63.9%) over the lowest transacted price of the Shares and a discount of HK\$0.62 (or 20.8%) to the highest transacted price of the Shares;
- (ii) The Conversion Price represents a discount of 5.6% to the VWAP of the Shares for the 1-year period prior to the S&P Announcement Date, and discounts of 10.7%, 11.9% and 14.3% to the VWAP of the Shares for the 6-month, 3-month, and 1-month periods prior to the S&P Announcement Date respectively. The Conversion Price represents a discount of 12.9% to the last transacted price of HK\$2.71 prior to the S&P Announcement Date on 5 May 2014; and

- (iii) Following the S&P Announcement Date and up to the Latest Practicable Date, the Shares had traded between HK\$2.71 and HK\$3.24. The Conversion Price represents a discount of 21.0% to the VWAP of the Shares of HK\$2.989 during this period. We observe that Share prices had trended upwards significantly during this period. As at the Latest Practicable Date, the Conversion Price represents a discount of 16.3% to the last transacted share price of HK\$2.82. It is likely that the increase in Share prices may be indicative of the positive market sentiments towards the Acquisition.

We observe the following with regard to the trading liquidity of the Shares on the SEHK:

- (i) The average daily trading volume of the Shares for the 1-year, 6-month, 3-month and 1-month periods prior to the S&P Announcement Date represent 1.7%, 1.9%, 2.0% and 2.4% of the free float of the Shares respectively; and
- (ii) During the period after the S&P Announcement Date and up to the Latest Practicable Date, average daily trading volume increased to approximately 4.68 million Shares, representing approximately 2.9% of the free float of the Shares.

Shareholders should note that the market price performance of the Shares may be due to various market factors, the individual factors of which may not be easily isolated and identified with certainty. As such, Shareholders should note that the past trading performance of the Shares should not be relied upon as a promise of its future trading performance.

4.3.2 Comparison of valuation ratios of selected listed companies whose businesses are broadly comparable to the Group

For the purpose of assessing the Conversion Price, we have considered companies whose businesses are broadly comparable to the Group. As the Group is principally engaged in the business of book printing and manufacturing of specialised products, we have considered companies that are involved in the same principal business, which can be considered as broad proxies to the Group (“**China Print Comparable Companies**”) and which are listed and traded on the SEHK to give an indication of the current market valuation of the companies as at the S&P Announcement Date.

We have had discussions with the Management of the Group about the suitability and reasonableness of the selected China Print Comparable Companies acting as a basis for comparison with the Group. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the selected China Print Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The selected China Print Comparable Companies' accounting policies with respect to the values for which the assets or the revenue and cost are recorded may differ from that of the Group.

We wish to highlight that the China Print Comparable Companies may differ from the Group in terms of, *inter alia*, market capitalization, size of operations, clientele base, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. As such, any comparison made is necessarily limited and merely serves as an illustrative guide. However, we note that the China Print Comparable Companies are the closest proxies to the Group based on our selection criteria.

The following is the list of comparable companies for the Group:

Company	Principal Business
Hung Hing Printing Group Ltd ("Hung Hing")	Hung Hing, through its subsidiaries, manufactures and prints paper and carton boxes. The Company also trades paper and manufactures corrugated cartons.
New Island Development Holdings Ltd ("New Island")	New Island, through its subsidiaries, prints and manufactures high quality multi-colour packaging products, carton boxes, books, brochures, and other paper products.
Cheong Ming Investments Ltd ("Cheong Ming")	Cheong Ming, through its subsidiaries, manufactures and sells paper cartons, packaging boxes, children's novelty books, shirt paper boards, hangtags, labels, and plastic bags. The company also operates commercial printing business.
1010 Printing Group Limited ("1010 Printing")	1010 Printing is headquartered in Hong Kong. The company's line of business includes the wholesale distribution of books, periodicals, and newspapers.

Source: Bloomberg L.P.

For the purpose of our evaluation and for illustration, we have made comparisons between the Group and the China Print Comparable Companies on a historical basis using the price-to-net tangible assets (“P/NTA”) ratio only and not on historical PER basis as the Group has been loss-making for the last 2 financial years.

As at 31 December 2013, the Group has net tangible assets (“NTA”) of HK\$193.9 million, representing approximately HK\$0.779 per Share based on 249,067,373 issued Shares. The Conversion Price hence represents a P/NTA of 3.0 times based on the NTA per Share of the Group as at 31 December 2013.

China Print Comparable Companies	Last Financial Year-end	Market Capitalisation as at the S&P Announcement Date (HK\$ million)	Historical PER ⁽¹⁾ (times)	Historical P/NTA ⁽²⁾ (times)
Hung Hing	31 Dec 2013	1,116.7	14.5	0.4
New Island	31 Mar 2013	812.9	34.1	1.6
Cheong Ming	31 Mar 2013	743.4	31.0	1.4
1010 Printing	31 Dec 2013	708.4	6.3	1.3
Maximum			34.1	1.6
Minimum			6.3	0.4
Mean			21.5	1.2
Median			22.7	1.4
Group	31 Dec 2013	587.8 (implied by the Conversion Price)	n.m.	3.0

Source: Bloomberg L.P., annual reports and publicly available announcements

Notes:

- (1) The historical PERs of the China Print Comparable Companies were computed based on their respective latest published full year earnings or their trailing 12 months earnings, where applicable, as at the S&P Announcement Date; and
- (2) The historical P/NTA ratios of the China Print Comparable Companies were computed based on their respective NTA values as set out in their latest published financial statements as at the S&P Announcement Date. The historical P/NTA of the Group as implied by the Conversion Price is based on the Group’s audited NTA as at 31 December 2013.

n.m. not meaningful

Based on the above, we note that on the P/NTA basis, the historical P/NTA ratio of the Group of 3.0 times as implied by the Conversion Price is much higher than the upper end of the range, the median and the mean of the P/NTA ratios of the China Print Comparable Companies.

