THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Starlight International Holdings Limited.

STARLITE

STARLIGHT INTERNATIONAL HOLDINGS LIMITED
升岡國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 485)

(1) POSSIBLE CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS BY THE OFFEROR AND ISSUE OF CONVERSION SHARES UNDER SPECIFIC MANDATE
(2) DEEMED VERY SUBSTANTIAL DISPOSAL RELATING TO THE DISPOSAL
(3) SHARE PREMIUM REDUCTION
(4) DISTRIBUTION IN SPECIE OF THE NEW PRIVATECO SHARES
(5) SPECIAL DEAL/CONTINUING CONNECTED TRANSACTION
AND
(6) NOTICE OF SPECIAL GENERAL MEETING

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

KINGSTON CORPORATE FINANCE LTD.

AmCap
Ample Capital Limited
豐盛融資有限公司

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

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

Independent Financial Adviser to the Independent Board Committee

富昌融資有限公司
FULBRIGHT CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definition" in this circular.

A letter from the Board is set out on pages 13 to 57 of this circular. A letter of recommendation from the Independent Board Committee is set out on pages 58 to 59 of this circular. A letter from the Fulbright Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 60 to 102 of this circular.

A notice convening the SGM to be held at 5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong on 16 June 2014, at 10:00 a.m. is set out on pages N-1 to N-5 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the head office and principal place of business of the Company at 5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of a proxy form will not preclude Shareholders from attending and voting at the SGM or any adjournment thereof if they so wish.

24 May 2014

* *for identification purpose only*

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Below is an indicative timetable showing the key dates of the relevant events:

Event	Time & Date
Latest time and date for lodging proxy forms for the SGM	10:00 a.m. on Thursday, 12 June 2014
Time and date of the SGM	10:00 a.m. on Monday, 16 June 2014
Publication of an announcement regarding the poll results of the SGM	Monday, 16 June 2014
Expected completion of the Group Restructuring	Tuesday, 17 June 2014
If the approvals sought at the SGM are obtained:	
Expected completion of the Share Premium Reduction	Tuesday, 17 June 2014
Last day of dealings in the Shares cum-entitlement to the Distribution In Specie	Tuesday, 17 June 2014
First day of dealings in the Shares ex-entitlement to the Distribution In Specie	Wednesday, 18 June 2014
Latest date and time for lodging transfers of Shares to qualify for entitlement to the Distribution In Specie	4:30 p.m. on Thursday, 19 June 2014
Book closure period	Friday, 20 June 2014 to Tuesday, 24 June 2014
Record Date	Tuesday, 24 June 2014
Expected completion of the Distribution In Specie	Tuesday, 24 June 2014
Expected Sale and Purchase Completion Date *(note 1)*	2:00 p.m. on Tuesday, 24 June 2014

Note 1: Pursuant to the terms of the Sale and Purchase Agreement, the Sale and Purchase Completion shall take place on 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.

Note 2: A detailed timetable for the Listco Offers and the Privateco Offer will be included in the Listco Offer Document and the Privateco Offer Document respectively. Pursuant to the letter from the Executive on 27 March 2014, the Executive granted consent to extend the latest time for the despatch of the Privateco Offer Document to within seven days of the completion of the Distribution In Specie or 31 May 2014, whichever is earlier. Pursuant to the letter from the Executive on 1 April 2014, the Executive granted consent to extend the latest time for the despatch of the Listco Offer Document to within seven days of the Sale and Purchase Completion or 31 May 2014, whichever is earlier. As the making of the Listco Offers is subject to the Sale and Purchase Completion and the Privateco Offer is subject to the completion of the Distribution In Specie, both of which are in turn subject to Independent Shareholders' approval at the SGM, an application has been made by the Offeror to the Executive in accordance with Note 2 to Rule 8.2 of the Takeovers Code for an extension of time to despatch the Listco Offer Document to a date not later than seven days of the Sale and Purchase Completion and an application has been made by Fairy King Prawn to the Executive in accordance with Note 2 to Rule 8.2 of the Takeovers Code for an extension of time to despatch the Privateco Offer Document to a date not later than seven days of the completion of the Distribution In Specie. Further announcement will be made upon the obtaining of the consents from the Executive.

Note 3: Dates and deadlines stated in this circular for events in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable will be announced as appropriate. All times and dates refer to Hong Kong local time.

Further announcement(s) will be made in relation to those events which are scheduled to take place after the SGM as and when appropriate in accordance with applicable regulatory requirements.

In this circular, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings. Also, where terms are defined and used in only one section of this circular, these defined terms are not included in the table below:

"acting in concert"	has the same meaning ascribed to it in 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 type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being one of the joint financial advisers to the Offeror in respect of the Listco Offers;
"associates"	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 have been fulfilled or waived, or such other date as may be agreed between the Company and the Offeror;
"CB Subscription Conditions"	condition(s) precedent to the CB Subscription Completion, further details of which are set out in the paragraph headed "Conditions precedent of the CB Subscription Agreement" under the section headed "The CB Subscription Agreement" of this circular;
"CB Subscription Long Stop Date"	31 May 2014, or such later date as may be agreed between the Offeror and the Company in writing;
"Company"	Starlight International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 485);
"connected person"	has the meaning ascribed to it in the Listing Rules;
"controlling shareholder"	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 Share(s) to be allotted and issued by the Company pursuant to the exercise of the conversion rights attaching 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 circular;
"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;
"Director(s)"	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 activity of 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 "Distribution In Specie Of The New Privateco Shares" of this circular;
"Effective Date"	the later of the date on which the Creditors' Scheme becomes effective by virtue of the delivery of an official copy of an order of the High Court of Hong Kong sanctioning the Creditors' Scheme to the Registrar of Companies in Hong Kong for registration and the date that an official copy of the order of the Bermuda Court sanctioning the Creditors' Scheme is delivered to the Registrar of Companies in Bermuda;
"Excluded Overseas Shareholder(s)"	the Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by legal advisers, consider it is necessary or expedient not to offer the New Privateco Shares under the Distribution In Specie on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place;
"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 type 1 (dealing in securities) and type 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 "Proposed Group Restructuring and Deemed Very Substantial Disposal Relating To The Disposal" of this circular;
"HK$"	Hong Kong dollars, the lawful currency 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 16,633,891 Share Options arrived from the 21,633,891 outstanding Share Options as at the Latest Practicable Date 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 the Independent Shareholders regarding, among other things, the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement (i.e. a special deal under the Takeovers Code) and the respective transactions contemplated thereunder;
"Independent Financial Adviser" or "Fulbright Capital"	Fulbright Capital Limited, a licensed corporation to conduct type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement (i.e. a special deal under the Takeovers Code) and the respective transactions contemplated thereunder;
"Independent Shareholder(s)"	Shareholder(s) 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 (if they are interested in any Shares and are entitled to attend and vote at the SGM); 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 (i.e. a special deal under the Takeovers Code), 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$0.115, HK$0.120, HK$0.123 and HK$0.132;
"Joint Announcement"	the joint announcement issued by the Offeror, Fairy King Prawn and the Company dated 21 March 2014 in relation to, among other things, the Sale and Purchase Agreement, the Group Restructuring, the Share Premium Reduction, the Distribution In Specie, the CB Subscription, the Disposal, the Framework Purchase Agreement, the Listco Offers and the Privateco Offer;

"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, being the agent making 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 pending the release of the Joint Announcement;
"Latest Practicable Date"	21 May 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
"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 and the Optionholders 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"	the 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 the 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 the sister of Mr. Wang Xing Qiao;
"New Privateco Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Privateco upon completion of the Share Sub-division;
"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;
"Optionholder(s)"	holder(s) of the Share Option(s);
"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 "Possible Unconditional Mandatory Cash General Offers For Shares And To Cancel The Share Options" in Appendix I to this circular;

"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 Optionholder(s)"	Optionholder(s) whose address(es), as shown on the register of optionholders of the Company, is(are) outside Hong Kong;
"Overseas Shareholder(s)"	Shareholder(s) whose address(es), as shown on the register of members of the Company, is(are) outside Hong Kong;
"PRC"	the People's Republic of China which, for the purpose of this circular, 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 Shareholder(s)"	holder(s) of the New Privateco Share(s);
"Privateco Share(s)"	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;
"Qualifying Shareholder(s)"	the Shareholder(s), who is(are) qualified for the Distribution In Specie, whose name(s) appear on the register of members of the Company at the close of business on the Record Date (other than the Excluded Overseas Shareholders);

"Record Date"	a date to be fixed for determining entitlements of the Shareholders to the Distribution In Specie, which shall be a date falling after the SGM but 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 clocks and other electronic products acquired from the Scheme Subsidiaries, the Privateco Group or third party suppliers to external customers in the U.S. 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 and the Second Supplemental Agreement) 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"	30 June 2014 (or such other date as the Vendors and the Purchaser may agree in writing) as extended by the Second Supplemental Agreement;
"Sale Shares"	an aggregate of 1,076,758,361 Shares, legally and beneficially owned and to be owned by the Vendors, representing approximately 53.5% of the issued share capital of the Company as at the Latest Practicable Date 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 Group"	the Administrators Vehicle and the Scheme Subsidiaries;
"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;
"Second Supplemental Agreement"	the second supplemental agreement dated 19 May 2014 entered into between the Vendors and the Purchaser to extend the Sale and Purchase Long Stop Date from 30 May 2014 to 30 June 2014;
"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 respective 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 Share(s);
"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 Offer 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 the entire sum standing to the credit of the Share Premium Account as at 16 June 2014 to nil and the transfer of the entire amount of the credit arising from the reduction of Share Premium Account to the contributed surplus account of the Company for the purpose of the Distribution In Specie;
"Share(s)"	share(s) of HK$0.10 each in the capital of the Company;
"Share Sub-division"	the sub-division of each authorized issued and unissued Privateco Share of par value of HK$1.00 each to 100 New Privateco Shares of HK$0.01 each;
"SIH Group"	Privateco and its subsidiaries before the Group Restructuring;
"Specific Mandate"	the specific mandate to be sought from the Independent Shareholders at the SGM to authorise the Directors to allot and issue the Conversion Shares;

"Statement"	the statement made by the Company based on a preliminary assessment by the management of the Group on the unaudited consolidated management accounts of the Group for the 8 months ended 30 November 2013 as disclosed in the profit warning announcement of the Company dated 2 April 2014 announcing that the Company expects to record a significant increment in the Group's loss for the 8 months ended 30 November 2013 as compared to that for the year ended 31 March 2013 due to the Group Restructuring;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules;
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers;
"U.S."	the United States of America;
"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; and
"%"	per cent.

STARLIGHT INTERNATIONAL HOLDINGS LIMITED
升岡國際有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 485)

Executive Directors:
Lau Sak Hong, Philip *(Chairman)*
Lau Sak Kai, Anthony
Lau Sak Yuk, Andy
Lau Chu Lan, Carol

Non-Executive Director:
Hon Sheung Tin, Peter

Independent Non-Executive Directors:
Chan Chak Chung
Chuck Winston Calptor
Tang Yee Man

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal place of business in Hong Kong:
5th Floor
Shing Dao Industrial Building
232 Aberdeen Main Road
Hong Kong

24 May, 2014

To the Shareholders, and for information only, the Optionholders

Dear Sir or Madam,

(1) POSSIBLE CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS BY THE OFFEROR AND ISSUE OF CONVERSION SHARES UNDER SPECIFIC MANDATE
(2) DEEMED VERY SUBSTANTIAL DISPOSAL RELATING TO THE DISPOSAL
(3) SHARE PREMIUM REDUCTION
(4) DISTRIBUTION IN SPECIE OF THE NEW PRIVATECO SHARES
(5) SPECIAL DEAL/CONTINUING CONNECTED TRANSACTION
AND
(6) NOTICE OF SPECIAL GENERAL MEETING

A. INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, 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, the Listco Offers and the Privateco Offer. The Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement,

* *for identification purpose only*

the Framework Purchase Agreement and the respective transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares under the Specific Mandate, will be put forward for the Independent Shareholders' approval and the Disposal for the Shareholders' approval at the SGM.

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 and the Second Supplemental Agreement), pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, free from all encumbrances and together with all the 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 53.5% of the issued share capital of the Company as at the Latest Practicable Date; 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.

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 for, in cash, 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 the Conversion Shares at the Conversion Price of HK$0.1720 (subject to adjustments) per Conversion 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 21.7% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 17.8% 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.

The holder of the Convertible Bonds will have the right, during the period commencing from the date of issue of the Convertible Bonds 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 into the Conversion Shares at the Conversion Price (subject to adjustments). 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 resolution to approve the CB Subscription Agreement and the respective transactions contemplated thereunder at the SGM if they are interested in any Shares and are entitled to attend and vote 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.

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 and 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. As one of the applicable percentage ratios in respect of the Disposal under Rule 14.07 of the Listing Rules exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules.

It is proposed that an amount of approximately HK$146,000,000 being the entire sum standing to the credit of the Share Premium Account as at 16 June 2014 be reduced to nil and the entire amount of the credit arising from the Share Premium Reduction be transferred to the contributed surplus account of the Company for the purpose of the Distribution In Specie.

The Group Restructuring, which reorganises the Distributed Businesses under the Privateco Group, is necessary to give effect to the Distribution In Specie. The Distribution In Specie in turn will lead to the Privateco Offer. The fulfillment of the conditions for the Distribution In Specie is a condition precedent to the Sale and Purchase Completion, and the Sale and Purchase Completion will ultimately lead to the Listco Offers.

Prior to the Sale and Purchase Completion, the Company proposes to distribute all the New Privateco Shares registered in its name to the 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 basis of one New Privateco Share for every Share held.

Upon the Sale and Purchase Completion, the Offeror and parties acting in concert with it will hold 1,076,758,361 Shares, representing approximately 53.5% of the issued share capital of the Company as at the Latest Practicable Date and approximately 52.9% of the issued share capital of the Company assuming (i) exercise in full of all the Excluded Share Options; and (ii) exercise in full of all outstanding Included Share Options by the Optionholders before the Sale and Purchase Completion. It was stated in the Joint Announcement that 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. The Share Offer Price will be HK$0.1720 per Offer Share, which is equal to the purchase price per Sale Share under the Sale and Purchase Agreement. Details of the Listco Offers are set out in Appendix I to this circular. The Offeror and the Company are required to issue and despatch the Listco Offer Document to the Shareholders and the Optionholders in accordance with the Takeovers Code. Pursuant to the letter from the Executive on 1 April 2014, the Executive granted consent to extend the latest time for the despatch of the Listco Offer Document to within seven days of the Sale and Purchase Completion or 31 May 2014, whichever is earlier. As the making of the Listco Offers is subject to the Sale and Purchase Completion which is in turn subject to Independent Shareholders' approval at the SGM, an application has been made by the Offeror to the Executive in accordance with Note 2 to Rule 8.2 of the Takeovers Code for an extension of time to despatch the Listco Offer Document to a date not later than seven days of the Sale and Purchase Completion. Further announcement will be made upon the obtaining of the consent from the Executive.

It was stated in the Joint Announcement that upon completion of the Distribution In Specie, GF Securities will, on behalf of Fairy King Prawn, 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) in accordance with the Takeovers Code. The Privateco Offer Price will be HK$0.061 per New Privateco Share. Details of the Privateco Offer are set out in Appendix I to this circular. Fairy King Prawn and the Privateco are required to issue and despatch the Privateco Offer Document to the Privateco Shareholders in accordance with the Takeovers Code. Pursuant to the letter from the Executive on 1 April 2014, the Executive granted consent to extend the latest time for the despatch of the Listco Offer Document to within seven days of the Sale and Purchase Completion or 31 May 2014, whichever is earlier. As the making of the Listco Offers is subject to the Sale and Purchase Completion which is in turn subject to Independent Shareholders' approval at the SGM, an application has been made by the Offeror to the Executive in accordance with Note 2 to Rule 8.2 of the Takeovers Code for an extension of time to despatch the Listco Offer Document to a date not later than seven days of the Sale and Purchase Completion. Further announcement will be made upon the obtaining of the consent from the Executive.

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 upon 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 continuing connected transactions of 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 transactions contemplated under the Framework Purchase Agreement are more than 25%, the Framework Purchase Agreement and the transactions contemplated thereunder constitute non-exempt continuing connected transactions of the Company that are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 25 of the Takeovers Code, except with the consent of the Executive, neither the Offeror nor any person acting in concert with it may make any arrangements with the Shareholders, either during an offer or when an offer is reasonably in contemplation or for 6 months after the close of such offer if such arrangements have favourable conditions which are not to be extended to all Shareholders. Since the Privateco, following the Distribution In Specie, will be substantially-owned by Mr. Lau Sak Hong, Philip and his family, the entering into of the Framework Purchase Agreement between the Remaining Group and the Privateco Group will constitute a special deal under the Takeovers Code and will be conditional upon obtaining prior consent of the Executive under Rule 25 of the Takeovers Code.

The purpose of this circular is to provide you with, inter alia, (i) further information about the Sale and Purchase Agreement, the CB Subscription Agreement, the Group Restructuring, the Disposal, the Share Premium Reduction, the Distribution In Specie, the Framework Purchase Agreement and the respective transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares under the Specific Mandate; (ii) financial information on each of the Group, the Scheme Subsidiaries and the SIH Group; and pro forma financial information of the Remaining Group and the Privateco Group; (iii) a letter of recommendation from the Independent Board Committee and a letter of advice from the Independent Financial Adviser in respect of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the respective transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares under the Specific Mandate; and (iv) a notice of the SGM.

THE ACCOUNTANTS' REPORT OF THE SCHEME SUBSIDIARIES FOR THE THREE YEARS ENDED 31 MARCH 2013 SET OUT IN APPENDIX IVA TO THIS CIRCULAR ARE INSERTED FOR THE PURPOSE OF COMPLIANCE WITH RULE 10 OF THE TAKEOVERS CODE.

THE REVIEW REPORT OF THE SCHEME SUBSIDIARIES FOR THE THREE YEARS ENDED 31 MARCH 2013 SET OUT IN APPENDIX IVB TO THIS CIRCULAR ARE INSERTED FOR THE PURPOSE OF COMPLIANCE WITH RULE 14.68(2)(A)(1) OF THE LISTING RULES ONLY.

SHAREHOLDERS, OPTIONHOLDERS AND POTENTIAL INVESTORS ARE ADVISED THAT THE FIGURES CONTAINED IN THE ACCOUNTANTS' REPORT AND THE REVIEW REPORT FOR THE THREE YEARS ENDED 31 MARCH 2013 ARE IDENTICAL. SHAREHOLDERS, OPTIONHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO REFER TO THE ACCOUNTANTS' REPORT OF THE SCHEME SUBSIDIARIES FOR THE THREE YEARS ENDED 31 MARCH 2013 SET OUT IN APPENDIX IVA TO THIS CIRCULAR FOR THE AUDITED FINANCIAL INFORMATION OF THE SCHEME SUBSIDIARIES FOR THE THREE YEARS ENDED 31 MARCH 2013.

B. SALE AND PURCHASE AGREEMENT

Date: 30 January 2014 (as supplemented by a supplemental agreement dated 21 March 2014 and the Second Supplemental Agreement)

Parties

Vendors:

(1) Mr. Lau Sak Hong, Philip, is beneficially interested in 204,283,551 Shares (representing approximately 10.1% of the existing entire issued share capital of the Company as at the Latest Practicable Date);

(2) Mr. Lau Sak Kai, Anthony, is beneficially interested in 73,148,904 Shares (representing approximately 3.6% of the existing entire issued share capital of the Company as at the Latest Practicable Date);

(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 Latest Practicable Date);

(4) Mr. Lau Shek Yuen, is beneficially interested in 350,794,813 Shares (representing approximately 17.4% of the existing entire issued share capital of the Company as at the Latest Practicable Date);

(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 Latest Practicable Date) and 5,000,000 Share Options (representing approximately 0.2% of the existing entire issued share capital of the Company as at the Latest Practicable Date);

(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 Latest Practicable Date);

(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 Latest Practicable Date);

(8) Mr. Lau Sak Hong, Philip, is beneficially interested in 304,415,473 Shares (representing approximately 15.1% of the existing entire issued share capital of the Company as at the Latest Practicable Date) 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 Latest Practicable Date) 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 headed "Information on the Offeror" in Appendix I to this circular.

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 53.5% of the issued share capital of the Company as at the Latest Practicable Date 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 the 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 are 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 to be issued 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 Latest Practicable Date, (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 Latest Practicable Date; (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 Latest Practicable Date, (iv) Ms. Lau Chu Lan, Carol will continue to hold 394,483 Shares, representing approximately 0.020% of the issued share capital of Company as at the Latest Practicable Date, (v) Mr. Lau Shek Yuen will continue to hold 1,756,352 Shares, representing approximately 0.087% of the issued share capital of Company as at the Latest Practicable Date, 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 Latest Practicable Date. The above Vendors will continue to support the Company by remaining as Shareholders 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 SGM all resolutions required under the relevant laws and regulations, 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 fulfillment of the conditions for the Distribution In Specie other than the condition relating to the fulfillment (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' 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 Latest Practicable Date.

If any of the conditions precedent of the Sale and Purchase Agreement has not been 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 shall take place on the fifth Business Day after the conditions precedent of the Sale and Purchase Agreement have been 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.

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 for, in cash, the Convertible Bonds. Information on the Offeror is set out in Appendix I to this circular. 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 Group as a result of the Disposal, the impact of the deconsolidation of the Privateco Group from the 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 of the Shares 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 21.7% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 17.8% 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 SGM of 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 Condition has been fulfilled as at the Latest Practicable Date. The Company and the Offeror intends to enter into a supplemental agreement to extend the CB Subscription Long Stop Date. Further announcement will be made as soon as practicable in relation to the extension of the CB Subscription Long Stop Date.

If the CB Subscription Conditions have not been 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 Latest Practicable Date.

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 have been fulfilled (or, where applicable, waived) or such other date as may be agreed by the Company and the Offeror.

Conversion Price

The Conversion Price of HK$0.1720 is equivalent to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement and 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 33.8% to the closing price of HK$0.260 per Share as quoted on the Stock Exchange on the full trading day immediately preceding the Last Trading Day;

(iii) 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;

(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;

(vi) a discount of approximately 24.6% to the closing price of HK$0.228 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vii) 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.

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 which 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 Latest Practicable Date, 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 (excluding the Independent Board Committee which, after considering the advice of the Independent Financial Adviser, set out its recommendations in the "Letter from the Independent Board Committee" on page 58 to 59 of this circular) 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 53.5% of the issued share capital of the Company as at the Latest Practicable Date; 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 constitute a connected transaction of 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 on the resolution to approve the CB Subscription Agreement and the transactions contemplated thereunder at the SGM if they are interested in any Shares and are entitled to attend and vote 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.

Each of Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol had abstained from voting at the board meeting approving the CB Subscription Agreement and the transactions contemplated thereunder.

