

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this joint announcement, 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 joint announcement.*

*This joint announcement appears for information purposes only and does not constitute an invitation or offer to Acquire, purchase or subscribe for securities of the Company nor is it a solicitation of any vote or approval in any jurisdiction.*

## **STARLITE**

**STARLIGHT**

**ACHIEVE PROSPER  
CAPITAL LIMITED**

**達榮資本有限公司**

*(Incorporated in Samoa with  
limited liability)*

**INTERNATIONAL  
HOLDINGS LIMITED**

**升岡國際有限公司\***

*(Incorporated in Bermuda with  
limited liability)*

**(Stock code: 485)**

**FAIRY KING PRAWN  
HOLDINGS LIMITED**

**靚蝦王控股有限公司**

*(Incorporated in the BVI with  
limited liability)*

### **JOINT ANNOUNCEMENT**

#### **(1) CONDITIONAL AGREEMENT IN RELATION TO THE SALE AND PURCHASE OF SHARES IN STARLIGHT INTERNATIONAL HOLDINGS LIMITED**

#### **(2) POSSIBLE UNCONDITIONAL MANDATORY CASH GENERAL OFFERS BY**



#### **KINGSTON SECURITIES LTD.**

**FOR AND ON BEHALF OF ACHIEVE PROSPER CAPITAL LIMITED TO ACQUIRE  
ALL THE ISSUED SHARES (OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY ACHIEVE PROSPER CAPITAL LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT), AND TO CANCEL ALL THE  
OUTSTANDING SHARE OPTIONS OF  
STARLIGHT INTERNATIONAL HOLDINGS LIMITED**

#### **(3) POSSIBLE CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS BY THE OFFEROR AND ISSUE OF CONVERSION SHARES UNDER SPECIFIC MANDATE**

#### **(4) PROPOSED GROUP RESTRUCTURING AND DEEMED VERY SUBSTANTIAL DISPOSAL RELATING TO THE DISPOSAL**

\* for identification purpose only

**(5) SHARE PREMIUM REDUCTION**

**(6) DISTRIBUTION IN SPECIE OF THE NEW PRIVATECO SHARES**

**(7) POSSIBLE UNCONDITIONAL VOLUNTARY CASH OFFER FOR ALL NEW PRIVATECO SHARES (OTHER THAN THOSE ALREADY HELD OR AGREED TO BE ACQUIRED BY FAIRY KING PRAWN HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT) BY**



**ON BEHALF OF FAIRY KING PRAWN HOLDINGS LIMITED**

**(8) SPECIAL DEAL/CONTINUING CONNECTED TRANSACTION**

**(9) PROPOSED CREDITORS' SCHEME**

**(10) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

**(11) RESUMPTION OF TRADING IN THE SHARES OF STARLIGHT INTERNATIONAL HOLDINGS LIMITED**

**Joint Financial Advisers to  
Achieve Prosper Capital Limited  
in respect of the Listco Offers**

**Financial Adviser to  
(i) Starlight International  
Holdings Limited  
in respect of  
the Listco Offers and  
(ii) Fairy King Prawn  
Holdings Limited  
in respect of  
the Privateco Offer**

  
**KINGSTON CORPORATE FINANCE LTD.**

**AmCap**  
*Ample Capital Limited*  
豐盛融資有限公司

  
**廣發融資(香港)有限公司**  
GF CAPITAL (HONG KONG) LIMITED

**SALE AND PURCHASE AGREEMENT**

The Board has been informed by the Vendors that the Vendors and the Purchaser entered into the Sale and Purchase Agreement on 30 January 2014 (as supplemented by a supplemental agreement dated 21 March 2014), pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell an aggregate of 1,076,758,361 Sale Shares, free from all encumbrances and together with all rights attached to the Sale Shares as at the Sale and Purchase Completion, including the right to all dividends and distributions (but excluding the

Distribution In Specie) which may be declared, paid or made at any time on or after the Sale and Purchase Completion Date, for a total consideration of HK\$185,202,438.09 (equivalent to HK\$0.1720 per Sale Share). The Sale Shares represent (a) approximately 53.9% of the issued share capital of the Company as at the date of this joint announcement and (b) approximately 52.9% of the issued share capital of the Company assuming exercise in full of all outstanding Share Options by all Optionholders before the Sale and Purchase Completion.

The Sale and Purchase Completion is conditional upon the fulfillment of a number of conditions, including but not limited to the Independent Shareholders approving the Distribution In Specie, as set out under the sub-section headed “Conditions precedent” under the section headed “A. Sale and Purchase Agreement” of this joint announcement.

**POSSIBLE UNCONDITIONAL MANDATORY CASH GENERAL OFFERS FOR THE SHARES AND TO CANCEL THE SHARE OPTIONS**

As at the date of this joint announcement, the Offeror and parties acting in concert with it are not interested in the share capital or voting rights of the Company. Immediately after the Sale and Purchase Completion, the Offeror and parties acting in concert with it will be interested in a total of 1,076,758,361 Shares, representing approximately 53.9% of the issued share capital of the Company as at the date of this joint announcement and approximately 52.9% of the issued share capital of the Company assuming (i) exercise in full of the Excluded Share Options; and (ii) exercise in full of all outstanding Included Share Options by Optionholders before the Sale and Purchase Completion, and the Offeror will be required to make an unconditional mandatory cash general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code. Pursuant to Rule 13.5 of the Takeovers Code, the Option Offer would also be made to cancel all outstanding Share Options in the period prior to the close of the Share Offer.

Subject to and upon the Sale and Purchase Completion, Kingston Securities, on behalf of the Offeror and in compliance with the Takeovers Code, will make the Listco Offers to (i) acquire all the Offer Shares; and (ii) cancel all the outstanding Share Options, on the terms to be set out in the Listco Offer Document to be issued in accordance with the Takeovers Code on the following basis:

**The Share Offer**

**For every Offer Share held . . . . . HK\$0.1720 in cash**

As at the date of this joint announcement, the Company has 1,997,830,751 Shares in issue. As (i) the Offeror and parties acting in concert with it will own 1,076,758,361 Shares subject to and immediately after the Sale and Purchase Completion; and (ii) Mr. Lau Sek Hoi, Jacky has undertaken in the Sale and Purchase Agreement that he will exercise 5,000,000 Share Options

prior to the Sale and Purchase Completion, 926,072,390 Shares will be subject to the Share Offer and the total consideration of the Share Offer would be approximately HK\$159.3 million based on the Share Offer Price.

### **The Option Offer**

The Offeror will make (or procure to be made on its behalf) appropriate offers to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Share Options in exchange for cash.

- (i) For cancellation of each Share Option with an exercise price of HK\$0.100 per Share . . . . . HK\$0.072 in cash**
- (ii) For cancellation of each Share Option with an exercise price of HK\$0.114 per Share . . . . . HK\$0.058 in cash**
- (iii) For cancellation of each Share Option with an exercise price of HK\$0.115 per Share . . . . . HK\$0.057 in cash**
- (iv) For cancellation of each Share Option with an exercise price of HK\$0.120 per Share . . . . . HK\$0.052 in cash**
- (v) For cancellation of each Share Option with an exercise price of HK\$0.123 per Share . . . . . HK\$0.049 in cash**
- (vi) For cancellation of each Share Option with an exercise price of HK\$0.132 per Share . . . . . HK\$0.040 in cash**
- (vii) For cancellation of each Out-of-Money Share Option with exercise prices of HK\$0.188, HK\$0.2053 and HK\$0.2228 per Share . . . . . HK\$0.01 in cash**

As at the date of this joint announcement, the Company has 1,997,830,751 Shares in issue and outstanding Share Options conferring rights on the Optionholders to subscribe for up to an aggregate of 37,233,891 Shares. All the Share Options are currently exercisable. If the Share Options are exercised in full, save for the Excluded Share Options, the Company will have to issue 32,233,891 new Shares, representing approximately 1.6% of the issued share capital of the Company as at the date of this joint announcement as enlarged by the allotment and issue of the aforementioned new Shares.

Based on the Option Offer Prices for the cancellation of each outstanding Included Share Option and the corresponding number of outstanding Included Share Options, the maximum amount payable under the Option Offer (assuming no Included Share Option is exercised prior to the date of closing of the Listco Offers and the Option Offer is accepted in full) is approximately HK\$1.9 million.

In the event all the Included Share Options are exercised in full by the Optionholders prior to the date on which the Share Offer closes and the Share Offer is accepted in full (including all Shares allotted and issued as a result of the exercise of the Included Share Options), the Company will have to issue 32,233,891 new Shares, representing approximately 1.6% of the issued share capital of the Company as enlarged by the allotment and issue of the aforementioned new Shares. Under such circumstances, the total number of Shares subject to the Share Offer would increase to 958,306,281 Shares and the maximum value of the Share Offer will increase to approximately HK\$164.8 million as a result thereof. In that case, no amount will be payable by the Offeror under the Option Offer.

The principal terms of the Listco Offers are summarised in the section headed “B. Possible Unconditional Mandatory Cash General Offers For Shares And To Cancel The Share Options” of this joint announcement.

Kingston Corporate Finance and Ample Capital, the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration for the Sale Shares under the Sale and Purchase Agreement and the full acceptance of the Listco Offers.

## **PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

On 30 January 2014, the Company and the Offeror entered into the CB Subscription Agreement pursuant to which the Company has agreed to issue, and the Offeror has agreed to subscribe, in cash, for the Convertible Bonds with a principal amount of HK\$75,000,000.

The Convertible Bonds will bear interest at the rate of 3% per annum and will be payable half-yearly in arrears on 30 June and 31 December in each year. The Convertible Bonds are convertible into Conversion Shares at the Conversion Price of HK\$0.1720 (subject to adjustments) per Share.

Assuming the conversion rights attaching to the Convertible Bonds have been exercised in full at the Conversion Price of HK\$0.1720 per Conversion Share, a maximum of 436,046,511 Conversion Shares will be issued, representing (i) approximately 21.8% of the issued share capital of the Company as at the date of this joint announcement; and (ii) approximately 17.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares assuming full conversion of the Convertible Bonds.

The Conversion Shares will be issued pursuant to the specific mandate proposed to be sought from the Independent Shareholders by way of poll at the SGM.

The CB Subscription Completion is subject to the fulfillment of the conditions precedent in the CB Subscription Agreement as summarised in the sub-section headed “Conditions precedent of the CB Subscription Agreement” under the section headed “C. The CB Subscription Agreement” of this joint announcement.

The bondholder will have the right, during the period commencing from the date of issue of the Convertible Bonds (which is expected to take place after the closing of the Listco Offers) to the third anniversary of the date of issue of the Convertible Bonds to convert the whole or part of the principal amount of the Convertible Bonds. No exercise of conversion rights attaching to the Convertible Bonds shall be allowed if (i) immediately following the conversion, the Company will be unable to meet the public float requirement under Rule 8.08 of the Listing Rules; or (ii) such conversion is prohibited under the Takeovers Code.

As the Offeror will become a connected person of the Company upon the Sale and Purchase Completion and will have a material interest in the CB Subscription Agreement, the Offeror and its associates are required to abstain from voting for the relevant resolution to approve the CB Subscription Agreement and the transactions contemplated thereunder at the SGM. The Vendors and their respective associates will also abstain from voting on the resolution to approve the CB Subscription Agreement and the transactions contemplated thereunder at the SGM.

### **PROPOSED GROUP RESTRUCTURING AND DEEMED VERY SUBSTANTIAL DISPOSAL RELATING TO THE DISPOSAL**

The Group Restructuring will be implemented to separate the Distributed Businesses and the Scheme Businesses from the Remaining Business and to facilitate the Distribution In Specie and the Creditors’ Scheme. Upon completion of the Group Restructuring, the Distribution In Specie, the Sale and Purchase Agreement and the Creditors’ Scheme becoming effective, the Company will continue as a publicly listed company and will continue to operate the Remaining Business.

The Disposal constitutes a transaction under Chapter 14 of the Listing Rules. As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules. The Disposal and all the transactions contemplated thereunder are therefore subject to approval of the Shareholders by way of poll at the SGM. As none of the Shareholders has a material interest in the Disposal, no Shareholder is required to abstain from voting on the resolution(s) to approve the Disposal and all the transactions contemplated thereunder at the SGM.

## **SHARE PREMIUM REDUCTION**

It is proposed that the Share Premium Account be reduced by an amount of approximately HK\$146 million and the credit arising from the reduction of share premium be transferred to the contributed surplus account of the Company for the purpose of the Distribution In Specie. As at 31 January 2014, the amount standing to the credit of the Share Premium Account was approximately HK\$146 million.

The Share Premium Reduction is conditional upon:

- (i) the passing by the Independent Shareholders at the SGM of a special resolution approving the Share Premium Reduction; and
- (ii) the compliance with the relevant legal and regulatory procedures and requirements under Bermuda laws to effect the Share Premium Reduction.

## **DISTRIBUTION IN SPECIE OF THE NEW PRIVATECO SHARES**

Prior to the Sale and Purchase Completion, the Company proposes to distribute all of the New Privateco Shares registered in its name to Shareholders whose names appear on the register of members of the Company on the Record Date (a date falling after the SGM but before the Sale and Purchase Completion Date, which is to be fixed for determining entitlements to the Distribution In Specie) on the following basis:

**for every Share held . . . . . one New Privateco Share**

The Distribution In Specie is conditional upon various conditions as set out under the sub-section headed “Conditions to the Distribution In Specie” under the section headed “F. Distribution In Specie Of The New Privateco Shares” of this joint announcement.

The Company will announce the Record Date in accordance with Rule 13.66 of the Listing Rules as and when appropriate.

## **POSSIBLE UNCONDITIONAL VOLUNTARY CASH OFFER FOR NEW PRIVATECO SHARES**

Upon completion of the Distribution In Specie, GF Securities will, on behalf of Fairy King Prawn and pursuant to the Takeovers Code, make the Privateco Offer to the Privateco Shareholders to acquire all the New Privateco Shares other than those already owned or agreed to be acquired by Fairy King Prawn and parties acting in concert with it on the following basis:

**for every New Privateco Share held\* . . . . . HK\$0.061 in cash**



\* *The number of the New Privateco Shares to be in issue will be equal to the total number of the Shares in issue on the Record Date.*

The principal terms of the Privateco Offer are set out under the section headed “G. Possible Unconditional Voluntary Cash Offer For New Privateco Shares” of this joint announcement.

GF Capital, the financial adviser to Fairy King Prawn in respect of the Privateco Offer, is satisfied that sufficient financial resources are available to Fairy King Prawn to satisfy full acceptance of the Privateco Offer.

**WARNING: THE PRIVATECO OFFER AND THE LISTCO OFFERS ARE A POSSIBILITY ONLY. AS THE PRIVATECO OFFER AND THE LISTCO OFFERS WILL ONLY BE MADE AFTER COMPLETION OF THE DISTRIBUTION IN SPECIE AND THE SALE AND PURCHASE COMPLETION RESPECTIVELY, WHICH ARE SUBJECT TO A NUMBER OF CONDITIONS, EACH OF THE PRIVATECO OFFER AND THE LISTCO OFFERS MAY OR MAY NOT PROCEED. SHAREHOLDERS, OPTIONHOLDERS AND POTENTIAL INVESTORS ARE THEREFORE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.**

#### **SPECIAL DEAL/CONTINUING CONNECTED TRANSACTION**

As a transitional arrangement, the Privateco Group and the Remaining Group will enter into the Framework Purchase Agreement after obtaining the Independent Shareholders’ approval at the SGM and completion of the Distribution In Specie. Pursuant to the Framework Purchase Agreement, the Privateco Group will sell and the Remaining Group will purchase certain existing models of electronic products.

The transactions contemplated under the Framework Purchase Agreement will, upon completion of the Distribution In Specie, constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules by virtue of the Privateco Group being an associate of Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol, each a Director and a shareholder of the Privateco, and thus a connected person of the Company under the Listing Rules. As certain applicable percentage ratios in respect of the annual cap of the continuing connected transaction contemplated under the Framework Purchase Agreement are more than 25%, the Framework Purchase Agreement and the transactions contemplated thereunder constitute a non-exempt continuing connected transaction of the Company that are subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Given the material interests of Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol in the Framework Purchase Agreement, each of Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol abstained from voting at the board meeting approving the Framework Purchase Agreement.



The Framework Purchase Agreement will constitute a special deal under the Takeovers Code and will be conditional upon obtaining the prior consent of the Executive under Rule 25 of the Takeovers Code. The Executive will normally consent to the Framework Purchase Agreement provided that the independent financial adviser to the Company publicly states that in its opinion the terms of the Framework Purchase Agreement are fair and reasonable and the transactions are approved by Independent Shareholders by way of poll at the SGM.

## **CREDITORS' SCHEME**

The Company has commenced discussion with its creditors to restructure the Scheme Indebtedness by way of a scheme of arrangement under Section 99 of the Companies Act and by way of a scheme of arrangement under Section 670 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) such that:

- (i) all Scheme Indebtedness will be released and discharged so far as the Company is concerned;
- (ii) proceeds from future disposal of assets or business of the Scheme Subsidiaries will be made available to the Administrators to settle and discharge the Scheme Indebtedness; and
- (iii) the primary responsibility of the Administrators is that they will realise the assets and business of the Administrators Vehicle and its subsidiaries for the primary purpose of repayment of all Scheme Indebtedness. Any residual amounts will then be held by the Administrators for the benefit of the Shareholders after the aforesaid repayment.