4.4 Dilution impact arising from the Acquisition on the Shareholders

It is important to note that there will be no dilution impact on the shareholdings of existing Shareholders after the Acquisition if the Convertible Note is not converted into the New Shares. The extent of the dilution impact will depend on the extent of the conversion of the Convertible Note.

We have set out below two key scenarios to show the extent of the dilution impact on the shareholdings of existing Shareholders arising from the conversion of the Convertible Note at various key thresholds.

Scenario	Description
----------	-------------

A	Assuming the full conversion of the Convertible Note into the New Shares by the Vendor:
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$$\begin{aligned}
 \text{Number of New Shares to be} &= \text{Value of Convertible Note/Conversion Price} \\
 \text{issued to the Vendor upon} &= \text{HK\$498,432,000/HK\$2.36} \\
 \text{the full conversion of the} &= 211,200,000 \text{ Shares} \\
 \text{Convertible Note} &
 \end{aligned}$$

$$\begin{aligned}
 \text{Enlarged issued Shares} &= 249,067,373 \text{ existing Shares} + 211,200,000 \text{ New Shares} \\
 &= 460,267,373 \text{ Shares}
 \end{aligned}$$

B	Assuming the conversion of the Convertible Note is up to the limit where the aggregate shareholding of the Vendor shall not exceed 29.9% of the enlarged issued share capital of the Company, pursuant to the Conversion Restriction in paragraph 3.2(d)(ii) of this Letter:
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$$\begin{aligned}
 \text{Enlarged issued Shares} &= 249,067,373 \text{ existing Shares} + 106,235,584 \text{ New Shares} \\
 &= 355,302,957 \text{ Shares}
 \end{aligned}$$

Further details of the ownership structures of the Company before and after the Acquisition are set out on page 28 under “Changes in the Shareholding Structure of the Company” in the “Letter from the Board” of the Circular.

	Latest Practicable Date		Scenario A		Scenario B	
	No. of Shares (Direct Interest)	%	No. of Shares (Direct Interest)	%	No. of Shares (Direct Interest)	%
Vendor	–	–	211,200,000	45.89	106,235,584	29.90
China Print Power Limited ^{(1) (2)}	46,060,848	18.49	46,060,848	10.01	46,060,848	12.96
Mr. Sze Chun Lee ⁽¹⁾	180,000	0.07	180,000	0.04	180,000	0.05
Mr. Lam Shek Kin ⁽²⁾	100,000	0.04	100,000	0.02	100,000	0.03
Flame Capital Limited ⁽³⁾	20,634,000	8.28	20,634,000	4.48	20,634,000	5.81
Grand Powerful Group Limited ⁽⁴⁾	20,000,000	8.03	20,000,000	4.35	20,000,000	5.63
Existing public Shareholders	162,092,525	65.08	162,092,525	35.22	162,092,525	45.62
Total	249,067,373	100.0⁽⁵⁾	460,267,373	100.0⁽⁵⁾	355,302,957	100.0

Notes:

- (1) Mr. Sze Chun Lee and Mr. Chan Wai Ming, the Executive Directors of the Company, hold 43.75% and 37.50% of China Print Power Limited respectively and accordingly are each deemed interested in the 46,060,848 Shares held by China Print Power Limited as at the Latest Practicable Date;
- (2) Mr. Lam Shek Kin, the Executive Director of the Company, hold 18.75% of China Print Power Limited, and is accordingly not deemed interested in the 46,060,848 Shares held by China Print Power Limited as at the Latest Practicable Date. Mr. Sze Chun Lee, Mr. Chan Wai Ming and Mr. Lam Shek Kin are the directors of China Print Power Limited;
- (3) Ms. Chung Oi Ling Stella, the Executive Director of the Company, holds 100% of Flame Capital Limited and accordingly is deemed interested in the 20,634,000 Shares held by Flame Capital Limited as at the Latest Practicable Date;
- (4) Mr. Cheng Ming Kit, the Executive Director of the Company, holds 100% of Grand Powerful Group Limited and accordingly is deemed interested in the 20,000,000 Shares held by Grand Powerful Group Limited as at the Latest Practicable Date; and
- (5) does not add up due to rounding.

Public Float Requirement

We note that in both the scenarios A and B, the public float of the Shares is well above the minimum public float requirement of 25% as required by the Listing Rules of the SEHK and 10% as required by the Listing Manual of the SGX-ST. Accordingly, the Company should be able to meet the minimum public float requirements of both the SEHK and SGX-ST arising from the conversion of the Convertible Note.

The existing shareholdings held by public Shareholders will be diluted from 65.1% to 35.2% at the maximum under Scenario A when the entire Convertible Note is fully converted into the New Shares. The shareholding of existing public Shareholders will be diluted less, from 65.1% to 45.6% under Scenario B.

Shareholdings of the existing controlling shareholder and the Vendor

As shown in the table above, as at the Latest Practicable Date, China Print Power Limited is the single largest shareholder of the Company, holding 18.5% of the existing issued Shares. China Print Power Limited is also considered as a controlling shareholder under the Listing Manual of SGX-ST, controlling shareholder being defined as a person who:

- (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or
- (b) in fact exercises control over a company.

As at the Latest Practicable Date, the Vendor does not have any board representation in the Company and is not involved in the management of the Group. We note that the Vendor has not made any expression of its intention on whether or not to seek any board representation or management involvement in the Group after the Acquisition.

We note that the Executive Directors of the Company, namely Mr. Sze Chun Lee, Mr. Chan Wai Ming, Mr. Lam Shek Kin, Ms. Chung Oi Ling Stella and Mr. Cheng Ming Kit, have an aggregate, directly and/or indirectly through their respective corporate vehicles including China Print Power Limited, shareholding interests of 34.9% of the Company as at the Latest Practicable Date, while the public Shareholders own 65.1% interest of the Company.