Shareholding structure of the Company

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Sale and Purchase Completion (assuming there are no changes to the issued share capital of the Company from the Latest Practicable Date 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, all the Share Options are cancelled 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 Latest Practicable Date		(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)*	53.37	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	53.35	2,015,542,712	99.86	1,512,804,872	61.63
Public Shareholders	938,784,351	46.63	938,784,351	46.51	–	*(note 1)*	938,784,351	38.25
Total	2,013,430,751	100.00	2,018,430,751	100.00	2,018,430,751	100.00	2,454,477,262	100.00

Note 1: In the event that the public float of the Company falls below 25% after 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 and the Company 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 Latest Practicable Date, the Vendors held an aggregate of 1,074,646,400 Shares, representing approximately 53.37% 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 the 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 activity of the Company is investment holding and the principal activities of its subsidiaries are manufacture and sale of electronic products (representing karaoke sets, television sets, video products and audio products) as well as property investment. 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 each of the three financial years ended 31 March 2013 extracted from the financial information of the Group and unaudited financial information of the Group for the 8 months ended 30 November 2013 as set out in Appendix II to this circular:

	Year ended 31 March 2011	**Year ended 31 March 2012**	**Year ended 31 March 2013**	**8 months ended 30 November 2013**
	HK'000	*HK'000*	*HK'000*	*HK'000*
	(audited)	(audited)	(audited)	(unaudited)
Turnover	637,633	631,830	515,408	317,990
Gross profit/(loss)	104,890	60,482	50,225	(38,334)
(Loss) before taxation	(43,074)	(183,085)	(65,776)	(170,276)
(Loss) for the year	(43,914)	(193,519)	(58,387)	(169,023)
Consolidated net asset value	673,493	517,832	484,724	320,159

The audited equity attributable to owners of the Company as at 31 March 2013 was approximately HK$473 million, as extracted from the financial information of the Group in Appendix II to this circular, representing approximately HK$0.3056 per Share based on the weighted average number of Shares of 1,547,487,013 in issue during the year ended 31 March 2013.

Following completion of the Distribution In Specie, the Sale and Purchase Completion and completion of the Disposal, the Remaining Group will be principally engaged in sale of electronic products, such as karaoke, audio, video, musical instrument and clocks and other electronic products acquired from the Scheme Subsidiaries, the Privateco Group or third party suppliers to external customers in the U.S. and Canada, focusing on sale of karaoke products, and sale of television sets to external customers in Canada. A summary of the financial information relating to the Group, the Scheme Businesses and the Distributed Businesses for the three financial years ended 31 March 2013 and the 8 months ended 30 November 2013 is set out in Appendix II, IIIA, IIIB, IVA and IVB to this circular.

As disclosed in the profit warning announcement of the Company dated 2 April 2014, based on a preliminary assessment by the management of the Group on the unaudited consolidated management accounts of the Group for the 8 months ended 30 November 2013, the Company expects to record a significant increment in the Group's loss for the 8 months ended 30 November 2013 as compared to that for the year ended 31 March 2013 (the "**Statement**") due to the Group Restructuring. The increment was primarily attributable to the impairment of property, plant and equipment and allowances for inventories of the Scheme Subsidiaries in view of the contemplated Disposal. GF Capital, the financial adviser to the Company, is satisfied that the Statement has been made by the Directors with due care and consideration. Your attention is drawn to the reports issued by Deloitte Touche Tohmatsu, the Company's reporting accountants, and GF Capital on the Statement set out in Appendix VIIA and VIIB to this circular respectively.

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 the receivables from the Privateco Group to the Privateco. A sum of HK$4,000,000 will be payable by the Remaining Group to implement the Group Restructuring. Upon the assignment, the receivable amounts will be due from the relevant Scheme Subsidiaries to the Administrators Vehicle instead of to the Remaining Subsidiaries. As a result, the sum of HK$405,063,000, being total balances due by the Scheme Subsidiaries to the Remaining Subsidiaries as at 30 November 2013, shall be written off in the books of the Remaining Group.

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 paragraph headed "Group Structure" under the section headed "Distribution In Specie Of The New Privateco Shares".

The audited combined net liability of the Scheme Subsidiaries was approximately HK$232 million as at 31 March 2013. The audited combined net loss before and after taxation of the Scheme Subsidiaries for the year ended 31 March 2012 were HK$148 million and HK$155 million respectively. The audited combined net loss before and after taxation of the Scheme Subsidiaries for the year ended 31 March 2013 were HK$121 million and HK$125 million respectively.

The net liabilities of the Scheme Subsidiaries as at 30 November 2013 amounted to approximately HK$407.4 million as set out in note 2 in Appendix IVC to this circular, after considering the effect on assignment of receivables from the Scheme Subsidiaries of approximately HK$405.1 million, the net gain would be approximately HK$2.3 million. The increase in net liabilities of the Scheme Subsidiaries was due to the loss for the eight months ended 30 November 2013 amounting to approximately HK$175.9 million, which was the result of the deterioration of business performance, impairment of property, plant and equipment and decrease in fair value of investment properties.

The Disposal constitutes a transaction under Chapter 14 of the Listing Rules. As one of the applicable percentage ratios in respect of the Disposal 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 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 the transactions contemplated thereunder at the SGM. However, as the passing by the Shareholders at the SGM of the resolution to approve the Disposal is a condition precedent to the Sale and Purchase Agreement, the Company has been informed by the Vendors that the Vendors and their respective associates will voluntarily abstain from voting on the resolution approving the Disposal at the SGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Administrators Vehicle, 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.

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.

E. SHARE PREMIUM REDUCTION

It is proposed that an amount of approximately HK$146,000,000 being the entire sum standing to the credit of the Share Premium Account as at 16 June 2014 be reduced to nil and the entire amount of the credit arising from the Share Premium Reduction be transferred to the contributed surplus account of the Company for the purpose of the Distribution In Specie. As at 31 March 2014, the amount standing to the credit of the Share Premium Account was approximately HK$146,000,000.

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 is, or after the Share Premium Reduction would be, able to pay the Company's liabilities as they become due. Based upon information presently available to the Directors, and after 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 of a special resolution by the Independent Shareholders at the SGM 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$221,000,000.

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 the 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 completion of the Distribution In Specie.

As at the Latest Practicable Date, the Privateco is authorised to issue up to 10,000 authorised Privateco Shares of HK$1.00 each, of which one 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) sub-divide 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 the 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 2,018,430,651 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 Privateco Shareholder, 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 clocks and other electronic products acquired from the Scheme Subsidiaries, the Privateco Group or third party suppliers to external customers in the U.S. 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 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 of the maximum number of the New Privateco Shares 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 fulfillment (or waiver) of the conditions precedent under the Sale and Purchase Agreement.

None of the above conditions can be waived.

The Purchaser (if it is interested in any Shares), 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 the Independent Shareholders by way of a poll at the SGM.

The Qualifying Shareholders and Excluded Overseas Shareholders in respect of the Distribution In Specie

For the purpose of the Distribution In Specie, the Qualifying Shareholders, whose names appear in the register of members of the Company on the Record Date, are entitled to participate in the Distribution In Specie.

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).

As at the Latest Practicable Date, the Company had Overseas Shareholders with registered addresses/ resident in Australia, Canada, Indonesia, Macau, Malaysia and the United Kingdom. The Board has made enquires with legal advisers in such jurisdictions regarding the feasibility of extending the Distribution In Specie to the Overseas Shareholders. The Board has obtained advice from legal advisers in Macau, Indonesia and the United Kingdom and it has been advised that under the applicable legislations and regulations of these jurisdictions, either (i) there is no regulatory restriction or requirement of any regulatory body or stock exchange with respect to extending the Distribution in Specie to the Overseas Shareholders in the relevant jurisdictions; or (ii) relevant exemption available in relation to the Distribution In Specie to the Overseas Shareholders in the relevant jurisdictions. Accordingly, the Distribution In Specie will be extended to the Overseas Shareholders with registered addresses/resident in Macau, Indonesia and the United Kingdom and such Overseas Shareholders are Qualifying Shareholders in relation to the Distribution In Specie.

On the other hand, the Board has also obtained advice from legal advisers in Australia, Canada and Malaysia and it has been advised that either (i) this circular will be required to be registered or filed with or subject to approval by the relevant regulatory authorities (as the case may be) in these jurisdictions; or (ii) the Company would need to take additional steps to comply with the regulatory requirements of the relevant regulatory authorities in these jurisdictions. Therefore, the Company would be required to comply with the relevant laws and regulations in these jurisdictions if the Distribution In Specie were to be offered to the Overseas Shareholders with registered addresses/resident in Australia, Canada and Malaysia. In view of the circumstances and considering the time and costs involved for legal compliance (as the case may be), the

Directors are of the view that it is inexpedient for the Distribution In Specie to be extended to the Overseas Shareholders with registered addresses/resident in Australia, Canada and Malaysia and such Overseas Shareholders will be regarded as Excluded Overseas Shareholders in relation to the Distribution In Specie.

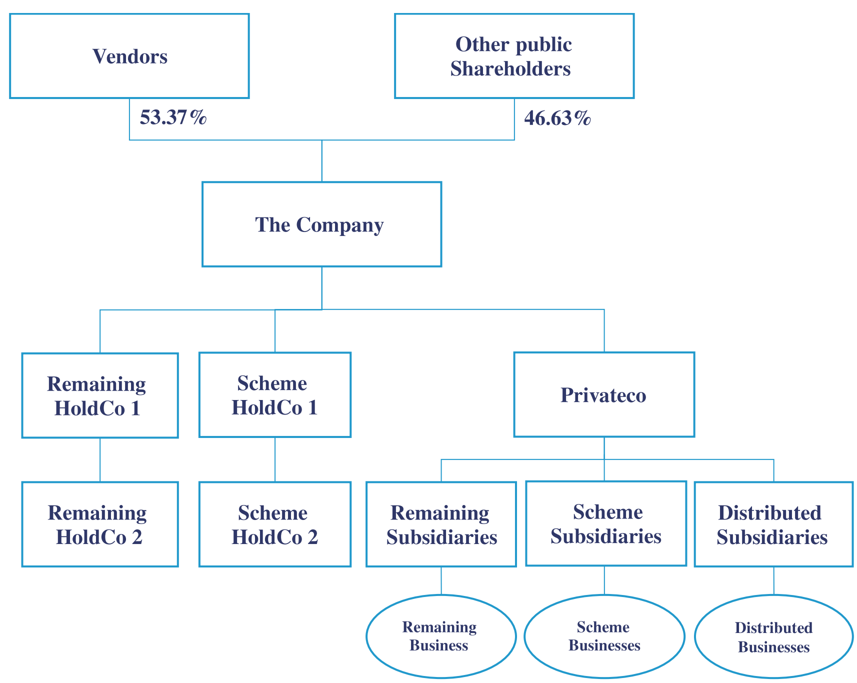
In relation to the Overseas Shareholders with registered addresses/resident in Malaysia, based on the legal advice available to the Company and subject to the aforesaid, a statement for the attention of the Overseas Shareholders with registered addresses/resident in Malaysia is set out below:

"Nothing in this circular shall constitute in any manner whatsoever a proposal to make available, offer for subscription or purchase, or issue an invitation to subscribe for or purchase, any securities or other capital products whatsoever in Malaysia, or a proposal to implement any of the foregoing in Malaysia, nor has this circular been nor will this circular be registered by the Securities Commission of Malaysia ("SC") or deposited with the SC. No person receiving a copy of this circular may treat the same as constituting an invitation or offer or issuance to him in Malaysia of any securities or other capital market products whatsoever. It is the sole responsibility of the recipients wishing to take any action upon this circular to satisfy themselves as to the full observance of the laws of Malaysia and to obtain all relevant government regulatory approvals including but not limited to exchange control laws."

Arrangement will be made for the New Privateco Shares which would otherwise be distributed to the Excluded Overseas Shareholders to be held by a person to be authorized by the Directors and that person will sell such New Privateco Shares to Fairy King Prawn at HK$0.061 per New Privateco Share, being the same price as the Privateco Offer Price for the benefits and accounts of such Excluded Overseas Shareholders. The proceeds of such sale (less expenses), if more than HK$100, will be distributed to the Excluded Overseas Shareholders at their own risks. Individual amount of less than HK$100 will be retained for the benefit of the Company. This circular will be despatched to the Excluded Overseas Shareholders for information only.

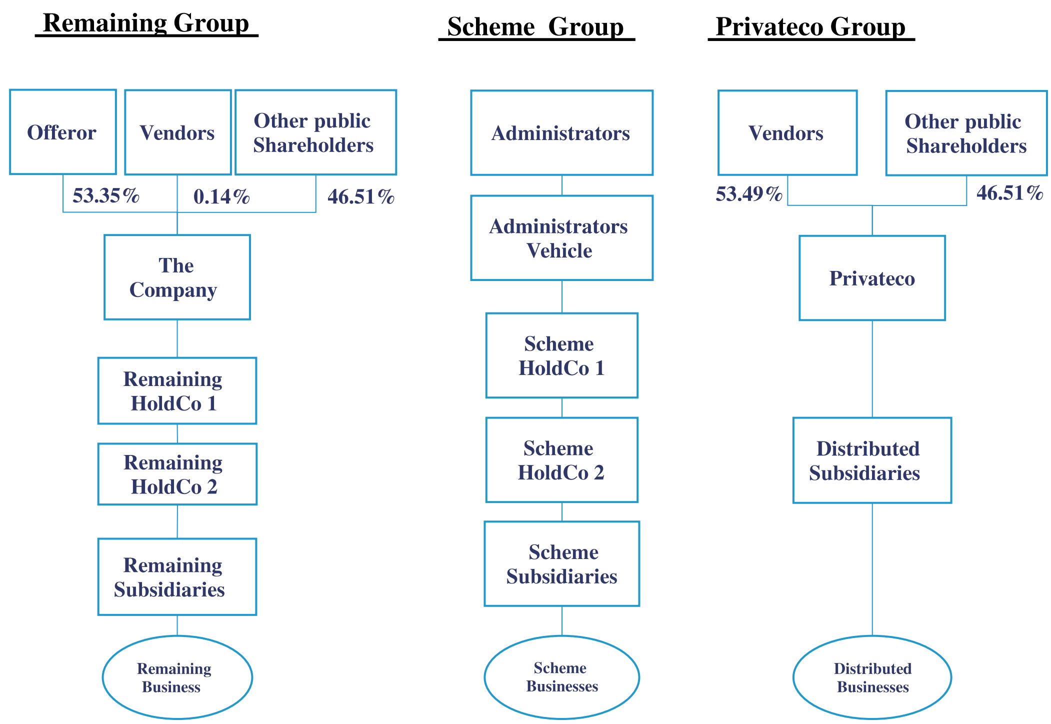
Group Structure

The chart below shows in summary of the structure of the Group as at the Latest Practicable Date 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 Latest Practicable Date):



The chart below shows in summary of 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 the Privateco Offer (assuming no other changes in the shareholding structure of the Group during this period):



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 the Share Offer Price for all the issued Shares and at the Option Offer Prices for all outstanding Share Options respectively other than those owned by the Purchaser and 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 Renminbi, the lawful currency of the PRC. 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 during the financial years ended 2009 to 2013 and the negative cash flow from operations during the financial years ended 2011 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 prices 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. The Scheme Indebtedness includes intercompany debts due to the Privateco in the amount of HK$7.5 million and to the Scheme Subsidiaries in the amount of HK$14.9 million including amounts due to Ever Solid Limited (HK$1.8 million), to Shenzhen Cosmo Communications Co Ltd (HK$5.5 million), to Redsun Development Limited (HK$2.4 million) and to Ram Light Management Limited (HK$5.2 million). As such, the Board (excluding the Independent Board Committee which, after considering the advice of the Independent Financial Adviser, set out its recommendations in the "Letter from the Independent Board Committee" on page 58 to 59 of this circular) 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 conditions for achieving the Distribution In Specie, which lead to the Privateco Offer. In order to reorganize 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 the past share price performance of the Shares as set out in this circular, the Board (excluding the Independent Board Committee which, after considering the advice of the Independent Financial Adviser, set out its recommendations in the "Letter from the Independent Board Committee" on page 58 to 59 of this circular) 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 10.40% to the closing price of the Shares of HK$0.260 prior to the issue of the Joint Announcement. The Board (excluding the Independent Board Committee which, after considering the advice of the Independent Financial Adviser, set out its recommendations in the "Letter from the Independent Board Committee" on page 58 to 59 of this circular), having regard to the average closing prices of the Shares of HK$0.137 per Share 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 Latest Practicable Date, 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 Latest Practicable Date, 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 U.S. 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 U.S.

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 U.S. 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/U.S. 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 clocks and other electronic products acquired from the Scheme Subsidiaries, the Privateco Group or third party suppliers to external customers in the U.S, 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 paragraph headed "Future intentions of the Offeror in relation to the Company" under the section headed "Possible Unconditional Mandatory Cash General Offers For Shares And To Cancel The Share Options" in Appendix I to this circular.

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.

Financial effects of the Group Restructuring, the Distribution In Specie and the Disposal

Set out in Appendix V to this circular is the unaudited pro forma financial information of the Remaining Group which illustrates the financial impact of the Group Restructuring, the Distribution In Specie and the Disposal on the results and cash flows of the Remaining Group as if the Group Restructuring, the Distribution In Specie and the Disposal were completed on 1 April 2013, and the financial impact of the Group Restructuring, the Distribution In Specie and the Disposal on the assets and liabilities of the Remaining Group as if the Group Restructuring, the Distribution In Specie and the Disposal were completed on 30 November 2013. Upon completion of the Group Restructuring, the Distribution In Specie and the Disposal, all the Company's existing subsidiaries other than Remaining Subsidiaries will cease to be the Company's subsidiaries and their financial results will not be consolidated into the Company's financial results.

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix V to this circular, assuming the Group Restructuring, the Distribution In Specie and the Disposal had taken place on 30 November 2013, the pro forma total assets of the Remaining Group would be approximately HK$335 million, which represented a decrease of approximately HK$340 million from the Group's total assets as at 30 November 2013, the pro forma total liabilities of the Remaining Group would be approximately HK$259 million, which represented a decrease of approximately HK$96 million from the Group's total liabilities as at 30 November 2013, and the pro forma net assets of the Remaining Group would be approximately HK$76 million, which represented a decrease of approximately HK$244 million from the Group's net assets as at 30 November 2013.

According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix V to this circular, assuming the Group Restructuring, the Distribution In Specie and the Disposal had taken place on 1 April 2013, the Remaining Group would record a pro forma gain of approximately HK$396 million, as compared to a net loss of approximately HK$169 million of the Group for the financial year, which was mainly due to pro forma adjustments by excluding the income and expenses attributable to the Distributed Businesses and the Scheme Businesses, which had a net financial effect of decreasing loss by approximately HK$565 million.

Financial information of the SIH Group

As at the date of the accountants' report of the SIH Group set out in Appendix IIIA to this circular, the Privateco was a direct wholly-owned subsidiary of the Company and the holding company of certain existing members of the Group, which include certain members of the Remaining Subsidiaries, the Scheme Subsidiaries and the Privateco Group.

Set out below is the audited consolidated financial information of the SIH Group for each of the three years ended 31 March 2013 and the unaudited consolidated financial information of the SIH Group for the 8 months ended 30 November 2013 extracted from the accountants' report of the SIH Group as set out in Appendix IIIA and the review report of the SIH Group as set out in Appendix IIIB to this circular:

	Year ended 31 March			8 months ended 30 November
	2011	**2012**	**2013**	**2013**
	HK'000	*HK'000*	*HK'000*	*HK'000*
	(audited)	(audited)	(audited)	(unaudited)
Turnover	637,633	631,830	515,408	317,990
Gross profit/(loss)	104,890	60,482	50,225	(38,334)
Loss before taxation	(43,097)	(184,081)	(56,869)	(165,704)
Loss for the year/period	(43,937)	(194,515)	(49,480)	(164,451)
Consolidated net asset (liability) value	142,630	(13,555)	(62,844)	(225,709)

The audited consolidated net liabilities of the SIH Group as at 31 March 2013 and the unaudited consolidated net liabilities of the SIH Group as at 30 November 2013 was approximately HK$62,844,000 and HK$225,709,000 as extracted from the accountants' report of the SIH Group in Appendix IIIA and the review report of the SIH Group in Appendix IIIB to this circular respectively.

Upon completion of the Group Restructuring, the Privateco will hold the Distributed Businesses, the Remaining Group will hold the Remaining Business and the Scheme Subsidiaries will hold the Scheme Subsidiaries.

Set out below is the audited financial information of the Distributed Businesses for each of the three years ended 31 March 2013 and the unaudited financial information of the Distributed Businesses for the 8 months ended 30 November 2013 which is prepared base on the financial information of the Privateco Group as extracted from section c to the Accountant's Report of the SIH Group in Appendix IIIA and note 4 to the Review Report of the SIH Group in Appendix IIIB to this circular.

	Year ended 31 March			**8 months ended 30 November 2013**
	2011	**2012**	**2013**	
	HK'000	*HK'000*	*HK'000*	*HK'000*
	(audited)	(audited)	(audited)	(unaudited)
Turnover	243,931	258,606	236,822	85,327
Gross profit/(loss)	3,832	13,524	23,914	(6,273)
Loss before taxation	(12.730)	(143,557)	(82,737)	295,246
(Loss)/profit for the year/period	(12,709)	(143,720)	(82,852)	295,051
Consolidated net asset (liability) value	21,953	(90,220)	(173,069)	(141,718)

The net liabilities attributable to owners of the Distributed Businesses as at 31 March 2013 was approximately HK$173,069,000.

G. 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 that 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 (excluding the Independent Board Committee which, after considering the advice of the Independent Financial Adviser, set out its recommendations in the "Letter from the Independent Board Committee" on page 58 to 59 of this circular) 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 determined based on the historical prices paid for such electronic products plus adjustments due to cost increment in the range of 3% to 5% at the time of entering into the individual agreements, which shall be on arm's length basis and on terms no more 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. The Remaining Group will from time to time review the pricing of the transactions under the Framework Purchase Agreement, and compare them with (i) the terms of agreements entered into between the Remaining Group and independent suppliers; and (ii) reference to the prevailing market prices of the electronic products to ensure that the price charged to the Remaining Group under the Framework Purchase Agreement is not more favourable to the Privateco Group than that offered by the independent suppliers.
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 was determined after taking into account (i) the historical cost of sales of the electronic products of the Remaining Group from the Group for year ended 31 March 2013; and (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$130 million.

The transactions contemplated under the Framework Purchase Agreement will, upon completion of the Distribution In Specie, constitute continuing connected transactions of 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 transactions contemplated under the Framework Purchase Agreement are more than 25%, the Framework Purchase Agreement and the transactions contemplated thereunder constitute non-exempt continuing connected transactions 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 in the Framework Purchase Agreement, and his family relationship with Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol, each of Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol were required to abstain and had abstained from voting at the Board meeting approving the Framework Purchase Agreement and the transactions contemplated thereunder.

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 the Independent Shareholders by way of poll at the SGM.

H. 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. A sum of HK$12,000,000 will be payable by the Company to the Administrators Vehicle for the purpose of implementing the Creditors' Scheme. This is not expected to have continuing effect on the Remaining Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows. 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). As the Company will need to make references to the financials as appended to this circular, the Company anticipates that application to the relevant courts for leave to convene the relevant creditors' meeting to approve the Creditors' Scheme will be made after despatch of this circular. 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 and 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 obtaining the requisite approval from the creditors and sanctions from the high court of Hong Kong and the Bermuda court.

I. INFORMATION ON THE REMAINING GROUP

Upon completion of the Group Restructuring and the Distribution In Specie, the business model of the Remaining Group will remain unchanged. 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 clocks and other electronic products acquired from the Scheme Subsidiaries, the Privateco Group or third party suppliers to external customers in the U.S. and Canada, focusing on sale of karaoke products, and sale of television sets to external customers in Canada.

The Remaining Group's major customers include major retailers in the U.S. and Canada. The products of the Remaining Group include karaoke, television sets, audio, video, musical instrument and clocks. Most of these products are designed to meet the specifications of the customers of the Remaining Group. The Remaining Group put emphasis on research and development and production engineering in order to satisfy customers' continuously changing requirements of the products.