Terms of Creditors' Scheme are still being formulated and they are subject to discussion with the creditors of the Company, which comprise solely of certain Scheme Subsidiaries and certain Distributed Subsidiaries, each of which will continue to be a wholly-owned subsidiary of the Company before the Distribution In Specie and the Disposal, and details of which will be disclosed in further announcement to be issued by the Company once the terms of the Creditors' Scheme has been formulated and a date has been fixed for the meeting of the creditors (as and when appropriate) and the Circular.

## **SGM**

The SGM will be held for the purpose of considering and, if thought fit, approving the resolutions in respect of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares by the Independent Shareholders and the Disposal by the Shareholders by way of poll at the SGM. The Purchaser, the Vendors, their respective associates and parties acting in concert with any of them will abstain from voting on the relevant resolution(s) at the SGM. Shareholders who are involved in or interested in the Share Premium Reduction, the Distribution In Specie, the CB

Subscription Agreement, the Framework Purchase Agreement, the Listco Offers, the Privateco Offer, the Group Restructuring and the respective transactions contemplated thereunder will also abstain from voting on the relevant resolution(s) that requires the approval of Independent Shareholders at the SGM.

A Circular, which will contain, among other things, details of the Sale and Purchase Agreement, the Group Restructuring, the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Disposal, the Framework Purchase Agreement and financial information on each of the Group, the Scheme Group and the Privateco Group, pro forma financial information of the Remaining Group, the letter of recommendations from the Independent Board Committee and the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the respective transactions contemplated thereunder and a notice convening the SGM will be sent to the Shareholders. As additional time is required to prepare the information to be contained in the Circular, the Circular is expected to be despatched to the Shareholders on or no later than 30 April 2014.

## **GENERAL**

In accordance with Rule 8.2 of the Takeovers Code, both the Listco Offer Document and the Privateco Offer Document are required to be posted by or on behalf of the Offeror and Fairy King Prawn respectively within 21 days of the date of this joint announcement. However, as there are pre-conditions, i.e. the Sale and Purchase Completion and the completion of the Distribution In Specie, to the making of the Listco Offers and the Privateco Offer respectively, an application has been made by each of the Offeror and Fairy King Prawn respectively for the Executive's consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Listco Offer Document and the Privateco Offer Document respectively to within seven days of the fulfillment of such pre-conditions (i.e. the Sale and Purchase Completion and the completion of the Distribution In Specie).

The Independent Board Committee comprising the non-executive Director and all independent non-executive Directors has been formed in order to make a recommendation to (i) the Independent Shareholders regarding the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement, the Share Offer and the respective transactions contemplated thereunder, (ii) the Optionholders regarding the Option Offer and (iii) the independent Privateco Shareholders regarding the Privateco Offer.

With approval from the Independent Board Committee, the Company has appointed Fulbright Capital Limited as the independent financial adviser to advise the Independent Board Committee in connection with the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement, the Listco Offers, the Privateco Offer and the respective transactions contemplated thereunder.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 4 February 2014 pending the publication of this joint announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 24 March 2014.

Reference is made to the MOU Announcement issued by the Company dated 2 January 2014 in relation to the entering into of the MOU between the Vendors and the Purchaser for the proposed sale and purchase of the Sale Shares, the Group Restructuring, the Distribution In Specie, the Creditors' Scheme and the CB Subscription.

### **A. SALE AND PURCHASE AGREEMENT**

**Date:** 30 January 2014 (as supplemented by a supplemental agreement dated 21 March 2014)

#### **Parties**

- Vendors:**
- (1) Mr. Lau Sak Hong, Philip, is beneficially interested in 204,283,551 Shares (representing approximately 10.2% of the existing entire issued share capital of the Company as at the date of this joint announcement);
  - (2) Mr. Lau Sak Kai, Anthony, is beneficially interested in 73,148,904 Shares (representing approximately 3.7% of the existing entire issued share capital of the Company as at the date of this joint announcement);
  - (3) Mr. Lau Sak Yuk, Andy, is beneficially interested in 70,473,402 Shares (representing approximately 3.5% of the existing entire issued share capital of the Company as at the date of this joint announcement);
  - (4) Mr. Lau Shek Yuen, is beneficially interested in 350,794,813 Shares (representing approximately 17.6% of the existing entire issued share capital of the Company as at the date of this joint announcement);
  - (5) Mr. Lau Sek Hoi, Jacky, is beneficially interested in 22,005,027 Shares (representing approximately 1.1% of the existing entire issued share capital of the Company as at the date of this joint announcement);

announcement) and 5,000,000 Share Options (representing approximately 0.3% of the existing entire issued share capital of the Company as at the date of this joint announcement);

- (6) Ms. Lau Chu Lan, Carol, is beneficially interested in 15,344,483 Shares (representing approximately 0.8% of the existing entire issued share capital of the Company as at the date of this joint announcement);
- (7) Mr. Lau Sak Kong, Stanley, is beneficially interested in 16,000,000 Shares (representing approximately 0.8% of the existing entire issued share capital of the Company as at the date of this joint announcement);
- (8) Mr. Lau Sak Hong, Philip, is beneficially interested in 304,415,473 Shares (representing approximately 15.2% of the existing entire issued share capital of the Company as at the date of this joint announcement) through Philip Lau Holding Corporation, a company wholly-owned by him; and
- (9) Mr. Lau Sak Hong, Philip, Mr. Lau Sek Hoi, Jacky, Mr. Lau Sak Yuk, Andy, Mr. Lau Sak Kai, Anthony and Mr. Lau Shek Yuen are beneficially interested in 18,180,747 Shares (representing approximately 0.9% of the existing entire issued share capital of the Company as at the date of this joint announcement) through Wincard Management Services Limited, a company owned as to approximately 52% by Mr. Lau Sak Hong, Philip, 7% by Mr. Lau Sek Hoi, Jacky, 17% by Mr. Lau Sak Yuk, Andy, 17% by Mr. Lau Sak Kai, Anthony and 7% by Mr. Lau Shek Yuen.

**Purchaser:** The Offeror, a company incorporated in Samoa with limited liability and is indirectly controlled by Mr. Wang Jing and his family members. For further information, please refer to the paragraph entitled “Information on the Offeror” of this joint announcement.

### **Subject of the Sale and Purchase Agreement**

Pursuant to the Sale and Purchase Agreement, the Vendors as the ultimate beneficial owners agreed to sell and the Purchaser agreed to acquire the Sale Shares, being 1,076,758,361 Shares in aggregate, representing approximately 53.9% of the issued share capital of the Company as at the date of this joint announcement and approximately 52.9% of the issued share capital of the Company assuming exercise in full of all outstanding Share Options by all Optionholders before the Sale and Purchase Completion, free from all encumbrances and together with all rights attached to the Sale Shares as at the Sale and Purchase Completion, including the right to all

dividends and distributions (but excluding the Distribution In Specie) which may be declared, paid or made at any time on or after the Sale and Purchase Completion Date at the consideration of HK\$0.1720 per Sale Share. Neither any Vendor nor the Purchaser shall be obliged to complete the sale and purchase of any of the Sale Shares unless the sale and purchase of all of the Sale Shares is completed simultaneously.

The Sale Shares will be sold as to (i) 204,229,551 Shares by Mr. Lau Sak Hong, Philip, (ii) 304,415,473 Shares by Philip Lau Holding Corporation, (iii) 18,180,747 Shares by Wincard Management Services Limited, (iv) 72,548,000 Shares by Mr. Lau Sak Kai, Anthony, (v) 70,413,000 Shares by Mr. Lau Sak Yuk, Andy, (vi) 349,038,461 Shares by Mr. Lau Shek Yuen, (vii) 26,983,129 Shares (including the 5,000,000 Shares pursuant to the exercise of the subscription rights attaching to the Share Options held by him prior to the Sale and Purchase Completion) by Mr. Lau Sek Hoi, Jacky, (viii) 14,950,000 Shares by Ms. Lau Chu Lan, Carol and (ix) 16,000,000 Shares by Mr. Lau Sak Kong, Stanley.

Mr. Lau Sek Hoi, Jacky has undertaken in the Sale and Purchase Agreement that he will exercise 5,000,000 Share Options prior to the Sale and Purchase Completion.

Immediately after the Sale and Purchase Completion, (i) Mr. Lau Sak Hong, Philip will continue to hold 54,000 Shares, representing approximately 0.003% of the issued share capital of Company as at the date of this joint announcement, (ii) Mr. Lau Sak Kai, Anthony will continue to hold 600,904 Shares, representing approximately 0.030% of the issued share capital of Company as at the date of this joint announcement; (iii) Mr. Lau Sak Yuk, Andy will continue to hold 60,402 Shares, representing approximately 0.003% of the issued share capital of Company as at the date of this joint announcement, (iv) Ms. Lau Chu Lan, Carol will continue to hold 394,483 Shares, representing approximately 0.0197% of the issued share capital of Company as at the date of this joint announcement, (v) Mr. Lau Shek Yuen will continue to hold 1,756,352 Shares, representing approximately 0.0879% of the issued share capital of Company as at the date of this joint announcement, and (vi) Mr. Lau Sek Hoi, Jacky will continue to hold 21,898 Shares, representing approximately 0.001% of the issued share capital of Company as at the date of this joint announcement. The above Vendors will continue to support the Company by remaining a Shareholder upon the Sale and Purchase Completion.

The Offeror has confirmed that immediately before entering into the Sale and Purchase Agreement, each of the Purchaser, Hong Kong Shihua, Liaoning Shihua Property and their respective beneficial owners and Mr. Wang Xing Qiao are third parties independent of the Company and its connected persons, as defined in the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Offeror, its ultimate beneficial owners and parties acting in concert with it is a third party independent of and not connected with the Company and its connected persons, as defined in the Listing Rules.

## **Consideration for the Sale Shares**

The aggregate consideration for the Sale Shares is HK\$185,202,438.09, equivalent to HK\$0.1720 per Sale Share, which was determined after arm's length negotiations between the Purchaser and the Vendors taking into account the performance of the Remaining Group, the Distribution In Specie and the fact that the Purchaser will on the Sale and Purchase Completion obtain a controlling interest in the Company. The consideration is payable by the Purchaser in the following manner:

- (i) a refundable deposit in an aggregate sum of HK\$20,000,000 has been paid in cash by the Purchaser to Mr. Lau Sak Hong, Philip for himself and on behalf of all the other Vendors; and
- (ii) the balance of the consideration in the aggregate sum of HK\$165,202,438.09 shall be payable by the Purchaser on the date of the Sale and Purchase Completion, as to HK\$100,202,438.09 to Mr. Lau Sak Hong, Philip for himself and on behalf of all the other Vendors (except for Philip Lau Holding Corporation) and as to HK\$65,000,000.00 to Philip Lau Holding Corporation to the designated securities trading account of Fairy King Prawn in GF Securities.

The Vendors shall refund the full amount of that part of the deposit received by them, without interest, to the Purchaser (or as it may direct in writing) within three Business Days if the Sale and Purchase Completion fails to take place in accordance with the relevant provisions of the Sale and Purchase Agreement.

## **Conditions precedent**

The Sale and Purchase Completion shall be subject to, among other things, the following conditions precedent being fulfilled or waived, if applicable:

- (i) the Shares remaining listed and traded on the Main Board of the Stock Exchange, and no notification or indication being received from the Stock Exchange or the SFC prior to the Sale and Purchase Completion that the listing of the Shares on the Stock Exchange will or may be, for whatever reason, withdrawn or suspended for more than seven consecutive Business Days (excluding any suspension for the purpose of obtaining clearance from the SFC or the Stock Exchange for the joint announcement relating to the sale and purchase of the Sale Shares and any announcements relating to the transactions contemplated under the Sale and Purchase Agreement);
- (ii) the passing by the majority Shareholders or Independent Shareholders (as appropriate) at the special general meeting of the Company all resolutions required under the relevant laws and regulations approving, including without limitation, the Share Premium Reduction and other relevant resolutions required to effect the Distribution In Specie, the transfer of the Scheme Subsidiaries to the Creditors' Scheme upon it becoming

effective, the CB Subscription Agreement, the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares and the transactions contemplated thereunder;

- (iii) the CB Subscription Agreement having been duly executed, remaining in full force and effect and not having been terminated in accordance with its terms;
- (iv) the granting of approval by the Stock Exchange for the listing of, and the permission to deal in, the Conversion Shares which may only be subject to conditions as are customarily stipulated by the Stock Exchange for listing of shares, and such approval not having been revoked;
- (v) the fulfilment of the conditions for the Distribution In Specie other than the condition relating to the fulfilment (or waiver) of the conditions precedent under the Sale and Purchase Agreement;
- (vi) the obtaining of all necessary approval from the Bermuda Monetary Authority for the issue and allotment of the Conversion Shares;
- (vii) there having been no material adverse event since the date of the Sale and Purchase Agreement;
- (viii) all necessary approvals and consents in respect of the Sale and Purchase Agreement, the CB Subscription Agreement and the transactions contemplated thereunder (which includes the obtaining of all directors' and shareholders' approval of the Vendors, the Purchaser and the Company) have been obtained; and
- (ix) the warranties given by the Vendors remaining true and accurate in all material respects and not misleading in any material respect as of the Sale and Purchase Completion Date by reference to the facts and circumstances subsisting as at the Sale and Purchase Completion Date.

The Purchaser shall be entitled to waive the conditions precedent set out in paragraphs (i), (vii) and (ix) above by serving a notice in writing to the Vendors. Save as mentioned above, no parties to the Sale and Purchase Agreement may waive any other conditions precedent.

The Vendors and the Purchaser shall use their respective reasonable endeavours to procure the fulfillment of the conditions precedent on or before the Sale and Purchase Long Stop Date. None of the conditions precedent has been fulfilled as at the date of this joint announcement.



If any of the conditions precedent of the Sale and Purchase Agreement is not fulfilled (or waived by the Purchaser in whole or in part) on or before 5:00 p.m. on the Sale and Purchase Long Stop Date, the Sale and Purchase Agreement shall determine and cease to have any effect except certain clauses specified therein and shall not have any obligations or liabilities, save for claims arising out of any antecedent breach of the Sale and Purchase Agreement.

### **Specific Warranty**

The Vendors represent and warrant to the Purchaser that the net asset value of the Remaining Group as at the last day of the calendar month in which the Sale and Purchase Completion occurs shall be no less than the Warranted NAV.

In the event that the Actual NAV is less than the Warranted NAV, the Vendors shall pay to the Purchaser an amount in cash equivalent to 53% of the difference between the Actual NAV and the Warranted NAV upon written demand from the Purchaser by giving at least three Business Days written notice to the Vendors and in such manner as the Purchaser may agree in writing.

For the avoidance of doubt, there shall be no upward adjustment to the consideration and no payment shall be required to be made by the Purchaser to the Vendors under the specific warranty as described above.

### **Sale and Purchase Completion**

The Sale and Purchase Completion is to take place on the fifth Business Day after the conditions precedent of the Sale and Purchase Agreement are fulfilled (or otherwise waived by the Purchaser in accordance with the Sale and Purchase Agreement) or such other date as the parties to the Sale and Purchase Agreement may agree in writing. Further announcement will be made as soon as practicable in relation to Sale and Purchase Completion.

## **B. POSSIBLE UNCONDITIONAL MANDATORY CASH GENERAL OFFERS FOR SHARES AND TO CANCEL THE SHARE OPTIONS**

As at the date of this joint announcement, the Offeror and parties acting in concert with it are not interested in the share capital or voting rights of the Company. Immediately after the Sale and Purchase Completion, the Offeror and parties acting in concert with it will be interested in a total of 1,076,758,361 Shares, representing approximately 53.9% of the issued share capital of the Company as at the date of this joint announcement and approximately 52.9% of the issued share capital of the Company assuming (i) exercise in full of the Excluded Share Options; and (ii) exercise in full of all outstanding Included Share Options by the Optionholders before the Sale and Purchase Completion, and the Offeror will be required to make an unconditional mandatory cash general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code. Pursuant to Rule 13.5 of the Takeovers Code, the Option Offer would also be made to cancel all outstanding Share Options in the period prior to the close of the Share Offer.

As at the date of this joint announcement, the Company has 1,997,830,751 Shares in issue and outstanding Share Options conferring rights on the Optionholders to subscribe for up to an aggregate of 37,233,891 Shares, of which:

- (i) 701,580 Share Options are vested and exercisable at HK\$0.2228 per Share during an exercise period from 23 January 2008 to 20 January 2018;
- (ii) 732,311 Share Options are vested and exercisable at HK\$0.2053 per Share during an exercise period from 28 January 2008 to 25 January 2018;
- (iii) 300,000 Share Options are vested and exercisable at HK\$0.188 per Share during an exercise period from 12 August 2010 to 11 August 2015;
- (iv) 5,000,000 Share Options are vested and exercisable at HK\$0.188 per Share during an exercise period from 31 August 2010 to 30 August 2015;
- (v) 9,000,000 Share Options are vested and exercisable at HK\$0.100 per Share during an exercise period from 25 October 2012 to 24 October 2016;
- (vi) 15,600,000 Share Options are vested and exercisable at HK\$0.114 per Share during an exercise period from 25 January 2013 to 24 January 2017;
- (vii) 2,000,000 Share Options are vested and exercisable at HK\$0.123 per Share during an exercise period from 26 February 2013 to 25 February 2018;
- (viii) 1,600,000 Share Options are vested and exercisable at HK\$0.132 per Share during an exercise period from 6 March 2013 to 5 March 2018;
- (ix) 1,500,000 Share Options are vested and exercisable at HK\$0.115 per Share during an exercise period from 4 October 2013 to 3 October 2018; and
- (x) 800,000 Share Options are vested and exercisable at HK\$0.120 per Share during an exercise period from 21 October 2013 to 20 October 2018.