Scenario A

Under Scenario A where the Convertible Note is fully converted into the New Shares by the Vendor, the shareholding interest of the Vendor in the Company will increase substantially from 0% to 45.9% of the enlarged issued Shares and will become the single largest shareholder of the Company. The shareholding interest of China Print Power Limited will be diluted from 18.5% to 10.0% of the enlarged issued Shares and will hence cease to be the controlling shareholder of the Company. The Executive Directors, will own, in aggregate, 18.9% of the enlarged issued Shares under this Scenario A.

This Scenario A is for illustration purposes only and is an unlikely scenario so long as the Conversion Restrictions continue to apply.

Scenario B

Pursuant to the Conversion Restrictions, the Vendor's shareholding interest in the Company will be restricted to the relevant applicable shareholding thresholds in the Company to avoid triggering any mandatory takeover obligations for the remaining shares in the Company which the Vendor and parties acting in concert with it does not already own. We note that the limiting percentage stated in the Conversion Restrictions is 29.9% as disclosed in paragraph 3.2(d)(ii) of this Letter. Under the Singapore Code on Take-overs and Mergers and the Code on Takeover and Mergers of Hong Kong, the relevant trigger threshold is 30%.

With the above Conversion Restrictions, Scenario B shows the maximum shareholding interest of the Vendor at 29.9%. The Vendor will become the single largest shareholder of the Company and will be deemed the new controlling shareholder of the Company. We note that the Company has sought Shareholders' approval at the SGM for the Company to issue the New Shares to transfer a controlling interest to the Vendor (arising from the conversion of the Convertible Note) pursuant to Rule 803 of the Listing Manual of the SGX-ST.

China Print Power Limited's shareholding interest in the Company will be diluted from 18.5% to 13.0% of the enlarged issued Shares and will cease to be deemed as the controlling shareholder of the Company. The Executive Directors, will own, in aggregate, 24.5% of the enlarged issued Shares under this Scenario A.

We note that pursuant to the Conversion Restrictions, the Vendor is subject to the Change in Control Restriction, that is, the Vendor will not be permitted to convert the Convertible Note where there shall be a change in control (being the capacity to dominate decision making, directly or indirectly, in relation to the financial and operating policies) of the Company under the Listing Rules of the SEHK (where applicable). We further understand that, under the Listing Rules of the SEHK, there is deemed to be a change in control if the Vendor acquires 30% or more of the company.

As disclosed in paragraph 1.2 of this Letter, the Company is in the process of carrying out the Proposed Conversion to a secondary listing on the SGX-ST. Under the Listing Manual, a company with a secondary listing on the SGX-ST will be subject to the listing rules of the home exchange where it has a primary listing and need not comply with the listing rules of the SGX-ST subject to the provisions under Rule 217 of the Listing Manual. Accordingly, upon the completion of the Proposed Conversion, the Company will need to comply only with the Listing Rules of the SEHK, subject to Rule 217 of the Listing Manual of the SGX-ST.

4.5 Financial effects of the Acquisition

The financial effects of the Acquisition are set out in pages 23 and 24 under “Effects on Earnings, Assets and Liabilities of the Group” in the “Letter from the Board” of the Circular, based on the latest audited financial statements of the Group for FY2013 and are for illustration purposes only.

From the above, we note that the Acquisition will result in the following financial effects for the Group:

- (i) the share capital of the Company will increase if and when the Convertible Note is converted into the New Shares by the Vendor;
- (ii) the NTA of the Group may decrease after the Acquisition as the Acquisition is funded by cash and the Convertible Note, and the Acquisition may result in substantial goodwill and intangible assets being recorded which will be excluded in the computation of NTA of the enlarged Group. Goodwill arising from the Acquisition is to be determined after taking into consideration the fair value of the Consideration for the Acquisition, the Loan and the fair value of the identifiable net assets of the Target Group at the time of Completion. The goodwill and the intangible assets may also be subject to annual amortisation, review and impairment. Any impairment of the goodwill and intangible assets in the current financial year or subsequent financial periods may materially and adversely affect the financial position of the enlarged Group; and

- (iii) the earnings of the Group will improve as a result of the Acquisition if the Target Group achieves its projections. However, the Acquisition may result in goodwill and intangible assets being recognised in the financial statements of the enlarged Group for FY2014 as pointed out in item (ii) above. Any impairment of goodwill and intangible assets in the current financial year or subsequent financial periods may materially and adversely affect the financial performance of the enlarged Group.

4.6 Other relevant consideration

The New Shares upon the conversion of the Convertible Note are not subject to any moratorium

As at the Latest Practicable Date, we note that the Vendor had not given any moratorium on the New Shares arising from the conversion of the Convertible Note, that is, undertake not to sell or transfer or dispose of its New Shares within an agreed time period, as a show of its commitment in and support for the enlarged Group after the Acquisition.

5. OUR OPINION

In arriving at our opinion on the Acquisition with respect to Rule 1013(2) of the Listing Manual of SGX-ST, we have taken into account, reviewed and deliberated on, *inter alia*, the following key considerations (which are summarised below) that we consider to be pertinent in our assessment:

(i) Rationale for the Acquisition

The rationale for the Acquisition is for the Company to further establish its market presence and strengthen its existing business portfolio of natural gas operations in the PRC.

(ii) Assessment of the Consideration for the Acquisition

- (a) The fair value of the Consideration of HK\$643.6 million, which takes into account the fair value of the Convertible Note, represents a discount of 1.6% to the independent valuation of the Target Group of HK\$654.2 million;

- (b) The forward PER of the Target Group is approximately 5.4 times of the average projected net profit after tax over the first 5-year period of the Benxi Project of HK\$119.1 million. In comparison with the Target Comparable Companies, the forward PER of the Target Company of 5.4 times as implied by the fair value of the Consideration is below the lower end of the range of historical PERs of the Target Comparables, and much lower than the mean and median of the historical PERs of the Target Comparable Companies; and
- (c) The P/NAV of the Target Group as implied by the fair value of the Consideration is approximately 6.3 times. In comparison with the Target Comparable Companies, the P/NAV ratio of the Target Company of 6.3 times as implied by the fair value of the Consideration is higher than the upper end of the range of the P/NAV ratios of the Target Comparables Companies.