The Remaining Group also possesses the infrastructure to provide after sales support, electronic interfaces with large retailers inventory management in ordering, receiving, and accounting and provides consumer hot line support, and warranty service centers in two regions in the U.S. and Canada.

1. Brief Industry Overview

The principal activity of the Remaining Group is sale of electronic products, such as karaoke, audio, video, musical instrument and clocks and other electronic products acquired from the Scheme Subsidiaries, the Privateco Group or third party suppliers to external customers in the U.S. and Canada, focusing on sale of karaoke products, and sale of television sets to external customers in Canada. The performance of the Remaining Business is primarily driven by the global economy, in particular, the economy of the U.S. and Canada. Set out below is the chart showing the trend of the U.S. and Canada gross domestic product ("GDP") from 2008 to 2013:

GDP (year-on-year growth %)	2008	2009	2010	2011	2012	2013
U.S.	(0.30)	(2.80)	2.50	1.80	2.80	1.90
Canada	1.18	(2.71)	3.38	2.53	1.71	1.80

Source: Bloomberg

As set out in the table above, the economies of the U.S. and Canada experienced a significant downturn in 2009, primarily due to the global financial crisis in 2008 and 2009. As a result of the effort of the government of developed countries and major developing countries, the level of global GDP in 2010 exceeded that of 2008. However, as a result of the slowdown in the global economy, the economies of the U.S. and Canada have since experienced a slowdown from 2010.

Real Disposable Income (year-on-year %)	2008	2009	2010	2011	2012	2013
U.S.	0.31	(1.44)	1.70	0.66	2.04	(1.12)
Canada	1.41	0.12	2.32	0.82	2.92	1.45

Source: Bloomberg

As set out in the table above, the year-on-year changes of real disposable income of the U.S. and Canada recorded growth during the period from 2010 to 2012 after declining in 2008 and 2009 when the global financial crisis occurred. Such growth in real disposable income in the U.S. and Canada was one of the factors supporting the demand for electronic products.

The demand for electronic products will also depend on other factors such as fluctuations in overall economic conditions, personal consumption spending and changes in domestic electronic product manufacturing levels, technology advancement, consumer preferences, infrastructure development and government policies and regulations. The supply of electronic products has also been growing rapidly as a result of the continuously growing manufacturing capacity in developing countries such as the PRC. This oversupply of electronic products inevitably leads to fierce market competition and thereby driving down the prices of electronic products. Rising production costs as a result of general inflation and increase in staff costs and cost of raw materials also negatively affects the consumer electronics products industry and the Remaining Business.

To alleviate adverse impact on the Remaining Business, the Remaining Group has been making efforts to streamline its businesses to focus on the production and sale of karaoke products in North America where the Remaining Group has established and maintained a reputation and brand name recognition in the karaoke products market. Facing the opportunities and uncertainties in the year ahead, the Remaining Group will continue to adjust its business strategies by launching new products with better profitability and address the ever-changing market trends in a prudent and pragmatic way to meet changing market demand.

2. Financial and Trading Prospect of the Remaining Business

The Remaining Group has been conducting the business of importing, selling and marketing consumer electronics products in North America for over 10 years. The Remaining Group's focus is to source the "right product" at the best price and to deliver the product on time. The Remaining Group anticipates that the fierce competition and the rapid development of technology in the electronic products market will continue to present major challenges to the electronic industry. Leveraging on the Remaining Group's well established brand name "Singing Machine", which has maintained a reputation and brand name recognition in the karaoke product market in North America and its solid relationship with its existing customers in the U.S. and Canada, and subject to the review to be conducted by the Offeror, the karaoke products is expected to continue to capture a significant portion of the market share in the karaoke products market in North America.

To enhance its competitive advantage over other competitors, apart from focusing on delivering high quality electronic products to its customers, the Remaining Group also acknowledges the importance to create customer loyalty through the provision of after sales support services. The Remaining Group has installed infrastructures to provide after sales support, electronic interfaces with large retailers inventory management in ordering, receiving, and accounting and provides consumer hot line support, and warranty service centers in two regions in the U.S. and Canada. The Remaining Group believes these are essential requisites to conduct business with retailers in North America and enable the Remaining Group to outdistance the competitors.

Your attention is also drawn to the sub-section headed "Future intentions of the Offeror in relation to the Company" as set out in Appendix I to this circular.

3. Risk factors

(a) Sustainability of business growth

The Remaining Group operates in a market which is characterised by rapid changes in technology, industry standards and customers' requirements. The ability of the Remaining Group to maintain its business growth will depend, in part, on its ability to provide high quality electronics products that address the increasingly sophisticated and varied needs of existing and prospective customers in an effective and timely manner. If the Remaining Group fails to keep pace with such changes successfully, the performance of the Remaining Group may be adversely affected.

(b) Inventory risk

For each of the two years ended 31 March 2013, the Remaining Group recorded the provision on inventories of approximately HK$11 million and HK$13.1 million, respectively. In the event that the Remaining Group fails to project its inventory requirement accurately, it may result in an increase in the provision of slow moving inventories and the Remaining Group's profitability may be adversely affected.

(c) Competition

The electronics industry is characterised by frequent introduction of new products, short product life cycles, continuous decline in the average selling prices over the product life cycles, declining margin and vigorous competition. The Directors believe that the Remaining Group's customers place considerable emphasis on product price, consistency in quality and reliability of products and speediness in adapting to their specific requirements. Accordingly, the Remaining Group's customers may place order with the Remaining Group if its selling prices are in a similar range or lower than that of the Remaining Group's competitors and/or the quality of its products is of similar standards or outperforms those of the Remaining Group's competitors. The Directors believe that the Remaining Group faces intense competition from other electronic product distributors and manufacturers. Any failure by the Remaining Group to adjust promptly to meet customers' specific requirement would have a material adverse effect on the Remaining Group's future reputation, growth and profitability.

(d) Global and regional economic environment

The Remaining Group will principally engage in the sale of electronic products in the U.S. and Canada. Electronic products are not necessities and thus the demand is largely dependent on the global and regional economic environment. Unfavorable economic and business conditions could have an adverse effect on the Remaining Business. Consumer demand for electronic products is cyclical and particularly sensitive to general business cycles. Consumer demand for products in the electronics industry as a general matter declines when consumers have less discretionary income. If there is any significant economic downturn in the U.S. or Canada or that the global economy encounters a slowdown or recession, the demand for electronic products may decrease significantly and could result in market oversupply, which might lead to a decrease in the average selling prices of the electronic products and affect the business and financial condition of the Remaining Group adversely.

(e) Senior management

The Remaining Group's business is and will continue to be, to a significant extent, attributable to the experience of its senior management. In particular, the business of the Remaining Group is dependent on key personnel with extensive knowledge and experience in the electronics industry, including sales and distribution, administration and finance and research and development and sourcing. If the Remaining Group loses the services of any key personnel and is not able to recruit suitable replacement in a timely manner, the management and development of the Remaining Business could be adversely affected.

(f) Political, economic and government policies

The Remaining Group's business focuses on trading of electronic products in the North American market. As a result of its businesses in the U.S. and Canada, the Remaining Group is affected by economic and political conditions in North America, including the imposition of government controls, political and economic instability, trade restrictions, changes in tariffs, laws and policies affecting trade and investment, fluctuations in currency exchange rates and earnings, difficulties in obtaining export licenses, and misappropriation of intellectual property.

If the Remaining Group cannot successfully manage the risks and challenges generally associated with multinational operations, it may have difficulty successfully completing orders, which might lead to customer dissatisfaction and loss of future orders.

(g) Customers

The Remaining Group depends on a small group of customers for a substantial portion of its revenues. In aggregate, the Remaining Group's top ten customers accounted for approximately 60.5% and 71.8% of its gross revenue to external customers for the two financial years ended 31 March 2013, respectively. In addition, some of these customers have in the past varied, and may in the future vary, order levels significantly from period to period.

Maintaining close relationships with its key customers is essential to the Remaining Group's strategy and to the ongoing growth of its business. There is no guarantee that the Remaining Group will retain the business of its existing key customers or the desired level of business with them. The loss of any key customer's business would seriously affect its revenues, and the Remaining Group may have difficulty securing comparable levels of business from other customers to offset any loss of revenue from the loss of any of its key customers. In addition, the Remaining Group may not be able to easily re-allocate its considerable customer-specific resources and assets in a timely manner.

The Remaining Group's profitability also depends on the performance and business of its key customers. The Remaining Group's revenues are directly affected by the resales of its products by its customers. The Remaining Group relies on the success of its customers in marketing these products. Accordingly, risks that could seriously harm the Remaining Group's key customers could harm the Remaining Group as well, including recession in the Remaining Group's key customers' markets, loss of market share for the Remaining Group's key customers' products, reduced consumer spending on discretionary items in the Remaining Group's key customers' markets.

(h) Exchange rate

The exchange rates for HK$ against foreign currencies, including US$ are susceptible to movements based on external factors and there can be no assurance that HK$ may not be subject to devaluation. As the Remaining Group's revenue and purchases are primarily denominated in US$, fluctuations in exchange rates may adversely affect the value, translated or converted into HK$, of the Remaining Group's net assets, earnings and any declared dividends.

J. GENERAL

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

	EVENTS	INTER-CONDITIONS
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 "Share Premium Reduction" in this circular.
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 "Distribution In Specie Of The New Privateco Shares" in this circular.
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 "Sale and Purchase Agreement" in this circular.

	EVENTS	INTER-CONDITIONS
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. Details of the conditions to the Framework Purchase Agreement are set out under the section headed "Special Deal/Continuing Connected Transaction" in this circular.
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 "Possible Unconditional Mandatory Cash General Offers For Shares And To Cancel The Share Options " in Appendix 1 to this circular. Details of the conditions to the Privateco Offer are set out under the section headed "Possible Unconditional Voluntary Cash Offer For New Privateco Shares" in Appendix 1 to this circular.
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 "The CB Subscription Agreement" in this circular.
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 "Proposed Group Restructuring And Deemed Very Substantial Disposal Relating To The Disposal" in this circular. *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.

K. 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 respective 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 (if it is interested in any Shares and entitled to attend and vote at the SGM), the Vendors, their respective associates and parties acting in concert with any of them, as well as 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 abstain from voting on the resolutions approving the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the respective transactions contemplated thereunder at the SGM. As the passing by the Shareholders at the SGM of the resolution to approve the Disposal is a condition precedent to the Sale and Purchase Agreement, the Company has been informed by the Vendors that the Vendors and their respective associates will voluntarily abstain from voting on the resolution approving the Disposal at the SGM.

As at the Latest Practicable Date, the Vendors held an aggregate of 1,074,646,400 Shares, representing approximately 53.37% of the existing issued Shares. Based on the publicly available information and to the best of knowledge, information and belief of the Directors, as the Latest Practicable Date, (i) Mr. Lau Sak Hong, Philip, controls or is entitled to exercise control over the voting rights in respect of 204,283,551 Shares, representing approximately 10.1% of the issued share capital of the Company; (ii) Mr. Lau Sak Kai, Anthony controls or is entitled to exercise control over the voting rights in respect of 73,148,904 Shares, representing approximately 3.6% of the existing entire issued share capital of the Company; (iii) Mr. Lau Sak Yuk, Andy controls or is entitled to exercise control over the voting rights in respect of 70,473,402 Shares, representing approximately 3.5% of the existing entire issued share capital of the Company; (iv) Mr. Lau Shek Yuen controls or is entitled to exercise control over the voting rights in respect of 350,794,813 Shares, representing approximately 17.4% of the existing entire issued share capital of the Company; (v) Mr. Lau Sek Hoi, Jacky controls or is entitled to exercise control over the voting rights in respect of 22,005,027 Shares, representing approximately 1.1% of the existing entire issued share capital of the Company; (vi) Ms. Lau Chu Lan, Carol controls or is entitled to exercise control over the voting rights in respect of 15,344,483 Shares, representing approximately 0.8% of the existing entire issued share capital of the Company; (vii) Mr. Lau Sak Kong, Stanley controls or is entitled to exercise control over the voting rights in respect of 16,000,000 Shares, representing approximately 0.8% of the existing entire issued share capital of the Company; (viii) Mr. Lau Sak Hong, Philip controls or is entitled to exercise control over the voting rights in respect of 304,415,473 Shares, representing approximately 15.1% of the existing entire issued share capital of the Company through Philip Lau Holding Corporation, a company wholly-owned by him; and (ix) 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 in aggregate control or are entitled to exercise control over the voting rights in respect of 18,180,747 Shares, representing approximately 0.9% of the existing entire issued share capital of the Company 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.

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 Latest Practicable Date.

A notice convening the SGM is set out on pages N-1 to N-5 of this circular. A proxy form for use at the SGM is enclosed herein. Whether or not you intend to attend the SGM or any adjournment thereof, you are requested to complete the proxy form in accordance with the instructions printed thereon and return it to the head office and principal place of business of the Company, 5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of a proxy form will not preclude Shareholders from attending and voting at the SGM or any adjournment thereof if they so wish.

L. 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 recommendations to the Independent Shareholders regarding, among other things, the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the respective transactions contemplated thereunder.

Fulbright Capital 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 and the respective transactions contemplated thereunder (where appropriate). The appointment of Fulbright Capital has been approved by the Independent Board Committee on 21 February 2014.

M. RECOMMENDATIONS

The Board (excluding the Independent Board Committee (save for the Disposal)) believes that the terms of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement and the Framework Purchase Agreement and the respective transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares under the Specific Mandate, and the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal.

In addition, your attention is drawn to the letter from the Independent Board Committee set out on pages 58 to 59 of this circular which contains its recommendation to the Independent Shareholders in respect of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement and the Framework Purchase Agreement, based on the advice from the Independent Financial Adviser set out on pages 60 to 102 of this circular which contains their recommendation to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons taken into consideration.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement and the Framework Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement and the Framework Purchase Agreement and the respective transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares under the Specific Mandate. The text of the letter from the Independent Board Committee is set out on pages 58 to 59 of this circular.

N. ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Starlight International Holdings Limited
Lau Sak Hong, Philip
Chairman

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement and the Framework Purchase Agreement.

STARLITE

STARLIGHT INTERNATIONAL HOLDINGS LIMITED
升岡國際有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 485)

24 May 2014

To the Independent Shareholders

Dear Sir or Madam,

(1) POSSIBLE CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS BY THE OFFEROR AND ISSUE OF CONVERSION SHARES UNDER SPECIFIC MANDATE
(2) DEEMED VERY SUBSTANTIAL DISPOSAL RELATING TO THE DISPOSAL
(3) SHARE PREMIUM REDUCTION
(4) DISTRIBUTION IN SPECIE OF THE NEW PRIVATECO SHARES
(5) SPECIAL DEAL/CONTINUING CONNECTED TRANSACTION
AND
(6) NOTICE OF SPECIAL GENERAL MEETING

We refer to the circular of the Company to the Shareholders dated 24 May 2014 (the ''Circular''), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed ''Definition'' of the Circular.

We have been appointed by the Board to consider and to advise the Independent Shareholders as to whether the terms of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement and the Framework Purchase Agreement are fair and reasonable so far as the Company and the Shareholders are concerned and to recommend whether or not the Independent Shareholders should approve the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement and the Framework Purchase Agreement.

We wish to draw your attention to the letter of advice from Fulbright Capital, being the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement and the Framework Purchase Agreement as set out on pages 60 to 102 of the Circular, and the letter from the Board set out on pages 13 to 57 of the Circular.

* *for identification purpose only*

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the terms of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement and the Framework Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement and the Framework Purchase Agreement.

Yours faithfully,
Independent Board Committee
Starlight International Holdings Limited
Mr. Peter Hon Sheung Tin
Non-executive Director

Mr. Tang Yee Man	**Mr. Chan Chak Chung**	**Mr. Chuck Winston Calptor**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement and the Framework Purchase Agreement, which has been prepared for the purpose of inclusion in this circular.

富昌融資有限公司
FULBRIGHT CAPITAL LIMITED

26/F., LHT Tower,
31 Queen's Road Central,
Hong Kong

24 May 2014

To: the Independent Board Committee and
the Independent Shareholders of Starlight International Holdings Limited

Dear Sirs,

(1) POSSIBLE CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS BY THE OFFEROR AND ISSUE OF CONVERSION SHARES UNDER SPECIFIC MANDATE; (2) SHARE PREMIUM REDUCTION; (3) DISTRIBUTION IN SPECIE OF THE NEW PRIVATECO SHARES; AND (4) SPECIAL DEAL/CONTINUING CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the Joint Announcement dated 21 March 2014 in relation to, among other things, 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, the Listco Offers and the Privateco Offer.

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the respective transactions contemplated thereunder, particulars of which are set out in the section headed "Letter from the Board" (the "**Board Letter**") contained in the circular dated 24 May 2014 issued by the Company (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 30 January 2014, the Vendors and the Purchaser entered into the Sale and Purchase Agreement (as supplemented by a supplemental agreement dated 21 March 2014 and the Second Supplemental Agreement), pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, free from all encumbrances and together with all the 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 53.5% of the issued share capital of the Company as at the Latest Practicable Date; 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. As at the Latest Practicable Date, the Purchaser, its associates and its concert parties do not hold any shareholding interest in the Company.

On 30 January 2014, the Company and the Offeror also entered into the CB Subscription Agreement pursuant to which the Company has agreed to issue, and the Offeror has agreed to subscribe for, in cash, 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 the Conversion Shares at the Conversion Price of HK$0.172 (subject to adjustments) per Conversion Share. The Conversion Shares will be issued pursuant to the Specific Mandate. As the Offeror will become the controlling Shareholder upon the Sale and Purchase Completion and therefore a connected person of the Company and will have a material interest in the CB Subscription Agreement, the entering into of the CB Subscription Agreement between the Company and the Offeror will therefore constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Prior to the Sale and Purchase Completion, the Company proposes to distribute all the New Privateco Shares registered in its name to the 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 basis of one New Privateco Share for every Share held. Meanwhile, 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 an amount of approximately HK$146,000,000 being the entire sum standing to the credit of the Share Premium Account as at 16 June 2014 be reduced to nil and the entire amount of the credit arising from the Share Premium Reduction be transferred to the contributed surplus account of the Company for the purpose of the Distribution In Specie.

In view of the foregoing, the Board will put forward the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the respective transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares under the Specific Mandate, will put forward for the Independent Shareholders' consideration and the Disposal for the Shareholders' consideration at the SGM.

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. Details of the Listco Offers are set out in Appendix I to the Circular. The Offeror and the Company are required to issue and despatch the Listco Offer Document to the Shareholders and the Optionholders in accordance with the Takeovers Code.

Upon completion of the Distribution In Specie, GF Securities will, on behalf of Fairy King Prawn, 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) in accordance with the Takeovers Code. Details of the Privateco Offer are set out in Appendix I to the Circular. Fairy King Prawn and the Privateco are required to issue and despatch the Privateco Offer Document to the Privateco Shareholders in accordance with the Takeovers Code.

As a result of the Group Restructuring and the Distribution In Specie, the operations of the Remaining Group and the Privateco Group will be delineated, the Privateco Group and the Remaining Group will enter into the Framework Purchase Agreement as a transitional arrangement 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 continuing connected transaction of 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 Chapter 14A of 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 non-exempt continuing connected transaction of the Company that are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Framework Purchase Agreement will also constitute a special deal under the Takeovers Code and will be conditional upon obtaining prior consent of the Executive under Rule 25 of the Takeovers Code.

As set out in the Board Letter, the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the respective transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares under the Specific Mandate are subject to the approval by the Independent Shareholders, by way of poll at the SGM. The Purchaser, the Vendors, their respective associates and parties acting in concert with any of them (if they are interested in any Shares) will abstain from voting on the aforesaid relevant resolutions.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising the non-executive Director Mr. Hon Sheung Tim, Peter and all the independent non-executive namely Mr. Chan Chak Chung, Mr. Chuck Winston Calptor and Mr. Tang Yee Man, has been established by the Company to make recommendations to the Independent Shareholders in respect of the terms and conditions of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement, and the respective transactions contemplated thereunder. All the members of the Independent Board Committee have confirmed to the Company that they are independent with respect to the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the respective transactions contemplated thereunder and thus are suitable to give recommendation to the Independent Shareholders. Our appointment as the Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee.

We do not, by this letter, warrant the merits of the above transactions, other than to form an opinion, for the purpose of the Listing Rules and the Takeovers Code. Our role as the Independent Financial Advisers is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to whether the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the respective transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and as to voting in respect of the relevant resolutions at the SGM.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Directors and the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material change as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information have been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors and the management of the Company, which have been provided to us. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

We have been advised by the Directors that no material facts have been omitted and we are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate, incomplete or misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. The Directors have collectively and individually accepted full responsibility, includes particulars given in compliance with the Listing Rules, for the accuracy of the information contained in the Circular and have confirmed, after having made all reasonable enquires, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other matters of facts the omission of which would make any statement herein or the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement, and the respective transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

INDEPENDENCE DECLARATION

Apart from the normal advisory fees payable to us in respect of the relevant engagement in relation to the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the respective transactions contemplated thereunder, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. As at the Latest Practicable Date, we are not aware of any relationships or interests between Fulbright Capital and the Company, the Vendors, the Purchaser or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates. Accordingly, Fulbright Capital is independent as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with their consideration of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the respective transactions contemplated thereunder.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the respective transactions contemplated thereunder (collectively, the "**Proposal**"), to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Principal terms of the Proposal, the Listco Offers and the Privateco Offer

Set out below are the principal terms of the Proposal, the Listco Offers and the Privateco Offer as extracted from the Circular. For details of the terms and conditions of the Proposal, the Sale and Purchase Agreement, the Group Restructuring, the Disposal and the Creditors' Scheme, the Listco Offers and the Privateco Offer, your attention is drawn to the Board Letter and Appendix I to the Circular. As stated in Appendix I to the Circular, information in relation to the Listco Offers and the Privateco Offer contained therein is reproduced from the Joint Announcement for the purpose of providing the Independent Shareholders with reference to the key terms of the Listco Offers and the Privateco Offer. Information reproduced from the Joint Announcement reflects the situation as of the date of the Joint Announcement. Save for the change in shareholding structure of the Company due to the issue of 15,600,000 Shares on 27 March 2014 upon exercise of certain Share Options (details of which are set out in the announcement of the Company dated 1 April 2014). To the best of the knowledge and belief of the Directors after all reasonable enquiries, there is no material change to the information contained in Appendix I to the Circular since the date of the Joint Announcement.

A. The Proposal

(i) CB Subscription Agreement

Principal terms of the CB Subscription Agreement

The key terms of the Convertible Bonds are summarised as below:

Date: 30 January 2014

Parties to the CB Subscription Agreement:	a.	The Company, as the issuer; and
	b.	Achieve Proper Capital Limited (as the Offeror or the Purchaser), as the initial subscriber to the CB Subscription

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 Price:	The Conversion Price shall be HK$0.172 per Conversion Share, subject to adjustments.
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.
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 events of default occur, 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.
Completion:	The CB Subscription Completion is conditional upon the CB Subscription Conditions (including, among other things, the passing of the Company's resolutions on approving the CB Subscription at the SGM, the granting of the listing approval by the Stock Exchange to deal in the Conversion Shares, the closing of the Listco Offers, and the Sale and Purchase Completion) 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 have been fulfilled (or, where applicable, waived) or such other date as may be agreed by the Company and the Offeror.

As Achieve Proper Capital Limited (as the Offeror or Purchaser) 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 CB Subscription constitutes a connected transaction of the Company.