All the Share Options are currently exercisable. If the Share Options are exercised in full, the Company will have to issue 37,233,891 new Shares, representing approximately 1.8% of the issued share capital of the Company as at the date of this joint announcement as enlarged by the allotment and issue of the aforementioned new Shares.

As at the date of this joint announcement, save for the outstanding Share Options as mentioned above, the Company had no other outstanding warrants, derivatives or convertibles in issue which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

Subject to and upon the Sale and Purchase Completion, Kingston Securities, on behalf of the Offeror and in compliance with the Takeovers Code, will make the Listco Offers to (i) acquire all the Offer Shares; and (ii) cancel all the outstanding Share Options, on the terms to be set out in the Listco Offers Document to be issued in accordance with the Takeovers Code on the following basis:

**The Share Offer**

**For every Offer Share held . . . . . HK\$0.1720 in cash**

**The Share Offer will only be made if the Sale and Purchase Completion takes place and the Sale and Purchase Completion is conditional upon the fulfillment or waiver (where applicable) of certain conditions under the Sale and Purchase Agreement. Accordingly, the Sale and Purchase Agreement may or may not be completed and the Share Offer may or may not proceed. The Shareholders, Optionholders and potential investors are therefore urged to exercise caution when dealing in the Shares.**

As at the date of this joint announcement, the Company has 1,997,830,751 Shares in issue. As (i) the Offeror and parties acting in concert with it will own 1,076,758,361 Shares subject to and immediately after the Sale and Purchase Completion; and (ii) Mr. Lau Sek Hoi, Jacky has undertaken in the Sale and Purchase Agreement that he will exercise 5,000,000 Share Options prior to the Sale and Purchase Completion, 926,072,390 Shares will be subject to the Share Offer and the total consideration of the Share Offer would be approximately HK\$159.3 million based on the Share Offer Price.

In the event that the Share Offer is accepted in full, the maximum amount payable by the Offeror under the Share Offer will be (i) approximately HK\$159.3 million (assuming no Included Share Option is exercised and the number of Shares subject to the Share Offer is 926,072,390 Shares); or (ii) approximately HK\$164.8 million (assuming all outstanding Included Share Options are exercised and the number of Shares subject to the Share Offer is 958,306,281 Shares).

The Share Offer Price is the same as the purchase price per Sale Share under the Sale and Purchase Agreement which was arrived at after arm's length negotiations between the Purchaser and the Vendors.

Based on the Share Offer Price of HK\$0.1720 per Offer Share and 1,997,830,751 Shares in issue as at the date of this joint announcement, the entire issued share capital of the Company is valued at approximately HK\$343.6 million.

The Share Offer will extend to all Shares in issue on the date on which the Share Offer is made, being the date of despatch of the Listco Offer Document, and to any further Shares which are unconditionally allotted or issued on the exercise of the Share Options, other than those Shares held by the Offeror and persons acting in concert with it.

## Comparison of value

The Share Offer Price of HK\$0.1720 represents:

- (i) a discount of approximately 33.8% to the closing price of HK\$0.260 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 35.1% to the average closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of HK\$0.265 per Share;
- (iii) a discount of approximately 36.3% to the average closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of HK\$0.270 per Share;
- (iv) a discount of approximately 35.3% to the average closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$0.266 per Share;
- (v) a discount of approximately 12.2% to the average closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of HK\$0.196 per Share; and
- (vi) a discount of approximately 33.5% to the unaudited consolidated net asset attributable to Shareholders per Share of approximately HK\$0.2587 per Share as at 30 September 2013.

## Highest and lowest Share price

During the six-month period preceding the date of the MOU Announcement and the period up to and including the Last Trading Day:

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.300 on both 3 January 2014 and 16 January 2014; and
- (ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.107 on 27 September 2013.

## The Option Offer

- (i) **For cancellation of each Share Option with  
an exercise price of HK\$0.100 per Share . . . . . HK\$0.072 in cash**
- (ii) **For cancellation of each Share Option with  
an exercise price of HK\$0.114 per Share . . . . . HK\$0.058 in cash**

- (iii) **For cancellation of each Share Option with an exercise price of HK\$0.115 per Share . . . . . HK\$0.057 in cash**
- (iv) **For cancellation of each Share Option with an exercise price of HK\$0.120 per Share . . . . . HK\$0.052 in cash**
- (v) **For cancellation of each Share Option with an exercise price of HK\$0.123 per Share . . . . . HK\$0.049 in cash**
- (vi) **For cancellation of each Share Option with an exercise price of HK\$0.132 per Share . . . . . HK\$0.040 in cash**
- (vii) **For cancellation of each Out-of-Money Share Option with exercise prices of HK\$0.188, HK\$0.2053 and HK\$0.2228 per Share . . . . . HK\$0.01 in cash**

**The Option Offer will only be made if the Sale and Purchase Completion takes place and the Sale and Purchase Completion is conditional upon the fulfillment or waiver (where applicable) of certain conditions under the Sale and Purchase Agreement. Accordingly, the Sale and Purchase Agreement may or may not be completed and the Option Offer may or may not proceed. The Shareholders, Optionholders and potential investors are therefore urged to exercise caution when dealing in the Shares.**

Based on the Option Offer Prices for the cancellation of each outstanding Included Share Option and the corresponding number of outstanding Included Share Options, the maximum amount payable under the Option Offer (assuming no Included Share Options are exercised prior to the date of closing of the Listco Offers and the Option Offer is accepted in full) is approximately HK\$1.9 million.

A comparison of the Share Offer Price to the closing prices of the Shares is set out above under the heading “Comparison of value”. Pursuant to Rule 13 and Practice Note 6 of the Takeovers Code, the Option Offer Price will normally represent the difference between the exercise price of the respective Share Options and the Share Offer Price. Under the Option Offer, the Option Offer Price for each In-the-Money Share Option represents the difference between the Share Offer Price and the respective exercise prices of these Share Options. However, as the exercise prices of the Out-of-Money Share Options are above the Share Offer Price, their Option Offer Price is a nominal HK\$0.01 per Share Option.

The Option Offer will extend to all Share Options in issue on the date on which the Option Offer is made, being the date of despatch of the Listco Offer Document, other than those Share Options held by the Offeror and persons acting in concert with it. As at the date of this joint announcement, the Offeror and parties acting in concert with it do not hold any Share Options.

## **Value of the Listco Offers**

Based on the above, assuming that (i) no Included Share Options are exercised and (ii) all Excluded Share Options are exercised prior to the close of the Listco Offers, 926,072,390 Shares and 32,233,891 Share Options are subject to the Share Offer and the Option Offer respectively, and the Listco Offers are valued at approximately HK\$161.1 million in aggregate.

The Vendors have indicated that they will not accept the Listco Offers in respect of their remaining 2,888,039 Shares after the Sale and Purchase Completion. Save for the aforesaid, the Offeror has not received any indication or irrevocable commitment from any Shareholder or Optionholder that he/she/it will accept or reject the Listco Offers as at the date of this joint announcement.

In the event all the Included Share Options are exercised in full by the Optionholders prior to the date on which the Share Offer closes and the Share Offer is accepted in full (including all Shares allotted and issued as a result of the exercise of the Included Share Options), the Company will have to issue 32,233,891 new Shares, representing approximately 1.6% of the issued share capital of the Company as enlarged by the issue of the aforementioned new Shares. Under such circumstances, the total number of Shares subject to the Share Offer would increase to 958,306,281 Shares and the maximum value of the Share Offer will be increased to approximately HK\$164.8 million as a result thereof. In that case, no amount will be payable by the Offeror under the Option Offer.

## **Financial resources available to the Offeror**

The Offeror intends to finance the consideration payable by the Offeror under the Listco Offers and the consideration under the Sale and Purchase Agreement with (i) the standby facility of up to HK\$150 million granted by Kingston Securities to the Offeror pursuant to a facility letter; and (ii) its internal resources.

Kingston Corporate Finance and Ample Capital, the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration for the Sale Shares under the Sale and Purchase Agreement and the full acceptance of the Listco Offers.

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

The Share Offer, subject to the Sale and Purchase Completion taking place, will be unconditional. By accepting the Share Offer, the Shareholders will sell their Shares free from all encumbrances and together with all rights attaching to them including the right to all dividends and distributions (but excluding the Distribution In Specie) which may be declared, paid or made at any time on or after the date on which the Share Offer is made, being the date of despatch of the Listco Offer Document.

Acceptance of the Share Offer by any Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Share Offer are free from all encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions (but excluding the Distribution In Specie) recommended, declared, made or paid, if any, on or after the date on which the Share Offer is made. Acceptances of the Share Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

In accordance with the terms of the share option scheme of the Company adopted on 15 January 2008, the Optionholders are entitled to exercise the Share Options (to the extent not already exercised) to its full extent at any time up to the close of the Share Offer, after which the Share Options shall automatically lapse according to the terms of the share option scheme.

The Option Offer, subject to the Sale and Purchase Completion taking place, will be unconditional. By accepting the Option Offer, the Optionholders will sell their Share Options free from all encumbrances and together with all rights attaching to them on or after the date on which the Option Offer is made, being the date of despatch of the Listco Offer Document.

Acceptance of the Option Offer by any Optionholder will be deemed to constitute a warranty by such person that all Share Options sold by such person under the Option Offer are free from all encumbrances whatsoever and will be cancelled and renounced together with all rights attaching thereto on or after the date on which the Option Offer is made, being the date of despatch of the Listco Offer Document. Acceptances of the Option Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

### **Hong Kong stamp duty**

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

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



## **Payment**

Payment in cash in respect of acceptances of the Listco Offers will be made as soon as possible but in any event within seven business days (as defined in the Takeovers Code) of the date on which the duly completed acceptances of the Listco Offers and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid.

## **Taxation advice**

Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Listco Offers. None of the Offeror, parties acting in concert with the Offeror, the Company, Ample Capital, Kingston Corporate Finance, Kingston Securities and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Listco Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Listco Offers.

## **Dealing and interests in the Company's securities**

The Offeror, Hong Kong Shihua, Liaoning Shihua Property and parties acting in concert with any of them have not dealt in the shares, convertible securities, warrants, options or derivatives of the Company during the six-month period preceding the date of the MOU Announcement and the period up to and including the date of this joint announcement save for the MOU, the Sale and Purchase Agreement and the CB Subscription Agreement to which the Offeror is a party.

## **Overseas Shareholders and Overseas Optionholders**

The Overseas Shareholders and the Overseas Optionholders should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibilities of the Overseas Shareholders and the Overseas Optionholders who wish to accept the Listco Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Listco Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders and Overseas Optionholders in respect of such jurisdictions).

## **Other arrangements**

The Offeror confirms that, save as disclosed in this joint announcement, as at the date of this joint announcement:

- (i) the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them have not received any irrevocable commitment to accept the Listco Offers;

- (ii) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owner and/or any person acting in concert with any of them;
- (iii) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which may be material to the Listco Offers (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (iv) none of the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (v) there is no agreement or arrangement to which the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them 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 Listco Offers; and
- (vi) there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and/or any person acting in concert with any of them has borrowed or lent.

**Shareholders and Optionholders are reminded to read the recommendations of the Independent Board Committee and the advice of the independent financial adviser in respect of the Listco Offers that will be included in the Listco Offer Document before deciding whether or not to accept the Listco Offers.**

## **C. THE CB SUBSCRIPTION AGREEMENT**

On 30 January 2014, the Company and the Offeror entered into the CB Subscription Agreement pursuant to which the Company has agreed to issue, and the Offeror has agreed to subscribe, in cash, for the Convertible Bonds. The principal terms of the Convertible Bonds are summarised as below:

Principal amount:           HK\$75,000,000

Maturity date:             The third anniversary of the date of issue of the Convertible Bonds.

Interest:                    The Convertible Bonds will bear interest on the outstanding principal amount thereof from the date of issue at a rate equal to 3% per annum payable half-yearly in arrears on 30 June and 31 December in each year.

Conversion rights: The bondholder will have the right, on any Business Day during the period commencing from the date of issue of the Convertible Bonds to the Maturity Date to convert the whole or part of the principal amount of the Convertible Bonds into the Conversion Shares at the Conversion Price (subject to adjustments).

No exercise of the conversion rights attaching to the Convertible Bonds shall be allowed if (i) immediately following the conversion, the Company will be unable to meet the public float requirement under Rule 8.08 of the Listing Rules; or (ii) such conversion is prohibited under the Takeovers Code.

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, bonus and other distributions the record date of which falls on a date on or after the date of conversion.

Conversion Price: The Conversion Price shall be HK\$0.1720 per Conversion Share, subject to adjustment provisions as summarised below.

Anti-dilution adjustments: The Conversion Price will from time to time be adjusted upon the occurrence of certain events, including the following:

- (i) consolidation, sub-division or re-classification of the Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution to holders of Shares;
- (iv) offer to Shareholders new Shares for subscription by way of rights, or grant to Shareholders any options, warrants or other rights to subscribe for any new Shares at a price which is less than 80% of the market price as at the date of the announcement of the terms of the offer or grant;
- (v) 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 initially receivable for such securities is less than 80% of the market price as at the date of the announcement of the terms of issue of such securities;

- (vi) when the rights of conversion or exchange or subscription attached to any such securities as are mentioned in (v) above are modified so that the total effective consideration per Share initially receivable for such securities will be less than 80% of the market price as at the date of the announcement of such proposal;
- (vii) when the Company issue wholly for cash any Shares at a price per Share which is less than 80% of the market price as at the date of the announcement of the terms of such issue; and
- (viii) when the Company issue Shares for the acquisition of assets at a total effective consideration per Share which is less than 80% of the market price at the date of the announcement of the terms of such issue.

**Voting:** The bondholder will not be entitled to attend or vote at any meetings of the Company by reason only of it being the bondholder.

**Transferability:** The Convertible Bonds may be freely assigned and transferred, provided that (i) no assignment or transfer shall be made to a connected person (within the meaning ascribed thereto in the Listing Rules) of the Company without the prior approval of the Company and (ii) the principal amount to be assigned or transferred is at least HK\$1,000,000 and in integral multiples of HK\$1,000,000 unless the amount of the outstanding Convertible Bonds is less than HK\$1,000,000 in which case the whole (but not part only) of that amount may be assigned and transferred.

**Events of default:** If any of the following events occurs, the Convertible Bonds shall on the giving of notice by the bondholder to the Company become due and payable at its principal amount then outstanding, together with any accrued outstanding interest calculated up to and including the date of repayment:

- (i) the Company defaults in its material obligations in the CB Subscription Agreement which default is incapable of remedy or, if capable of remedy, is not remedied within 14 Business Days after notice of such default from the bondholder to the Company;
- (ii) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its principal operating subsidiaries;

- (iii) the Company or any of its subsidiaries becomes insolvent or is unable to pay its debts as they fall due or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or any of its principal operating subsidiaries or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its principal operating subsidiaries or takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or compromise with or for the benefit of its creditors other than the entering into of the creditors' scheme of arrangement;
- (iv) a petition is presented or a proceeding is commenced or an order is made or an effective resolution is passed for the winding-up, insolvency, administration or dissolution of the Company or any of its subsidiaries except in the case of winding-up of subsidiaries of the Company in the course of internal reorganisation;
- (v) insolvency of the Company;
- (vi) a moratorium is agreed or declared in respect of any indebtedness of the Company or any of its subsidiaries or any government authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or any of its subsidiaries;
- (vii) other than as a result of, or in circumstances where (i) an offer made to holders of Shares (or such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) being made to the Company for the acquisition of all or any proportion of the Shares or such an offer becoming unconditional or (ii) the Company is required to make an announcement pursuant to Chapter 14 and 14A of the Listing Rules, the listing of the Shares on the Stock Exchange ceases or the trading of the Shares on the Stock Exchange is suspended for a continuous period of 15 Business Days or more on each day of which the Stock Exchange is generally open for the business of dealing in securities due to the default of, or breach of any provisions of the Listing Rules or applicable laws by any member of the Group or any of its directors, officers, employees or agents;

- (viii) any amounts of principal repayment or interest payment in relation to bank borrowings of the Company or any of its subsidiaries are not paid when due, or within the grace period and the relevant bank notifies the Company or the subsidiary that such non-payment constitutes an event of default under the terms of the relevant loan;
- (ix) the Company or any of its subsidiaries fails to pay when due or expressed to be due any amounts payable or expressed to be payable by it under any present or future guarantee for any moneys borrowed from or raised through a financial institution and the relevant financial institution notifies the Company or the relevant subsidiary that such failure to pay constitutes an event of default under the terms of the guarantee or the loan in relation to which the guarantee was given;
- (x) the Company or any of its subsidiaries consolidates or amalgamates with or merge into any other corporation (other than a consolidation, amalgamation or merger in which the Company or such subsidiary is the continuing corporation), or the Company or any of its subsidiaries sells or transfers all or substantially all of its assets;
- (xi) at any time any indebtedness, including any obligation (whether present or future, actual or contingent, secured or unsecured, as principal or surety or otherwise) for the payment or repayment of money, of the Company or any of its subsidiaries becomes due and payable prior to its stated maturity by reason of default, or event of default (howsoever described) by the Company or any of its subsidiaries; or
- (xii) the Company fails to pay the principal amount or any interest on the Convertible Bonds when due unless non-payment of such interest is due solely to administrative or technical error and payment is made within five Business Days of the due date.

The initial Conversion Price is the same as the purchase price per Sale Share under the Sale and Purchase Agreement and was arrived at after arm's length negotiations between the Offeror and the Company with reference to the performance of the Remaining Group, the impact of the deconsolidation of the Scheme Subsidiaries from the Remaining Group as a result of the Disposal, the impact of the deconsolidation of the Privateco Group from the Remaining Group as a result of the Distribution In Specie and the availability of immediate funds to the Company

upon the Offeror obtaining a controlling interest in the Company on the Sale and Purchase Completion. As at the date of the CB Subscription Agreement, the closing price was HK\$0.260 per Share.