However, we wish to highlight that the Benxi Project is new and does not have any historical track record and the Target Group has only completed phase 1 of the Benxi Project and has only commenced operations on a trial basis since June 2014. Hence, any comparison of the valuation ratios with the Target Comparable Companies merely serves as an illustration guide. Our assessment of the Consideration for the Acquisition is therefore mainly supported by the fair value of the Convertible Note and the independent valuation of the Target Group.

(iii) Assessment of the Conversion Price of the Convertible Note to be issued for the Acquisition

- (a) The Conversion Price of the Convertible Note of HK\$2.36 represents a discount of 5.6% to the 1-year VWAP of the Shares on the SEHK prior to the S&P Announcement Date;
- (b) The Share price had trended upwards significantly following the S&P Announcement and up to the Latest Practicable Date and the average daily trading volume of the Shares on the SEHK during this period increased to 4.68 million Shares, representing 2.9% of the free float of the Shares. As at the Latest Practicable Date, the Conversion Price represents a discount of 16.3% to the last transacted share price of HK\$2.82. It is likely that the increase in Share prices may be indicative of the positive market sentiments towards the Acquisition; and
- (c) In comparison with the China Print Comparable Companies, the historical P/NTA ratio of the Group of 3.0 times as implied by the Conversion Price is much higher than the upper end of the range of the P/NTA ratios of the China Print Comparables Companies. Comparison with the China Print Comparable Companies on a historical PER basis is not meaningful as the Group has been loss-making.

(iv) Dilution impact arising from the Acquisition on the Shareholders

- (a) Upon the full conversion of the Convertible Note, the maximum number of New Shares to be issued to the Vendor will be 211,200,000 Shares under Scenario A and 106,235,584 Shares under Scenario B. The Vendor will own a maximum shareholding interest of 45.9% of the enlarged issued Shares under Scenario A and 29.9% of the enlarged issued Shares under Scenario B. Scenario A assumes the full conversion of the Convertible Note into the New Shares by the Vendor. This is an unlikely scenario so long as the Conversion Restrictions continue to apply. Scenario B assumes the conversion of the Convertible Note up to 29.9% to avoid triggering any mandatory takeover obligations; and
- (b) In both Scenarios A and B, the public float of the Shares is well above the minimum public float requirement of 25% as required by the Listing Rules of the SEHK and 10% as required by the Listing Manual of the SGX-ST. Upon the full conversion of the Convertible Note, the existing shareholdings held by the public Shareholders will be diluted from 65.1% to 35.2% under Scenario A and from 65.1% to 45.6% under Scenario B. Accordingly, the Company should be able to meet the minimum public float requirement of both the SEHK and SGX-ST arising from the conversion of the Convertible Note.

(v) Financial effects of the Acquisition

- (a) The share capital of the Company will increase if and when the Convertible Note is converted into the New Shares by the Vendor;
- (b) the NTA of the Group may decrease after the Acquisition as the Acquisition is funded by cash and the Convertible Note, and the Acquisition may result in substantial goodwill and intangible assets being recorded which will be excluded in the computation of NTA of the enlarged Group; and
- (c) the earnings of the Group will improve as a result of the Acquisition, if the Target Group achieves its projections, subject to any impairment of the goodwill and intangible assets arising from the Acquisition.

(vi) Other relevant consideration

The New Shares upon the conversion of the Convertible Note are not subject to any moratorium.

Overall, based on our analysis and after having considered carefully the information available to us, we are of the view that, with respect to Rule 1013(2) of the Listing Manual of SGX-ST, the Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its Shareholders.

The Directors should note that we have arrived at these conclusions based on information made available to us prior to and including the Latest Practicable Date. Our advice on the Acquisition with respect to Rule 1013(2) of the Listing Manual of SGX-ST cannot and does not take into account the future trading activity or patterns or price levels that may be established for the Shares as these are governed by factors beyond the scope of our review and would not fall within our terms of reference in connection with the Acquisition with respect to Rule 1013(2) of the Listing Manual of SGX-ST.

Our opinion is addressed to the Directors for their benefit and for the purpose of their consideration of the Acquisition with respect to Rule 1013(2) of the Listing Manual of SGX-ST. The recommendation to be made by them to the Shareholders shall remain the sole responsibility of the Directors, as the case may be. Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose other than for the purpose of the Shareholders' resolutions in relation to the Acquisition at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully

For and on behalf of

PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng

Chief Executive Officer

APPENDIX IX LETTER FROM THE SPECIAL ACCOUNTANT IN RELATION TO SINGAPORE LISTING MANUAL

30 June 2014

The Board of Directors
China Print Power Group Limited
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

Dear Sirs,

LETTER FROM THE SPECIAL ACCOUNTANT ON THE FORECAST IN CONNECTION WITH THE VALUATION OF THE BUSINESS OF 本溪遼油新時代燃氣有限公司 (THE “VALUATION”)

Purpose of the letter

This letter has been prepared in connection with the circular dated 30 June 2014 (the “Circular”) in relation to acquisition of Cloud Decade Limited, which indirectly owns about 89.18% equity interest in 本溪遼油新時代燃氣有限公司 (the “PRC Company”), by Goldlink Capital Limited, a wholly-owned subsidiary of China Print Power Group Limited (“China Print” or the “Company”).

The Valuation disclosed in the circular was prepared by LCH (Asia-Pacific) Surveyors Limited based on the discounted cash flow forecast of the PRC Company (the “Forecast”).

The directors of the PRC Company (the “Directors”) are responsible for the preparation and presentation of the Forecast and the corresponding assumptions adopted. The directors of China Print have also reviewed and approved the assumptions adopted.