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 21.7% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 17.8% of the issued share capital of the Company as enlarged by the allotment and issue of such Conversion Shares.

The Company and the Offeror intends to enter into a supplemental agreement to extend the CB Subscription Long Stop Date. Further announcement will be made as soon as practicable in relation to the extension of the CB Subscription Long Stop Date. Further details of other principal terms and condition(s) precedent of the CB Subscription are set out in the section headed "C. The CB Subscription Agreement" of the Board Letter.

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. As the Offeror will have a material interest in the CB Subscription Agreement, the Offeror and its associates are required to abstain from voting on the resolution to approve the CB Subscription Agreement and the transactions contemplated thereunder at the SGM if they are interested in any Shares and are entitled to attend and vote 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. Each of Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol has abstained from voting at the board meeting approving the CB Subscription Agreement and the transactions contemplated thereunder.

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.

A detailed analysis of the Conversion Price and other terms are set out in the paragraph headed "4. Analysis on the CB Subscription Agreement" below.

(ii) Share Premium Reduction

It is proposed that an amount of approximately HK$146.0 million being the entire sum standing to the credit of the Share Premium Account as at 16 June 2014 be reduced to nil and the entire amount of the credit arising from the Share Premium Reduction be transferred to the contributed surplus account of the Company for the purpose of the Distribution In Specie. As at 31 March 2014, the amount standing to the credit of the Share Premium Account was approximately HK$146.0 million. Moreover, the Directors must be satisfied that the Company is, or after the Share Premium Reduction would be, able to pay the Company's liabilities as they become due. Based upon information presently available to the Directors, and after 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 is conditional upon (a) the passing by the Independent Shareholders at the SGM of a special resolution approving the Share Premium Reduction; and (b) the compliance with the relevant legal and regulatory requirements under Bermuda laws to effect the Share Premium Reduction.

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.

The Share Premium Reduction is part and parcel of the Proposal and the Group Restructuring and then transfer the credit arising to the contributed surplus account of the Company, the amount standing to the credit of such contributed surplus account will amount to approximately HK$221.1 million, in order to allow the Company to have sufficient distributable reserves to facilitate the implementation of the Distribution In Specie.

(iii) Distribution In Specie

Prior to the Sale and Purchase Completion, the Company proposes to distribute all of the New Privateco Shares registered in its name to the 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 date of the Sale and Purchase Completion Date, which is to be fixed for determining entitlements to the Distribution In Specie) on the basis of one New Privateco Share for every Share held.

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 completion of the Distribution In Specie.

As at the Latest Practicable Date, the Privateco is authorised to issue up to 10,000 authorised Privateco Shares of HK$1.00 each, of which one 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) sub-divide 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; and (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 the New Privateco Shares to the Shareholders to mirror the number of issued Shares as at the 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 2,018,430,651 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 Privateco Shareholder, 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 clocks and other electronic products acquired from the Scheme Subsidiaries, the Privateco Group or third party suppliers to external customers in the U.S. 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.

The Distribution In Specie will be conditional upon, among other things, (a) completion of the Group Restructuring and the internal transfer of interests in the Group as a result of which the Company will beneficially own the Remaining Subsidiaries, (b) the passing of an ordinary resolution by the Privateco Shareholders 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, (c) the passing of relevant resolutions by the Independent Shareholders at the SGM to approve the Distribution In Specie and the Share Premium Reduction, and (d) the fulfilment (or waiver) of conditions precedent to the Sale and Purchase Agreement. Completion of the Distribution In Specie will not take place unless all the conditions precedent of the Distribution In Specie have been fulfilled. Immediately upon completion of the Distribution In Specie, GF Securities will, on behalf of Fairy King Prawn, make the Privateco Offer.

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

(iv) Special Deal/Continuing Connected Transaction

As a result of the Group Restructuring and the Distribution In Specie, the operations of the Remaining Group and the Privateco Group will be delineated, pursuant to which the Group will carry on the Remaining Business, consisting the sale of electronic products such as karaoke, audio, video, musical instrument and clocks and other electronic products acquired from the Scheme Subsidiaries, the Privateco Group or third party suppliers to external customers in the U.S. and Canada, focusing on sale of karaoke products, and sale of television sets to external customers in Canada, while the Privateco Group will cease to be subsidiaries of the Company and carry out the Distributed Businesses which consists principally 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. Thus, the Privateco Group will sell and the Remaining Group will purchase certain existing models of electronic products in accordance with the terms of the Framework Purchase Agreement. 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 that the Remaining Group is unable to source sufficient suppliers of such existing models of electronic products from other suppliers or manufacturers to meet the demand of its customers.

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

Parties:

(1) the Privateco; and

(2) Treasure Green Holdings Limited, a subsidiary of the Company

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 determined based on the historical prices paid for such electronic products plus adjustments due to cost increment in the range of 3% to 5% at the time of entering into the individual agreements, which shall be arm's length basis and on terms no more 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 was determined after taking into account (i) the historical cost of sales of the electronic products of the Remaining Group from the Group for year ended 31 March 2013; and (ii) a buffer of approximately 10% to cater for fluctuation of transaction amounts and/or prices of individual years.

Given the material interests of Mr. Lau Sak Hong, Philip in the Framework Purchase Agreement and his family relationship with Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol, each of Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol were required to abstain and had abstained from voting at the Board meeting approving the Framework Purchase Agreement and the transactions contemplated thereunder.

The Framework Purchase Agreement will be conditional upon, among others, the completion of the Distribution In Specie. Moreover, 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.

A detailed analysis of the Framework Purchase Agreement is set out in the paragraph headed "8. Special Deal/Continuing Connected Transaction" below.

B. The Listco Offers and the Privateco Offer

(i) The Listco Offers

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 53.5% of the issued share capital of the Company as at the Latest Practicable Date 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 Share Options by the Optionholders before the Sale and Purchase Completion. 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. The Share Offer Price will be HK$0.1720 per Offer Share, which is equal to the price per Sale Share under the Sale and Purchase Agreement.

As set out in Appendix I to the Circular, on the basis of the Share Offer Price of HK$0.1720 per Offer Share and 1,997,830,751 Shares in issue as at the date of the Joint Announcement, the entire issued share capital of the Company is valued at approximately HK$343.6 million. 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 of HK$0.172.

The Share Offer and 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 Share Offer and the Option Offer may or may not proceed. The Shareholders, the Optionholders and potential investors are therefore urged to exercise caution when dealing in the Shares.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Listco Offers and the directors of the Offeror will be responsible to take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible after the close of the Listco Offers.

Following the Sale and Purchase Completion and completion of the Distribution In Specie, the Listco Offer Document (accompanying with the form of acceptance) in relation to the Listco Offers setting out the detailed analysis on the Listco Offers will be sent to the Shareholders and the Optionholders accordingly.

For details of the terms and conditions of the Listco Offers, please refer to Appendix I to the Circular.

(ii) The Privateco Offer

As set out in Appendix I to the Circular, the Privateco is a direct wholly-owned subsidiary of the Company as at the date of date of the Joint Announcement. As at the date of the Joint Announcement, Fairy King Prawn and parties acting in concert with it will own, control or have directions over (i) 1,265,785,709 New Privateco Shares, representing approximately 63.1% of the issued share capital of the Privateco based on their shareholding in the Company; 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 the New Privateco Shares may therefore find it difficult to liquidate their holdings in the 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 the New Privateco Shares by making the Privateco Offer on a voluntary basis pursuant to the Takeovers Code.

As at the date of the Joint Announcement, the Privateco has no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of the 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 an unconditional voluntary cash offer to the holders of the 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 basis of HK$0.061 in cash for each Privateco Share.

The Privateco Offer Price of HK$0.061 per Privateco Share 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) the 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.

As set out in Appendix I to the Circular, immediately before completion of the Distribution In Specie, it is expected that the number of the New Privateco Shares in issue will be 2,002,830,751 as at the date of the Joint Announcement. If all the Included Share Options are exercised in full before the Record Date, the total number of the 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 the 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.

As at the date of the 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. The 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 the New Privateco Shares and free from all third party rights.

Following the Sale and Purchase Completion and completion of the Distribution In Specie, the Privateco Offer Document (accompanying with the form of acceptance) in relation to the Privateco Offer setting out the detailed analysis on the Privateco Offer will be sent to the Privateco Shareholders accordingly.

For details of the terms and conditions of the Privateco Offer, please refer to Appendix I to the Circular.

For details of the combined consideration under the Share Offers and the Privateco Offer, please refer to the paragraph headed "Comparison of the combined offer price with market prices of the Shares and net asset value per Share" in Appendix I to the Circular.

2. Reasons for the CB Subscription, the Share Premium Reduction and the Distribution In Specie

A. Reasons for the CB Subscription

(i) Benefits and uses of net proceeds from the CB Subscription

As stated in the Board Letter, 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 existing 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 which the Group may identify from time to time.

Based on the unaudited pro forma financial information of the Remaining Group stated in Appendix V to the Circular, the bank balances and cash of the Remaining Group as at 30 November 2013 is amounted to approximately HK$24.5 million (prior to the adjustments on the issue of the Convertible Bonds, the amount paid to the Administrator Vehicle for the purpose of the implementing the Creditors' Scheme and the estimated restructuring costs for the Remaining Group), of which the majority of such bank balances and cash were held by certain non-wholly owned subsidiaries of the Remaining Group. We have been advised by the Directors that, following the Distributed Subsidiaries will no longer form part of the Remaining Group upon completion of the Distribution In Specie, there is a possibility that a substantial portion of the currently available banking facilities of the Remaining Group be withdrawn in case of the absence of such collaterals secured by the certain Distributed Subsidiaries, and it could eventually worsen the working capital position of the Remaining Group to maintain sufficient internal resources for its daily operation and future business development. The Company also advised that new or additional loans at favorable terms from banks or financial institutions are not readily available due to the current circumstances of the Group and pledges of fixed assets or properties or guarantees may also be required for loans offered by banks or financial institutions, whilst, the Remaining Group fails to provide such collaterals for applying or renewing bank loans. In addition, the net proceeds from the issue of the Convertible Bonds will be mainly applied for general working capital purposes and facilitating the Remaining Group to implement new investment opportunities immediately without interfere its smooth operation immediately upon completion of the Group Restructuring and the Distribution In Specie. As such, the Company believes that it is prudent entering into the CB Subscription Agreement with a three-year maturity period so as to provide immediate readily funding for its working capital purposes and funding for its long-term investments when opportunities arise.

As set out in the Board Letter, the Company considers that a small portion of the net proceeds from the CB Subscription 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 an opportunity to formulate new investments which the Group may from time to time identify and for general working capital purposes. The Directors further confirm that the net proceeds from the CB Subscription will not be applied as repayment of indebtedness of the Company to the creditors who are also Shareholders as at the Latest Practicable Date. Although no potential investment or specific needs were identified as at the Latest Practicable Date, 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 net proceeds (after deducting the estimated expenses) from the issue of the Convertible Bonds is expected to be approximately HK$74.8 million assuming the Convertible Bonds is subscribed in full, which provides immediate funding without immediate dilution of the shareholding of the existing Shareholders. If conversion rights attached to the Convertible Bonds are exercised, it will be thereby strengthening the financial position of the Group and enlarging the capital base of the Company.

(ii) Other financing alternatives

Based on our discussions with the Directors and in view of the Group Restructuring and Distribution In Specie, we understood from the Company that, apart from the CB Subscription, the Directors have also considered alternative fund raising approaches to enhance its working capital, including the possibility of the debt financing and the equity financing.

Having considered the current size and conditions (particularly the Group will undergo the proposed Group Restructuring, the Distribution In Specie and the Disposal) of the Company, the prevailing loss making position of the Group for the last five financial years, the existing banking facilities of the Group and prevailing market conditions, we were advised by the Company that (i) the debt financing would incur higher interest expenses than the CB Subscription in light of the interest rate of the Convertible Bonds is relatively close to the low end of the existing banking facilities (as discussed below in the paragraph headed "B. Interest rate" of "4. Analysis on the CB Subscription Agreement"), the financing at favourable terms are not readily available in the absence of any collaterals, and the timing of such financing may not be prompt enough; and (ii) the equity financing would take considerable time and inevitably cause massive dilution to the shareholdings of other existing Shareholders immediately, involve a higher cost in terms of the underwriting commission expenses and lead to a deep discount to the issue price to be offered to potential underwriters to increase the attractiveness would be undesirable, while the Company has not identified any suitable prospective investors as at the Latest Practicable Date.

As such, we concur with the Directors that (a) such forms of financing would not be executable on terms that would be more favourable and attractive for the Company and the Independent Shareholders than those to be achieved by re-financing via issuing the Convertible Bonds; and (b) the CB Subscription will provide an opportunity for the Company to further enlarge and strengthen its capital base and will not create any financial burden on the Company if the Convertible Bonds are converted in full. Accordingly, the Company considered that the CB Subscription is the most appropriate means currently available to the Group so as to enhance the working capital at relatively low cost of the Group immediately.

Taking into consideration that (a) the uncertainty of the existing banking facilities and other circumstances as stated above; (b) the CB Subscription can equip the financial flexibility of the Group with readily available funds for its working capital purpose and procure long-term investments upon opportunities arises and is the most appropriate fund raising approach currently available to the Group due to the reasons as set forth under in the paragraph headed "Other financing alternatives" above; (c) the Convertible Bonds have a term of three years and will not lead to an immediate dilution effect to the existing shareholdings of the Independent Shareholders; and (d) the proposed use of the net proceeds for the CB Subscription as set forth in the paragraph headed "Benefits and uses of net proceeds from the CB Subscription" above, we concur with the Directors that the reasons for the CB Subscription are justifiable and the entering into of the CB Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

B. Reasons for the Share Premium Reduction and the Distribution In Specie

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, which 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 carried on by the Privateco Group. 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, the Purchaser will become a controlling Shareholder and is obliged thereunder to make the Listco Offers, which is an unconditional mandatory cash offer, at the Share Offer Price for all the issued Shares and at the Option Offer Prices for all outstanding Share Options respectively other than those owned by the Purchaser and the parties acting in concert with it.

Pursuant to the Sale and Purchase Agreement, the Sale and Purchase Completion is conditional upon, among other things, the listing status of the Shares, the approval at the SGM of relevant resolutions on the Share Premium Reduction, the Distribution in Specie, the Creditors' Scheme and the CB Subscription, the warranties given by the Vendors, the fulfilment of the conditions for the Distribution In Specie and the other conditions set out under the sub-section headed "Conditions precedent" under the section headed "B. Sale and Purchase Agreement" in the Board Letter.

The Group Restructuring and the Share Premium Reduction are conditions for achieving the Distribution In Specie, which lead to the Privateco Offer. In order to reorganize 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 the past share price performance of the Shares set out in the Circular, the Board 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 and the completion of the Distribution In Specie at a discount of approximately 10.40% to the closing price of the Shares of HK$0.260 prior to the issue of the Joint Announcement. As such, the Board, 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 resolutions for the Share Premium Reduction and the Distribution In Specie at the SGM.

For those Shareholders who wish to retain their investments in the Distributed Businesses after the Sale and Purchase Completion and the Distribution In Specie, they can choose not to accept the Privateco Offer and continue to hold New Privateco Shares. They should, however, be aware that (a) 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; and (b) New Privateco Shares may be subject to the compulsory acquisition provision to section 176 of the BVI Business Companies Act (as may be amended from time to time) and the relevant provisions of the Takeovers Code if sufficient New Privateco Shares are acquired by Fairy King Prawn under the Privateco Offer. Details of the possible compulsory acquisition right are set out in sub-section headed "Compulsory acquisition right" under section headed "Possible unconditional voluntary cash offer for New Privateco Shares" in Appendix I to the Circular.

In light of the above and having considered the fact that the Sale and Purchase Completion and the completion of the Distribution In Specie will provide an opportunity to the Shareholders to realize all or part of their investments through the Listco Offers and the Privateco Offer, we consider that the Share Premium Reduction and Distribution In Specie are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. Information on the Remaining Group and the Privateco Group

The Group is principally engaged in manufacturing and sale of electronic products (representing karaoke sets, television sets, video products and audio products) as well as property investment. Its major market is North America while its manufacturing function is located in the PRC.

The Group will be split into the Remaining Group, the Privateco Group and the Scheme Subsidiaries upon completion of the Group Restructuring. 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. The Scheme Businesses 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.

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. 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 U.S..

Upon completion of the Group Restructuring, the Distribution In Specie and the Disposal, the Remaining Group will solely comprise the Remaining Business and will principally consist of sale of electronic products, such as karaoke, audio, video, musical instrument and clocks and other electronic products acquired from the Scheme Subsidiaries, the Privateco Group or third party suppliers to external customers in the U.S. and Canada, focusing on sale of karaoke products, and sale of television sets to external customers in Canada.

Further details is set out in the Board Letter of the sub-section headed "Information on the Distributed Businesses, the Remaining Business and the Scheme Businesses" under section headed "F. Distribution In Specie of the New Privateco Shares" in the Board Letter.

A. Financial performance of the Group

Tabularized below is a summary of the financial information of the Group for the three years ended 31 March 2013, 2012 and 2011, and the six months ended 30 September 2012 and 2013:

Table I – Selected financial information of the Group for the three years ended 31 March 2013, 2012 and 2011, and the six months ended 30 September 2013 and 2012

	For the six months ended 30 September		For the year ended 31 March		
	2013	**2012**	**2013**	**2012**	**2011**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Turnover	160.7	269.2	515.4	631.8	637.6
Gross profit/(loss)	(1.8)	36.1	50.2	60.5	104.9
Loss for the period/year attributable to the Shareholders	(50.1)	(35.5)	(69.8)	(194.9)	(41.2)

	As at 30 September		As at 31 March		
	2013	**2012**	**2013**	**2012**	**2011**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Bank balances and cash	15.8	41.3	35.8	91.0	69.2
Borrowings	142.3	151.7	91.1	199.4	253.3
Net assets attributable to the Shareholders	421.2	487.1	472.9	517.5	674.7

Source: Annual reports of the Company for the three years ended 31 March 2013, 2012 and 2011, interim reports of the Company for the six months ended 30 September 2013 and 2012.

As depicted by the above table, for the six months ended 30 September 2013, the turnover of the Group decreased from approximately HK$269.2 million in the corresponding period of year 2012 to approximately HK$160.7 million, representing a substantial decline of approximately 40.3%. Such drop in turnover was mainly due to the consecutive declining demand and intense competition of TV market in North America. Consequently, the Group reported an increasing loss attributable to the Shareholders of approximately HK$50.1 million as compared to approximately HK$35.5 million in prior period.

The Group recorded a turnover of approximately HK$515.4 million for the year ended 31 March 2013, representing a drop of approximately 18.4% as compared to the prior financial year from approximately HK$631.8 million. The drop in sales was due to the withdrawal of digital imaging business line, strong competition and dwindling demand of TV market in North America brought by reduction in the selling price and orders of TV or DVD. Loss attributable to the Shareholders was improved from a loss of approximately HK$194.9 million in prior year to a loss of approximately HK$69.8 million for the financial year ended 31 March 2013. As advised by the management of the Company, such improvement was mainly due to (a) the decrease in distribution costs of approximately HK$73.1 million and administrative expenses of approximately HK$15.9 million as a result of the implementation of cost saving measures; and (b) the decrease of other losses of approximately HK$31.8 million in respect of allowance of doubtful debts, impairment loss in available-for-sale investments, goodwill and other receivables.

As for the assets and liabilities position of the Group, the net assets attributable to the Shareholders as at 30 September 2013 was approximately HK$421.2 million, representing a continuous drop of approximately 10.9% as compared with as at 31 March 2013, with (a) its bank balances and cash reduced from approximately HK$35.8 million as at 31 March 2013 to approximately HK$15.8 million as at 30 September 2013; and (b) its borrowings increased substantially from approximately HK$91.1 million to approximately HK$142.3 million between the same said dates under review.

For the year ended 31 March 2012, the turnover of the Group decreased slightly from approximately HK$637.6 million in prior year to approximately HK$631.8 million, representing a mild drop of approximately 0.9% was mainly due to the reduction of the selling price of digital imaging products. The Group recorded a loss attributable to the Shareholders of approximately HK$194.9 million for the year ended 31 March 2012, representing a substantial increase of loss approximately HK$153.7 million as compared with a loss of approximately HK$41.2 million in prior year. As advised by the management of the Company, such decrease in financial results was mainly attributable to the increase of cost of sales of approximately HK$38.6 million and increase in impairment of assets in other receivables, available-for-sale investments, property, plant and equipment and goodwill of approximately HK$54.4 million. The net assets attributable to the Shareholders as at 31 March 2012 was approximately HK$517.5 million, representing a decrease of approximately 23.3% as compared with to approximately HK$674.7 million as at 31 March 2011.

B. Prospects of the Remaining Group

As set out in the Board Letter, the Offeror is an investment holding company and its ultimate holding company is principally engaged in property development, property leasing, sales of construction materials, outdoor and shop advertising and vehicle storage in the PRC. As stated in the paragraph headed "Future intentions of the Offeror in relation to the Company" set out in Appendix I to the Circular, the Offeror intends to continue the Remaining Business of the Group and will conduct a review on the financial position and 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 the Board composition 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. The Offeror intends to maintain the listing status of the Company which comprises only the Remaining Group on the Stock Exchange after the closing of the Listco Offers.

C. Prospects of the Privateco Group/SIH Group

Tabularized below is a summary of the financial information of the SIH Group for the three years ended 31 March 2013, 2012 and 2011, and the eight months ended 30 November 2013 and 2012:

Table II – Selected financial information of the SIH Group for the three years ended 31 March 2013, 2012 and 2011, and the eight months ended 30 November 2013 and 2012

	For the eight months ended 30 November		For the year ended 31 March		
	2013	2012	2013	2012	2011
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Turnover	318.0	477.1	515.4	631.8	637.6
Gross profit/loss	(38.3)	49.1	50.2	60.5	104.9
Loss for the period/year attributable to owners of the Privateco	(169.8)	(58.7)	(60.9)	(195.9)	(41.2)

Source: Accountants' reports of the SIH Group for the three years ended 31 March 2013, 2012 and 2011 as set out in Appendix IIIA to the Circular, and the review report of the SIH Group for the eight months ended 30 November 2013 and 2012 as set out in Appendix IIIB to the Circular.

As depicted by the above table, the SIH Group recorded a gross loss of approximately HK$38.3 million for the eight months ended 30 November 2013. As advised by the Directors, such gross loss was primarily as a result of a substantial decrease in sales and rises of allowance for inventories compared to corresponding period of 2012. The said increasing gross loss and the decrease in fair value of investment properties resulted in an increasing loss attributable to owners of the Privateco of approximately HK$169.8 million as compared to approximately HK$58.7 million in prior period. For details of the financial performance analysis for the three years ended 31 March 2013, 2012 and 2011, please refer to paragraph headed aforesaid in "A. Financial performance of the Group" of this section.