Assuming the conversion rights attaching to the Convertible Bonds have been exercised in full at the initial Conversion Price of HK\$0.1720 per Conversion Share, a maximum of 436,046,511 Conversion Shares will be issued, representing (i) approximately 21.8% of the issued share capital of the Company as at the date of this joint announcement; and (ii) approximately 17.9% of the issued share capital of the Company as enlarged by the allotment and issue of such Conversion Shares.

### **Conditions precedent of the CB Subscription Agreement**

CB Subscription Completion is conditional upon:

- (i) the passing by the majority Shareholders or Independent Shareholders (as the case may be) at the special general meeting of the Company resolutions approving the CB Subscription Agreement, the issue of the Convertible Bonds, the allotment and issue of the Conversion Shares and the transactions contemplated thereunder;
- (ii) the granting of the approval by the Stock Exchange the listing of, and the permission to deal in, the Conversion Shares and such approval not having been revoked;
- (iii) (if required) the Bermuda Monetary Authority granting its consent to the issue of the Convertible Bonds and the allotment and issue and free transferability of the Conversion Shares;
- (iv) the closing of the Listco Offers;
- (v) the representations, warranties and undertakings under the CB Subscription Agreement given by the Company remaining true and accurate in all material respects and not misleading in any material respect as of the CB Subscription Completion Date by reference to the facts and circumstances subsisting as at the CB Subscription Completion Date respectively; and
- (vi) the Sale and Purchase Completion.

The Offeror may at any time waive in writing the CB Subscription Condition set out in paragraph (v) above.

The Company undertakes to the Offeror to use its best endeavours to procure that the CB Subscription Conditions (other than the CB Subscription Conditions set out in paragraph (iv) and (vi) above) are fulfilled by not later than the CB Subscription Long Stop Date, except that the CB Subscription Conditions specified in paragraph (v) shall be fulfilled simultaneously upon



the CB Subscription Completion. The Offeror shall use its best endeavours to procure that the CB Subscription Conditions set out in paragraph (iv) and (vi) are fulfilled. None of the CB Subscription Conditions has been fulfilled as at the date of this joint announcement.

If the CB Subscription Conditions are not fulfilled (or waived by the Offeror in whole or in part) on or before the CB Subscription Long Stop Date, the CB Subscription Agreement shall lapse and become null and void and the parties will be released from all obligations under the CB Subscription Agreement, save for liabilities for any antecedent breaches of the CB Subscription Agreement.

### **Specific mandate**

The Conversion Shares will be allotted and issued under the specific mandate proposed to be sought from the Independent Shareholders by way of poll at the SGM.

No application will be made for a listing, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

### **Equity fund raising by the Company**

The Company did not carry out any equity fund raising activities in the 12 months period immediately before the date of this joint announcement.

### **CB Subscription Completion**

The CB Subscription Completion is conditional upon the CB Subscription Conditions having been fulfilled (or, where applicable, waived). The CB Subscription Completion shall take place on the fifth Business Day after the date on which all the CB Subscription Conditions are fulfilled (or, where applicable, waived) or such other date as may be agreed by the Company and the Offeror.

### **Reasons for the CB Subscription**

The Directors noted that a substantial portion of the currently existing banking facilities of the Group are secured by properties held by certain Distributed Subsidiaries and as the Privateco Group has no intention to continue to provide such collaterals upon completion of the Distribution In Specie, the Group anticipates that the banks may withdraw a substantial portion of the currently available banking facilities of the Group and the Remaining Group will need to explore alternative funding arrangements to fund the working capital needs of the Remaining Group and any new investments the Group may identify from time to time. The Directors consider that the issue of the Convertible Bonds will provide the Company with immediate

funding without immediate dilution of the shareholding of the existing Shareholders and, if the conversion rights attaching to the Convertible Bonds are exercised, the capital base of the Company will be enlarged.

Assuming the Convertible Bonds is subscribed in full, the net proceeds (after deducting estimated expenses) from the issue of the Convertible Bonds is expected to be approximately HK\$74,788,000 and the net price per Conversion Share is approximately HK\$0.1720. It is intended that a small portion of the net proceeds will be paid by the Company to the Administrators Vehicle for the purpose of implementing the Creditors' Scheme whilst the remaining portion will be applied for funding new investments which the Group may from time to time identify and for general working capital purposes. Although no potential investment or specific needs were identified as at the date of this joint announcement, the Directors considered it is desirable to utilise the net proceeds from the issue of the Convertible Bonds as the Company's additional general working capital and to support the Company's long-term development and investments when such opportunities arise.

The Directors consider that the terms of the CB Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Listing Rules**

Pursuant to the Sale and Purchase Agreement, the Offeror has agreed to acquire the Sale Shares, which represent (a) approximately 53.9% of the issued share capital of the Company as at the date of this joint announcement; and (b) approximately 52.9% of the issued share capital of the Company assuming exercise in full of all outstanding Share Options by all Optionholders before the Sale and Purchase Completion. The CB Subscription Completion is conditional upon, among other things, the Sale and Purchase Completion. As such, the Offeror will become the controlling shareholder of the Company upon the Sale and Purchase Completion and therefore a connected person of the Company. The entering into of the CB Subscription Agreement between the Company and the Offeror will therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules which requires the approval of the Independent Shareholders by way of poll at the SGM.

As the Offeror will have a material interest in the CB Subscription Agreement, the Offeror and its associates are required to abstain from voting for the relevant resolution to approve the CB Subscription Agreement and the transactions contemplated thereunder at the SGM. The Vendors and their respective associates will also abstain from voting on the resolution to approve the CB Subscription Agreement and the transactions contemplated thereunder at the SGM.

### **Shareholding structure of the Company**

The following table sets out the shareholding structure of the Company (i) as at the date of this joint announcement; (ii) immediately after the Sale and Purchase Completion (assuming there are no changes to the issued share capital of the Company from the date of this joint

announcement to the Sale and Purchase Completion save for the exercise of the Excluded Share Options); (iii) immediately after the completion of the Listco Offers (assuming the Offeror acquired all the Offer Shares and Share Options and no conversion rights under the Convertible Bonds are exercised); and (iv) immediately after conversion of the whole of the principal amount of the Convertible Bonds by the Offeror (assuming there is no Independent Shareholder accepting the Listco Offers or lapse of the Listco Offers):

	(i) As at the date of this joint announcement		(ii) Upon Sale and Purchase Completion		(iii) Upon completion of the Listco Offers (assuming the Offeror acquired all the Offer Shares, all the Share Options are cancelled and no conversion rights under the Convertible Bonds are exercised)		(iv) Upon conversion of the whole of the principal amount of the Convertible Bonds (assuming there is no Independent Shareholder accepting the Listco Offers or lapse of the Listco Offers) (note 2)	
	Number of Shares held	Approximate % of Shares in issue	Number of Shares held	Approximate % of Shares in issue	Number of Shares held	Approximate % of Shares in issue	Number of Shares held	Approximate % of Shares in issue
The Vendors	1,074,646,400 (note 3)	53.79	2,888,039 (note 4)	0.14	2,888,039	0.14	2,888,039	0.12
The Offeror and parties acting in concert with it	-	-	1,076,758,361	53.76	1,999,942,712	99.86	1,512,804,872	62.03
Public Shareholders	<u>923,184,351</u>	<u>46.21</u>	<u>923,184,351</u>	<u>46.10</u>	-	(note 1)	<u>923,184,351</u>	<u>37.85</u>
Total	<u>1,997,830,751</u>	<u>100.00</u>	<u>2,002,830,751</u>	<u>100.00</u>	<u>2,002,830,751</u>	<u>100.00</u>	<u>2,438,877,262</u>	<u>100.00</u>

*Note 1:* In the event that the public float of the Company falls below 25% after the completion of the Listco Offers, the new Directors who are nominated by the Offeror and to be appointed as Directors and the then directors of the Offeror will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible.

*Note 2:* Pursuant to the terms of the Convertible Bonds, no exercise of conversion rights attaching to the Convertible Bonds is allowed if immediately following the conversion, the Company will be unable to meet the public float requirement under Rule 8.08 of the Listing Rules.

*Note 3:* As at the date of this joint announcement, the Vendors held an aggregate of 1,074,646,400 Shares, representing approximately 53.79% of the existing issued Shares. Mr. Lau Sek Hoi Jacky has undertaken in the Sale and Purchase Agreement that he will exercise 5,000,000 Share Options prior to the Sale and Purchase Completion.

*Note 4:* Upon Sale and Purchase Completion, the Vendors will continue to hold 2,888,039 Shares.

## Information on the Group

The Company is a company incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The principal activities of the Company is investment holding and the principal activities of its subsidiaries are manufacturing and sale of electronic products (representing karaoke sets, television sets, video products and audio products). The Group's major market is North America while its manufacturing facilities are located in the PRC.

## Financial information of the Group

The following table is a summary of certain audited financial information of the Group for the two financial years ended 31 March 2012 and 31 March 2013, respectively.

	<b>Year ended 31 March 2012</b>	<b>Year ended 31 March 2013</b>
	<i>HK'000</i>	<i>HK'000</i>
Turnover	631,830	515,408
Gross profit	60,482	50,225
Loss before taxation	(183,085)	(65,776)
Loss for the year attributable to the Shareholders	(194,862)	(69,829)
Consolidated net asset value	517,832	484,724

Further financial information on the Remaining Group and the Privateco Group will be set out in the Circular to be despatched to the Shareholders.

## Information on the Offeror

The Offeror is an investment holding company incorporated in Samoa with limited liability on 21 November 2013. To expedite the incorporation of the Offeror and simplify the corporate administration going forward, the Offeror's entire issued share capital is registered in the name of Mr. Wang Xing Qiao, who is holding the same on trust for Hong Kong Shihua and is the sole director of the Offeror. Hong Kong Shihua is an investment holding company incorporated in Hong Kong on 12 December 2013 with limited liability, which is wholly owned by Liaoning Shihua Property, and Mr. Wang Jing is the sole director of Hong Kong Shihua. Liaoning Shihua Property is a company established under the laws of the PRC on 12 January 1998 and is principally engaged in property development, property leasing, sales of construction materials, outdoor and shop advertising, and vehicle storage in the PRC, focusing on Liaoning province. As at the date of this joint announcement, Liaoning Shihua Property is owned as to approximately 82.84% by Mr. Wang Jing, approximately 16.00% by Ms. Wang Yi Qiao and approximately 1.16% by Ms. Hu Bao Qin. Mr. Wang Jing is the sole director of Liaoning Shihua Property. Mr. Wang Jing and Ms. Hu Bao Qin are spouses to each other. Ms. Wang Yi Qiao and Mr. Wang Xing Qiao are the daughter and the son of Mr. Wang Jing respectively.

There have been certain changes in the beneficial ownership of the Offeror and the shareholding of Liaoning Shihua Property since the Company's announcement was made on 2 January 2014, which are set out below:

*(i) Change in beneficial ownership of the Offeror*

When the MOU was signed the Offeror was wholly and beneficially owned by Liaoning Shihua Group. Afterwards, the Offeror underwent a corporate reorganisation by which Liaoning Shihua Group transferred its beneficial ownership in the Offeror to Hong Kong Shihua (which is in turn wholly owned by Liaoning Shihua Property) on 24 January 2014. The then shareholding structures of Liaoning Shihua Group and Liaoning Shihua Property were the same, therefore, the ultimate beneficial ownership of the Offeror had remained the same since the signing of the MOU and up to immediately before the change in shareholding in Liaoning Shihua Property as described in the paragraph below. The above reorganisation of the Offeror was implemented with a view to placing the Offeror (and therefore the Offeror's interests in the Company) under the ownership of its ultimate beneficial owners' principal investment holding company, which is currently Liaoning Shihua Property.

*(ii) Change in shareholding of Liaoning Shihua Property*

Immediately prior to 13 March 2014, Liaoning Shihua Property was owned as to approximately 52.40% by Mr. Wang Jing, Ms. Wang Yi Qiao and Ms. Hu Bao Qin in aggregate, while the remaining approximately 47.60% shareholding interests were held by 15 other shareholders (the "**Minority Shihua Shareholders**")<sup>Note</sup>. After negotiation between Mr. Wang Jing and the Minority Shihua Shareholders, the Minority Shihua Shareholders have agreed to sell their shareholding interests in Liaoning Shihua Property to Mr. Wang Jing and his family members with a view to cashing out their minority interest investments in Liaoning Shihua Property. On 13 March 2014, the Minority Shihua Shareholders transferred their shares in Liaoning Shihua Property to Mr. Wang Jing and Ms. Wang Yi Qiao. As a result, Liaoning Shihua Property is owned as to approximately 82.84% by Mr. Wang Jing, approximately 16.00% by Ms. Wang Yi Qiao and approximately 1.16% by Ms. Hu Bao Qin as at the date of this joint announcement.

*Note:*

*As at 24 January 2014, being the date on which the corporate reorganisation of the Offeror as mentioned in paragraph (i) under this section was carried out, and immediately prior to 13 March 2014, Liaoning Shihua Property was owned as to approximately (1) 43.04% by Mr. Wang Jing (王晶); (2) 30.20% by Ms. Li Yu Feng (李玉鳳) (Ms. Li Yu Feng is a business acquaintance of Mr. Wang Jing and had been one of the shareholders of Liaoning Shihua Group and Liaoning Shihua Property, as well as a vice general manager of Liaoning Shihua Property. Save as aforesaid, Ms. Li Yu Feng has no other relationship with the Offeror and its ultimate beneficial owners); (3) 8.20% by Ms. Wang Yi Qiao (王藝橋); (4) 2.32% by Mr. Zhao Xian Jun (趙憲君); (5) 2.32% by Ms. Bao Yu Ying (鮑玉英); (6) 2.32% by Mr. Chen An Jun (陳安軍); (7) 1.74% by Mr. Liu Jun*

(劉軍); (8) 1.74% by Mr. Jin Li Gang (金力剛); (9) 1.16% by Mr. Song Bo (宋波); (10) 1.16% by Ms. Wu Xiu Qin (吳秀琴); (11) 1.16% by Ms. Chen Gui Rong (陳桂榮); (12) 1.16% by Ms. Hu Bao Qin (胡寶琴); (13) 0.58% by Ms. Sun Xiao Guang (孫曉光); (14) 0.58% by Mr. Liu Feng Ting (劉風廷); (15) 0.58% by Ms. Yu Wen Yan (于文燕); (16) 0.58% by Ms. Zhu Huai Min (朱懷敏); (17) 0.58% by Ms. Bi Jin E (畢金娥) (Ms. Bi Jin E is the sister-in-law of Mr. Wang Jing); and (18) 0.58% by Ms. Huang Ju (黃菊).

### **Future intentions of the Offeror in relation to the Company**

Following the close of the Listco Offers, the Offeror intends to continue the Remaining Business of the Group. The Offeror will conduct a review on the financial position and the operations of the Company and will formulate long-term business plans and strategy of the Company, explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules. Save for the proposed change in Board composition set out in the paragraph headed “Proposed change of board composition” below and subject to the result of the Offeror’s review of the Company, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

### **Proposed change of board composition**

The Board is currently made up of eight Directors, comprising four executive Directors, being Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol, one non-executive Director, being Mr. Peter Hon Sheung Tin, and three independent non-executive Directors, being Mr. Chan Chak Chung, Mr. Chuck Winston Calptor and Mr. Tang Yee Man.

Pursuant to the terms of the Sale and Purchase Agreement, subject to the Sale and Purchase Completion, the Vendors shall cause such Directors as may be notified by the Offeror to the Vendors to give notice to resign as Directors at the earliest time permitted under (or pursuant to any dispensation from) the Takeovers Code. In addition, the Vendors shall cause such persons as the Offeror may nominate to be validly appointed as Directors with effect from the earliest time permitted under (or pursuant to any dispensation from) the Takeovers Code. Such resignation will not take effect earlier than the date of the close of the Offer Period, subject to the requirements of the Takeovers Code. A further announcement will be made on any further proposed change of the composition of the Board.

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

## **Maintaining the listing status of the Company**

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

In the event that after the completion of the Listco Offers, the public float of the Company falls below 25%, the new Directors who will be nominated by the Offeror and to be appointed as Directors and the then directors of the Offeror will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Listco Offers to ensure that sufficient public float exists for the Shares.

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

## **D. PROPOSED GROUP RESTRUCTURING AND DEEMED VERY SUBSTANTIAL DISPOSAL RELATING TO THE DISPOSAL**

The Group Restructuring will be implemented to separate the Distributed Businesses and the Scheme Businesses from the Remaining Business in order to facilitate the Distribution In Specie and the Creditors' Scheme. The Group Restructuring will involve an internal transfer of interests in the Group as a result of which the Company will beneficially own the Remaining Group which holds the Remaining Business, the Privateco will hold the Distributed Businesses and the Scheme Subsidiaries will hold the Scheme Businesses, elimination of inter-company balances between the Remaining Group, the Privateco Group and the Scheme Subsidiaries and waiver of certain receivables by the Remaining Group to facilitate the Distribution In Specie and the implementation of the Creditors' Scheme through the assignment of the receivables from the Scheme Subsidiaries to the Administrators Vehicle and the assignment of receivables from the Privateco Group to the Privateco. Upon completion of the Group Restructuring, the Group will be split into the Remaining Group, the Privateco Group and the Scheme Subsidiaries, provided that the Group Restructuring shall be conducted on terms which are (1) in compliance with all applicable laws and regulations of all relevant jurisdictions including Hong Kong and Bermuda, and (2) where applicable, pursuant to the requirements of the Stock Exchange and the SFC or such other governmental or regulatory bodies or authorities of competent jurisdiction.