BDO LLP (“BDO”), being the special accountant of the PRC Company, has to review the Forecast prepared and presented by the Directors and the corresponding assumptions adopted. This review was conducted in accordance with the Singapore Standard on Assurance Engagements 3400, the Examination of Prospective Financial Information. BDO has solely addressed the data as set forth and incorporated by reference in the Forecast and make no representations or warranties regarding the adequacy of disclosure, completeness of the information included or omission of any material facts in the Forecast.

APPENDIX IX LETTER FROM THE SPECIAL ACCOUNTANT IN RELATION TO SINGAPORE LISTING MANUAL

Financial forecast

The Forecast is intended to demonstrate a possible outcome based on the underlying stated assumptions as adopted by the Directors. As the period covered by the Forecast extends from 2014 to 2041, the assumptions which have been adopted to build the Forecast, include hypothetical assumptions in respect of events projected into the future which are difficult to predict and may not necessarily occur.

The assumptions in the Forecast have been formulated based on the Director's current understanding of the business and market conditions. Unforeseen factors and circumstances may affect the viability of the events incorporated in the Forecast from occurring, particularly due to the long duration of the Forecast. Even if the events anticipated in the assumptions do occur, the actual results may vary as compared to the Forecast, and that such variation may be material. As such, the PRC Company's actual performance may differ from the projected Forecast. For these reasons, BDO does not express any opinion as to the viability in respect of the realisation of the Forecast.

Conclusion

Based on BDO's review of the Forecast, nothing has come to our attention which causes us to believe that the assumptions adopted by the Directors do not provide a reasonable basis for the Forecast. Furthermore, the calculation of the Forecast has been properly prepared on the basis of the assumptions adopted by the Directors, and is consistent with the accounting policies which comply with the International Financial Reporting Standards, being the accounting framework adopted by China Print in the preparation of the financial statements.

This report is prepared based on the current economic, market and other conditions prevailing at the date of the Announcement. Such conditions may vary significantly over relatively short periods of time and are beyond the control of BDO.

Yours sincerely

BDO LLP

Public Accountants and
Chartered Accountants

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTERESTS**Interests of Directors**

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were 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 which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Interest in the Company

Name	Number of Shares	Nature of interest	Percentage of shareholding
Mr. Sze Chun Lee	180,000	Beneficial owner	0.07%
	46,060,848	Interest of controlled corporation (<i>note 1</i>)	18.50%
Mr. Chan Wai Ming	46,060,848	Interest of controlled corporation (<i>note 1</i>)	18.50%
Mr. Lam Shek Kin	100,000	Beneficial owner	0.05%
Ms. Chung Oi Ling, Stella	20,634,000	Interest of controlled corporation (<i>note 2</i>)	8.28%
Mr. Cheng Ming Kit	20,000,000	Interest of controlled corporation (<i>note 3</i>)	8.03%

Notes:

1. China Print Power Limited holds 46,060,848 Shares and is beneficially owned by Mr. Sze Chun Lee, Mr. Chan Wai Ming and Mr. Lam Shek Kin as to 43.75%, 37.5% and 18.75% respectively. They are directors of China Print Power Limited. Since Mr. Sze and Mr. Chan have respectively owned one-third or more of the interests in China Print Power Limited, they are deemed to be interested in those 46,060,848 Shares respectively.
2. Ms. Chung Oi Ling, Stella is deemed to be interested in 20,634,000 Shares by virtue of her 100% interest in Flame Capital Limited. She is a director of Flame Capital Limited.
3. Mr. Cheng Ming Kit is deemed to be interested in 20,000,000 shares by virtue of his 100% interest in Grand Powerful Group Limited. He is a director of Grand Powerful Group Limited.

(ii) Interest in China Print Power Limited

Name	Number of shares	Percentage of shareholding
Mr. Sze Chun Lee	4,375	43.75%
Mr. Chan Wai Ming	3,750	37.50%
Mr. Lam Shek Kin	1,875	18.75%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have 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 he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests of experts in the Group

None of the experts named in the paragraph headed “Qualifications of experts” in this appendix has any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

Interests in assets

Power Printing Products Limited (“PPPL”) (a subsidiary of the Company) and (Hong Kong) Power Printing Limited (“HKPPL”) (a company controlled by Mr. Sze Chun Lee) entered into an agreement on 1st November, 2008 whereby HKPPL rents out a vehicle to PPPL at a monthly rent of HK\$28,000 for a period of one calendar year and automatically renewed annually. The agreement may be terminated by any party by giving 30 days’ notice in writing to the other party.

Save as disclosed above, none of the Directors or experts named in the paragraph headed “Qualifications of experts” in this appendix has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Enlarged Group or is proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2013, being the date to which the latest published audited accounts of the Company were made up.

Interests in contracts or arrangements

None of the Directors has any material interests in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group taken as a whole.

Service contracts

There is no existing or proposed service contract between any member of the Group and any Director or proposed Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

Competing business

None of the Directors or any of their respective associates has any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

LITIGATION

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

QUALIFICATIONS OF EXPERTS

The qualifications of the experts who have given opinions in this circular are as follows:

Name	Qualification
LCH (Asia-Pacific) Surveyors Limited	Valuer
BDO Limited	Certified Public Accountants, Hong Kong
BDO LLP	Public Accountants and Chartered Accountants, Singapore
Kingsway Capital Limited	a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO
Provenance Capital Ptd. Ltd.	a corporation licensed to advise on corporate finance regulated activities under the Securities and Futures Act of Singapore

CONSENTS

The experts named in the paragraph headed "Qualifications of experts" in this appendix have given and have not withdrawn their respective written consents to the issue of this circular with copies of their reports, valuation or letters (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years preceding the date of this circular and are or may be material:

