



# Cheong Ming Investments Limited

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*Directors:*

Mr. Lui Shing Ming, Brian (*Chairman*)  
Mr. Lui Shing Cheong (*Managing Director*)  
Mr. Lui Shing Chung, Victor  
Dr. Lam Chun Kong\*  
Mr. Lo Wing Man\*  
Dr. Ng Lai Man, Carmen\*

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1-11 Kwai Ting Road  
Kwai Chung  
New Territories  
Hong Kong

\* *Independent non-executive Directors*

18 September 2009

*To the Shareholders*

Dear Sir or Madam,

**CONDITIONAL VOLUNTARY CASH OFFER  
BY  
OPTIMA CAPITAL LIMITED  
ON BEHALF OF  
CHEONG MING INVESTMENTS LIMITED  
TO REPURCHASE UP TO 100,000,000 SHARES  
AT HK\$0.38 PER SHARE IN CASH**

**INTRODUCTION**

On 23 July 2009, the Board announced that a general offer would be made by Optima Capital on behalf of the Company to repurchase up to 100,000,000 Shares at the price of HK\$0.38 per Share in cash.

The Offer is required to be approved by a majority of the votes cast by Shareholders in person or by proxy at the SGM. The Independent Board Committee comprising all three independent non-executive Directors has been established to make recommendation to the Shareholders regarding the Offer. Taifook Capital has also been appointed to act as the Independent Financial Adviser to give its opinion to the Independent Board Committee and the Shareholders in respect of the Offer.

The purpose of this document is to provide you with, among other things, (i) information on the business and financial position of the Group and reasons of the Offer; (ii) detailed terms and condition of the Offer; (iii) the letter from the Independent Board Committee containing its recommendation and advice to the Shareholders in respect of the Offer; (iv) the letter from Taifook Capital containing its advice in respect of the Offer; and (v) notice of the SGM to consider and, if thought fit, pass the necessary resolution to approve the Offer.

The Forms of Acceptance accompanying this document are for use by Qualifying Shareholders who wish to accept the Offer.

## **THE OFFER**

Optima Capital is making the Offer on behalf of the Company to repurchase up to 100,000,000 Shares, representing approximately 16.42% of the entire issued share capital of the Company as at the Latest Practicable Date, at a price of HK\$0.38 per Share in cash.

The terms and condition of the Offer are set out in the letter from Optima Capital on pages 8 to 15 of this document, Appendix I to this document and the accompanying Form of Acceptance.

The Management Shareholders, who held in aggregate 333,739,036 Shares as at the Latest Practicable Date, have undertaken to the Company that they will not accept the Offer and will not dispose of any of the 333,739,036 Shares held by them during the Offer period.

## **SHAREHOLDING STRUCTURE OF THE COMPANY**

The table below shows the shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon completion of the Offer assuming (i) there are valid acceptances of 100,000,000 Shares; (ii) the Management Shareholders and parties acting in concert with them will not acquire any Shares during the Offer period and, in the case of the parties acting in concert with the Management Shareholders, will not accept the Offer; and (iii) there are no other changes in the share capital structure of the Company after the Latest Practicable Date:

	As at the Latest Practicable Date		As at completion of the Offer	
	Number of Shares	%	Number of Shares	%
HLC ( <i>Note 1</i> )	318,895,286	52.35	318,895,286	62.63
Mr. Lui Shing Ming, Brian ( <i>Note 2</i> )	5,468,750	0.90	5,468,750	1.07
Mr. Lui Shing Cheong ( <i>Note 2</i> )	3,906,250	0.64	3,906,250	0.77
Mr. Lui Shing Chung, Victor ( <i>Note 2</i> )	3,906,250	0.64	3,906,250	0.77
Ms. Ng Shuk Fong, Aman ( <i>Note 3</i> )	1,562,500	0.26	1,562,500	0.31
Management Shareholders	333,739,036	54.79	333,739,036	65.55
Ms. Lui Fung Kuen, Vivian ( <i>Note 4</i> )	<u>14,052,351</u>	<u>2.30</u>	<u>14,052,351</u>	<u>2.76</u>
Management Shareholders and parties acting in concert with them	347,791,387	57.09	347,791,387	68.31
Other public Shareholders ( <i>Note 4</i> )	<u>261,372,439</u>	<u>42.91</u>	<u>161,372,439</u>	<u>31.69</u>
<b>Total</b>	<b><u>609,163,826</u></b>	<b><u>100.00</u></b>	<b><u>509,163,826</u></b>	<b><u>100.00</u></b>