Upon the Creditors' Scheme becoming effective, the Company will proceed with the Disposal, whereby each of the Scheme Subsidiaries will cease to be a subsidiary of the Company. A chart showing the Scheme Subsidiaries are set out in the sub-section headed "Group Structure" under the section headed "F. Distribution In Specie Of The New Privateco Shares".

The Disposal constitutes a transaction under Chapter 14 of the Listing Rules. As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules exceed 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules. The Disposal and all the transactions contemplated thereunder are therefore subject to approval of the Shareholders by way of poll at the SGM. As none of the Shareholders has a material interest in the Disposal, no Shareholder is required to abstain from voting on the resolution(s) to approve the Disposal and all the transactions contemplated thereunder at the SGM.

The Board is of the view that, immediately upon completion of the Group Restructuring, the Distribution In Specie, the Sale and Purchase Agreement and the Creditors' Scheme becoming effective, the Group will have sufficient level of operations and have tangible assets of sufficient value to warrant the continued listing of the Shares.

### **Financial information of the Scheme Subsidiaries**

Rules 14.58(6) and 14.58(7) of the Listing Rules require the disclosure by the Company of the asset value of and the net profits or losses of the Scheme Subsidiaries and Rule 14.60(3)(a) of the Listing Rules requires the disclosure of the gain or loss expected to accrue to the Group and the basis for calculating such gain or loss as a result of the Disposal (the “**Required Financial Information**”) in this joint announcement. In connection with these requirements, an application has been made by the Company to the Stock Exchange for waivers from inclusion of such information in this joint announcement.

Such application has been made on the grounds that (i) the Required Financial Information is unaudited and unpublished figures (which is the only available form as at the date of this joint announcement) and, if included in this joint announcement, would constitute profit forecasts within the meaning of Rule 10 of the Takeovers Code which would need to be reported on by an auditor and financial adviser of the Company; (ii) even though the Company has engaged an auditor to report on the Required Financial Information, the Required Financial Information is still under review by the auditor and it would be unduly burdensome for the Company to withhold this joint announcement until such reports are available; and (iii) the grant of the waiver would not result in undue risks to the Shareholders and be repugnant to the general principles under Rule 2.03 of the Listing Rules as the Disposal is still subject to the approval of the Shareholders who will be properly informed of the Required Financial Information in the Circular before making their decision on how to cast their votes at the SGM.

The Stock Exchange has granted a waiver from strict compliance with Rules 14.58(6), 14.58(7) and 14.60(3)(a) of the Listing Rules to the Company, subject to the condition that (i) a further announcement containing the Required Financial Information be made by the Company at the time of despatch of the Circular; and (ii) the Required Financial Information be included in the Circular. The Company will accordingly include the Required Financial Information that has been reviewed by the auditor of the Company in the Circular.



As a condition to the waiver, the Directors confirm their view that the information contained in this joint announcement, taking into account the exclusion of Required Financial Information, remains accurate and complete in all material aspects and is not misleading or deceptive in accordance with Rule 2.13(2) of the Listing Rules.

## **E. SHARE PREMIUM REDUCTION**

It is proposed that the Share Premium Account be reduced by an amount of approximately HK\$146 million and the credit arising from the reduction of share premium be transferred to the contributed surplus account of the Company for the purpose of the Distribution In Specie. As at 31 January 2014, the amount standing to the credit of the Share Premium Account was approximately HK\$146 million.

The Company is a company incorporated in Bermuda. As such, the Share Premium Reduction is a process governed by Bermuda laws. This does not involve any court procedure in Bermuda (or Hong Kong). The Share Premium Reduction must be approved by a special resolution of the Independent Shareholders, which will be proposed at the SGM and comply with section 46 of the Bermuda Companies Act. Moreover, the Directors must be satisfied that the Company will, after the reduction, continue to be able to pay the Company's liabilities as they become due. Based upon information presently available to the Directors, and having made all reasonable enquiries, the Directors are satisfied with the Company's financial position, and expect to continue to be satisfied at the time of effecting the Share Premium Reduction.

The Share Premium Reduction does not become effective until all the conditions to the Share Premium Reduction have been satisfied.

The Share Premium Reduction is conditional upon:

- (i) the passing by the Independent Shareholders at the SGM of a special resolution approving the Share Premium Reduction; and
- (ii) the compliance with the relevant legal and regulatory procedures and requirements under Bermuda laws to effect the Share Premium Reduction.

Upon the Share Premium Reduction becoming effective, the amount standing to the credit of the contributed surplus account of the Company will amount to approximately HK\$221 million.

Implementation of the Share Premium Reduction will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders in the Company (except for the payment of related expenses). The Directors believe that the Share Premium Reduction will not have any adverse effect on the financial position of the Company or the Group. As explained above, the Share Premium Reduction is a necessary step to enabling the Company to effect the Distribution In Specie.

## F. DISTRIBUTION IN SPECIE OF THE NEW PRIVATECO SHARES

Prior to the Sale and Purchase Completion, the Company proposes to distribute all of the New Privateco Shares registered in its name to Shareholders whose names appear on the register of members of the Company on the Record Date (a date falling after the SGM but before the Sale and Purchase Completion Date, which is to be fixed for determining entitlements to the Distribution In Specie) on the following basis:

**For every Share held . . . . . one New Privateco Share**

The reason for distributing one New Privateco Share for each Share held is to mirror the shareholdings of the Shareholders in the Company immediately following the completion of the Distribution In Specie.

As at the date of this joint announcement, the Privateco is authorised to issue up to 10,000 authorised Privateco Shares of HK\$1.00 each, of which 1 Privateco Share (representing 100% of the issued share capital) of HK\$1.00 had been issued to the Company. To facilitate the Distribution In Specie, the Privateco will, among other things, by ordinary resolutions (i) subdivide each authorised issued and unissued Privateco Share of par value of HK\$1.00 each to 100 New Privateco Shares of HK\$0.01 each; (ii) upon completion of the Share Sub-division, the Privateco be authorised to issue up to 5,000,000,000 New Privateco Shares of HK\$0.01 each; and (iii) allot and issue such number of New Privateco Shares to the Shareholders to mirror the number of issued Shares as at Record Date. On the basis that the Excluded Share Options will be exercised before the Sale and Purchase Completion and (i) assuming no Included Share Options will be exercised before the Record Date, the Privateco will allot and issue up to 2,002,830,651 additional New Privateco Shares of HK\$0.01 each to the Shareholders; or (ii) assuming all the Included Share Options will be exercised before the Record Date, the Privateco will allot and issue up to 2,035,064,542 additional New Privateco Shares of HK\$0.01 each to the Shareholders.

The Distribution In Specie will be effected by applying a sufficient amount standing to the credit of the Company's contributed surplus account or other distributable reserve accounts equivalent to the carrying value in the books of account of the Privateco Group, which amount will be ascertained immediately prior to the commencement of the Distribution In Specie.

The New Privateco Shares when issued will rank *pari passu* in all respects with each other. Unless requested by way of written request to the board of directors of the Privateco by a holder of the New Privateco Share, no share certificate will be issued in respect of the New Privateco Shares upon completion of the Distribution In Specie and before completion of the Privateco Offer. No application will be made for the listing of, and permission to deal in, the New Privateco Shares on the Stock Exchange or any other stock exchange.

As a result of the Distribution In Specie, the Privateco Group will cease to be a subsidiary of the Company, and the Group will continue to carry on the Remaining Business, representing the business of sale of electronic products, such as karaoke, audio, video, musical instrument and clock acquired from the Scheme Subsidiaries, the Privateco Group or third party suppliers to external customers in the United States of America and Canada, focusing on sale of karaoke products, and sale of television sets to external customers in Canada after the Creditors' Scheme becoming effective whilst the Privateco Group will continue to carry on the business of property investment and sale of certain existing models of electronic products to the Remaining Group in accordance with the terms of the Framework Purchase Agreement.

It is the intention of the parties that the Distribution In Specie will be completed immediately before the Sale and Purchase Completion. Immediately upon completion of the Distribution In Specie, GF Securities will, on behalf of Fairy King Prawn, make the Privateco Offer in accordance with the Takeovers Code. Therefore the Privateco Offer will be made after completion of the Distribution In Specie and the Listco Offers will be made after the Sale and Purchase Completion. Arrangements will be made such that the completion of the Distribution In Specie will be completed immediately before the Sale and Purchase Completion.

Subject to the Distribution In Specie becoming effective, Fairy King Prawn has agreed to make the Privateco Offer.

### **Conditions to the Distribution In Specie**

The Distribution In Specie will be conditional upon:

- (i) completion of the internal transfer of interests in the Group as a result of which the Company will beneficially own the Remaining Subsidiaries;
- (ii) the passing of a special resolution by the Independent Shareholders at the SGM to approve the Distribution In Specie;
- (iii) the passing of an ordinary resolution by the shareholders of the Privateco to approve the Share Sub-division, the increase in the authorised share capital of the Privateco and the allotment and issue of the New Privateco Shares;
- (iv) the passing of a special resolution by the Independent Shareholders at the SGM to approve the Share Premium Reduction; and
- (v) the fulfilment (or waiver) of the conditions precedent under the Sale and Purchase Agreement.

None of the above conditions can be waived.

The Purchaser, the Vendors, their respective associates and parties acting in concert with any of them will abstain from voting on the relevant resolution regarding the Distribution In Specie and the Share Premium Reduction, which will be voted on by Independent Shareholders by way of poll at the SGM.

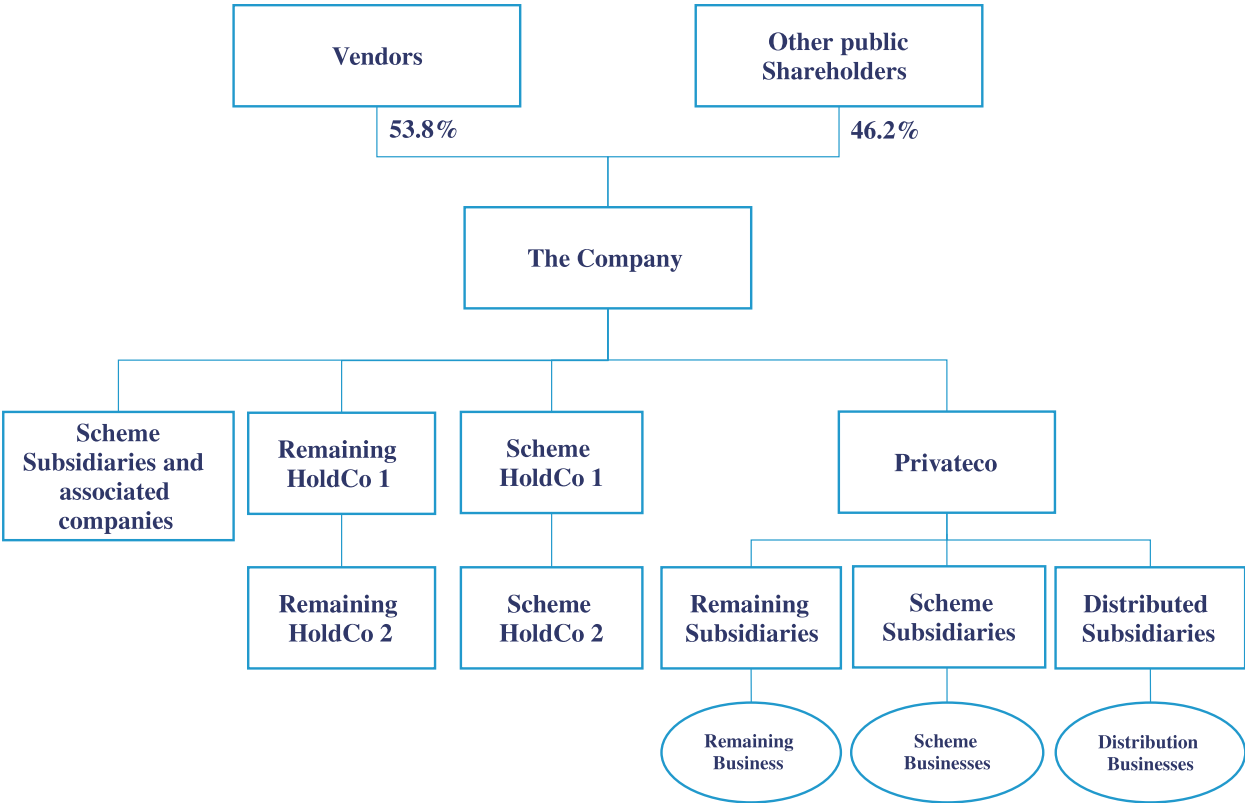
The Company will announce the Record Date in accordance with Rule 13.66 of the Listing Rules as and when appropriate.

### **Overseas Shareholders**

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

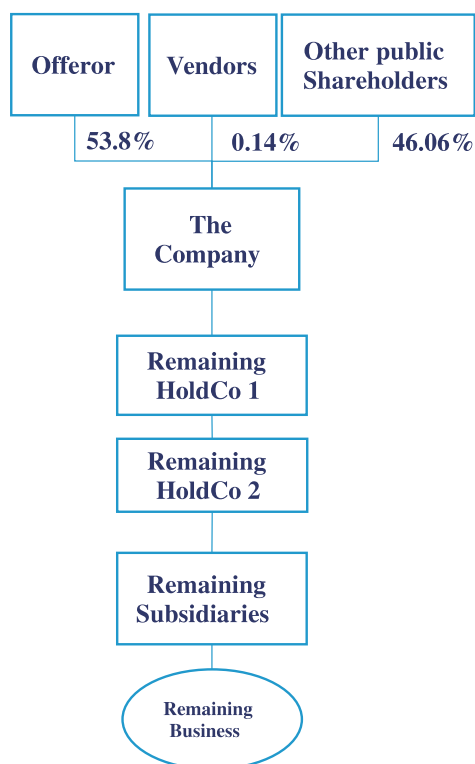
# Group Structure

The chart below shows in summary the structure of the Group as at the date of this joint announcement and immediately before the implementation of the Group Restructuring, the Sale and Purchase Completion and the Distribution In Specie and before the Creditors’ Scheme becoming effective (assuming no other changes in the shareholding structure of the Group since the date of this joint announcement):

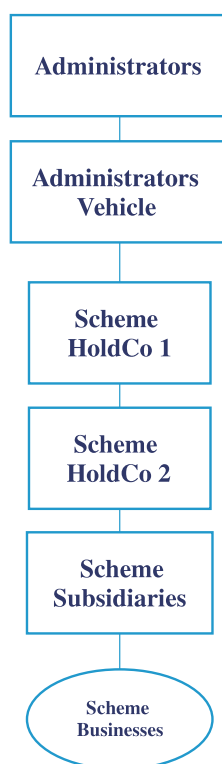


The chart below shows in summary the respective structure of the Privateco Group, the Remaining Group and the Scheme Subsidiaries immediately after completion of the Group Restructuring, the Sale and Purchase Completion (which is conditional on, among other things, completion of the Distribution In Specie) and the Distribution In Specie (which is conditional on, among other things, completion of the Group Restructuring) and before the Creditors’ Scheme becoming effective, but before commencement of the Listco Offers and Privateco Offer (assuming no other changes in the shareholding structure of the Group during this period):

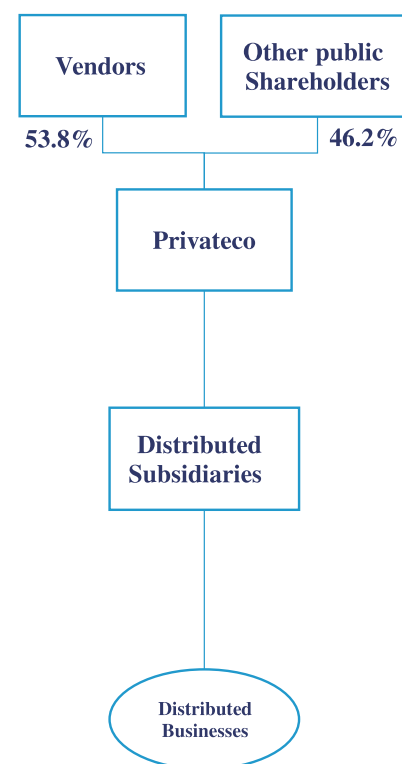
### Remaining Group



### Scheme Group



### Privateco Group



## **Reasons for and effects of the Group Restructuring, the Share Premium Reduction, the Distribution In Specie and the Disposal**

During the negotiations between the parties to the Sale and Purchase Agreement, the Purchaser has expressed that it is not interested in the Distributed Businesses. As opposed to an outright disposal of the Distributed Businesses to the controlling Shareholder, the Distribution In Specie and the Privateco Offer together provides an option for the Independent Shareholders to keep or, through the Privateco Offer, to dispose of their investments in the Distributed Businesses. The Privateco Offer also provides an alternative to the Independent Shareholders to realise all or part of their shareholdings in the Privateco in cash at HK\$0.061 per New Privateco Share, which is not a listed security and will have less liquidity than listed securities. In addition, following the Sale and Purchase Completion and the Distribution In Specie, the Purchaser will become a controlling Shareholder and is obliged thereunder to make the Listco Offers, which is an unconditional mandatory cash general offer, at HK\$0.1720 per Offer Share and at the Option Offer Prices for all Shares and Share Options respectively other than those owned by the Purchaser and the parties acting in concert with it.