1. a sales contract dated 1 August 2012 (as supplemental on 21 December 2012) between the PRC Operating Co and 遼寧恒通冶金裝備製造有限公司 (Liaoning Hengtong Metallurgical Equipment Manufacture Co. Ltd.*) relating to the PRC Operating Co's supply of natural gas for prevailing market prices, the consumption scale and by supply agreement to be signed by both parties;
2. a sales contract dated 10 September 2012 between the PRC Operating Co and 本溪金永新材料科技有限公司 (Benxi Jin Yongxin Material Technology Co., Ltd.*) relating to the PRC Operating Co's supply of natural gas for prevailing market prices, the consumption scale and by supply agreement to be signed by both parties;
3. a construction contract dated 18 January 2013 between the PRC Operating Co and 本溪滿族自治縣燕興建築工程有限公司 (Benxi Manchu Autonomous County Yan Hing Construction Engineering Co. Ltd.*) relating to the construction of phase I of the station at DFH Industrial Park for RMB8,831,300;
4. a placing agreement dated 7 February 2013 between the Company and Get Nice Securities Limited relating to the placing of up to 34,840,000 new Shares at HK\$0.98 each;
5. a construction contract dated 20 February 2013 between the PRC Operating Co and 瀋陽工業安裝工程股份有限公司建安一分公司 (Jian'an No. 1 Branch Company of Shenyang Industrial Installation Engineering Co., Ltd.*) relating to installation work at the station at DFH Industrial Park for RMB1,850,000;
6. a construction contract dated 1 April 2013 between the PRC Operating Co and 遼寧遼河油田愷拓實業有限公司建安一分公司 (Jian'an No. 1 Branch Company of Liaoning Liaohe Oilfield Kaituo Industrial Co., Ltd.*) relating to installation work of natural gas pipe lines at DFH Industrial Park for RMB2,000,000;
7. a construction contract dated 8 April 2013 between the PRC Operating Co and 遼寧遼河油田愷拓實業有限公司建安一分公司 (Jian'an No. 1 Branch Company of Liaoning Liaohe Oilfield Kaituo Industrial Co., Ltd.*) relating to installation work of natural gas pipe lines at DFH Industrial Park for RMB22,990,000;

8. a supplemental agreement dated 30 May 2013 between the PRC Operating Co and the Xihu Government relating to an agreement dated 30 March 2012 in respect of the exclusive right to supply natural gas in the Supply District;
9. a lease agreement dated 25 June 2013 (as supplemental on 20 November 2013) between 德州華鑫天然氣有限公司 (Dezhou Huaxin Natural Gas Company Limited*) (the “JV”) and 山東禹城華意天然氣開發有限公司 (Shandong Yu Cheng Huayi Natural Gas Development Company Limited*) (“Huayi”) relating to the leasing of buildings erected on 中國山東省禹城市十里望回族鄉101省道西 (101 Shengdaoxi, Shiliwang Huizuxiang, Yu Cheng City, Shandong Province, the PRC*) from Huayi to the JV for a term from 20 November 2013 to 30 June 2033 at a rent of RMB15,000 per quarter exclusive of utilities and other outgoing chargers (with rent free period preceding the signing of the supplemental agreement);
10. a joint venture agreement dated 20 July 2013 (as supplemental on 27 September 2013 and 20 November 2013) between Joy Trade Limited (a subsidiary of the Company) and Huayi in relation to the formation of the JV with registered capital of US\$5,705,000 (RMB35,000,000), of which Huayi holds 40% and Joy Trade Limited holds 60% and the relevant rights and obligations of its shareholders;
11. a construction contract dated 2 August 2013 between the PRC Operating Co and 遼寧遼河油田愷拓實業有限公司建安一分公司 (Jian'an No. 1 Branch Company of Liaoning Liaohe Oilfield Kaituo Industrial Co., Ltd.*) relating to installation work of natural gas pipe lines for residential supply at 東山棚改區 (Dongshan Penggai Area*) of Benxi City for RMB22,000,000;
12. a construction contract dated 10 August 2013 between the PRC Operating Co and 遼寧遼河油田愷拓實業有限公司建安一分公司 (Jian'an No. 1 Branch Company of Liaoning Liaohe Oilfield Kaituo Industrial Co., Ltd.*) relating to installation work of natural gas pipe lines for residential supply at 彩北66棟棚改區 (the shanty rebuilding area of 66 blocks in Caibei*) of Benxi City for RMB9,990,000;
13. an agreement dated 23 August 2013 between the PRC Operating Co and 本溪市明發房地產開發有限公司 (Benxi City Mingfa Real Estate Development Co., Ltd.*) relating to the PRC Operating Co's construction of natural gas pipe lines at 明翠山莊 (Ming Cui Garden*) of Benxi City for RMB2,500 per household;

14. a construction contract dated 25 August 2013 between the PRC Operating Co and 遼寧遼河油田愷拓實業有限公司建安一分公司 (Jian'an No. 1 Branch Company of Liaoning Liaohe Oilfield Kaituo Industrial Co., Ltd.*) relating to construction of LNG station for residential supply at 溪湖區東山社區 of Benxi City for RMB3,100,000;
15. a construction contract dated 28 August 2013 between the PRC Operating Co and 本溪滿族自治縣燕興建築工程有限公司 (Benxi Manchu Autonomous County Yan Hing Construction Engineering Co. Ltd.*) relating to construction of staff quarters at the LNG station in DFH Industrial Park for RMB1,590,000;
16. a construction contract dated 10 September 2013 between the PRC Operating Co and 遼寧遼河油田愷拓實業有限公司建安一分公司 (Jian'an No. 1 Branch Company of Liaoning Liaohe Oilfield Kaituo Industrial Co., Ltd.*) relating to construction of LNG station for trucks of mining companies at 火連寨 (Huolianzhai*) of Benxi City for RMB5,00,000;
17. a sales contract dated 30 September 2013 between the PRC Operating Co and 本鋼物資供應處振興加工廠 (Zhenxing Processing Factory under Material Supply Department of Benxi Iron and Steel*) relating to the PRC Operating Co's installation of pipeline interface for RMB20,000;
18. a sales contract dated 16 October 2013 between the PRC Operating Co and 本溪仁達花園酒店有限公司 (Benxi Renda Garden Hotel Co. Ltd.*) relating to the PRC Operating Co's supply of natural gas at prices by reference to the prices to be determined by the local authority during the period of supply;
19. a construction contract dated 25 October 2013 between the PRC Operating Co and 遼寧遼河油田愷拓實業有限公司建安一分公司 (Jian'an No. 1 Branch Company of Liaoning Liaohe Oilfield Kaituo Industrial Co., Ltd.*) relating to work for conversion of LNG station to CNG station at 天賜 of Benxi City for RMB8,360,000;
20. a sales contract dated 9 November 2013 (as supplemental on the same date) between the PRC Operating Co and 本溪市溪湖區火連寨衛東土石方挖掘運輸服務隊 (Benxi City Xihu District Huolianzhai Weidong Earthwork Excavation Transportation Service Company*) relating to the PRC Operating Co's supply of LNG at prices in accordance with 75% of the China 0# diesel oil retail market prices in Benxi City and subject to adjustment of fuel prices by National Development and Reform Commission;