It is noted that the Accountants' Report of the Scheme Subsidiaries (as part of the SIH Group prior to the completion of the Group Restructuring) for the three years ended 31 March 2013 and the review report of the Scheme Subsidiaries for the eight months ended 30 November 2013 (collectively, the "**Financial Information**") has been prepared on a going concern basis as the director of Dual Success Holdings Limited believes that the ultimate holding company and fellow subsidiaries of the Scheme Subsidiaries (prior to the completion of the Group Restructuring) and the Administrators Vehicle (upon completion of the Group Restructuring) will not demand repayments from the Scheme Subsidiaries in respect of the amounts due to the ultimate holding company and fellow subsidiaries amounting to HK$420,209,000 and HK$92,050,000, respectively, as at 30 November 2013 and the amount at the date of completion of the Group Restructuring until the Scheme Subsidiaries are in a position to do so. However, in the absence of written confirmations provided by the ultimate holding company and fellow subsidiaries of the Scheme Subsidiaries and the Administrators Vehicle, Deloitte Touche Tohmatsu, the Company's reporting accountant, was unable to evaluate the appropriateness of the assumption that the ultimate holding company and fellow subsidiaries of the Scheme Subsidiaries and the Administrators Vehicle would not demand for repayment of these amounts. In view of the aforesaid, Deloitte Touche Tohmatsu does not express a conclusion as to whether the Financial Information of the Scheme Subsidiaries for the three years ended 31 March 2011, 2012 and 2013 and the eight months ended 30 November 2013 is prepared, in all material respects, in accordance with the basis of preparation set out in Financial Information. For details, please refer to the paragraph headed "Basis for disclaimer of conclusion" in Appendix IVB to the Circular.

As stated in the paragraph headed "Background of Fairy King Prawn and its intentions regarding Privateco" in Appendix I to the Circular, Fairy King Prawn will not make changes to the Privateco Group's 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. 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.

4. Analysis on the CB Subscription Agreement

The following analysis has been conducted to assess the fairness and reasonableness of the terms of the CB Subscription Agreement, which include reviews on the historical prices, trading liquidity of the Shares and the comparison with other issue of convertible bonds/notes exercises:

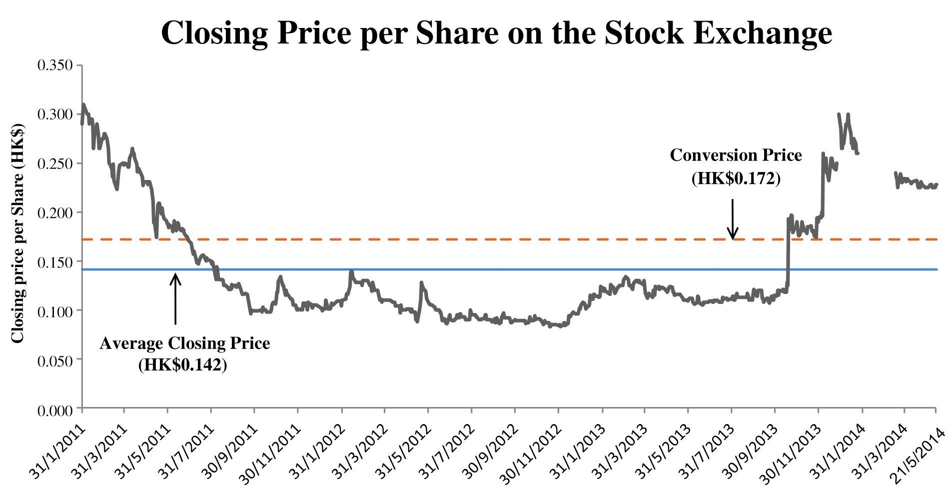
A. Initial Conversion Price

As stated in the Board Letter, the initial Conversion 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 Offeror and the Company with reference to the performance of the Remaining Group, the impact of the deconsolidation of the Scheme Subsidiaries from the Group as a result of the Disposal, the impact of the deconsolidation of the Privateco Group from the 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.

(i) Historical share performance of the Company

Set out below are charts showing the daily closing prices and daily trading volume of the Shares as quoted on the Stock Exchange for the period from 31 January 2011 (being the first trading day of the three years ending on the Last Trading Day) and up to and including the Latest Practicable Date (the "**Review Period**").

Chart I – Closing price per Share on the Stock Exchange



Source: The website of the Stock Exchange (www.hkex.com.hk) and Bloomberg (www.bloomberg.com)

Note: Trading in the Shares was suspended on 2 January 2014 and from 4 February 2014 to 21 March 2014, pending the release of the MOU Announcement and the release of the Joint Announcement, respectively.

Having considered that (i) the initial Conversion Price is the same as the purchase price per Sale Share as well as the Share Offer Price; and (ii) the aggregate price of the Listco Offers and the Privateco Offer was determined with reference to the average closing prices of the Shares throughout the past three years as stated in the Board Letter, we consider that such three-year period would be a long enough period to smooth out the effects of any short-term fluctuations in the stock market for our analysis on the initial Conversion Price.

During the Review Period, the lowest closing price was HK$0.083 per Share on 21, 22 November 2012 and 6 December 2012 and the highest closing price was HK$0.310 per Share on 2 February 2011, with the average of the closing price of the Shares during the Review Period of approximately HK$0.142 per Share (the "**Average Closing Price**"). The Conversion Price represents a premium of approximately 107.2% over the said lowest closing price per Share, and a discount of approximately 44.5% to the said highest closing price per Share during the Review Period, whilst the Conversion Price also represents a premium of approximately 21.1% over the Average Closing Price during the Review Period. Based on the graph above, it can be noted that the closing price of the Shares (i) was peaked at HK$0.310 on 2 February 2011 and then fell further in the following eight months to HK$0.096 per Share on 26 September 2011; (ii) hovered between HK$0.100 per Share and HK$0.150 per Share in the following two years from September 2011 to September 2013; and (iii) resumed a substantial uptrend since end of October 2013 and peaked during the early January 2014 following the release of the MOU Announcement. After the release of the Joint Announcement and up to the Latest Practicable Date, the lowest and the highest of the closing price of the Shares were HK$0.225 per Share and HK$0.240 per Share respectively, with the average closing price of the Shares of approximately HK$0.230 per Share. In addition, the Shares closed at the Conversion Price of HK$0.172 or higher in 206 days out of 776 days during the Review Period. We also note that for the past 12-month period up to and including the Last Trading Day (i.e. during the period from 31 January 2013 to 30 January 2014) (the "**12-month Review Period**"), the Shares closed at the Conversion Price of HK$0.172 or higher in 67 days out of the 243 days during the 12-month Review Period. Accordingly, for most parts of the Review period and the 12-month Review Period, the prices of Shares hovered below the Conversion Price.

The Conversion Price of HK$0.172 per Share pursuant to the CB Subscription Agreement represents:

a. a discount of approximately 24.6% to the closing price of HK$0.228 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

b. 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;

c. 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 full trading day for the Shares immediately preceding the Last Trading Day;

d. a discount of approximately 35.1%, 36.3%, 35.3% and 12.2% to the average of the closing price per Share of HK$0.265, HK$0.270, HK$0.266 and HK$0.196 for the last 5, 10, 30 and 90 consecutive full trading days up to and including the Last Trading Day;

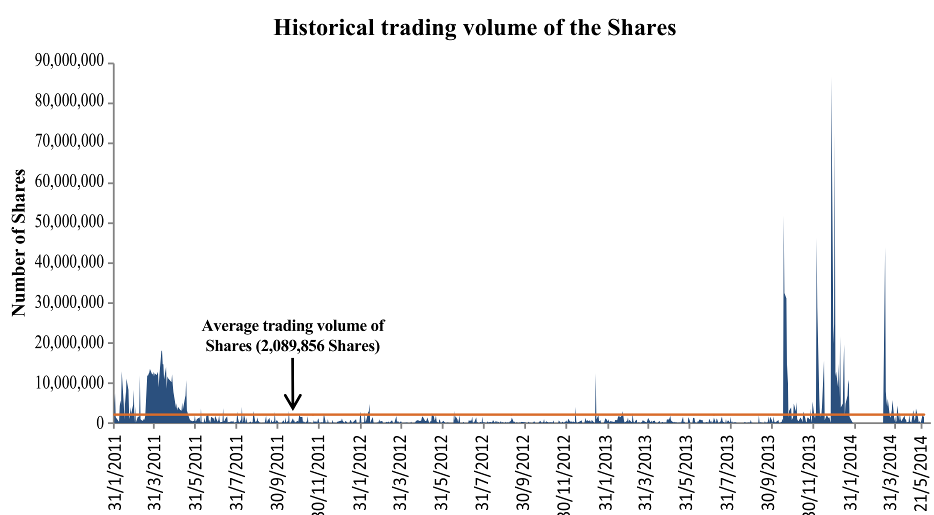
e. a premium of approximately 17.8% over the average closing prices of the Shares as quoted on the Stock Exchange for the 12-month Review Period of HK$0.146 per Share;

f. a discount of approximately 33.5% to the unaudited consolidated net assets attributable to the Shareholders per Share of approximately HK$0.2587 per Share as at 30 September 2013; and

g. a discount of approximately 6.3% to the unaudited consolidated net assets attributable to the Shareholders as at 30 November 2013 of approximately HK$0.1836 per Share based on the unaudited pro forma financial information of the Remaining Group set out in Appendix V to the Circular.

While the Conversion Price is low relative to recently traded price of the Shares, it should be noted that the Shares were mostly trading below the Conversion Price during the Review Period. Notwithstanding that the Conversion Price represent discounts to the closing prices as at the relevant periods as referred (a), (b), (c) and (d) above, it should be noted that such comparison to Share price may not be indicative since (i) the surge in Share price in the month of January and March 2014 is likely to be driven by the market speculations resulted from the release of the MOU Announcement and Joint Announcement; and (ii) the closing prices of the Shares have been mostly trading below the Conversion Price during the Review Period and the 12-month Review Period.

Chart II – Historical trading volume of Shares



Source: *The website of the Stock Exchange (www.hkex.com.hk) and Bloomberg (www.bloomberg.com)*

Note: *Trading in the Shares was suspended on 2 January 2014 and from 4 February 2014 to 21 March 2014, pending the release of the MOU Announcement and the release of the Joint Announcement, respectively.*

As illustrated in the chart above, the trading volume of the Shares was relatively thin during the Review Period, with average daily trading volume of the Shares of approximately 2,089,856 Shares, representing approximately 0.1% of the average number of issued Shares during the Review Period. We also note that the average daily trading volume of approximately 3,095,275 Shares during the 12-month Review Period represents approximately 0.2% of the average number of issued Shares during the 12-month Review Period.

(ii) Comparable analysis

In order to assess the fairness and reasonableness of the terms of the CB Subscription Agreement, we have reviewed relevant comparable transactions which are selected based on the following criteria: (i) issue of convertible bonds/notes exercises (excluding the issues to counterparty for the settlement of transaction considerations); (ii) no application will be made for the listing of the convertible bonds/notes on any stock exchange as no application will be made for a listing of the Convertible Bonds on the Stock Exchange; (iii) companies listed on the Main Board of the Stock Exchange; and (iv) being announced in the past six months immediately preceding the date of the Joint Announcement dated 21 March 2014 under similar market sentiment (the "**Comparable Subscription**"). We have, to our best effort, identified and made references to, so far as we are aware, 25 Comparable Subscription which are exhaustive and the convertible bonds/notes of which were either issued to independent third parties or connected parties, of which we consider appropriate in our analysis since their respective terms of issue is determined after arm's length negotiation between the relevant parties and we are of the view that each of them represents a fair and representative sample. The Independent Shareholders should note that the Comparable Subscription is not identical to the Company in terms of principal business, operations and financial position, and that the dilution impact of the Comparable Subscription is not identical to that of the Convertible Bonds. We have considered limiting the sample of the comparable companies for our analysis on the terms on the CB to companies that are engaged in similar business as the Group. However, having considered that (i) the determination of the conversion price and the interest rate of the convertible bonds/notes are generally affected by the market sentiment as well as the overall stock market environment and with reference to a discount or premium to recent prevailing market price of the shares; (ii) the magnitude of the discount or premium do not appear to have a strong correlation with the industry sector and there is no established norm for a particular industry sector, instead the magnitude of the discount or premium appear to be determined with reference to various factors, including arm's length negotiations between the relevant parties, the financial performance and prospects of the companies, we are of the view that limiting the sample of comparable using this approach would not be meaningful within the scope of our analysis. On the other hand, as the capital market is ever changing, we consider that the Comparable Subscription (which are selected for the past six months immediately preceding the date of the Joint Announcement dated 21 March 2014) represent the recent cases which are reflective to the prevailing market conditions and sentiments at the time of proposing the terms of the Convertible Bonds and thus shall serve as relevant and appropriate reference for the common market practice in recent issuance of convertible bonds/notes by the companies listed on the Main Board of the Stock Exchange, we are of the view that the Comparable Subscription are collectively a fair and representative sample in this regard. Details of our analysis on the Comparable Subscription are set out in the following table:

Table III – Comparable analysis with other issue of convertible bonds/notes exercises for the past six months

Company (Stock code)	Announcement date	Currency denominated in	Principal amount (in million)	Interest rate per annum (%)	Maturity (years)	Premium/ (discount) of conversion price to the closing price on the respective last trading day	Premium/ (discount) of conversion price to the closing price on the respective last 5 trading days	Whether convertible bonds/notes were issued to connected person(s)
Sinopoly Battery Limited (729.HK)	20/3/2014	HKD	400	8.0%	3.0	7.1%	4.2%	No
China Huiyuan Juice Group Limited (1886.HK)	20/3/2014	USD	150	4.0%	5.0	14.4%	29.2%	No
SMI Coporation Holdings Ltd.(198.HK)	14/3/2014	HKD	78	8.0%	5.0	(1.7%)	(3.7%)	No
Prosperity International Holdings Ltd. ("**PIH**") (803.HK)	14/3/2014	USD	50	8.3%	2.4	70.00% *(Note 1)*	67.00% *(Note 1)*	No
China Rongsheng Heavy Industries Group Holdings Ltd (1101.HK)	24/2/2014	HKD	1,000	7.0%	2.5	(25.5%)	(28.6%)	No
Hong Kong Resources Holdings Co. Ltd. (2882.HK)	28/1/2014	HKD	57	3.0%	5.0	(50.0%)	(50.7%)	No
Beijing Properties (Holdings) Ltd. (925.HK)	26/1/2014	RMB	491	4.0%	5.0	13.9%	21.3%	No
Cypress Jade Agricultural Holdings Ltd. (875.HK)	22/1/2014	HKD	30	1.0%	6.0	(33.3%)	(34.0%)	Yes
Ping Shan Tea Group Ltd. ("**PSTG**") (364.HK)	21/1/2014	HKD	253	4.0%	3.0	Not provided *(Note 2)*	Not provided *(Note 2)*	No
Zhongsheng Group Holdings Ltd. (881.HK)	19/1/2014	HKD	3,092	2.9%	3.0	12.5%	11.6%	No
Easyknit Enterprises Holdings Ltd. (616.HK)	16/1/2014	HKD	100	2.0%	5.0	15.3%	18.5%	Yes
Green International Holdings Ltd. (2700.HK)	14/01/2014	HKD	80	5.0%	3.0	(9.1%)	(6.7%)	No
China Properties Investment Holdings Ltd. (736.HK)	02/01/2014	HKD	180	1.0%	2.0	(31.8%)	(43.2%)	No
LT Holdings Ltd. ("**LTH**") (112.HK) *(Note 3)*	24/12/2013	HKD	550	three month HIBOR plus 12%	3.0	(3.6%)	(1.5%)	No
China Rongsheng Heavy Industries Group Holdings Ltd. (1101.HK)	23/12/2013	HKD	1,000	7.0%	2.5	(15.3%)	(11.0%)	No
China Ruifeng Renewable Energy Holdings Ltd. (527.HK)	12/12/2013	HKD	30	0.0%	1.0	(5.1%)	(6.1%)	No
China ITS (Holdings) Co., Ltd. ("**ITS**") (1900.HK)	06/12/2013	HKD	200	6.0%	1.5	(0.5%)	Not provided *(Note 4)*	No
Shunfeng Photovoltaic International Ltd. ("**SPIL**") (1165.HK)	29/11/2013	HKD	3,580	0.0%	10.0	(43.2%)	(42.3%)	*(Note 5)*
Wuling Motors Holdings Ltd. (305.HK)	27/11/2013	HKD	200	4.3%	3.0	1.8%	2.5%	Yes
Yingde Gases Group Co. Ltd. (2168.HK)	24/11/2013	USD	25	8.0%	2.0	10.4%	10.1%	No
Birmingham International Holdings Ltd. ("**BIH**") (2309.HK)	12/11/2013	HKD	175	0.0%	2.0	(80.5%) *(Note 1)*	(80.7%) *(Note 1)*	No
Synertone Communication Corporation (1613.HK)	10/11/2013	HKD	500	5.0%	5.0	(12.7%)	(13.4%)	No
Louis XIII Holdings Ltd. (577.HK)	08/11/2013	HKD	300	0.0%	11.0	(15.2%)	(12.9%)	No
Xiangyu Dredging Holdings Ltd ("**XDH**"). (871.HK)	28/10/2013	HKD	243	3.0%	3.0	39.2%	Not provided *(Note 6)*	No
Fornton Group Ltd. (1152.HK)	22/10/2013	HKD	900	5.0%	3.0	(24.8%)	(27.0%)	No
			Mean =	4.0%	3.9	(7.1%)	(9.2%)	
			Minimum =	0.0%	1.0	(50.0%)	(50.7%)	
			Maximum =	8.3%	11.0	39.2%	29.2%	
The Company			**75**	**3.0%**	**3.0**	**(33.8%)**	**(35.1%)**	**Yes**

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Given the premium/discount rate of conversion price to the closing price of the PIH and the BIH were numerically distant from the rest of the other Comparable Subscription and such high premium/discount rate has recorded a low probability of occurrence for the past six months which may distort the mean, we considered they were exceptional outliers and therefore excluded them from the calculation of mean, minimum and maximum for the premium/discount of conversion price to the closing price on the relevant last trading day(s), so as to generate a more representative analysis on the range of the premium/discount rate.

2. As noted from the announcement of PSTG, the initial conversion price is only compare with the order book volume weighted average price on specific trading day. Hence, there are no comparison with the closing price of last trading day and the average closing price of the last five trading days and is therefore excluded from the calculation above.

3. Given that the interest rate of the convertible notes issued by LTH is variable, which is different from other Comparable Subscription and is therefore excluded from the calculation of mean, maximum and minimum of the interest rates above.

4. As noted from the announcement of ITS, there was no comparison of the conversion price of the convertible bonds with the average closing price of the last five trading days and is therefore excluded from the calculation above.

5. As noted from the announcement of SPIL, the principal amount of convertible notes is amounted to HK$3,580 million, which was subscribed by independent third parties of HK$1,432 million and connected person of HK$2,148 million, respectively.

6. As noted from the announcement of XDH, there was no comparison of the conversion price of the convertible bonds with the average closing price of the last five trading days and is therefore excluded from the calculation above.

We have checked into the announcements of the above listed companies subsequent to proposed issuance of bonds/notes and observed that, as at the Latest Practicable Date, the proposed issuance of bonds/notes are either issued on the closing date or within the relevant placing period or the relevant agreement(s) of the proposed issuance has not been lapsed. Therefore, we consider that the above Comparable Subscription adopted in our analysis are valid comparison.

(iii) Analysis of the initial Conversion price

Compared to the premium or discount on the conversion prices of the Comparable Subscription as illustrated above in Table III, the range of the Comparable Subscription is from a discount of approximately 50.0% to a premium of approximately 39.2% to/over the respective closing prices of their shares on the relevant last trading day(s) and a discount of approximately 50.7% to a premium of approximately 29.2% to/over the respective average closing prices of their shares for the last five trading days. Despite the discount on the Conversion Price to the closing price of the Shares on the Last Trading Day and the last five trading days of approximately 33.8% and 35.1% is higher than the mean of the discount of approximately 7.1% and 9.2% to the conversion prices on the relevant last trading day(s) of the Comparable Subscription, the discount on the Conversion Price of the Company lies within the said range of the Comparable Subscription and is not uncommon that the conversion price of the convertible bonds to be issued at a discount to the closing price of the shares on the relevant last trading day(s).

Although we noted that the Conversion Price of HK$0.172 per Share represents a discount of approximately 33.5% and 6.3% to the unaudited consolidated net assets attributable to the Shareholders of approximately HK$0.2587 and HK$0.1836 per Share as at 30 September 2013 and as at 30 November 2013 based on the unaudited pro forma financial information of the Remaining Group set out in Appendix V to the Circular respectively, based on the totality of all the factors and analysis mentioned above and having considered, in particular that, (i) the Shares have been trading below the Conversion Price for most of the time during the Review Period and the 12-month Review Period; (ii) the prevailing losses making track record of the Group for the past five consecutive financial years ended 31 March 2013, in particular that a company's earning power is generally regarded as one of the factors affecting the share prices movement; (iii) the moderately low trading volume of the Shares during the Review Period and 12-month Review Period; (iv) the Conversion Price represents a premium over the Average Closing Price during the Review Period and the average closing price during the 12-month Review Period; (v) the Conversion Price is the same as the purchase price per Sale Share under the Sale and Purchase Agreement which was determined after arm's length negotiations between the Company and the Offeror; and (vi) the CB Subscription is the most appropriate means currently available to the Group so as to enhance the working capital at relatively low cost of the Group immediately without immediate dilution of the shareholding of the existing Shareholders as discussed in the sub-paragraph headed "A. Reasons for the CB Subscription" under the paragraph headed "2. Reasons for the CB Subscription, the Share Premium Reduction and the Distribution In Specie" above, we consider that the Conversion Price is on normal commercial terms, is fair and reasonable and is in the interest of the Company and its independent shareholders as a whole.

B. Interest rate

Based on the above findings, it was noted that the Comparable Subscription carried an interest rate ranges from 0% to 8.3% per annum. The interest rate of the Convertible Bonds of 3.0% is lower than the average interest rate of approximately 4.0%, falls within the range of the Comparable Subscription and is also near the low end of the interest rate range of the currently existing banking facilities of the Group, which ranges from 2.3% to 5.3% as advised by the Company. Due to the unsatisfactory financial performance of the Company in the last five financial years, lower interest rate debt may not be applied to the Company. Therefore, we consider that the interest rate is on normal commercial terms and is in the interest of the Company and the Shareholders as a whole.

C. Maturity

We note that the maturity of the Convertible Bonds with a term of 3 years is within the range of the Comparable Subscription, which ranges from 1 to 11 years with an average of approximately 3.9 years. We are of the view that 3 years maturity allow the Remaining Group a longer period stable financing before redeeming the Convertible Bonds and can therefore minimise the financial burden of the Company in the near period. We consider that the maturity is on normal commercial terms and is in the interest of the Company and the Shareholders as a whole.

D. Other terms of the CB Subscription Agreement

Details of dilution effect upon conversion of the Convertible Bonds are set out in the section headed "7. Dilution effect of the CB Subscription Completion and the Sale and Purchase Completion" below. Furthermore, we have also reviewed other major terms of the CB Subscription Agreement and are not aware of any terms which are unusual to normal market practice.

Based on the foregoing, having considered (i) the unsatisfactory financial performance of the Group in the last five financial years; (ii) the reasons arising from the CB Subscription as discussed above; (iii) a substantial portion of the net proceeds arising from the CB Subscription will be applied to enhance working capital immediately and facilitate the long-term investment opportunities without interfere its smooth operation immediately upon completion of the Group Restructuring and the Distribution In Specie; (iv) the premium of the Conversion Price to the Average Closing Price during the Review Period; (v) the CB Subscription is not expected to cause any immediate dilution effect to the existing shareholdings of the Independent Shareholders; and (vi) the interest rate of the CB Subscription is below the average interest rate of the Comparable Subscription and close to the lower range of the interest rate range of the Group's existing bank facilities resulting in a potential decrease in the finance cost to be borne by the Group, we consider that the key terms (including the Conversion Price, interest rate and maturity) of the CB Subscription Agreement as discussed above are determined after arms' length negotiations, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned.