The Group has been suffering losses for five consecutive financial years from 2009 to 2013. Falling demand and keen competition in the television set market in North America have driven down selling prices and sales volume of the Group's television set products. On the other hand, the Group's manufacturing operation, which mainly produces television sets, is facing escalating manufacturing costs in the PRC (in particular labour costs due to labour shortage) and

appreciation of Reminbi. The falling demand and selling prices, together with the rising manufacturing costs, have caused wasted capacity of the manufacturing operations of the Group and substantial losses to the Group.

The management of the Company has exercised their best endeavours in turning around the Group's performance in the past years by implementing cost saving measures and developing new products. However, the Group's performance remains adversely affected by its under-utilised manufacturing operation as the factory overheads cannot be reduced swiftly in response to drop in selling prices. In view of the television set market in North America remains highly competitive and manufacturing costs in the PRC continues to rise, the management of the Company considers that the prospect of restoring optimum scale of the manufacturing operation and improving the Group's profitability is slim.

Although neither the Company nor its subsidiaries fail in servicing their debts, the continuous losses have affected the Group's financial position and cash flow, as evidenced by the decline in net asset value and the negative cash flow from operations during the financial years ended 2009 to 2013. The management of the Company considers that a more vigorous approach has to be adopted to improve the financial performance of the Group before any further and continuous deterioration of the manufacturing operation affects the Group's liquidity and debt-repayment ability. Accordingly, in order to ring-fence the profitable businesses of the Remaining Group so that the financial position of the Remaining Group will not be adversely affected by the continuing deterioration of the manufacturing operation, the management of the Company decides to implement the Creditors' Scheme to deconsolidate the manufacturing operation of the Group.

Upon the Creditors' Scheme becoming effective, the Scheme Subsidiaries which are engaged in manufacturing and sourcing of raw material will be transferred to the Administrators Vehicle for realisation for the benefit of the creditors of the Company who are subject to the Creditors' Scheme. Financial performance of these non-promising Scheme Subsidiaries will be deconsolidated from the Company's consolidated financial statements and profitability of the Company will improve. Furthermore, without having to support the under-utilised manufacturing arm, the Remaining Group may source finished goods from independent suppliers at more competitive price and achieve a more flexible cost structure in response to market conditions. Therefore, it is expected that deconsolidation of the manufacturing arm by way of the Creditors' Scheme will improve financial performance and position of the Remaining Group.

The Board considers that the Creditors' Scheme will enable the Group to deal with its indebtedness in a formal and orderly manner so that, so far as the Company is concerned, the Scheme Indebtedness will be released and discharged, which is in the interests of the Company and the Shareholders as a whole. As at 30 November 2013, the Scheme Indebtedness amounted to approximately HK\$22.4 million. As such, the Board (including the Independent Board

Committee) considers that it is in the interests of the Shareholders to be provided with an opportunity to consider and, if thought fit, approve the relevant resolution for the Disposal at the SGM.

The Group Restructuring and the Share Premium Reduction are pre-conditions for achieving the Distribution In Specie, which lead to the Privateco Offer. In order to recognise the relevant assets and liabilities related to the Distributed Businesses under the Privateco Group and to allow the Company to have sufficient distributable reserves to permit the Distribution In Specie in addition to the deployment of the Company's existing share premium, contributed surplus and any other distributable profits, the Board thus proposes that the Group Restructuring and the Share Premium Reduction be effected. In view of the assets and liabilities and past share price performance of Shares, set out in this joint announcement, the Board (excluding the Independent Board Committee which will provide its recommendations after considering the advice of an independent financial adviser) considers that the Group Restructuring and the Share Premium Reduction are in the interests of the Shareholders as a whole.

The Listco Offers and the Privateco Offer together will provide a cash alternative to any Shareholder who wishes to realise all or part of his/her/its interests in the Company and in the Privateco following the Sale and Purchase Completion at a discount of approximately 10.4% to the closing price of the Shares of HK\$0.260 prior to the issue of this joint announcement. The Board (excluding the Independent Board Committee which will provide its recommendations after considering the advice of an independent financial adviser), having regard to the average closing prices of the Shares throughout the past three years, which have, on average, been traded at a price lower than the aggregate price of the Listco Offers and the Privateco Offer, and in view of the Listco Offers and the Offeror's expression that it is not interested in the Distributed Businesses, considers that it is in the interests of the Independent Shareholders to be provided with an opportunity to consider and, if thought fit, approve the relevant resolution for the Share Premium Reduction and the Distribution In Specie at the SGM.

Save for the Group Restructuring, the Share Premium Reduction, the Distribution In Specie and the Disposal, as at the date of this joint announcement, the Company has not entered into any other agreements, arrangements, understandings, intention or negotiations about any acquisition and/or disposal of assets or businesses, or termination and/or shrinking of any business of the Group, other than in its ordinary course of business.

### **Information on the Distributed Businesses, the Remaining Business and the Scheme Businesses**

As at the date of this joint announcement, the Group is principally engaged in the Distributed Businesses, the Remaining Business and the Scheme Businesses.

The Privateco Group has been conducting the business of trading of television sets supplied by the Scheme Subsidiaries to a major retail customer in the United States of America since 2010. As major retailers plan their merchandising programs at the beginning of the calendar year, the



Privateco Group will continue to supply the existing models of television sets to such customer to avoid any interruption to the supply program. The Privateco Group has not entered into any long term contract with such customer and in view of the fierce competition in the television segment and the rapid development of wireless technology to provide alternative channels to watch television programs, the Privateco Group anticipates that the orders to be placed by such customer for the existing models of television sets will decline substantially in the near future. Upon completion of the Group Restructuring and the Distribution In Specie, the Distributed Businesses to be operated by the Privateco Group will principally consist of property investment and sale of certain existing models of electronic products to the Remaining Group in accordance with the terms of the Framework Purchase Agreement. Where opportunity arises, the Privateco Group may continue with its existing business of selling of television sets in the United States of America.

The Remaining Group has been conducting the business of trading of electronic products in North America for over 10 years and has established and maintained a reputation and brand name recognition in the karaoke product market with the Remaining Group's own brand name "Singing Machine", which has captured a significant portion of the market share in the karaoke products market in North America. The Remaining Group also owns other brand names such as "Cosmo Time" which is a household name in Canada for electronic wall clocks and alarm clocks. In addition, the Remaining Group had also been engaging in trading of electronic products such as television sets, CD players and DVD players under brand names licensed by third party licensors. Subject to the review on the Company to be conducted by the Offeror, the Directors intend to focus on marketing the "Singing Machine" brand for karaoke products and will supplement the distribution of other electronic products such as television sets, CD players and DVD players under brand names licensed by third party licensors where opportunity arises. With an experienced team of sale, administrative and warehouse staff with over 10 years of experience, the Remaining Group is expected to continue to market products under brand names it owns as well as distributing products under license agreements and continue to utilize its experience and network in trading and distribution in the North American market.

In view of the higher costs associated with manufacturing the electronic products by the Scheme Subsidiaries, the Remaining Group has been gradually replacing purchases from the Scheme Subsidiaries with purchases sourced directly from independent suppliers manufactured based on the designs or specifications developed by the Remaining Group and produced under the brand names owned by the Remaining Group. Subject to the review on the Company to be conducted by the Offeror, (i) a majority of the directors, management, senior personnel and employees of the Remaining Subsidiaries, which includes 4 employees from the management team, 25 employees from the sales and distribution team, 11 employees from the administration and finance team and 2 employees from the sourcing team, who possess extensive experience in the Remaining Business, are expected to remain employees of the Remaining Subsidiaries; (ii) the Remaining Group is expected to continue trading with its approximately 100 existing customers, which consists of major retailers in the United States of America and Canada; and (iii) the Remaining Group is expected to continue to strengthen its relationship with its 14 independent suppliers which accounted for approximately 63% of the purchase of the Remaining Group for

the year ended 31 March 2013. Mr. Lau Sak Hong (the Chairman and the founder of the Group with over 45 years of experience in electronics business) and Mr. EJ Colin (Vice-President of Sales of a subsidiary of the Group serving Canadian/ US market with over 15 years of experience in electronics business) are also expected to continue to serve the Remaining Subsidiaries.

Upon completion of the Group Restructuring, the Remaining Business to be operated by the Remaining Group is, subject to the review on the financial position and operations of the Company to be conducted by the Offeror, expected to principally consist of sale of electronic products, such as karaoke, audio, video, musical instrument and clock acquired from the Scheme Subsidiaries, the Privateco Group or third party suppliers to external customers in the United States of America and Canada, focusing on sale of karaoke products, and sale of television sets to external customers in Canada. The Remaining Group will also enter into the Framework Purchase Agreement with the Privateco Group for a term from the date of the completion of the Distribution In Specie up to and including 31 March 2015 to ensure sufficient and stable supplies of certain existing models of electronic products are available to the Remaining Group for its supply to its customers. By entering into the Framework Purchase Agreement, which is a short term transitional arrangement, would save the Remaining Group's resources and costs from entering into new arrangement with the supplier for those existing electronic products that may no longer be required by the Remaining Group. Subject to customers' demand, which the Directors anticipate will decline substantially in the near future, the sourcing team will place orders with the Privateco Group for certain of its existing models of electronic products in accordance with the terms of the Framework Purchase Agreement. As such members of the Privateco Group are also engaged in the property investment business, which is the principal business of the Privateco Group and the Offeror had expressed that it was not interested in the property portfolio of the Privateco Group, and having considered the substantial decline in the demand for the existing electronic products supplied to the Remaining Group through the Privateco Group, the Directors are of the view that it would not be justifiable to include such members of the Privateco Group in the Remaining Group.

Further details of the future intentions of the Offeror in relation to the Company are set out under the sub-section headed "Future intentions of the Offeror in relation to the Company" under the section headed "B. Possible Unconditional Mandatory Cash General Offers For Shares And To Cancel The Share Options" of this joint announcement.

The Scheme Businesses to be operated by the Scheme Subsidiaries will principally consist of manufacture and sale of electronic products, such as television sets and audio products, and components to the Remaining Group or the Privateco Group for sale to external customers.

**G. POSSIBLE UNCONDITIONAL VOLUNTARY CASH OFFER FOR NEW PRIVATECO SHARES**

The Privateco is a direct wholly-owned subsidiary of the Company as at the date of this joint announcement. Fairy King Prawn and parties acting in concert with it will own, control or have directions over (i) 1,260,785,709 New Privateco Shares, representing approximately 63.1% of the issued share capital of the Privateco based on their shareholding in the Company as at the date of this joint announcement and (ii) 1,290,385,709 New Privateco Shares, representing approximately 63.6% of the issued share capital of the Privateco upon the exercise of the subscription rights attaching to the 29,600,000 Share Options held by the parties acting in concert with Fairy King Prawn (including the 5,000,000 Share Options held by Mr. Lau Sek Hoi, Jacky), immediately upon completion of the Distribution In Specie. Given that the New Privateco Shares will not be listed on any stock exchange, holders of New Privateco Shares may therefore find it difficult to liquidate their holdings in New Privateco Shares, Fairy King Prawn considers, in these circumstances, that it is appropriate to provide the Privateco Shareholders with an opportunity to realise their holdings in New Privateco Shares by making the Privateco Offer on a voluntary basis pursuant to the Takeovers Code.

Upon completion of the Distribution In Specie, GF Securities will, on behalf of Fairy King Prawn and pursuant to the Takeovers Code, make an unconditional voluntary cash offer to the holders of New Privateco Shares to acquire all New Privateco Shares other than those already held or agreed to be acquired by Fairy King Prawn and parties acting in concert with it on the following basis:

**For every New Privateco Share held . . . . . HK\$0.061 in cash**

The Company will announce the Record Date in accordance to Rule 13.66 of the Listing Rules as and when appropriate.

**As the Privateco Offer will only be made following the completion of the Distribution In Specie, which is subject to a number of conditions precedent to the Distribution In Specie, the making of the Privateco Offer may or may not proceed and, as such is only a possibility. In the event that the Privateco Offer is made, it will be an unconditional cash offer. Investors and the Privateco Shareholders are urged to exercise caution when dealing in the Privateco Shares.**

Save for obtaining the relevant approval from the Executive and the Stock Exchange on the Framework Purchase Agreement, each of the Listco Offers, the Group Restructuring, the Sale and Purchase Agreement, the Share Premium Reduction, the CB Subscription, the Distribution In Specie and the Privateco Offer is not subject to any regulatory approval.

The price for the Privateco Offer has been determined after taking into account factors including (i) the consolidated net asset value of the Privateco Group attributable to its shareholders as at 30 November 2013 estimated based on the management accounts prepared by the Company for

the eight months ended 30 November 2013, taking into consideration the effects including mainly the Group Restructuring (which includes the intended settlement or assignment of, among others, certain intra-group balances between the Remaining Group, the Privateco Group and the Scheme Subsidiaries); (ii) the Share Offer Price; (iii) contingent liabilities of the Privateco Group arising from bank borrowings of a Scheme Subsidiary which are secured by properties held by the Privateco Group and guaranteed by certain subsidiaries of the Privateco Group and (iv) the prevailing market prices of the Shares.

### **Value of the Privateco Offer**

As at the date of this joint announcement, there is one Privateco Share in issue.

Save as aforesaid, the Privateco has no other relevant securities (as defined in Note 4 to the Rule 22 of the Takeovers Code) as at the date of this joint announcement. Immediately before completion of the Distribution In Specie, it is expected that the number of New Privateco Shares in issue will be 2,002,830,751. If all the Included Share Options are exercised in full before the Record Date, the total number of New Privateco Shares in issue will be increased to 2,035,064,642. Based on the offer price of HK\$0.061 per New Privateco Share, the Privateco is valued at approximately HK\$124.1 million.

Excluding the 1,265,785,709 New Privateco Shares to be distributed to Fairy King Prawn and the parties acting in concert with it, there will be 737,045,042 New Privateco Shares subject to the Privateco Offer. Based on the offer price of HK\$0.061 per New Privateco Share, the Privateco Offer is valued at approximately HK\$45.0 million. If all the Included Share Options are exercised in full before the Record Date (on the basis that the 24,600,000 Share Options being exercised by the parties acting in concert with Fairy King Prawn before the Record Date is not subject to the Privateco Offer), the total number of New Privateco Shares subject to the Privateco Offer will be increased to 744,678,933 and the value of the Privateco Offer will be at approximately HK\$45.4 million.

### **Financial resources**

The amount of funds required for the full acceptance of the Privateco Offer by GF Securities will be financed by the internal resources of HK\$65 million to be deposited into the securities trading account of Fairy King Prawn in GF Securities upon the Sale and Purchase Completion. GF Capital, the financial adviser to Fairy King Prawn in respect of the Privateco Offer, is satisfied that sufficient financial resources are available to Fairy King Prawn to satisfy full acceptance of the Privateco Offer.

### **Overseas Shareholders**

As the Privateco Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should keep themselves informed

about and observe any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Privateco Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction).

### **Compulsory acquisition right**

Fairy King Prawn intends to avail itself of any compulsory acquisition or redemption provisions under the applicable laws in the BVI and the relevant provisions of the Takeovers Code. In the event that upon closing of the Privateco Offer, Fairy King Prawn receives acceptances of the Privateco Offer total 90% or more of the disinterested New Privateco Shares (i.e. New Privateco Shares other than those owned or agreed to be acquired by Fairy King Prawn and parties acting in concert with it), Fairy King Prawn intends to direct the Privateco to redeem the New Privateco Shares not already owned or agreed to be acquired by Fairy King Prawn pursuant to section 176 of the BVI Business Companies Act.

### **Other arrangements**

As at the date of this joint announcement, Fairy King Prawn and parties acting in concert with it have not received any indication or irrevocable commitment from any Shareholder that it will accept or reject the Privateco Offer. New Privateco Shares subject to the Privateco Offer will be acquired by Fairy King Prawn with the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of New Privateco Shares and free from all third party rights.

As at the date of this joint announcement:

- (i) the Privateco has no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Privateco Shares;
- (ii) Fairy King Prawn and parties acting in concert with it have not entered into any agreements in relation to the issue of any convertible securities, options, warrants or derivatives of the Privateco; and
- (iii) Fairy King Prawn and parties acting in concert with it have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Privateco.

Fairy King Prawn confirms that there are no other arrangements (whether by way of option, indemnity or otherwise) in relation to New Privateco Shares and which might be material to the Privateco Offer. Fairy King Prawn further confirms that there are no other agreements or arrangements to which Fairy King Prawn is a party which relate to the circumstances in which it

may or may not invoke or seek to invoke a precondition or a condition to the Privateco Offer. Given that the Privateco is a company incorporated in the BVI where its register of members is located and maintained, no Hong Kong stamp duty is payable on any transfer of New Privateco Shares.

For those Shareholders who wish to retain their investments in the Distributed Businesses after completion of the Distribution In Specie, they can choose not to accept the Privateco Offer and continue to hold the New Privateco Shares. **They should, however, be aware that there is unlikely to be any market for New Privateco Shares since there is no intention to list New Privateco Shares on any stock exchange.** Moreover, New Privateco Shares may be subject to the compulsory acquisition or redemption provisions of the BVI Business Companies Act (as may be amended from time to time) and the relevant provision of the Takeovers Code if sufficient New Privateco Shares are acquired by Fairy King Prawn under the Privateco Offer. Details of the possible compulsory acquisitions are set out below in the paragraph headed “Background of Fairy King Prawn and its intentions regarding Privateco” under section headed “Possible unconditional voluntary cash offer for New Privateco Shares” below.