*Notes:*

- As at the Latest Practicable Date, approximately 48.4% of the issued share capital of HLC was held by The Lui Family Company Limited as trustee of The Lui Unit Trust. All units (except one unit which is owned by Mr. Lui Shing Ming, Brian) of The Lui Unit Trust are held by Trident Trust Company (B.V.I.) Limited as trustee of a discretionary trust. Mr. Lui Chi and Madam Ng Sze Mui are the founders of the discretionary trust and are parties acting in concert with the Management Shareholders under the Codes. Messrs. Lui Shing Ming, Brian, Lui Shing Chung, Victor and Lui Shing Cheong owns approximately 24.13%, 14.59% and 12.88% of the issued share capital of HLC respectively.
- Mr. Lui Shing Ming, Brian, Mr. Lui Shing Cheong and Mr. Lui Shing Chung, Victor are executive Directors.
- Ms. Ng Shuk Fong, Aman is the spouse of Mr. Lui Shing Chung, Victor.
- Ms. Lui Fung Kuen, Vivian, a sister of Messrs. Lui Shing Ming, Brian, Lui Shing Chung, Victor and Lui Shing Cheong, beneficially held 14,052,351 Shares as at the Latest Practicable Date, and is a party acting in concert with the Management Shareholders pursuant to the Codes. Notwithstanding this, Ms. Lui Fung Kuen, Vivian is considered as a public Shareholder in accordance with the Listing Rules.

Save as disclosed above, none of other Directors owns, controls or direct any Shares. The Directors confirm that as at the Latest Practicable Date, (i) there was no arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Offer; and (ii) there was no agreement or arrangement to which the Company is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

## INFORMATION ON THE GROUP

The principal business activities of the Group are manufacture and sale of paper cartons, packaging boxes, children's novelty books, hangtags, labels and shirt paper boards, plastic bags and commercial printing.

The following table sets out a summary of the audited consolidated results of the Company for each of the two years ended 31 March 2009:

	For the year ended 31 March	
	2009 HK\$'000	2008 HK\$'000
Revenue	519,638	648,730
(Loss)/profit before taxation	(7,926)	48,785
(Loss)/profit attributable to Shareholders	(6,603)	42,098

As at 31 March 2009, the audited consolidated net asset value of the Company was approximately HK\$436.98 million, representing an audited consolidated net asset value per Share of approximately HK\$0.717.

As stated in the annual report of the Company for the year ended 31 March 2009, the Group's operation was adversely affected by the global financial tsunami. The loss was mainly resulted from a decrease in the Group's revenue during the year due to the decline in the export market and global customer demand in packaging as well as hangtags and labels, and the fair value loss arising principally from the Group's financial assets in equity-linked notes and listed equity investments as caused by the adverse conditions of the global financial market.

## REASONS FOR THE OFFER

As at the Latest Practicable Date, the closing price of the Shares as quoted on the Stock Exchange was HK\$0.355 per Share. Over the past few years, the Shares have been traded at prices below the net asset value per Share. In particular, over the past twelve months up to and including the Latest Practicable Date, the range of the closing price per Share was between HK\$0.15 and HK\$0.39 with an average closing price of approximately HK\$0.267 per Share (the "12-Month Average Price") and the closing prices of the Shares were below the Offer Price for the past 12 months except the date when the trading of Shares resumed subsequent to the publication of the Announcement. Based on the audited consolidated financial statements of the Company for the year ended 31 March 2009, the net asset value per Share was approximately HK\$0.717.

Accordingly, the 12-Month Average Price represents a discount of approximately 62.76% to the net asset value per Share and the Offer Price represents a premium of approximately 42.32% over the 12-Month Average Price. Moreover, the Shares have been trading with low liquidity in recent years. As at 31 March 2009, the Group had cash and cash equivalents of approximately HK\$181.93 million. As at the Latest Practicable Date, the Group has not identified any major new opportunities in which it is prepared to invest.

The Board considers that it would be in the interest of the Shareholders for the Company to return part of the surplus funds to the Shareholders by way of the Offer to repurchase up to 100,000,000 Shares as it will (i) provide an opportunity for those Qualifying Shareholders who wish to dispose of any of their Shares but have not been able to do so due to the low liquidity in the trading of the Shares to realise at least part of their investments in the Company, on an assured basis, at a premium over the market price of the Shares; and (ii) provide an opportunity for those Qualifying Shareholders who wish to retain their holdings and participate in the future prospects of the Company to increase their proportionate interests in the Company with the effect of increasing the net asset value and future earnings, if any, attributable to each Share held by them after the repurchase of Shares by the Company pursuant to the Offer.

The Board (including the independent non-executive Directors) believes that the Offer is in the Company's interest as it will enhance the net asset value per Share.