5. The Liquidity

Having considered the liquidity of the Shares in the Review Period has played out similarly to the patterns as the 12-month Review Period, in respect of (i) the relatively thin trading volume of the Shares for most of the time under the Review Period as well as the 12-month Review Period; and (ii) the relatively high monthly trading volume in the month of January and March 2014 with the highest daily trading volume took place on 3 January 2014, which is more likely the result of market speculation in relation to the MOU Announcement and the Joint Announcement, we are of the view that analysis of the trading volume of the Shares during the 12-month Review Period is appropriate for our analysis on the liquidity of the Shares in this section. Hence, we have extracted the following chart on the trading volume of the Shares during the 12-month Review Period and up to and including the Latest Practicable Date:

Table IV – Historical trading volume of the Shares

Month	**Total monthly trading volume** *(in number of shares)*	**Approximate average daily trading volume** *(in number of shares)* *(Note 1)*	**Percentage of average daily trading volume to total number of issued Shares** *(Approximately %)* *(Note 2)*	**Percentage of average daily trading volume to no. of Share held by the public float** *(Approximately %)* *(Note 3)*
2013				
January (on 31 January 2013 only)	1,050,000	1,050,000	0.07%	0.12%
February	19,327,180	1,136,893	0.07%	0.13%
March	10,604,632	530,232	0.03%	0.06%
April	5,662,000	283,100	0.02%	0.03%
May	9,453,109	450,148	0.03%	0.05%
June	10,271,454	540,603	0.03%	0.06%
July	11,247,514	511,251	0.03%	0.06%
August	4,288,343	204,207	0.01%	0.02%
September	4,447,147	222,357	0.01%	0.02%
October	151,412,976	7,210,142	0.44%	0.78%
November	36,501,000	1,738,143	0.11%	0.19%
December	128,409,189	6,420,459	0.32%	0.70%
2014				
January *(Note 4)*	359,477,364	17,117,970	0.86%	1.85%
February *(Note 4)*	–	–	N/A	N/A
March *(Note 4)*	69,681,067	11,613,511	0.58%	1.26%
April	31,608,948	1,580,447	0.08%	0.17%
May (up to and including the Latest Practicable Date)	16,515,062	1,270,389	0.06%	0.14%

Source: The website of the Stock Exchange (www.hkex.com.hk) and Bloomberg (www.bloomberg.com)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.

2. Calculated based on the average of the number of issued Shares in each relevant month during the 12-month Review Period.

3. Calculated based on the average of the number of Shares held by the public in each month during the 12-month Review Period as extracted from Bloomberg. The public represents the Shareholders excluding the Directors or senior officer of the Company or any person or entity beneficially owned more than 10% of the Company's voting Shares.

4. Trading in the Shares was suspended on 2 January 2014 and from 4 February 2014 to 21 March 2014, pending the release of the MOU Announcement and the release of the Joint Announcement, respectively.

As illustrated in the table above, during the 12-month Review Period, the average daily trading volume of the Shares as a percentage of the average total issued Shares ranged from approximately 0.01% to 0.86% while the average daily trading volume of the Shares as a percentage of the average total number of the Shares held by the public float ranged from approximately 0.02% to 1.85%. It should be noted that the average daily turnover of the Shares was below 0.50% of the total number of issued Shares in each relevant month during the 12-month Review Period and below 1% of the average public float during the 12-month Review Period except for the recent increase in the daily turnover for the months of January and March 2014 following the release of the MOU Announcement and the Joint Announcement.

In view of the general low liquidity of the Shares during the 12-month Review Period (save for the recent substantial increase in trading volume of the Shares following the release of the MOU Announcement and the Joint Announcement), we are of the opinion that there may not be sufficient liquidity in the Shares for the Independent Shareholders to dispose their Shares in the open market without exerting a downward pressure on the price of the Shares. We, therefore concur with the Directors that the Listco Offers and the Privateco Offer provide an alternative exit to the Independent Shareholders to realise their investments in the Shares.

6. Possible financial effects to the Group

According to the unaudited pro forma financial information of the Remaining Group contained in Appendix V to the Circular, the financial effects of the completion of the Group Restructuring, the Share Premium Reduction, the Distribution In Specie, the CB Subscription and the Disposal to the Group, which comprise the Remaining Business only are shown as follows:

Table V – The possible financial effects to the Group

	Before completion of the Group Restructuring, the Distribution In Specie, the Disposal and the CB Subscription	**Upon completion of the Group Restructuring, the Distribution In Specie, Disposal and the CB Subscription**	**Changes in %** (approximately)
Number of Shares in issue	2,013,430,751 Shares as at the Latest Practicable Date	2,454,477,262 Shares upon the Sale and Purchase Completion, the exercise of 5,000,000 Share Options held by Mr. Lau Sek Hoi, Jacky and the full conversion of the Convertible Bonds	+21.9%
(Loss)/profit attributable to the Shareholders for the period ended 30 November 2013 (unaudited) *(Note 1)*	HK$(174.4) million	HK$390.6 million	-324.0%
Net assets attributable to the Shareholders as at 30 November 2013 (unaudited) *(Note 1)*	HK$302.6 million	HK$60.7 million	-80.0%
Current ratio as at 30 November 2013 (times)	0.82	1.33	+62.2%
Gearing ratio as at 30 November 2013 (times) *(Note 2)*	0.50	0.28	-44.0%

Notes:

1. The above unaudited figures for the period ended 30 November 2013 are extracted from Appendix V to the Circular.

2. The gearing ratio is calculated as total borrowings (excludes convertible bonds) over total equity.

(i) Earnings

Following completion of the Group Restructuring, the Distribution In Specie and the Disposal, (i) the existing subsidiaries of the Group carrying on the Distributed Businesses will cease to be the subsidiaries of the Group as they will be distributed in specie to the Shareholders and become subsidiaries of the Privateco, and (ii) the Scheme Subsidiaries will also cease to be the subsidiaries of the Group. Accordingly, their financial results will not be consolidated into Group in the future. Based on the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income of the Remaining Group set out in Appendix V to the Circular (which was prepared on the assumption that the Group Restructuring, the Distribution in Specie, the Disposal and the CB Subscription were completed on 1 April 2013), the net profit attributable to the Shareholders for the period ended 30 November 2013 recorded at approximately HK$390.6 million representing an improvement from loss of approximately HK$174.4 million as a result of the deconsolidation of the Privateco Group and the Scheme Subsidiaries. Such change in the Group's turnover and results are principally due to the exclusion of the income and expenses attributable to the Distributed Businesses and the Scheme Businesses, the elimination of inter-company transactions, the assignment of receivables, the transfer of Scheme Indebtedness and the amount payable for the purpose of implementing the Creditors' Scheme. However, the CB Subscription will bring in immediate cash proceeds which can in turn strengthen the working capital of the Group and enable it to redeploy its resources into its remaining business as well as pursuing long-term investment opportunities.

The Directors are of the view that the future profitability of the Remaining Group will depend on a number of factors including the global economy, the prospect of the electronic products industry, the future management and the performance of the Remaining Group, which is therefore not quantifiable at the stage.

(ii) Net assets

According to the unaudited pro forma condensed consolidated statement of financial position of the Remaining Group set out in Appendix V to the Circular, assuming completion of the Group Restructuring, the Distribution In Specie, the Disposal and the CB Subscription were completed on 30 November 2013, the Group's net assets attributable to the Shareholders would decrease by approximately 80.0% from approximately HK$302.6 million to approximately HK$60.7 million as a result of the exclusion of the assets and liabilities attributable to the Distributed Businesses and the Scheme Businesses, the elimination of inter-company balances, the assignment of receivables, the transfer of Scheme Indebtedness and the amount payable for the purpose of implementing the Creditors' Scheme. Such reduction in the net assets of the Remaining Group is reasonably expected given that the Distributed Businesses and the Scheme Businesses are no longer held by the Group upon completion of the Group Restructuring, the Distribution In Specie, the Share Premium Reduction, the Disposal and the CB Subscription, all Shareholders will at the same time receive New Privateco Shares following the Distribution In Specie.

From the perspective of the Shareholders, their interests in the net worth of the existing Group will be split between that of the Remaining Group and the Privateco Group upon completion of the Group Restructuring and the Distribution In Specie and the Shareholders will hold both the Shares and New Privateco Shares.

(iii) Gearing and liquidity

Based on the consolidated balance sheet of the Group as at 30 September 2013, the Group had unaudited current assets of approximately HK$350.5 million and current liabilities of approximately HK$333.9 million, representing a current ratio of approximately 1.05 times. Besides, the Group's gearing ratio as at 30 September 2013 was approximately 0.33 times.

Based on the unaudited pro forma condensed consolidated statement of financial position of the Remaining Group set out in Appendix V to the Circular, the exclusion of the assets and liabilities attributable to the Distributed Businesses and the Scheme Businesses would increase its liquidity from net current liabilities of approximately HK$61.2 million for the Group to net current asset of approximately HK$72.5 million of the Remaining Group. Hence, the current ratio and the gearing ratio of the Remaining Group are improved, representing (i) an increase of approximately 62.2% from the current ratio of approximately 0.82 times to approximately 1.33 times; and (ii) the gearing ratio fell from approximately 0.50 times to approximately 0.28 times, representing a decrease of approximately 44.0%. Accordingly, the gearing and liquidity position of the Remaining Group shall be improved and the bank borrowings shall be decreased to approximately HK$21.2 million from approximately HK$158.6 million as a result of the deconsolidation of the Privateco Group and the Scheme Subsidiaries.

As such, we consider that the implementation of the Group Restructuring, the Distribution In Specie, the Disposal and the CB Subscription will improve the financial position of the Remaining Group in this regard and the expected reduction in the Group's net assets value (given that the improvement of current ratio and gearing ratio) is acceptable so far as the Independent Shareholders are concerned.

The Director are of the opinion that taking into account the internal resources available to the Remaining Group and barring any unforeseen circumstances, the Remaining Group will have sufficient working capital for at least twelve months from the date of the Circular given that the Company will raise net proceeds of approximately HK$74.8 million from the issue of the Convertible Bonds, which will immediately improve the working capital position of the Group. In a view of the existing financial position of the Group, we consider that the Group Restructuring, the Distribution In Specie, the Creditors' Scheme, the Disposal and the CB Subscription will further improve the working capital position of the Remaining Group.

7. Dilution effect of the CB Subscription Completion and the Sale and Purchase Completion

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Sale and Purchase Completion (assuming there are no changes to the issued share capital of the Company from the Latest Practicable Date 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, all the Share Options are cancelled 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 Latest Practicable Date		(ii) Upon Sale and Purchase Completion (assuming there are no changes to the issued share capital of the Company from the Latest Practicable Date to the Sale and Purchase Completion save for the exercise of the Excluded Share Options)		(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)*	53.37	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	53.35	2,015,542,712	99.86	1,512,804,872	61.63
Public Shareholders	938,784,351	46.63	938,784,351	46.51	–	*(Note 1)*	938,784,351	38.25
Total	2,013,430,751	100.00	2,018,430,751	100.00	2,018,430,751	100.00	2,454,477,262	100.00

Notes:

1. In the event that the public float of the Company falls below 25% after 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 and the Company 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.

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.

3. As at the Latest Practicable Date, the Vendors held an aggregate of 1,074,646,400 Shares, representing approximately 53.37% 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.

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

Immediately following the Sales and Purchase Completion (save for the conversion of the Convertible Bonds and the commencement of the Listco Offers and the cancellation of the outstanding Share Options), the Offeror and parties acting in concert with it will be interested in a total of 1,076,758,361 Shares, representing approximately 53.35% of the enlarged issued share capital of the Company, while the shareholding of the Independent Shareholders will remain unchanged in a total of 938,784,351 shares.

As illustrated in the table above, the shareholding of the Independent Shareholders will be diluted from approximately 46.63% as at the Latest Practicable Date to approximately 38.25% upon the Sale and Purchase Completion, the exercise of 5,000,000 Shares Options by Mr. Lau Sek Hoi, Jacky and the full conversion of the Convertible Bonds and assuming no Independent Shareholder accepting the Listco Offers. Given that the CB Subscription is part and parcel of the Proposal, and the merits of which were described in the preceding paragraphs, we consider that such dilution is justifiable and is in the interests of the Company and the Independent Shareholders as a whole.

The making of the Listco Offers is subject to the completion of the Sale Shares which in turn is subject to a number of conditions precedent as referred to in the paragraph headed "Conditions Precedent" in the section headed "B. Sale and Purchase Agreement" in the Board Letter and therefore is a possibility only and it may or may not proceed.

8. Special Deal/Continuing Connected Transaction

A. Background of, reasons for, and benefits of the entering into of the Framework Purchase Agreement

Prior to the Group Restructuring and the Distribution In Specie, the Remaining Group has been conducting the business of trading of (i) electronic products for over 10 years in North America; (ii) karaoke products with its own brand name in North America; and (iii) electronic wall clocks and alarm clocks with its own name in Canada, which are acquired from the Scheme Subsidiaries, the Distributed Subsidiaries or third party suppliers.

Immediately following the completion of the Distribution In Specie which is subject to the Independent Shareholders' approval, the Remaining Group will carry on the sale of electronic products including karaoke, audio, video, musical instrument and clocks and other electronic products acquired from the Scheme Subsidiaries, the Privateco Group or third party suppliers to the customers in the U.S. and Canada, while the Privateco Group will carry on the property investment, sale of certain existing models of electronic products to the Remaining Group in accordance with the terms of the Framework Purchase Agreement. The Scheme Subsidiaries, which will be principally engaged in the 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, will be transferred to the Administrators Vehicle following the Creditors' Scheme becoming effective, which indicate that the continuity of its existing business activities are subject to the Administrators.

Upon completion of the Group Restructuring, the Distribution In Specie and the Disposal, the Remaining Group will mainly purchase the electronic products (other than those remaining finished goods held by the Scheme Subsidiaries) from the Privateco Group and third party suppliers. The Distributed Subsidiaries will utilise its existing supplier portfolio in assisting the Remaining Subsidiaries to obtain certain electronic products under the brand name of the Remaining Group, while the Remaining Group has currently from time to time conducted intra-group transactions in relation to the purchase of certain existing models of the electronic products from the Distributed Subsidiaries as part of the ordinary and usual course business of the Group. Pursuant to the Framework Purchase Agreement, the Privateco Group will sell and the Remaining Group will purchase certain existing models of electronic products for a term from the date of the completion of the Distribution In Specie up to and including 31 March 2015. By entering into the Framework Purchase Agreement, which is a short term transitional arrangement, it 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's customer in the near future given the Directors' anticipated declining demand for those existing electronic products as resulted from the fierce competition and the rapid development of the electronic products.

The Directors are of the view that the Framework Purchase Agreement shall also provide a stable and reliable source of finished goods to the Remaining Group to minimise any short-term interruption of its operation in any event the Remaining Group is not able to source from other suppliers immediately following the completion of the Group Restructuring, the Distribution In Specie and the Disposal. Nonetheless, the Directors expect that the Remaining Group is able to continue market product under its own brand names as well as distributing products under license agreements and continue to utilise its experience and network in trading and distribution in the North America market. The Remaining Group will also utilise its strong relationship with existing suppliers and will constantly explore other suppliers for procurement of the required electronic products at a competitive price. In addition, the Directors anticipate that the demand of the electronic products supplied to the Remaining Group through Privateco Group will decline substantially in the near future. Having regard to the Distributed Subsidiaries has been the supply arm of the Remaining Group for certain existing models of the electronic products over the years and such intra-group transactions have been regarded as part of the ordinary and usual course business of the Group, we are of the view that the transactions under the Framework Purchase Agreement will be carried out in the ordinary and usual course of business of the Remaining Group during the transitional period.

B. Key terms of the Framework Purchase Agreement

Pursuant to the Framework Purchase Agreement, the Distributed Subsidiaries conditionally agreed to sell and the Remaining Subsidiaries conditionally agreed to purchase, certain existing models of electronic products (with separate individual agreements to be entered, for each purchase of such electronic products) for the period from the date of the completion of the Distribution In Specie up to and including 31 March 2015.

(i) Price payable for the electronic products pursuant to the Framework Purchase Agreement

Pursuant to the Framework Purchase Agreement, the price shall be determined based on the historical prices paid for such electronic products plus adjustments resulted from the cost increment in the range of 3% to 5% at the time of entering into the individual agreements, which shall be on terms no more favourable to the Privateco Group than those terms to be made to independent third parties (on comparable quantity and quality), and from time to time in accordance with the terms set out in the Framework Purchase Agreement.

As advised by the Directors, the historical purchase prices of certain existing models of the electronic products was determined on an arm's length basis by reference to the prevailing market prices of similar products based on the experience of the management team and available market information as well as the price quoted by independent suppliers for the same type of electronic products, so as to ensure that the historical purchase price offered by the Privateco would not be less favourable to the Remaining Group than the price offered by the independent suppliers.

In addition, the Directors advised that the material cost and the labour cost have been the major production cost components used in the production of certain existing models of electronic products over the years, whilst the integrated circuit chips are used as one of the primary materials used for the production of these electronic products. Further, we understood from the Directors that the end products are assembled at the factories situated in the PRC and thus the labour costs in the PRC are considered to be an important factor attributable to the production costs of these electronic products.

According to IC Insights, a market research company founded in 1997 focusing on the semiconductor industry headquartered in U.S., (i) the compound annual growth rate ("**CAGR**") of the average selling price of integrated circuit chips is expected to be 1% from the year of 2011 to 2021, and (ii) the CAGR of the integrated circuit industry's production value is expected to reach 8% from the year of 2011 to 2021, higher than 5.2% recorded from the year of 1996 to 2011. According to the National Bureau of Statistic of China, the CAGR of the nationwide average per capita staff cost for the manufacturing sector from the year of 2007 to 2012 is approximately 14.5%, with the recent annual growth rate for 2011-12 being approximately 13.6% and the recent three-quarter period growth rate for September 2012-13 being approximately 11.9%. The price fluctuation in the key material and labour cost may have a certain extent of impact to the production cost for manufacturing of those certain existing models of electronic products. Having considered the anticipated increasing trend of the production cost (including the increasing labour cost and inflation pressure for the material cost) of the electronic products, we are of the view that the cost increment in the range of 3% to 5% is justifiable.

As advised by the management of the Company, the Remaining Group will from time to time review the pricing of the transactions under the Framework Purchase Agreement, and compare them with (i) the terms of agreements entered into between the Remaining Group and independent suppliers; and (ii) reference to the prevailing market prices of the electronic products to ensure that the price charged to the Remaining Group under the Framework Purchase Agreement is not more favourable to the Privateco Group than that offered by the independent suppliers.

As advised by the management of the Company, those certain existing models of electronic products to be purchased under the Framework Purchase Agreement comprise of karaoke audio system, alarm clock and CD/DVD player. Those karaoke audio system to be purchased from the Privateco Group under the Framework Purchase Agreement (i) has been launched in the year of 2013, and (ii) is expected to be accounted for approximately 80% of the total transaction amount under the Framework Purchase Agreement, that is the transaction amount between the Privateco Group will sell and the Remaining Group will purchase certain existing models of electronic products for a term from the date of the completion of the Distribution In Specie up to and including 31 March 2015. The Directors advised that, in view of (a) it has been the intra-group transactions between the Remaining Group and the Privateco

Group (i.e. the Remaining Group has been purchasing certain models of electronic products (including karaoke audio systems) from the Privateco Group for years prior to the Group Restructuring); and (b) the Remaining Group has an experienced management team for sourcing the karaoke audio systems and a good understanding on the prevailing market prices for the karaoke audio systems based on its experience in the audio and visual industry and its sound and established business relationship with other suppliers, they have, from time to time, verbally enquired with other independent suppliers for the prevailing market price of similar karaoke audio system so as to find ways in order to optimize the cost structure of the said products. They have also obtained the written price quotation in respect of karaoke audio system from the independent supplier in September 2013 and thus compared the purchase price of karaoke audio system offered by the Privateco. Hence, we have reviewed samples of purchase orders from the Privateco in relation to such karaoke audio system for the year ended 31 March 2014 (being the latest financial year of the Remaining Group, which shall serve as a good reference for the recent purchase patterns subsequent to the introduction of the new model of the karaoke audio system that represent a significant contribution to the total transaction amount under the Framework Purchase Agreement), with its individual transaction amount over US$150,000 and the reviewed samples in aggregate of not less than 80% of the total transaction amount of such karaoke audio system, and quotation from the independent third party suppliers provided by the Company. We noted that the relevant prices offered by the Privateco are comparable to those offered by independent third parties. Accordingly, we concur with the view of the Directors that the price payable for the electronic products pursuant to the Framework Purchase Agreements is fair and reasonable so far as the Independent Shareholders are concerned. In addition, the Directors further advised us that they will continue to review the pricing of the transactions under the Framework Purchase Agreement from time to time, so that the price charged by the Privateco shall not be less favourable to the Remaining Group than that offered by other independent third party suppliers and hence the interest of the Independent Shareholder would be safeguarded. Accordingly, we concur with the view of the Directors that the price payable for the electronic products pursuant to the Framework Purchase Agreements is fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Proposed annual cap

According to the Framework Purchase Agreement, the maximum value of the sale and purchase of the electronic products between the relevant members of the Remaining Group and Privateco Group for the period up to and including 31 March 2015 under the Framework Purchase Agreement shall not exceed HK$150 million (the "**Annual Cap**"). As stated in the Board Letter, the Annual Cap was 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; and (ii) a buffer of approximately 10% to cater for fluctuation of transaction amounts and/or prices of individual years.

The table below illustrates the historical amount of cost of sales of the electronic products from the Privateco Group/Scheme Group and the independent suppliers:

Table VI – Historical cost of sales of the electronic products

	For the year ended 31 March		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
From the Privateco Group/Scheme Subsidiaries	324.5	271.7	130.4
From the independent suppliers	119.6	140.0	169.1
Total cost of sales of electronic products	444.1	411.7	299.5

As advised by the Directors, the Remaining Group has been gradually increasing purchases of electronic products directly from the independent suppliers. According to the table above, the cost of sales which relates to purchase of goods from the independent suppliers are amounted to approximately 26.9%, 34.0% and 56.5% of the total cost of sales of electronic products for each of the three years ended 31 March 2013, respectively, which indicated the increase in cost of sales from the independent suppliers. However, the Directors are of the view that the independent suppliers may not further increase the supply of required electronic products in the forthcoming transitional period given the Company will undergo the Group Restructuring, the Distribution In Specie and the Disposal.

Based on the historical transaction amounts as illustrated in Table VI above, the amounts sourcing from the Privateco Group/Scheme Subsidiaries for the three years ended 31 March 2013 declined from approximately HK$324.5 million to approximately HK$130.4 million, representing a negative CAGR rate of approximately 36.6%. There is a possibility that the Remaining Group may not able to purchase other electronic products (save for certain existing finished goods held by the Scheme Subsidiaries) from the Scheme Subsidiaries taking into consideration of the Creditors' Scheme. Having considered that (i) the Scheme Subsidiaries will be operated by the Administrators; (ii) the downward trend of the purchases from the intra-group companies in recent years; (iii) the possible uncertainties of the supply from the independent suppliers during this transitional period; and (iv) the lowest purchases from the Privateco Group/Scheme Subsidiaries for the year ended 31 March 2013 amongst the last three financial years, we are of the view that the Annual Cap are determined on reasonable estimated demand for the electronic products after due and careful consideration and that it is fair and reasonable for the management of the Company to make reference to the transaction amount for the year ended 31 March 2013 with a buffer of approximately 10% as the basis to determine the Annual Cap. Accordingly, the Annual Cap will be sufficient to meet the Remaining Group's short-term needs and will not consider the over-reliance on the Privateco Group as suppliers as a result of increasing purchases from the independent suppliers. Moreover, the Remaining Group will from time to time monitor the total transaction amounts to ensure that the Annual Cap is not being exceeded.