**Shareholders are reminded to read the advice of an independent financial adviser in respect of the Privateco Offer that will be included in the Privateco Offer Document before deciding whether or not to accept the Privateco Offer.**

#### **Background of Fairy King Prawn and its intentions regarding Privateco**

Fairy King Prawn is a company incorporated in the BVI with limited liability. As at the date of this joint announcement, Fairy King Prawn is owned as to 70% by Danehill Capital Holdings Limited, a company wholly-owned by Mr. Lau Sak Hong, Philip, as to 15% by Koncepts Capital Limited, a company wholly-owned by Mr. Lau Yat Sun, Kevin, the son of Mr. Lau Sak Hong, Philip and as to 15% by Grandjestic Property Limited, a company wholly-owned by Ms. Lau Jun Jun, the daughter of Mr. Lau Sak Hong, Philip.

Fairy King Prawn and parties acting in concert with it are expected to hold 1,260,785,709 New Privateco Shares upon completion of the Distribution In Specie.

It is the intention of Fairy King Prawn that the Privateco Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses. It is also the intention of Fairy King Prawn that the Privateco Group will not hold any assets other than those relating to the Distributed Businesses, nor be injected any major assets, nor dispose of any major assets, after the close of the Privateco Offer, unless prior approval by the holders of New Privateco Shares has been obtained. Interests of the Privateco Shareholders will be safeguarded by new articles of association of the Privateco, which will contain comparable provisions required under the Listing Rules in respect of a listed issuer. A summary of key terms of the new articles of association of the Privateco will be included in the Circular. Though there is no

intention for the Privateco Group to conduct any fund raising activities including rights issues, the Privateco Group may require further funding from the Privateco Shareholders to maintain or develop its businesses in the future.

As at the date of this joint announcement, the directors of the Privateco are Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony and Mr. Lau Sak Yuk, Andy, all of them are also Directors.

### **Comparison of the combined offer price with market prices of the Shares and net asset value per Share**

The combined consideration under the Listco Offers and the Privateco Offer is equivalent to HK\$0.233 per Share, which represents:

- (i) a discount of approximately 10.4% to the closing price of HK\$0.260 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 12.1% to the average closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of HK\$0.265 per Share;
- (iii) a discount of approximately 13.7% to the average closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of HK\$0.270 per Share;
- (iv) a discount of approximately 12.4% to the average closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$0.266 per Share;
- (v) a premium of approximately 18.9% over the average closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of HK\$0.196 per Share; and
- (vi) a discount of approximately 9.9% to the unaudited consolidated net asset attributable to Shareholders per Share of approximately HK\$0.2587 per Share as at 30 September 2013.

## **H. SPECIAL DEAL/CONTINUING CONNECTED TRANSACTION**

As a transitional arrangement, the Privateco Group and the Remaining Group will enter into the Framework Purchase Agreement after obtaining the Independent Shareholders' approval at the SGM and completion of the Distribution In Specie. Pursuant to the Framework Purchase Agreement, the Privateco Group will sell and the Remaining Group will purchase certain existing models of electronic products. As the Remaining Group may not be able to identify suppliers of certain existing models of electronic products immediately after completion of the Distribution In Specie, such short term transitional arrangement is to assist the Remaining

Group in meeting demands from customers subsequent to completion of the Distribution In Specie in the event the Remaining Group is unable to source sufficient supplies of such existing models of electronic products from other suppliers or manufacturers to meet the demands of its customers. The Directors (save for the independent non-executive Directors) believe the terms of the Framework Purchase Agreement are fair and reasonable and are in the interests of the Shareholders as a whole.

Set out below are the key terms of the Framework Purchase Agreement:

- Parties:
- (1) the Privateco
  - (2) Treasure Green Holdings Limited, a subsidiary of the Company
- Subject matter: The Privateco Group will sell and the Remaining Group will purchase certain electronic products in accordance with the terms of the Framework Purchase Agreement
- Individual agreements: Relevant members of the Remaining Group and the Privateco Group will from time to time enter into individual agreements which will set out the terms of the sale and purchase of the relevant electronic products. The terms of the individual agreements will be negotiated based on the following principles:
- (a) the terms and conditions of each supply shall be on normal commercial terms; and
  - (b) the prices payable for the electronic products shall be on arm's length basis and on terms no less favourable to the Privateco Group than terms that may be made available to independent third parties from time to time on comparable quality and quantity.
- Term: The initial term of the Framework Purchase Agreement shall commence from the date of completion of the Distribution In Specie up to and including 31 March 2015.
- Annual cap: The maximum value of the orders in respect of the sale and purchase of the electronic products for the period concerned under the Framework Purchase Agreement shall not exceed HK\$150 million, unless the Remaining Group has complied with the applicable requirements of the Listing Rules.



The annual cap is determined after taking into account (i) the historical cost of sales of the electronic products of the Remaining Group from the Group for the year ended 31 March 2013; (ii) a buffer of approximately 10% to cater for fluctuation of transaction amounts and/or prices of individual years.

The cost of sales of the Remaining Group from the Group for the year ended 31 March 2013 was approximately HK\$131 million.

The transactions contemplated under the Framework Purchase Agreement will, upon completion of the Distribution In Specie, constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules by virtue of the Privateco Group being an associate of Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol, each a Director and a shareholder of the Privateco, and thus a connected person of the Company under the Listing Rules. As certain applicable percentage ratios in respect of the annual cap of the continuing connected transaction contemplated under the Framework Purchase Agreement are more than 25%, the Framework Purchase Agreement and the transactions contemplated thereunder constitute a non-exempt continuing connected transaction of the Company that are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given the material interests of Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol in the Framework Purchase Agreement, each of Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol abstained from voting at the board meeting approving the Framework Purchase Agreement.

The Framework Purchase Agreement will constitute a special deal under the Takeovers Code and will be conditional upon obtaining the prior consent of the Executive under Rule 25 of the Takeovers Code. The Executive will normally consent to the Framework Purchase Agreement provided that the independent financial adviser to the Company publicly states that in its opinion the terms of the Framework Purchase Agreement are fair and reasonable and the transactions are approved by Independent Shareholders by way of poll at the SGM.

## **I. PROPOSED CREDITORS' SCHEME**

The Company has commenced discussion with its creditors to restructure the Scheme Indebtedness by way of a scheme of arrangement under Section 99 of the Companies Act and by way of a scheme of arrangement under Section 670 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) such that:

- (i) all Scheme Indebtedness will be released and discharged so far as the Company is concerned;

- (ii) proceeds from future disposal of assets or business of the Scheme Subsidiaries will be made available to the Administrators to settle and discharge the Scheme Indebtedness; and
- (iii) the primary responsibility of the Administrators is that they will realise the assets and business of the Administrators Vehicle and its subsidiaries for the primary purpose of repayment of all Scheme Indebtedness. Any residual amounts will then be held by the Administrators for the benefit of the Shareholders after the aforesaid repayment.

Terms of the Creditors' Scheme are still being formulated and they are subject to discussion with the creditors of the Company, which comprise solely of certain Scheme Subsidiaries and certain Distributed Subsidiaries, each of which will continue to be a wholly-owned subsidiary of the Company before the Distribution In Specie and the Disposal. Details of the Creditors' Scheme will be disclosed in further announcement to be issued by the Company once the terms of the Creditors' Scheme has been formulated and a date has been fixed for the meeting of the creditors (as and when appropriate) and the Circular. The Company anticipates that application will be made on or before end of April 2014 to the relevant courts for leave to convene the relevant creditors' meeting to approve the Creditors' Scheme. The Company confirms that the creditors of the Company that will be participating in the Creditors' Scheme consist solely of certain Scheme Subsidiaries and certain Distributed Subsidiaries, each of which will continue to be a wholly-owned subsidiary of the Company before the Distribution In Specie and the Disposal, none of which are Shareholders. Upon completion of the Disposal, each of the Scheme Subsidiaries will cease to be a subsidiary of the Company and will become a subsidiary of the Administrators Vehicle and upon completion of the Distribution In Specie, each of the Distributed Subsidiaries will cease to be a subsidiary of the Company and will become a subsidiary of the Privateco.

Detailed terms will be set out in the Scheme Document and the Creditors' Scheme shall only be commenced by the Company after consulting such creditors.

**Shareholders and investors should be aware that, as at the date of this joint announcement, there is no formal or informal, binding or non-binding agreement between the Company and its creditors regarding the proposed Creditors' Scheme.**

## J. GENERAL

### SEQUENCE OF EVENTS

The following table sets out the sequence of events described in this joint announcement and the inter-conditions between the events:

<b>EVENTS</b>	<b>INTER-CONDITIONS</b>
1. Completion of the Group Restructuring	None.
2. Completion of the Share Premium Reduction	None.  Details of the conditions to the Share Premium Reduction are set out under the section headed “E. Share Premium Reduction” of this joint announcement.
3. Completion of the Distribution In Specie	Completion of the Distribution In Specie is, among others, subject to the completion of the Group Restructuring and the fulfilment (or waiver) of the conditions precedent under the Sale and Purchase Agreement.  Details of the conditions to the Distribution In Specie are set out under the sub-section headed “Conditions to the Distribution In Specie” under the section headed “F. Distribution In Specie Of The New Privateco Shares” of this joint announcement.
4. Sale and Purchase Completion	The Sale and Purchase Completion is, among others, subject to the fulfilment of the conditions for the Distribution In Specie other than the condition relating to the fulfilment (or waiver) of the conditions precedent under the Sale and Purchase Agreement.  Details of the conditions to the Sale and Purchase Completion are set out under the sub-section headed “Conditions precedent” under the section headed “A. Sale and Purchase Agreement” of this joint announcement.
5. Entering into of the Framework Purchase Agreement	The entering into of the Framework Purchase Agreement is, among others, subject to the completion of the Distribution In Specie.

## EVENTS

## INTER-CONDITIONS

Details of the conditions to Framework Purchase Agreement are set out under the section headed “H. Special Deal/Continuing Connected Transaction” of this joint announcement.

6. Commencement of the Listco Offers and the Privateco Offer

The commencements of the Listco Offers are subject to the Sale and Purchase Completion whilst the commencement of the Privateco Offer is subject to the completion of the Distribution In Specie.

Details of the conditions to the Listco Offers are set out under the sub-sections headed “The Share Offer” and “The Option Offer” under the section headed “B. Possible Unconditional Mandatory Cash General Offers For Shares And To Cancel The Share Options” of this joint announcement.

Details of the conditions to the Privateco Offer are set out under the section headed “G. Possible Unconditional Voluntary Cash Offer For New Privateco Shares” of this joint announcement.

7. CB Subscription Completion

The CB Subscription Completion is subject to, among others, the closing of the Listco Offers and the Sale and Purchase Completion.

Details of the conditions to the CB Subscription Completion are set out under the sub-section headed “Conditions precedent of the CB Subscription Agreement” under the section headed “C. The CB Subscription Agreement” of this joint announcement.

8. Completion of the Disposal

Completion of the Disposal is subject to the Creditors’ Scheme becoming effective.

Details of the conditions to the completion of the Disposal is set out under the section headed “D. Proposed Group Restructuring And Deemed Very Substantial Disposal Relating To The Disposal” of this joint announcement.

*Note: Subject to the obtaining of the approval from the Shareholders at the SGM, the Company intends to proceed with the Disposal once the Creditors’ Scheme has been sanctioned by the relevant courts.*

## **SGM**

The SGM will be held for the purpose of considering and, if thought fit, approving the resolutions in respect of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares by the Independent Shareholders and the Disposal by the Shareholders by way of poll at the SGM. The Purchaser, the Vendors, their respective associates and parties acting in concert with any of them will abstain from voting on the relevant resolution(s). Shareholders who are involved in or interested in the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement, the Listco Offers, the Privateco Offer, the Group Restructuring and the respective transactions contemplated thereunder will also abstain from voting on the relevant resolution(s) that requires the approval of Independent Shareholders at the SGM.

As at the date of this joint announcement, the Vendors held an aggregate of 1,074,646,400 Shares, representing approximately 53.79% of the existing issued Shares.

Save for the interests in the Sale and Purchase Agreement, none of Purchaser, its associates and parties acting in concert with any of them held any Shares as at the date of this joint announcement.

### **Independent Board Committee**

The Independent Board Committee comprising the non-executive Director and all independent non-executive Directors has been formed in order to make a recommendation to (i) the Independent Shareholders regarding the Share Premium Reduction, the Distribution In Specie, the Privateco Offer, the CB Subscription Agreement, the Framework Purchase Agreement, the Share Offer and the respective transactions contemplated thereunder, (ii) the Optionholders regarding the Option Offer and (iii) the independent Privateco Shareholders regarding the Privateco Offer.

### **The Circular and appointment of the independent financial adviser pursuant to Rule 2.1 of the Takeovers Code**

A Circular, which will contain, among other things, details of the Sale and Purchase Agreement, the Group Restructuring, the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Disposal, the Framework Purchase Agreement and financial information on each of the Group, the Scheme Group and the Privateco Group, pro forma financial information of the Remaining Group, the letter of recommendation from the Independent Board Committee and the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the respective transactions contemplated thereunder and a notice

convening the SGM will be sent to the Shareholders. As additional time is required to prepare the information to be contained in the Circular, the Circular is expected to be despatched to the Shareholders on or no later than 30 April 2014.

Fulbright Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement, the Listco Offers and the respective transactions contemplated thereunder (where appropriate). The appointment of Fulbright Capital Limited has been approved by the Independent Board Committee.

The advice of Fulbright Capital Limited and the recommendation of the Independent Board Committee in respect of the Listco Offers, in particular, as to whether the Listco Offers are, or are not, fair and reasonable and as to its acceptance, will be included in the Listco Offer Document.

Since the Privateco does not have any non-executive directors or any independent non-executive directors, no independent committee of the board of directors of the Privateco can be formed to give a recommendation to the Privateco Shareholders (other than the Vendors and parties acting in concert with them) in connection with the Privateco Offer. Fulbright Capital Limited has been appointed as the independent financial adviser to advise the independent Privateco Shareholders, in particular, as to whether the Privateco Offer is, or is not, fair and reasonable and as to its acceptance. The advices and recommendations of the independent financial adviser in respect of the Privateco Offer will be included in the Privateco Offer Document.

### **Waiver of Rule 8.2 of the Takeovers Code**

In accordance with Rule 8.2 of the Takeovers Code, both the Listco Offer Document and the Privateco Offer Document are required to be posted by or on behalf of the Offeror and Fairy King Prawn respectively within 21 days of the date of this joint announcement. However, as there are pre-conditions, i.e. the Sale and Purchase Completion and the completion of the Distribution In Specie, to the making of the Listco Offers and the Privateco Offer respectively, an application has been made by each of the Offeror and Fairy King Prawn respectively for the Executive's consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Listco Offer Document and the Privateco Offer Document respectively to within seven days of the fulfillment of such pre-conditions (i.e. the Sale and Purchase Completion and the completion of the Distribution In Specie).

## **Dealing disclosure**

In accordance with Rule 3.8 of the Takeovers Code, the associates (as defined under the Takeovers Code and including a person who owns or controls 5% or more of any class of relevant securities) of the Company and the Offeror (within the meaning of the Takeovers Code) are hereby reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

### ***“Responsibilities of stockbrokers, banks and other intermediaries***

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## **K. SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 4 February 2014 pending the publication of this joint announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 24 March 2014.