#### **FINANCIAL EFFECTS ON THE GROUP**

Based on the unaudited pro forma financial information of the Group set out in Appendix III to this document, assuming that valid acceptances of 100,000,000 Shares were received and the Offer had been completed on 31 March 2008 or 31 March 2009, as the case may be, and taking into account of the notional adjustment of the interest on the payment of total cash amount of HK\$38 million to the Accepting Shareholders under the Offer, (i) the net asset value per Share as at 31 March 2009 would increase from HK\$0.717 per Share to HK\$0.781 per Share; (ii) the loss per Share for the year ended 31 March 2009 would increase from HK1.08 cents per Share to HK1.34 cents per Share; (iii) the liabilities of the Group would remain unchanged; and (iv) the working capital of the Group would decrease by approximately HK\$39.5 million as a result of payment to the Accepting Shareholders under Offer and related professional fees and expenses.

The Directors confirm that the Group will have sufficient working capital to meet its normal operation requirements after completion of the Offer.

#### **INTENTION OF THE COMPANY**

In the case of full acceptance of the Offer, the Company will be able to meet the public float requirements under Rule 8.08 of the Listing Rules and it is the intention of the Company to continue to meet the public float requirements under Rule 8.08 of the Listing Rules, maintain the listing of the Shares on the Main Board of the Stock Exchange and continue with the existing businesses of the Group. Following the close or lapse of the Offer, as the case may be, there will be no change in control or controlling Shareholders and the Directors do not expect that there will be any major changes to the existing operations and management structure of the Group. It is not expected that the employment of any employees of the Group will be terminated or otherwise discontinued, or any fixed assets of a material amount of the Group will be redeployed as a result of the Offer.

Under Bermuda law, the Company will not have any compulsory acquisition rights in respect of the Shares as a result of the Offer.

## **PROSPECTS OF THE GROUP**

As stated in the annual report of the Company for the year ended 31 March 2009, the Company expects that the operating environment in the printing industry will continue to be tough and difficult. With a view to achieving sustainable long-term growth and in order to cope with the anticipated challenges and stay competitive, the Group will continue to implement stringent cost controls and management strategies to improve the profit margins of the business, including reducing fixed costs for the operations, effective management in purchases and inventories level and credit tightening on customers.

Despite the increase in challenges faced by the Group and loss recorded by the Group for the year ended 31 March 2009, the Board believes that, leveraging on the experience of the senior management of the Company in the printing industry, the Group will be able to recover from the disappointing operating results of the year ended 31 March 2009 along with the improvement in the world economy. The Directors will also explore all opportunities to further the Group's business to achieve sustainable long term growth for the Company.

## **SPECIAL GENERAL MEETING**

The Offer is subject to the approval by the Shareholders at a general meeting by a majority of the votes taken by poll.

A notice convening the SGM at Tang Room I, Sheraton Hong Kong Hotel and Towers, 20 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong at 2:30 p.m. on Tuesday, 6 October 2009 to consider and, if thought fit, approve the resolution in connection with the Offer is set out on page 138 of this document. Voting at the SGM will be taken by poll.

A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). The form of proxy for use at the SGM is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cheongming.com](http://www.cheongming.com)). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or at any adjourned meeting (as the case may be) in person should you so wish.

## **RECOMMENDATION**

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on pages 16 and 17 of this document and the letter of advice from the Independent Financial Adviser set out on pages 18 to 36 of this document, which contains, among other matters, its advice to the Independent Board Committee and the Shareholders in relation to the Offer and the principal factors and reasons considered by it in arriving at its recommendation.

Shareholders are advised to consider the detailed terms of the Offer and read, among other things, the letter from the Independent Board Committee and the letter from Taifook Capital contained in this document before deciding whether to vote for or against the resolution in respect of the Offer to be proposed at the SGM.

Shareholders should also note that their voting decision on the relevant resolution to be proposed at the SGM relating to the Offer shall not affect their investment decision as to whether to accept the Offer or not. If Shareholders are in any doubt as to any aspect of the Offer or as to the action to take, they should seek independent professional advice.

Your attention is also drawn to the information contained in the appendices to this document.

#### **WARNING**

Dealings in the Shares will continue notwithstanding the Offer has not become unconditional. During such period, persons selling or purchasing Shares will bear the risk that the Offer may lapse.

The Offer is conditional as mentioned in the letter from Optima Capital. If the Offer does not become unconditional, the Offer will lapse.

Shareholders are advised to exercise caution when dealing in the Shares.

Yours faithfully,  
By order of the Board



**Lui Shing Ming, Brian**  
*Chairman*