21. a sales contract dated 18 November 2013 between the PRC Operating Co and 昆倫能源 (大連) 有限公司 (Kunlun Energy (Da Lian) Company Limited*) relating to supply of LNG to the PRC Operating Co until 31 December 2013 at prices to be confirmed by both parties;
22. an agreement dated 20 November 2013 between the JV and Huayi relating to the leasing of a parcel of land with an area of approximately 24,526 square meters located at 中國山東省禹城市十里望回族鄉101省道西 (101 Shengdaoxi, Shiliwang Huizuxiang, Yu Cheng City, Shandong Province, the PRC*) from Huayi to the JV for a term from 20 November 2013 to 30 June 2033 for RMB22,000 per quarter exclusive of utilities and other going charges;
23. an agreement dated 25 November 2013 between on the Purchaser and Mr. Xiao Gangming whereby the Purchaser agreed to purchase 6,000 ordinary shares of US\$1 each of Focus On Group Limited for a consideration of HK\$55,000,000 in cash;
24. a placing agreement dated 18 December 2013 between China Galaxy International Securities (Hong Kong) Co., Limited and the Company relating to the placing of a maximum of 41,800,000 new Shares at HK\$2.60 each;
25. a joint venture agreement dated 10 March 2014 between the Purchaser and Mr. Huang Dianqing relating to the formation of a joint venture with issued share capital of US\$100, of which Mr. Huang Dianqing holds 45% and the Purchaser holds 55% for the possible acquisition of 55% equity interest in 黃崗市環孚天然氣有限公司 (Huanggang City Huanfu Natural Gas Co., Ltd.*);
26. a supply contract dated 31 March 2014 between the PRC Operating Co and 昆倫能源 (大連) 有限公司 (Kunlun Energy (Da Lian) Company Limited*) relating to supply of LNG to the PRC Operating Co from 31 March 2014 to 31 December 2014 at prices by reference to the market prices in Liaoning Province for the same period and subject to confirmation by both parties;
27. a supply contract dated 16 April 2014 between the PRC Operating Co and 盤錦遼河油田金東油氣工程有限公司 (Panjin Liaohe Youtian Jindong Youqi Gongcheng Company Limited*) relating to supply of natural gas for industrial use to the PRC Operating Co from the date of commencement of actual business until the end of the trial run at a temporary price of RMB2.95 per cubic meter and subject to adjustment by reference to the determination of prices by the local authority, and to sign a natural gas supply contract after formal operation; and
28. the Sale and Purchase Agreement.

GENERAL

- (a) The joint secretaries of the Company are Mr. Tsui Kan Chun and Ms. Gn Jong Yuh Gwendolyn. Mr. Tsui Kan Chun is a member of The Hong Kong Institute of Certified Public Accountants. Ms. Gn Jong Yuh Gwendolyn is a practising advocate and solicitor in Singapore.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal office of the Company at Flat 2, 13th Floor, Kodak House II, 39 Healthy Street East, North Point, Hong Kong and the Company's Singapore share registrar and share transfer office, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 during normal business hours up to and including 30 September 2014:

- (a) the Memorandum of Association and the Bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2013;
- (c) the circular(s) of the Company issued pursuant to Chapter 14 and/or Chapter 14A of the Listing Rules since 31 December 2013, being the date of the latest published audited accounts;
- (d) the accountant's report on the Target Group, the text of which is set out in Appendix II;
- (e) the accountants' report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV;
- (f) the report on the Valuation prepared by the Valuer, the text of which is set out in Appendix V;
- (g) the reports on forecasts underlying the valuation of the Target Group, the texts of which are set out in Appendix VI;

- (h) the letter from the Singapore Independent Financial Adviser, the text of which is set out in Appendix VIII;
- (i) the letter from the special accountant in relation to the Singapore Listing Manual, the text of which is set out in Appendix IX;
- (j) the material contracts of the Enlarged Group (including the Exclusive Operation Agreement) referred to in the paragraph headed “Material contracts” in this appendix; and
- (k) the written consents referred to in the paragraph headed “Consents” in this appendix.

NOTICE OF SGM



China Print Power Group Limited **中國威力印刷集團有限公司**

(Incorporated in Bermuda with limited liability)

(Singapore Stock Code: B3C)

(Hong Kong Stock Code: 6828)

NOTICE IS HEREBY GIVEN THAT the a special general meeting of China Print Power Group Limited (the “Company”) will be held at Level 21, The Center, 99 Queen’s Road Central, Central, Hong Kong on Monday, 21 July 2014 at 10:00 a.m. (the “SGM”) for the purpose of considering and, if thought fit, passing with or without modifications the following resolution of the Company:

Any shareholder, Depositor or proxy who wishes to attend, speak and vote at the SGM may do so via video conferencing at Level 30, Singapore Land Tower, 50 Raffles Place, Singapore 048623. The person attending the said video conference will be able to pose questions to the company management and to comment on issues on the SGM’s agenda. Please be on time to avoid disrupting the SGM as the SGM will commence at the stipulated time.