Taking into account of the entering into of the Framework Purchase Agreement and the conditions thereunder, in particular, (i) the Framework Purchase Agreement only serves as a short-term transitional arrangement up to and including 31 March 2015 in relation to the supply of certain existing models of the electronic products in any event that the Remaining Group is not able to identify reliable suppliers immediately following the completion of the Group Restructuring, the Distribution In Specie and the Disposal; (ii) the transaction contemplated under the Framework Purchase Agreement is within the ordinary and usual course of the Remaining Group's business in meeting demands from its customer subsequent to the completion of the Distribution In Specie, while bring in revenue for the Remaining Group at the same time; (iii) the Privateco Group provides a reliable supply of certain existing models of electronic products to ensure smooth transition following the completion of the Group Restructuring and the Distribution In Specie; (iv) the transaction is on normal commercial terms which is not less favourable to the Remaining Group than the terms available from the independent third parties; (v) the restriction by way of setting the Annual Cap; and (vi) the transactions contemplated under the Framework Purchase Agreement shall comply with all relevant requirements under the Listing Rules (which include the review and/ or confirmation by the independent non-executive Directors and auditors of the Company on the actual execution of the connected transaction), we consider that the Company will take appropriate measures to govern the Company in carrying out the Framework Purchase Agreement, thereby safeguarding the interests of the Shareholders thereunder. In particular, we note that the transactions contemplated under Framework Purchase Agreement are conditional upon being carried by the Company in the ordinary and usual course of its business, on normal commercial terms, fair and reasonable and in the interests of the Independent Shareholders as a whole.

RECOMMENDATION

As set out in the Board Letter, being (i) the Purchaser is not interested in the Distributed Businesses; and (ii) the management of the Company decided to implement the Creditors' Scheme to deconsolidate the Scheme Subsidiaries due to the continuing deterioration of the manufacturing operation so as to improve the financial performance and position of the Remaining Group. Hence, the entering into (a) the Sale and Purchase Agreement, which eventually leads to proposed transactions including the Group Restructuring, the Share Premium Reduction, the Distribution In Specie (which also leads to the Framework Purchase Agreement), the Disposal, and ultimately the Listco Offers and the Privateco Offer; and (b) the CB Subscription Agreement, could improve the financial flexibility of the Group with readily available funds.

Having regarded to the abovementioned principal reasons and factors in this letter, in particulars the following:

(a) the Sale and Purchase Completion that leads to the Listco Offers is conditional upon, among other things, the Independent Shareholders' approval on the Share Premium Reduction, the Distribution In Specie (which in turn leads to the Privateco Offer), the CB Subscription Agreement and the Framework Purchase Agreement;

(b) the making of the Listco Offers and the Privateco Offer will provide an opportunities for the Shareholders to realise all or part of their investments in the Company through the Listco Offers and the Privateco Offer;

(c) the Conversion Price of the Convertible Bonds represents a premium of approximately 21.1% over the Average Closing Price with the Shares have been mostly trading below the Conversion Price during the Review Period and falls within the range of discount or premium of the Comparable Subscription, and the net proceeds from the CB Subscription will enhance working capital position of the Remaining Group immediately and facilitate its long-term investment when opportunities arise;

(d) the overall liquidity of the Shares was relatively thin during the Review Period, and the Independent Shareholders who intend to dispose of a large number of the Shares may not be able to do so without exerting a downward pressure on the price of the Shares while the completion of Sale and Purchase and the Distribution In Specie will ultimately lead to an alternative exit to the Independent Shareholders to realise all or part of their investments through the Listco Offers and the Privateco Offer; and

(e) the transaction contemplated under Framework Purchase Agreement will be carried out in the ordinary and usual course of business of the Remaining Group, the prices payable for the electronic products shall be on arm's length basis and on terms not more 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, and the Annual Cap are determined based on fair and reasonable assumptions,

we are of the view that terms of the CB Subscription Agreement, the Share Premium Reduction and the Distribution In Specie are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We are also of the view that the transaction under the Framework Purchase Agreement (including the Annual Cap) is on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable, and the entering into of the Framework Purchase Agreement is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) in respect of the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the respective transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Fulbright Capital Limited
Arthur Kan
Director of Corporate Finance

Note: Mr. Arthur Kan is the person signing off the opinion letter from Fulbright Capital contained in the Circular. Mr. Kan has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under SFO since 2008 and have participated in and completed various independent financial advisory transactions in Hong Kong and the PRC.

Information contained in this appendix is reproduced from the Joint Announcement for the purpose of providing the Independent Shareholders with reference in respect of the key terms of the Listco Offers and the Privateco Offer. **Information reproduced from the Joint Announcement reflects the situation as of the date of the Joint Announcement.** Save for the change in shareholding structure of the Company due to the issue of 15,600,000 Shares on 27 March 2014 upon exercise of certain Share Options (details of which are set out in the announcement of the Company dated 1 April 2014), to the best of the Directors' knowledge and belief after all reasonable enquiries, there is no material change to the information contained in this appendix since the date of the Joint Announcement. Detailed terms of the Listco Offers and the Privateco Offer were set out in the Joint Announcement and will be set out in the Listco Offer Document and the Privateco Offer Document (as the case may be).

The Joint Announcement also contains the following responsibility statements:

"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.

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.

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."

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.

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**") [Note]. 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.

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 provisions 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.

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The audited consolidated financial statements of the Group for the year ended 31 March 2013 has been set out in the annual report 2013 of the Company which was posted on 17 July 2013 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report 2013:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0717/LTN20130717169.pdf

The audited consolidated financial statements of the Group for the year ended 31 March 2012 has been set out in the annual report 2012 of the Company which was posted on 17 July 2012 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report 2012:

http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0717/LTN20120717142.pdf

The audited consolidated financial statements of the Group for the year ended 31 March 2011 has been set out in the annual report 2011 of the Company which was posted on 20 July 2011 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report 2011:

http://www.hkexnews.hk/listedco/listconews/SEHK/2011/0720/LTN20110720229.pdf

2. UNAUDITED INTERIM FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

The unaudited interim consolidated financial statements of the Group for the six months ended 30 September 2013 has been set out in the interim report 2013 of the Company posted on 10 December 2013 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the Interim Report 2013:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/1210/LTN20131210321.pdf

3. UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE EIGHTS MONTHS ENDED 30 NOVEMBER 2013

The unaudited condensed consolidated results of the Group for the eight months ended 30 November 2013 is set out as follows:

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

For the eight months ended 30 November 2013

	Eight months ended 30 November	
	2013	**2012**
	HK$'000	*HK$'000*
	(Unaudited)	**(Unaudited)**
Turnover	317,990	477,070
Cost of sales	(356,324)	(428,007)
Gross (loss)/profit	(38,334)	49,063
Other income	8,712	7,202
Other gains and losses	(16,947)	(28,572)
Distribution costs	(47,301)	(53,870)
Administrative expenses	(53,225)	(56,880)
(Decrease)/increase in fair value of investment properties	(17,411)	37,184
Gain on disposal of a subsidiary	440	–
Finance costs	(6,567)	(6,621)
Share of profit of an associate	357	67
Loss before taxation	(170,276)	(52,427)
Taxation	1,253	(1,761)
Net loss for the period	(169,023)	(54,188)
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	1,413	(66)
Total comprehensive expense for the period	(167,610)	(54,254)

	Eight months ended 30 November	
	2013	**2012**
	HK$'000	*HK$'000*
	(Unaudited)	**(Unaudited)**
Loss for the period attributable to:		
Owners of the Company	(174,376)	(64,748)
Non-controlling interests	5,353	10,560
	(169,023)	(54,188)
Total comprehensive expense for the period attributable to:		
Owners of the Company	(173,209)	(64,811)
Non-controlling interests	5,599	10,557
	(167,610)	(54,254)
Loss per share		
– Basic and diluted	(10.68) cents	(4.33) cents

Unaudited Condensed Consolidated Statement of Financial Position
At 30 November 2013

	At 30 November 2013 *HK$'000* (Unaudited)	At 31 March 2013 *HK$'000* (Audited)
Non-current assets		
Investment properties	259,525	276,936
Property, plant and equipment	79,258	99,248
Prepaid lease payments	3,331	3,411
Goodwill	17,665	17,665
Interest in an associate	6,072	5,715
Available-for-sale investments	9,400	9,400
Deferred tax assets	14,036	12,589
	389,287	424,964
Current assets		
Inventories	94,471	185,529
Debtors, deposits and prepayments	145,613	38,240
Prepaid lease payments	121	121
Investments held for trading	1,082	1,043
Financial assets designated at fair value through profit or loss	35	25
Bank balances and cash	44,703	35,806
	286,025	260,764

	At 30 November 2013 *HK$'000* (Unaudited)	At 31 March 2013 *HK$'000* (Audited)
Current liabilities		
Creditors and accrued charges	150,660	66,130
Taxation payable	1,046	2,043
Borrowings	158,592	91,135
Bank overdraft	780	–
Convertible notes	36,129	33,453
	347,207	192,761
Net current (liabilities) assets	(61,182)	68,003
Total assets less current liabilities	328,105	492,967
Non-current liabilities		
Deferred tax liabilities	7,946	8,243
Net assets	320,159	484,724
CAPITAL AND RESERVES		
Share capital	164,781	162,731
Reserves	137,795	310,162
Equity attributable to owners of the Company	302,576	472,893
Non-controlling interests	17,583	11,831
Total equity	320,159	484,724

Unaudited Condensed Consolidated Statement of Changes in Equity

For the eight months ended 30 November 2013

	Share capital	Share premium	Merger reserve	Capital reserve	Other property revaluation reserve	Translation reserve	Share option reserve	Convertible note reserve	Capital redemption reserve	Accumulated losses	Sub-total	Share of net assets of subsidiaries	Share option reserve of a listed subsidiary	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2012	149,571	132,582	37,138	85	52,578	9,220	3,936	–	292,448	(160,015)	517,543	(418)	707	289	517,832
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(63)	–	–	–	–	(63)	(3)	–	(3)	(66)
Loss for the period	–	–	–	–	–	–	–	–	–	(64,748)	(64,748)	10,560	–	10,560	(54,188)
Total comprehensive (expense) income for the period	–	–	–	–	–	(63)	–	–	–	(64,748)	(64,811)	10,557	–	10,557	(54,254)
	149,571	132,582	37,138	85	52,578	9,157	3,936	–	292,448	(224,763)	452,732	10,139	707	10,846	463,578
Recognition of equity-settled share-based payments	–	–	–	–	–	–	1,564	–	–	–	1,564	–	–	–	1,564
Recognition of equity component of convertible notes	–	–	–	–	–	–	–	5,560	–	–	5,560	–	–	–	5,560
At 30 November 2012	149,571	132,582	37,138	85	52,578	9,157	5,500	5,560	292,448	(224,763)	459,856	10,139	707	10,846	470,702
At 1 April 2013	162,731	137,855	37,138	106	52,578	9,290	5,031	5,560	292,448	(229,844)	472,893	11,067	764	11,831	484,724
Exchange difference arising on translation of foreign operations	–	–	–	–	–	1,167	–	–	–	–	1,167	246	–	246	1,413
Loss for the period	–	–	–	–	–	–	–	–	–	(174,376)	(174,376)	5,353	–	5,353	(169,023)
Total comprehensive income (expense) for the period	–	–	–	–	–	1,167	–	–	–	(174,376)	(173,209)	5,599	–	5,599	(167,610)
	162,731	137,855	37,138	106	52,578	10,457	5,031	5,560	292,448	(404,220)	299,684	16,666	764	17,430	317,114
Capital contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	58	–	58	58
Deemed partial disposal of a subsidiary	–	–	–	20	–	–	–	–	–	–	20	(20)	–	(20)	–
Issue of shares upon exercise of share options	2,050	1,187	–	–	–	–	(365)	–	–	–	2,872	–	–	–	2,872
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	–	–	115	115	115
At 30 November 2013	164,781	139,042	37,138	126	52,578	10,457	4,666	5,560	292,448	(404,220)	302,576	16,704	879	17,583	320,159

Unaudited Condensed Consolidated Statement of Cash Flows
For the eight months ended 30 November 2013

	Eight months ended 30 November	
	2013	**2012**
	HK$'000	*HK$'000*
	(Unaudited)	**(Unaudited)**
Net cash used in operating activities	(60,289)	(22,130)
Net cash generated from investing activities	881	1,596
Net cash generated from/(used in) financing activities	66,395	(16,564)
Net increase/(decrease) in cash and cash equivalents	6,987	(37,098)
Cash and cash equivalents at beginning of the period	35,806	90,989
Effect of exchange difference	1,130	(67)
Cash and cash equivalents at end of the period	43,923	53,824
Analysis of balances of cash and cash equivalents		
Bank balances and cash	44,703	53,824
Bank overdraft	(780)	–
	43,923	53,824

4. INDEBTEDNESS STATEMENT

At the close of business on 31 March 2014, being the latest practicable date prior to the printing of this Circular, the Group had outstanding (i) borrowings of approximately HK$70,774,000 including trust receipts and import loans, short term bank loans, bank overdrafts secured by fixed charges on certain of the Group's assets, including investment properties, leasehold properties, deposits with securities brokers and investments held for trading) and (ii) unsecured amount due to a shareholder of approximately HK$12,000,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 March 2014, the Group did not have any other outstanding mortgages, charges, debentures, loan capital, bank overdrafts or loans, liabilities under acceptance or other similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 March 2014 up to the Latest Practicable Date.

5. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Remaining Group's business prospect, internal resources, the completion of the Group Restructuring and the Distribution In Specie, the CB Subscription Completion and the completion of the Disposal, the Remaining Group will have sufficient working capital for at least twelve months from the date of this circular.

6. MATERIAL ADVERSE CHANGE

The Directors confirm that, save for the expected significant increment in the Group's loss for the 8 months ended 30 November 2013 mainly due to the impairment of property, plant and equipment and allowances for inventories of the Scheme Subsidiaries in view of the contemplated Disposal (details of which are set out in the profit warning announcement of the Company dated 2 April 2014) and the expected decrease in turnover of the Group for the twelve months ended 31 March 2014, there was no material adverse change in the financial or trading position or outlook of the Group since 31 March 2013, being the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

7. RECONCILIATION STATEMENT

Reconciliation for valuation of the properties set out in the two valuation reports in Appendix VIIIA and Appendix VIIIB to this circular between the effective date of the valuation by Greater China Appraisal Limited ("GCA") (i.e. 28 February 2014) and the last period reported by the auditors of the Company (i.e. 30 November 2013) in Appendix IIIB:

	HK$ *(million)*
Balances of properties in the review report as at 30 November 2013 in Appendix IIIB	
– Investment properties (at market value in accordance with HKAS40)	259.5
– Property, plant and equipment (at cost in accordance with HKAS16)*	63.7
Add: Difference between market value as at 28 February 2014 and the carrying amount of the properties as at 30 November 2013	79.5
Value of properties in the valuation report by GCA as at 28 February 2014	402.7

* Pursuant to the review report as at 30 November 2013 in Appendix IIIB to this circular, the property, plant and equipment as at 30 November 2013 amounted to HK$79.3 million including leasehold properties in the amount of HK$63.7 million, furniture, fixtures and equipment in the amount of HK$6.8 million, plant and machinery in the amount of HK$5.0 million, computer equipment in the amount of HK$2.8 million and motor vehicles in the amount of HK$1 million.

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤・關黃陳方會計師行
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Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

The Directors
SIH Limited

24 May 2014

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to SIH Limited ("SIH") and its subsidiaries (hereinafter collectively referred to as the "SIH Group") for each of the three years ended 31 March 2013 for inclusion in the circular of Starlight International Holdings Limited (the "Company") dated 24 May 2014 (the "Circular") in connection with the proposed deemed very substantial disposal relating to transfer of the entire equity interest in the share capital of Dual Success Holdings Limited ("Dual Success") under a creditors' scheme, proposed distribution in specie of SIH's shares after completion of the group restructuring, proposed subscription of convertible bonds and proposed share premium reduction.

SIH was incorporated on 21 September 1989 in the British Virgin Islands ("BVI") as an exempted company with limited liability.

Particulars of the subsidiaries and associates indirectly held by SIH, unless otherwise specified, at the end of each reporting period and the date of this report are as follows:

Name of entity	Place and date of incorporation or establishment/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the SIH Group				Principal activities
			2011	2012	2013	Date of report	
Subsidiaries							
ACME Delight Limited	Hong Kong 14 September 1990	HK$2	100%	100%	100%	100%	Investment holding
Cosmo Communications Canada Inc.[8]	Canada 1 September 1984	CAD100	93.8%	93.8%	93.8%	–	Trading in electrical appliances

Name of entity	Place and date of incorporation or establishment/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the SIH Group				Principal activities
			2011	2012	2013	Date of report	
Cosmo Communications Corporation ("Cosmo")[8]	United States of America ("USA")/ Canada 17 March 1983	US$1,571,000	93.8%	93.8%	93.8%	–	Trading in electrical appliances and investment holding
Cosmo Communications (HK) Limited[8]	Hong Kong 22 November 1977	HK$100	93.8%	93.8%	93.8%	–	Trading in electrical appliances
Cosmo Communication USA Corp.[8]	USA 10 March 2006	US$781,607	93.8%	93.8%	93.8%	–	Trading in electrical appliances
Ever Solid Limited[9]	Hong Kong 29 March 1985	HK$10,000	100%	100%	100%	–	Investment holding
gopuppy Limited	Hong Kong 27 March 2000	HK$3,400	100%	100%	100%	100%	Inactive
Hensun Investment Limited[4]	BVI 26 January 2010	US$1	100%	100%	–	–	Inactive
Hyundai Household Improvement Limited[9]	Hong Kong 5 December 2003	HK$2	100%	100%	100%	–	Trading in electrical appliance
i.Technologies Limited	Hong Kong 24 July 2000	HK$1,000	100%	100%	100%	100%	Inactive
Jensen Consumer Electronics Limited[8]	Hong Kong 13 July 2007	HK$1	100%	100%	100%	–	Inactive
koncepts International Limited[8]	Hong Kong 28 February 1991	HK$2	100%	100%	100%	–	Trading in electrical products
Korrigan Electronics Limited	Hong Kong 28 September 1982	HK$20	100%	100%	100%	100%	Inactive
Korrigan Industrial Holdings Limited	Hong Kong 19 February 1991	HK$25,000,000	100%	100%	100%	100%	Investment holding

Name of entity	Place and date of incorporation or establishment/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the SIH Group				Principal activities
			2011	2012	2013	Date of report	
Korrigan Management Services Limited	Hong Kong 2 February 1993	HK$2	100%	100%	100%	100%	Inactive
Korrigan Marketing Limited	Hong Kong 2 September 1993	HK$2	100%	100%	100%	100%	Inactive
Korrigan Video Limited	Hong Kong 11 September 1990	HK$2	100%	100%	100%	100%	Inactive
Master Light Enterprises Limited[8]	Hong Kong 7 April 1992	HK$2	100%	100%	100%	–	Investment holding
Merrygain Holding Company Limited	Hong Kong 22 January 1980	HK$5,000,000	96%	96%	96%	96%	Property investment
Niceday Limited[9]	Hong Kong 25 April 1991	HK$2	100%	100%	100%	–	Investment holding
Nice States Investment Limited	Hong Kong 21 December 1990	HK$2	100%	100%	100%	100%	Property investment
Noble Win Limited	Hong Kong 1 October 1992	HK$2	100%	100%	100%	100%	Property investment
Ram Light Management Limited[9]	BVI 16 March 2001	US$1	100%	100%	100%	–	Investment holding
Redsun Development Limited[9]	Hong Kong 16 June 1989	HK$2	100%	100%	100%	–	Inactive
SMC (Commercial Offshore de Macau) Limitada[8]	Macau 26 November 2008	MOP100,000	51.86%	51.60%	51.69%	–	Shipping and sourcing support
SMC Logistics, Inc.[8]	USA 6 February 2008	US$10	51.86%	51.60%	51.69%	–	Logistics and warehousing services

Name of entity	Place and date of incorporation or establishment/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the SIH Group				Principal activities
			2011	2012	2013	Date of report	
SMC-Music, Inc.[8]	USA 27 March 2008	US$10,000	51.86%	51.60%	51.69%	–	Contract with third party music provider
Starcom Investment Limited[9]	Hong Kong 30 April 1991	HK$2	100%	100%	100%	–	Investment holding
Star Fair Electronics Company Limited	Hong Kong 17 February 1976	HK$15,090,000	100%	100%	100%	100%	Trading in electronic products
Starleaf Development Limited	Hong Kong 11 September 1990	HK$2	100%	100%	100%	100%	Investment holding
Star Light Electronics Company Limited	Hong Kong 6 October 1972	HK$13,000,000	100%	100%	100%	100%	Trading in electronic products and property investment
Starlight Electronics of America, Inc	USA 16 March 1989	US$648,504	100%	100%	100%	100%	Inactive
Starlight Electronics USA Inc.[8]	USA 18 October 2010	US$10,000	100%	100%	100%	–	Trading in electronic products
Starlight Exports Limited[9]	Hong Kong 14 September 1990	HK$2	100%	100%	100%	–	Trading in electronic products and property investment
Starlight Industrial Holdings Limited[1]	Hong Kong 14 August 1987	HK$73,920,192	100%	100%	100%	100%	Investment holding
Star Light Manufacturers Limited[9]	Hong Kong 25 October 1999	HK$2	100%	100%	100%	–	Inactive
Starlight Manufacturers Limited[9]	Jersey/People's Republic of China ("PRC") 16 March 1989	HK$100,000	100%	100%	100%	–	Manufacture and sale of electronic products

Name of entity	Place and date of incorporation or establishment/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the SIH Group				Principal activities
			2011	2012	2013	Date of report	
Starlight Marketing Development Limited[9]	Hong Kong 14 January 1993	HK$2	100%	100%	100%	–	Trading and marketing of electronic products
Starlight Marketing (H.K.) Limited[8]	Hong Kong 28 February 1991	HK$2	100%	100%	100%	–	Trading in electronic products
Starlight Marketing Limited[8]	Hong Kong 21 June 1989	HK$2	100%	100%	100%	–	Securities trading and trading in electronic products
Starlight Overseas Marketing Limited	Mauritius 8 January 1998	US$1	100%	100%	100%	100%	Trading in electronic products
Starlight Randix, Inc.[1]	USA 18 November 2003	US$1	100%	100%	100%	100%	Inactive
Starlight R&D Limited[9]	Hong Kong 21 August 1979	HK$10,000	100%	100%	100%	–	Material sourcing and trading in electronic products and components
Starlight Video Limited	Hong Kong 24 January 1989	HK$4	100%	100%	100%	100%	Provision of nominee services for group companies and trading in electronic products
Starlite Consumer Electronics (Europe) Limited[4]	United Kingdom 5 December 2009	£1	100%	100%	–	–	Trading in electronic products
Starlite Consumer Electronics (USA) Inc.[9]	Cayman Islands 4 January 2005	HK$2	100%	100%	100%	–	Trading in electronic products
Starlite Consumer Electronics (USA) Inc.[8]	USA 7 February 2007	US$20	100%	100%	100%	–	Trading in electronic products