**WARNING: THE PRIVATECO OFFER AND THE LISTCO OFFERS ARE A POSSIBILITY ONLY. AS THE PRIVATECO OFFER AND THE LISTCO OFFERS WILL ONLY BE MADE AFTER COMPLETION OF THE DISTRIBUTION IN SPECIE AND THE SALE AND PURCHASE COMPLETION RESPECTIVELY, WHICH ARE SUBJECT TO A NUMBER OF CONDITIONS, EACH OF THE PRIVATECO OFFER AND THE LISTCO OFFERS MAY OR**

**MAY NOT PROCEED. SHAREHOLDERS, OPTIONHOLDERS AND POTENTIAL INVESTORS ARE THEREFORE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.**

**DEFINITIONS**

In this joint announcement, unless the context otherwise requires, the following terms have the meanings set out below:

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“Actual NAV”	the net asset value of the Remaining Group as at the last day of the calendar month in which the Sale and Purchase Completion occurs as certified by the auditors of the Company
“Administrators”	the administrators sanctioned by the court(s) of competent jurisdiction in respect of the Creditors’ Scheme
“Administrators Vehicle”	the holding company deployed by the Administrators for the purposes of holding the Scheme Subsidiaries upon the Creditors’ Scheme becoming effective
“Ample Capital”	Ample Capital Limited, a licensed corporation to carry out types 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO, being one of the joint financial advisers to the Offeror in respect of the Listco Offers
“associate”	has the same meaning ascribed to it under the Listing Rules
“Bermuda”	the Islands of Bermuda
“Board”	the board of Directors
“Business Day(s)”	a day on which the banks in Hong Kong are open for business, other than:  (a) a Saturday or a Sunday; or  (b) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“BVI”	the British Virgin Islands



“CB Subscription”	the subscription of the Convertible Bonds by the Offeror pursuant to the CB Subscription Agreement
“CB Subscription Agreement”	the subscription agreement entered into between the Company and the Purchaser on 30 January 2014 in relation to the subscription of the Convertible Bonds
“CB Subscription Completion”	the completion of the CB Subscription
“CB Subscription Completion Date”	the date of the CB Subscription Completion, which shall take place on the fifth Business Day after the date on which all the CB Subscription Conditions are fulfilled or waived, or such other date as may be agreed between the Company and the Offeror
“CB Subscription Conditions”	condition(s) precedent to CB Subscription Completion, further details of which are set out in the section headed “CB Subscription Agreement – Conditions precedent of the CB Subscription Agreement” of this joint announcement
“CB Subscription Long Stop Date”	31 May 2014, or such later date as may be agreed between the Offeror and the Company in writing
“Circular”	a circular of the Company, which will contain, among other things, details of the Sale and Purchase Agreement, the Group Restructuring, the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Disposal, the Framework Purchase Agreement and financial information on each of the Group, the Scheme Group and the Privateco Group, pro forma financial information of the Remaining Group, the letter of recommendation from the Independent Board Committee and the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the respective transactions contemplated thereunder and a notice convening the SGM to be despatched to the Shareholders
“Company”	Starlight International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules

“Conversion Price”	HK\$0.1720, being the initial conversion price at which the Conversion Shares will be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Conversion Share(s)”	new Shares to be allotted and issued by the Company pursuant to the exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	convertible bonds in the principal amount of HK\$75,000,000 to be issued by the Company to the Purchaser pursuant to the CB Subscription Agreement as described in this joint announcement
“Creditors’ Scheme”	a scheme of arrangement between the Company and its creditors pursuant to Section 99 of the Companies Act 1981 of Bermuda and Section 670 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) pursuant to which interest in the Scheme Subsidiaries will be transferred to upon it becoming effective
“Directors”	the director(s) of the Company
“Disposal”	the transfer of the entire interest in the share capital of Dual Success Holdings Limited, a company incorporated in the BVI with limited liability, the principal activities of the which is investment holding, together with its subsidiaries after completion of the Group Restructuring, by the Company to the Administrators Vehicle
“Distributed Businesses”	the Group’s business of property investment and sale of certain existing models of electronic products to the Remaining Group in accordance with the terms of the Framework Purchase Agreement carried on by the Privateco Group upon completion of the Group Restructuring and the Distribution In Specie
“Distributed Subsidiaries”	those members of the Group which will be distributed to the Privateco upon the implementation of the Distribution In Specie
“Distribution In Specie”	a distribution in specie of the New Privateco Shares by the Company to the Shareholders as described in the section headed “F. Distribution In Specie Of The New Privateco Shares” of this joint announcement

“Effective Date”	the later of the date on which the Creditors’ Scheme becomes effective by virtue of the delivery of an office copy of an order of the High Court sanctioning the Creditors’ Scheme to the Registrar of Companies in Hong Kong for registration and the date that an office copy of the order of the Bermuda Court sanctioning the Creditors’ Scheme is delivered to the Registrar of Companies in Bermuda
“Excluded Share Options”	the 5,000,000 Share Options with exercise price of HK\$0.188 per Share held by Mr. Lau Sek Hoi, Jacky which will be exercised prior to the Sale and Purchase Completion
“Executive”	Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Fairy King Prawn”	Fairy King Prawn Holdings Limited, a company incorporated in the BVI with limited liability and is owned as to 70% by Danehill Capital Holdings Limited, a company wholly-owned by Mr. Lau Sak Hong, Philip, as to 15% by Koncepts Capital Limited, a company wholly-owned by Mr. Lau Yat Sun, Kevin, the son of Mr. Lau Sak Hong, Philip and as to 15% by Grandjestic Property Limited, a company wholly-owned by Ms. Lau Jun Jun, the daughter of Mr. Lau Sak Hong, Philip
“Framework Purchase Agreement”	the framework purchase agreement to be entered into between SIH Limited and Treasure Green Holdings Limited in respect of the supply of electronic products by the Privateco Group to the Remaining Group, pursuant to the Group Restructuring, which will constitute a special deal for the Company under Rule 25 of the Takeovers Code
“GF Capital”	GF Capital (Hong Kong) Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to (i) Starlight International Holdings Limited in respect of the Listco Offers and (ii) Fairy King Prawn in respect of the Privateco Offer
“GF Securities”	GF Securities (Hong Kong) Brokerage Limited, a licensed corporation to carry out types 1 (dealing in securities) and 4 (advising on securities) regulated activities under the SFO, being the agent making the Privateco Offer on behalf of Fairy King Prawn
“Group”	the Company and its subsidiaries

“Group Restructuring”	the proposed group restructuring of the Group, details of which are set out in the section headed “D. Proposed Group Restructuring and Deemed Very Substantial Disposal Relating To The Disposal” in this joint announcement
“High Court”	the High Court of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of The People’s Republic of China
“Hong Kong Shihua”	Hong Kong Shihua Holdings Limited, a company incorporated in Hong Kong with limited liability on 12 December 2013, the entire issued share capital of which is legally and beneficially owned by Liaoning Shihua Property
“Included Share Option(s)”	the 32,233,891 Share Options arrived from the 37,233,891 outstanding Share Options as at the date of this joint announcement less the 5,000,000 Excluded Share Options
“Independent Board Committee”	the independent committee of the Board comprising the non-executive Director, namely Mr. Peter Hon Sheung Tin and all the independent non-executive Directors, namely Mr. Chan Chak Chung, Mr. Chuck Winston Calptor and Mr. Tang Yee Man which has been established by the Company to make recommendations to (i) the Independent Shareholders regarding the Share Premium Reduction, the Distribution In Specie, the Privateco Offer, the CB Subscription Agreement, the Framework Purchase Agreement, the Share Offer and the respective transactions contemplated thereunder, (ii) the Optionholders regarding the Option Offer, and (iii) the independent Privateco Shareholders regarding the Privateco Offer
“Independent Shareholders”	Shareholders other than (i) the Vendors, their associates and parties acting in concert with any of them; (ii) the Offeror, its ultimate beneficial owner and any parties acting in concert with any of them; and (iii) any Shareholders who are involved in or interested in the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement, the Listco Offers, the Privateco Offer, the Group Restructuring and the respective transactions contemplated thereunder
“In-the-Money Share Option(s)”	the Share Option(s) with exercise prices of HK\$0.100, HK\$0.114, HK\$0.115, HK\$0.120, HK\$0.123 and HK\$0.132

“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and one of the joint financial advisers to the Offeror in respect of the Listco Offers
“Kingston Securities”	Kingston Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO which shall make the Listco Offers on behalf of the Offeror
“Last Trading Day”	30 January 2014, being the last half trading day for the Shares prior to the suspension of trading in the Shares
“Liaoning Shihua Group”	遼寧實華集團股份有限公司 (Liaoning Shihua Group Company Limited*), a company established under the laws of the PRC and engaging in, among other things, property management, investment consultancy and property leasing in the PRC
“Liaoning Shihua Property”	遼寧實華(集團)房地產開發有限公司 (Liaoning Shihua (Group) Property Development Company Limited*), a company established in the PRC on 12 January 1998 with limited liability which is controlled by Mr. Wang Jing and his family members
“Listco Offer Document”	the offer and response document (in either composite or separate form) together with (i) the form of acceptance and transfer and (ii) the form of acceptance of cancellation to be despatched to the Shareholders pursuant to the Listco Offers
“Listco Offers”	the Share Offer and the Option Offer
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 31 December 2013 entered into between the Vendors and the Purchaser in relation to the sale and purchase of the Sale Shares
“MOU Announcement”	the announcement issued by the Company dated 2 January 2014 in relation to the entering into of the MOU between the Vendors and the Purchaser for the proposed sale and purchase of the Sale Shares, the Group Restructuring, the Distribution In Specie, the Creditors’ Scheme and the CB Subscription

“Mr. Wang Jing”	Mr. Wang Jing (王晶), an individual who holds an approximately 82.84% indirect interest in the Offeror, the spouse of Ms. Hu Bao Qin and the father of Ms. Wang Yi Qiao and Mr. Wang Xing Qiao
“Mr. Wang Xing Qiao”	Mr. Wang Xing Qiao (王星喬), an individual who holds the entire issued share capital of the Offeror on trust for Hong Kong Shihua, the son of Mr. Wang Jing and Ms. Hu Bao Qin and brother of Mr. Wang Yi Qiao
“Ms. Hu Bao Qin”	Ms. Hu Bao Qin (胡寶琴), an individual who holds an approximately 1.16% indirect interest in the Offeror, the spouse of Mr. Wang Jing and the mother of Ms. Wang Yi Qiao and Mr. Wang Xing Qiao
“Ms. Wang Yi Qiao”	Ms. Wang Yi Qiao (王藝橋), an individual who holds an approximately 16.00% indirect interest in the Offeror, the daughter of Mr. Wang Jing and Ms. Hu Bao Qin and sister of Mr. Wang Xing Qiao
“New Privateco Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Privateco upon completion of the sub-division of shares in the share capital of the Privateco
“Offer Period”	has the meaning given to it in the Takeovers Code
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Optionholders”	holders of the Share Options
“Option Offer”	the possible unconditional mandatory cash general offer to be made by Kingston Securities on behalf of the Offeror to cancel the outstanding Included Share Options pursuant to Rule 13.5 of the Takeovers Code
“Option Offer Price(s)”	the respective offer prices for cancellation of each outstanding Included Share Option as stated under the paragraph headed “The Option Offer” in the section headed “B. Possible Unconditional Mandatory Cash General Offers For Shares And To Cancel The Share Options” in this joint announcement
“Out-of-Money Share Option(s)”	the Share Option(s) with exercise prices of HK\$0.188, HK\$0.2053 and HK\$0.2228

“Overseas Optionholders”	Optionholder(s) whose addresses, as shown on the register of optionholders of the Company, are outside Hong Kong
“Overseas Shareholders”	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“PRC”	the People’s Republic of China which, for the purpose of this joint announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Privateco”	SIH Limited, a company incorporated in the BVI on 21 September 1989 with limited liability, which upon completion of the Group Restructuring will operate the Distributed Businesses and a wholly owned subsidiary of the Company prior to the Distribution In Specie
“Privateco Group”	Privateco and its subsidiaries upon completion of the Group Restructuring
“Privateco Offer”	the unconditional voluntary cash offer to be made by GF Securities on behalf of Fairy King Prawn to acquire all the New Privateco Shares (other than those owned or agreed to be acquired by Fairy King Prawn and parties acting in concert with it)
“Privateco Offer Document”	the offer and response document (in either composite or separate form) and the form of acceptance and transfer to be despatched to the Privateco Shareholders pursuant to the Privateco Offer
“Privateco Offer Price”	the price at which the Privateco Offer will be made, being HK\$0.061 per New Privateco Share
“Privateco Shareholders”	holder(s) of the New Privateco Shares
“Privateco Shares”	ordinary share(s) of HK\$1.00 each in the capital of the Privateco
“Purchaser” or “Offeror”	Achieve Prosper Capital Limited, a company incorporated in Samoa with limited liability on 21 November 2013 and is wholly and beneficially owned by Hong Kong Shihua
“Record Date”	a date to be fixed for determining entitlements of the Shareholders to the Distribution In Specie, which shall be a date falling before the date of the Sale and Purchase Completion

“Remaining Business”	the Group’s business of sale of electronic products, such as karaoke, audio, video, musical instrument and clock acquired from the Scheme Subsidiaries, the Privateco Group or third party suppliers to external customers in the United States of America and Canada, focusing on sale of karaoke products, and sale of television sets to external customers in Canada carried on by the Remaining Group upon completion of the Group Restructuring, the Distribution In Specie and the Disposal
“Remaining Group”	the Company and the Remaining Subsidiaries upon completion of the Group Restructuring and the Distribution In Specie and the Creditors’ Scheme becoming effective
“Remaining Subsidiaries”	the remaining subsidiaries of the Company upon completion of the Group Restructuring and the Distribution In Specie, which include Harvest Way Holdings Limited, Treasure Green Holdings Limited, Starlight Marketing (H.K.) Limited, Starlight Marketing Limited, Starlite Consumer Electronics (USA), Inc., Starlight Electronics USA, Inc., Master Light Enterprises Limited, Cosmo Communications Corporation, Cosmo Communication USA Corp., Cosmo Communications Canada Inc., Cosmo Communications (HK) Limited, Koncepts International Limited, Jensen Consumer Electronics Limited, The Singing Machine Company, Inc., SMC (Comercial Offshore de Macau) Limitada, SMC Logistics, Inc., SMC-Music, Inc. and The Singing Machine Holdings Limited
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 30 January 2014 (as supplemented by a supplemental agreement dated 21 March 2014) entered into between the Vendors and the Purchaser in respect of the Sale Shares
“Sale and Purchase Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
“Sale and Purchase Completion Date”	the date of the Sale and Purchase Completion, which shall be the fifth Business Day after the conditions precedent under the Sale and Purchase Agreement have been fulfilled or (as the case may be) waived by the Purchaser on or before the Sale and Purchase Long Stop Date
“Sale and Purchase Long Stop Date”	31 May 2014



“Sale Shares”	an aggregate of 1,076,758,361 Shares, legally and beneficially owned and to be owned by the Vendors, representing approximately 53.9% of the issued share capital of the Company as at the date of this joint announcement and approximately 52.9% of the issued share capital of the Company assuming exercise in full of all outstanding Share Options by all Optionholders before the Sale and Purchase Completion
“Samoa”	the Independent State of Samoa
“Scheme Businesses”	the Group’s business of manufacture and sale of electronic products, such as television sets and audio products, and components, carried on by the Scheme Subsidiaries upon completion of the Group Restructuring
“Scheme Document”	the scheme document to be issued by the Company in respect of the Creditors’ Scheme accompanied by a notice convening a meeting of the creditors of the Company in such location and manner as may be ordered by the courts of competent jurisdiction and, in any event, in compliance with, where applicable, the Listing Rules and the Takeovers Code and all applicable laws and regulations of all relevant jurisdictions including Hong Kong and Bermuda and pursuant to the requirements of the Stock Exchange and the SFC or such other governmental or regulatory bodies or authorities of competent jurisdiction
“Scheme Indebtedness”	the indebtedness and liabilities (actual or contingent) of the Company as at the Effective Date
“Scheme Subsidiaries”	those members of the Group which will be transferred to the Creditors’ Scheme upon it becoming effective
“SFC”	The Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“SGM”	a special general meeting of the Company to be convened for the purpose of, among other things, approving the resolutions in respect of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares by the Independent Shareholders and the Disposal by the Shareholders
“Shareholder(s)”	holder(s) of Shares
“Share Offer”	the possible unconditional mandatory cash general offer to be made by Kingston Securities on behalf of the Offeror for all the Offer Shares pursuant to Rule 26.1 of the Takeovers Code
“Share Offer Price”	the price at which the Share Offer will be made, being HK\$0.1720 per Share
“Share Option(s)”	option(s) granted under the share option scheme of the Company adopted on 15 January 2008
“Share Premium Account”	the share premium account of the Company from time to time
“Share Premium Reduction”	the reduction of approximately HK\$146 million standing to the credit of the Share Premium Account and the transfer of the credit arising from the reduction of share premium to the contributed surplus account of the Company for the purpose of the Distribution In Specie
“Share Sub-division”	the sub-division of each authorised issued and unissued Privateco Share of par value of HK\$1.00 each to 100 New Privateco Shares of HK\$0.01 each
“Shares”	shares of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Vendors”	Mr. Lau Sak Hong, Philip, Philip Lau Holding Corporation, Wincard Management Services Limited, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy, Mr. Lau Shek Yuen, Mr. Lau Sek Hoi, Jacky, Ms. Lau Chu Lan, Carol and Mr. Lau Sak Kong, Stanley

“Warranted NAV” HK\$60,000,000, which was determined by the Vendors and the Purchaser after negotiation with reference to the estimated pro forma net asset value of the Remaining Group upon completion of the Group Restructuring

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

By Order of the board of  
**ACHIEVE PROSPER  
CAPITAL LIMITED**  
**WANG Xing Qiao**  
*Director*

By Order of the Board  
**STARLIGHT  
INTERNATIONAL  
HOLDINGS LIMITED**  
**LAU Sak Hong, Philip**  
*Chairman*

By Order of the board of  
**FAIRY KING PRAWN  
HOLDINGS LIMITED**  
**LAU Sak Hong, Philip**  
*Director*

Hong Kong, 21 March 2014

*As at the date of this joint announcement, the Board comprised Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol as executive Directors, Mr. Peter Hon Sheung Tin as non-executive Director and Mr. Chan Chak Chung, Mr. Chuck Winston Calptor and Mr. Tang Yee Man as independent non-executive Directors.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Offeror, Hong Kong Shihua, Liaoning Shihua Property, Fairy King Prawn, their respective associates and parties acting in concert with them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than the information relating to the Offeror, Hong Kong Shihua, Liaoning Shihua Property, Fairy King Prawn, their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement contained in this joint announcement misleading.*

*As at the date of this joint announcement, (i) the sole director of the Offeror is Mr. Wang Xing Qiao; (ii) the sole director of Hong Kong Shihua is Mr. Wang Jing; and (iii) the sole director of Liaoning Shihua Property is Mr. Wang Jing.*

*The director of the Offeror, the director of Hong Kong Shihua and the director of Liaoning Shihua Property jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Group, the Vendors, the Privateco, Fairy King Prawn, their respective associates and parties acting in concert with them), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this joint announcement (other than the information relating to the Group, the Vendors, the Privateco, Fairy King Prawn, their respective associates and parties acting in concert with them)*

*have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement contained in this joint announcement misleading.*

*As at the date of this joint announcement, the director(s) of Fairy King Prawn are Mr. Lau Sak Hong, Philip, Mr. Lau Yat Sun, Kevin and Ms. Lau Jun Jun.*

*The directors of Fairy King Prawn jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Group, the Offeror, Hong Kong Shihua, Liaoning Shihua Property, their respective associates and parties acting in concert with them), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this joint announcement (other than the information relating to the Group, the Offeror, Hong Kong Shihua, Liaoning Shihua Property, their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement contained in this joint announcement misleading.*

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

*\* for identification purposes only*