APPROVAL OF THE ACQUISITION AND THE ISSUE OF THE CONVERTIBLE NOTE (AS ORDINARY RESOLUTION)

“THAT:

- (a) the agreement dated 5 May 2014 (as supplemented on 23 June 2014) between (1) New Topic Limited (the “Vendor”); (2) Goldlink Capital Limited (the “Purchaser”); and (3) Lee Tsz Hang and Lin Zhangli (the “Agreement”) whereby the Purchaser agreed to purchase from the Vendor the entire issued share capital of, and the benefit of shareholder’s loans advanced to, Cloud Decade Limited at the total price of HK\$515,432,000, to be satisfied by the payment of HK\$17 million in cash and HK\$498,432,000 by the issue of a three year convertible note by the Company (the “Convertible Note”) on the terms and conditions set out in the Agreement to the Vendor or its nominee(s) (a copy of the Agreement has been tabled at the meeting and signed by the Chairman of the meeting for the purpose of identification), be and is hereby approved and the Directors of the Company be and are hereby authorised to implement the transactions contemplated by the Agreement and to do all such acts and execute all such documents with any amendments to the terms of the Agreement which are not inconsistent with the purpose thereof as may be approved by the directors of the Company; and

NOTICE OF SGM

(b) approval be and is hereby given to the Directors to:

(i) create and issue the Convertible Note due 2017 with an aggregate principal amount of HK\$498,432,000 to the Vendor or its nominee(s), such Convertible Note, at the option of the holder thereof, to be convertible into new ordinary shares of the Company (the “New Shares”) at HK\$2.36 per share of HK\$0.55 each of the Company (“Share”) in accordance with the terms and conditions of the Convertible Note as set out in the Agreement, including but not limited to the following restrictions:

(1) the Company shall not issue such number of New Shares which would result in:

(1a) the public float of the Shares being less than the specific percentage as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and/or the Listing Manual of Singapore Exchange Securities Trading Limited (the “Listing Manual”) (where applicable) immediately following such exercise;

(1b) the aggregate shareholding of the holder of the Convertible Note (the “Noteholder”) and parties acting in concert with it (as defined in the Code on Takeovers and Mergers of Hong Kong (the “Takeovers Code”) and/or the Code on Take-overs and Mergers of Singapore (the “Singapore Take-over Code”) immediately after such exercise exceeding 29.9% (or if applicable, the maximum percentage (to one decimal place) of the Shares it could then acquire without being required to make a mandatory general offer for the Shares under Rule 26 of the Takeovers Code and/or Rule 14 of the Singapore Take-over Code (if applicable)) of the enlarged issued share capital of the Company; and

(1c) a change in control (being the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies) of the Company under the Listing Manual (where applicable),

NOTICE OF SGM

(collectively, the “Conversion Restrictions”), such issue of the Convertible Note being an issue of convertible securities that may result in a transfer of a controlling interest in the Company to the Vendor under Rule 803 of the Listing Manual, and subject to such adjustments as the terms and conditions of the Convertible Note may provide and on such other terms and conditions as the Directors may decide;

- (ii) subject to the Conversion Restrictions, to allot and issue such number of New Shares as may be required or permitted to be allotted or issued on the conversion of the Convertible Note to the Noteholder on the conversion thereof, subject to and otherwise in accordance with the terms and conditions of the Convertible Note, whereby such New Shares shall rank *pari passu* in all respects with the then existing shares of the Company and shall be entitled to all dividends and other distributions the record date of which is on or after the relevant conversion date of exercise of the conversion rights under the Convertible Note; and
- (iii) to take such steps, make such adjustments to the terms and conditions of the Convertible Note or to any documents and exercise such discretion as they may from time to time deem fit, advisable, desirable, expedient or necessary to give full effect to the Agreement.”

By order of the Board

Sze Chun Lee

Executive Director & Chief Executive Officer

Dated 30 June 2014

Principal office:

Flat 2, 13th Floor

Kodak House II

39 Healthy Street East

North Point

Hong Kong

NOTICE OF SGM

Notes:

1. A Shareholder Proxy Form (for Singapore Shareholders), a HK Proxy Form (for Hong Kong Shareholders) or a Depositor Proxy Form (for Depositors) is enclosed herewith.
2. A Shareholder entitled to attend and vote at the SGM is entitled to appoint no more than two proxies to attend and vote on his/her behalf. A proxy need not be a Shareholder of the Company.
3. A Shareholder (other than CDP or a clearing house or its nominee(s)) in Singapore who wishes to appoint a proxy should complete the attached Shareholder Proxy Form. Thereafter, the Shareholder Proxy Form must be lodged at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for the SGM.
4. A Shareholder in Hong Kong who wishes to appoint a proxy should complete the attached HK Proxy Form. Thereafter, the HK Proxy Form must be lodged at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the SGM.
5. A Depositor whose name appears in the Depository Register (as defined in Section 130A of the Singapore Companies Act) and who is unable to attend personally but wishes to appoint a nominee to attend and vote on his behalf, or if such Depositor is a corporation, should complete the attached Depositor Proxy Form and lodge the same at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 48 hours before the time appointed for the SGM.
6. Where a Shareholder appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified.
7. The instrument appointing a proxy shall be in writing under the hand of the appointor or by his/her attorney duly authorised in writing. If a Shareholder or Depositor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
8. Completion and return of the Shareholder Proxy Form, the HK Proxy Form or the Depositor Proxy Form will not preclude members from attending and voting in person at the meeting or at any adjournment thereof (as the case may be) should they so wish, and in such event, such proxy form shall be deemed to be revoked.
9. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

As at the date of this notice, the executive directors of the Company are Mr. Sze Chun Lee, Mr. Chan Wai Ming, Mr. Lam Shek Kin, Ms. Chung Oi Ling, Stella, Mr. Hung Tao and Mr. Cheng Ming Kit, and the independent non-executive directors of the Company are Mr. Lim Siang Kai, Mr. Wee Piew and Ms. Wong Fei Tat.