Name of entity	Place and date of incorporation or establishment/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the SIH Group				Principal activities
			2011	2012	2013	Date of report	
Starshow Investment Limited[9]	Hong Kong 21 February 1989	HK$2	100%	100%	100%	–	Provision of nominee services for group companies
Success Base Industries Limited[5]	Hong Kong 29 December 1987	HK$4,000,000	100%	100%	100%	–	Manufacture and sale of plastic products
The Singing Machine Company, Inc. ("SMC")[3,8]	USA 18 July 1994	US$380,706	51.86%	51.60%	51.69%	–	Trading in consumer karaoke audio equipment and electronic products
The Singing Machine Holdings Ltd[8]	BVI 23 April 2004	US$0.01	51.86%	51.60%	51.69%	–	Investment holding
Top Spring Technology Limited[9]	BVI 7 April 2000	US$1	100%	100%	100%	–	Investment holding
番禺星輝電器製造有限公司 Panyu Starfair Electronics Manufacturing Company Limited ("Panyu SFEM")[2,7,8]	PRC 15 December 1995	HK$21,500,000	100%	100%	–	–	Manufacture and sale of electronic products
番禺富臨花園房地產有限公司 Fortune Garden Development Company Limited[2,9]	PRC 18 January 1993	RMB31,750,000	100%	100%	100%	–	Property investment
番禺恒敏塑膠製品有限公司 Panyu Success Base Plastic Company Limited[2,9]	PRC 14 November 1995	HK$20,000,000	100%	100%	100%	–	Manufacture and sale of plastic products

Name of entity	Place and date of incorporation or establishment/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the SIH Group				Principal activities
			2011	2012	2013	Date of report	
深圳升岡電子有限公司 Shenzhen Starlight Electronics Company Ltd.[2,9]	PRC 10 July 1992	HK$60,000,000	100%	100%	100%	–	Manufacture and sale of electronics products
廣州星輝電子製造有限公司 Starfair Manufacturing (Panyu) Company Limited ("SFM Panyu")[2,9]	PRC 21 November 1990	HK$54,800,000	100%	100%	100%	–	Manufacture and sale of electronic products and property investment
珠海市升岡電子有限公司 Starlight Electronics Company (Zhuhai) Limited[2,8]	PRC 26 May 1993	HK$10,000,000	50%	50%	50%	–	Inactive
深圳加利高通訊有限公司 Shenzhen Cosmo Communications Co Ltd.[2,9]	PRC 20 March 2006	HK$9,000,000	100%	100%	100%	–	Sub-contracting in electronic products
廣州市升岡數碼電子有限公司 Audiologic Digital Electronics (Guangzhou) Company Limited[2]	PRC 30 September 2004	RMB1,000,000	100%	100%	100%	100%	Trading in electronic products
廣州市奧迪羅杰數碼電子有限公司 Guangzhou Audiologic Digital Electronics Company Limited[2]	PRC 21 September 2000	RMB500,000	100%	100%	100%	100%	Trading in electronic products
升岡電子(江門)有限公司 Star Light Electronics (Jiangmen) Limited[2,4]	PRC 20 March 2007	HK$7,000,000	100%	100%	–	–	Sub-contracting in electronic products

Name of entity	Place and date of incorporation or establishment/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the SIH Group				Principal activities
			2011	2012	2013	Date of report	
四川升威信息電器有限公司 Sichuan Starlight I-Appliances Limited[2]	PRC 18 April 2001	RMB3,000,000	80%	80%	80%	80%	N/A
Associates							
Danehill Investments (Holdings) Limited[6]	Cayman Islands 7 May 2002	HK$500,000	30%	–	–	–	Investment holding
Interforce Limited	Hong Kong 13 March 1998	HK$500,000	30%	30%	30%	–	Trading in electronic products

1 Directly held by SIH.

2 These subsidiaries are PRC wholly foreign owned enterprises.

3 The common stock of SMC is quoted on the Over-the-Counter Bulletin Board in the United States of America.

4 The subsidiaries ceased operations and were deregistered/dissolved during the year ended 31 March 2013.

5 The subsidiary was disposed of during the eight months ended 30 November 2013.

6 The associate ceased operations and was deregistered during the year ended 31 March 2012.

7 Panyu SFEM was merged into SFM Panyu during the year ended 31 March 2013.

8 The subsidiaries were transferred to the Company subsequent to 31 March 2013 upon completion of the group restructuring.

9 The subsidiaries were transferred to Dual Success subsequent to 31 March 2013 upon completion of the group restructuring.

All the above subsidiaries other than those incorporated in the PRC adopt 31 March as the financial year end date and the subsidiaries incorporated in the PRC and the associates adopt 31 December as the financial year end date.

The statutory financial statements of the subsidiaries and the associates, other than the subsidiaries incorporated in the BVI, Jersey, Mauritius, United Kingdom and USA (except for SMC and Cosmo) and an associate incorporated in the Cayman Islands for the three years ended 31 March 2011, 2012 and 2013 were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Deloitte Touche Tohmatsu except for the following:

Name of entity	Financial period	Name of auditor[6]
Cosmo	For the year ended 31 March 2011[2]	DNTW Chartered Accountants
	For each of the two years ended 31 March 2013	No financial statement were issued
Cosmo Communications Canada Inc.	For each of the two years ended 31 March 2012[4]	DNTW Chartered Accountants
	For the year ended 31 March 2013	No financial statement were issued
Cosmo Communications (HK) Limited	For each of the three years ended 31 March 2013[3]	Chan & Wat CPAs
Interforce Limited	For each of the three years ended 31 December 2012[3]	Alan Chan & Company, CPAs & (Practising)
SMC	For each of the three years ended 31 March 2013[2]	Mallah Furman
SMC (Commercial offshore de Macau) Limitada	For each of the three years ended 31 March 2013[5]	Mario C. De Lemos Auditor
廣州星輝電子製造有限公司 Starfair Manufacturing (Panyu) Company Limited	For each of the three years ended 31 December 2012[1]	廣州業勤會計師事務所有限公司
番禺富臨花園房地產有限公司 Fortune Garden Development Company Limited	For each of the three years ended 31 December 2012[1]	廣州業勤會計師事務所有限公司
番禺恆敏塑膠製品有限公司 Panyu Success Base Plastic Company Limited	For each of the three years ended 31 December 2012[1]	廣州業勤會計師事務所有限公司

[1] Statutory financial statements prepared in accordance with relevant accounting principles and regulations in the PRC.

[2] Statutory financial statements prepared in accordance with accounting principles generally accepted in the USA.

[3] Statutory financial statements prepared in accordance with HKFRS.

[4] Statutory financial statements prepared in accordance with accounting principles generally accepted in Canada.

[5] Statutory financial statements prepared in accordance with Financial Reporting Standard of Speical Administrative Region of Macau.

[6] These auditors are certified public accountants registered in Hong Kong, the PRC, Canada and USA, as appropriate.

No statutory audited financial statements have been prepared for SIH and its subsidiaries incorporated in the BVI, Jersey, Mauritius, United Kingdom and USA (except for SMC and Cosmo) and an associate incorporated in the Cayman Islands as they were incorporated in jurisdictions where there are no statutory requirements to prepare audited financial statements.

For the purpose of this report, the directors of SIH have prepared the consolidated financial statements of the SIH Group (the "Underlying Financial Statements") for each of the three years ended 31 March 2013 in accordance with HKFRSs issued by the HKICPA. We have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA.

The Financial Information for each of the three years ended 31 March 2013 set out in this report has been prepared based on the Underlying Financial Statements. No adjustment was considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of SIH who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the SIH Group and SIH as at 31 March 2011, 31 March 2012 and 31 March 2013 and of the consolidated loss and cash flows of the SIH Group for each of three years ended 31 March 2013.

A. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

		Year ended 31 March		
		2011	**2012**	**2013**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*6*	637,633	631,830	515,408
Cost of sales		(532,743)	(571,348)	(465,183)
Gross profit		104,890	60,482	50,225
Other income	*7*	14,627	18,342	9,918
Distribution costs		(100,046)	(139,213)	(66,110)
Administrative expenses		(115,404)	(104,614)	(83,172)
Other gains and losses	*8*	(767)	(66,000)	(31,138)
Increase in fair value of investment properties	*13*	61,381	54,346	68,904
Interest expenses		(8,081)	(7,369)	(5,271)
Share of profit (loss) of an associate		303	(55)	(225)
Loss before taxation	*9*	(43,097)	(184,081)	(56,869)
Taxation	*11*	(840)	(10,434)	7,389
Loss for the year		(43,937)	(194,515)	(49,480)
Other comprehensive income (expense)				
Exchange difference arising on translation of foreign operations		288	(495)	75
Revaluation of leasehold properties for own use upon transfer to investment properties		1,321	40,979	–
Deferred tax liability on revaluation of leasehold properties for own use upon transfer to investment properties		–	(2,357)	–
Other comprehensive income for the year		1,609	38,127	75
Total comprehensive expense for the year		(42,328)	(156,388)	(49,405)

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Loss for the year attributable to:			
Owners of SIH	(41,239)	(195,858)	(60,922)
Non-controlling interests	(2,698)	1,343	11,442
	(43,937)	(194,515)	(49,480)
Total comprehensive (expense) income for the year attributable to:			
Owners of SIH	(39,648)	(157,699)	(60,852)
Non-controlling interests	(2,680)	1,311	11,447
	(42,328)	(156,388)	(49,405)

Consolidated Statements of Financial Position

		At 31 March		
		2011	**2012**	**2013**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Investment properties	*13*	208,442	229,008	276,936
Property, plant and equipment	*14*	203,965	143,998	99,248
Prepaid lease payments	*15*	3,653	3,532	3,411
Product development costs	*16*	–	–	–
Goodwill	*17*	26,484	17,665	17,665
Interest in an associate	*19*	6,535	6,150	5,715
Available-for-sale investments	*20*	24,040	9,400	9,400
Deferred tax assets	*29*	3,943	143	12,589
		477,062	409,896	424,964
Current assets				
Inventories	*23*	345,183	245,183	185,529
Debtors, deposits and prepayments	*24*	183,932	86,319	38,172
Prepaid lease payments	*15*	121	121	121
Taxation recoverable		37	–	–
Investments held for trading	*25*	2,252	1,594	1,043
Financial assets designated at fair value through profit or loss	*21*	20	18	25
Amount due from ultimate holding company	*22*	227,728	226,167	185,139
Amounts due from fellow subsidiaries	*22*	84	–	–
Amount due from an associate	*22*	230	–	–
Bank balances and cash	*26*	60,771	90,728	35,607
		820,358	650,130	445,636

		At 31 March		
		2011	2012	2013
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Creditors and accrued charges	*27*	150,948	107,139	65,170
Amount due to ultimate holding company	*22*	745,628	758,265	766,853
Amount due to a fellow subsidiary	*22*	3,631	–	–
Derivative financial instruments	*21*	–	17	–
Taxation payable		1,046	2,994	2,043
Borrowings	*28*	253,332	199,418	91,135
		1,154,585	1,067,833	925,201
Net current liabilities		(334,227)	(417,703)	(479,565)
Total assets less current liabilities		142,835	(7,807)	(54,601)
Non-current liabilities				
Deferred tax liabilities	*29*	205	5,748	8,243
		142,630	(13,555)	(62,844)
Capital and reserves				
Share capital	*30*	10	10	10
Reserves		143,810	(13,854)	(74,685)
Equity attributable to owners of SIH		143,820	(13,844)	(74,675)
Non-controlling interests		(1,190)	289	11,831
		142,630	(13,555)	(62,844)

Statements of Financial Position of SIH

		At 31 March		
		2011	**2012**	**2013**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Investments in subsidiaries	*18*	127,097	127,097	127,097
Current assets				
Amounts due from subsidiaries	*22*	606,172	606,172	606,172
Current liabilities				
Accrued charges		3	3	3
Amount due to ultimate holding company	*22*	560,181	560,184	560,187
Amounts due to subsidiaries	*22*	35,663	35,676	35,681
		595,847	595,863	595,871
Net current assets		10,325	10,309	10,301
		137,422	137,406	137,398
Capital and reserves				
Share capital	*30*	10	10	10
Reserves	*31*	137,412	137,396	137,388
		137,422	137,406	137,398

Consolidated Statements of Changes in Equity

	Attributable to owners of SIH									Attributable to non-controlling interests			
	Share capital	Contributed surplus	Merger reserve	Goodwill reserve	Capital reserve	Other property revaluation reserve	Translation reserve	Accumulated profits (losses)	Sub-total	Share of net assets (liabilities) of subsidiaries	Share option reserve of a listed subsidiary	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2010	10	61,410	37,138	(3,688)	–	12,635	9,413	66,500	183,418	918	465	1,383	184,801
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	270	–	270	18	–	18	288
Revaluation of leasehold properties for own use upon transfer to investment properties	–	–	–	–	–	1,321	–	–	1,321	–	–	–	1,321
Loss for the year	–	–	–	–	–	–	–	(41,239)	(41,239)	(2,698)	–	(2,698)	(43,937)
Total comprehensive income (expense) for the year	–	–	–	–	–	1,321	270	(41,239)	(39,648)	(2,680)	–	(2,680)	(42,328)
	10	61,410	37,138	(3,688)	–	13,956	9,683	25,261	143,770	(1,762)	465	(1,297)	142,473
Capital contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	59	–	59	59
Deemed partial disposal of a subsidiary	–	–	–	–	50	–	–	–	50	(50)	–	(50)	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	98	98	98

	Attributable to owners of SIH									Attributable to non-controlling interests			
	Share capital *HK$'000*	Contributed surplus *HK$'000*	Merger reserve *HK$'000*	Goodwill reserve *HK$'000*	Capital reserve *HK$'000*	Other property revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated profits (losses) *HK$'000*	Sub-total *HK$'000*	Share of net assets (liabilities) of subsidiaries *HK$'000*	Share option reserve of a listed subsidiary *HK$'000*	Sub-total *HK$'000*	Total *HK$'000*
At 31 March 2011	10	61,410	37,138	(3,688)	50	13,956	9,683	25,261	143,820	(1,753)	563	(1,190)	142,630
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(463)	–	(463)	(32)	–	(32)	(495)
Revaluation of leasehold properties for own use upon transfer to investment properties	–	–	–	–	–	40,979	–	–	40,979	–	–	–	40,979
Deferred tax liability on revaluation of leasehold properties for own use upon transfer to investment properties	–	–	–	–	–	(2,357)	–	–	(2,357)	–	–	–	(2,357)
Loss for the year	–	–	–	–	–	–	–	(195,858)	(195,858)	1,343	–	1,343	(194,515)
Total comprehensive income (expense) for the year	–	–	–	–	–	38,622	(463)	(195,858)	(157,699)	1,311	–	1,311	(156,388)
	10	61,410	37,138	(3,688)	50	52,578	9,220	(170,597)	(13,879)	(442)	563	121	(13,758)
Capital contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	59	–	59	59
Deemed partial disposal of a subsidiary	–	–	–	–	35	–	–	–	35	(35)	–	(35)	–
Derecognition of goodwill reserve	–	–	–	3,688	–	–	–	(3,688)	–	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	144	144	144

	Attributable to owners of SIH									Attributable to non-controlling interests			
	Share capital *HK$'000*	Contributed surplus *HK$'000*	Merger reserve *HK$'000*	Goodwill reserve *HK$'000*	Capital reserve *HK$'000*	Other property revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated profits (losses) *HK$'000*	Sub-total *HK$'000*	Share of net assets (liabilities) of subsidiaries *HK$'000*	Share option reserve of a listed subsidiary *HK$'000*	Sub-total *HK$'000*	Total *HK$'000*
At 31 March 2012	10	61,410	37,138	–	85	52,578	9,220	(174,285)	(13,844)	(418)	707	289	(13,555)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	70	–	70	5	–	5	75
Loss for the year	–	–	–	–	–	–	–	(60,922)	(60,922)	11,442	–	11,442	(49,480)
Total comprehensive income (expense) for the year	–	–	–	–	–	–	70	(60,922)	(60,852)	11,447	–	11,447	(49,405)
	10	61,410	37,138	–	85	52,578	9,290	(235,207)	(74,696)	11,029	707	11,736	(62,960)
Capital contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	59	–	59	59
Deemed partial disposal of a subsidiary	–	–	–	–	21	–	–	–	21	(21)	–	(21)	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	57	57	57
At 31 March 2013	10	61,410	37,138	–	106	52,578	9,290	(235,207)	(74,675)	11,067	764	11,831	(62,844)

Consolidated Statements of Cash Flows

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Loss before taxation	(43,097)	(184,081)	(56,869)
Adjustments for:			
Share of (profit) loss of an associate	(303)	55	225
Release of prepaid lease payments	121	121	121
Depreciation of property, plant and equipment	39,975	30,417	19,075
Impairment loss recognised in respect of property, plant and equipment	–	14,126	25,634
Impairment loss recognised in respect of goodwill	–	8,819	–
Impairment loss recognised in respect of available-for-sale investments	–	14,640	–
Increase in fair value of investment properties	(61,381)	(54,346)	(68,904)
Decrease (increase) in fair value of investments held for trading	129	467	(160)
(Increase) decrease in fair value of derivative financial instruments	(96)	9	(44)
Decrease (increase) in fair value of financial assets designated at fair value through profit or loss	12	2	(7)
Dividend income from investments held for trading	(162)	(30)	(13)
Dividend income from available-for-sale investments	–	(78)	(142)
Share-based payments	98	144	57
Interest expenses	8,081	7,369	5,271
Interest income	(81)	(63)	(11)
Gain on disposal of property, plant and equipment	–	(1,479)	(1,562)
Write-off of other receivables	680	17,450	–
Write-off of amount due from a fellow subsidiary	–	84	–
Allowance for obsolete and slow-moving inventories	5,890	18,000	33,379
Allowance for doubtful debts	1,161	7,221	3,072
Write-back of accrued charges	(4,256)	–	–
Effect of foreign exchange rate change on inter-company balances	(997)	(423)	139

	Year ended 31 March		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital	(54,226)	(121,576)	(40,739)
(Increase) decrease in inventories	(25,355)	82,000	26,275
(Increase) decrease in debtors, deposits and prepayments	(70,622)	72,942	45,075
Decrease in investments held for trading	11,417	191	711
(Increase) decrease in derivative financial instruments	(179)	8	27
Increase in financial assets designated at fair value through profits or loss	(29)	–	–
Increase (decrease) in creditors and accrued charges	11,219	(43,809)	(41,969)
Cash used in operations	(127,775)	(10,244)	(10,620)
Dividend received from investments held for trading	162	30	13
Hong Kong Profits Tax refunded (paid)	240	37	(1,776)
Taxation in other jurisdictions paid	(1,854)	(1,636)	(1,737)
Taxation in other jurisdictions refunded	–	136	–
Net cash used in operating activities	(129,227)	(11,677)	(14,120)
Cash flows from investing activities			
Repayment from ultimate holding company	55,572	1,561	41,028
Repayment from fellow subsidiaries	35,647	–	–
Dividend received from an associate	289	330	210
Interest received	81	63	11
Proceeds from disposal of an investment property	–	90,000	20,976
Proceeds from disposal of property, plant and equipment	–	6,129	4,444
Dividend received from available-for-sale investments	–	78	142
Purchase of property, plant and equipment	(6,678)	(4,467)	(2,841)
(Advance to) repayment from an associate	(20)	230	–
Net cash from investing activities	84,891	93,924	63,970

	Year ended 31 March		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from financing activities			
Net proceeds from (repayment of) trust receipts and import loans and loans related to bills discounted with recourse	71,257	(67,192)	(33,591)
Other loan raised	35,300	1,000	–
Advance from (repayment to) ultimate holding company	33,456	12,637	(27,712)
Net proceeds from (repayment of) debt factoring loans	1,084	7,301	(8,385)
Capital contribution from non-controlling shareholders of a subsidiary	59	59	59
Short term loans raised	–	8,000	5,000
Repayment of short term loans	(46,417)	(3,023)	(35,007)
Repayment to a fellow subsidiary	(35,573)	(3,631)	–
Repayment of bank loan	(27,281)	–	–
Interest on bank and other borrowings paid	(8,081)	(7,369)	(5,271)
Net cash from (used in) financing activities	23,804	(52,218)	(104,907)
Net (decrease) increase in cash and cash equivalents	(20,532)	30,029	(55,057)
Cash and cash equivalents at beginning of the year	80,018	60,771	90,728
Effect of exchange difference	1,285	(72)	(64)
Cash and cash equivalents at end of the year, representing bank balances and cash	60,771	90,728	35,607

Notes to Financial Information

1. GENERAL

SIH is an exempted company incorporated in British Virgin Islands with limited liability. Its ultimate and immediate holding company is the Company. The addresses of the registered office and principal place of business of SIH is P.O. Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands and 5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong, respectively.

The principal activity of SIH is investment holding. Its principal subsidiaries are engaged in the design, manufacture and sale of a wide range of electronic products, property investment and securities trading.

The Financial Information is presented in Hong Kong dollars which is the functional currency of SIH.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

Pursuant to the group restructuring with details set out in the section headed "Proposed Group Restructuring and Deemed Very Substantial Disposal Relating to the Disposal" of the Circular, SIH will transfer the Scheme Entities (as defined in section C to this report) to Rich Giant, a wholly owned subsidiary of Dual Success which is not part of the SIH Group, transfer the Remaining Subsidiaries (as defined in section C to this report) to the Company and retain its interest in Distributed Subsidiaries (as defined in section C to this report). The shares of SIH will then be distributed in specie to the shareholders of the Company. Upon completion of the distribution in specie, a company wholly owned by Mr. Lau Sak Hong will make an unconditional voluntary cash offer to the then shareholders of SIH to acquire all the shares of SIH after share sub-division. The distribution in specie is subject to the approval of the Company's shareholders in the special general meeting.

In preparing the Financial Information, the directors of SIH have given careful consideration to the future liquidity of the SIH Group in light of the fact that its current liabilities exceeded its current assets by approximately HK$334,227,000, HK$417,703,000 and HK$479,565,000 as at 31 March 2011, 2012 and 2013, respectively, and its total liabilities exceeded its total assets by approximately HK$13,555,000 and HK$62,844,000 as at 31 March 2012 and 2013, respectively and the SIH Group incurred recurring losses of approximately HK$43,937,000, HK$194,515,000 and HK$49,480,000 for each of the three years ended 31 March 2013, respectively. Taking into account that the Company has agreed to provide financial support to the SIH Group prior to the distribution in specie and Mr. Lau Sak Hong has agreed to provide financial support to the SIH Group upon completion of the distribution in specie, accordingly, the Financial Information has been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the three years ended 31 March 2011, 2012 and 2013, the SIH Group has consistently applied the Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations ("INTs") (hereinafter collectively referred to the "HKFRSs") which are effective for the accounting period beginning on 1 April 2012 throughout the three years ended 31 March 2011, 2012 and 2013.

New and revised HKFRSs issued but not yet effective

The SIH Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective as at 31 March 2013.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[6]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[5]

Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (Revised 2011)	Employee benefits[1]
HKAS 27 (Revised 2011)	Separate financial statements[1]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[5]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[2]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[2]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]
HK(IFRIC) – INT 21	Levies[2]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2012.
5 Effective for annual periods beginning on or after 1 July 2014.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

HKFRS 9 "Financial instruments"

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

Key requirements of HKFRS 9 are described as follows:

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Except for available-for-sale investments, the directors anticipate that the application of HKFRS 9 will not affect the classification and measurement of the SIH Group's other financial assets and liabilities based on the consolidated statement of financial position of the SIH Group as at 31 March 2013. Regarding the SIH Group's available-for-sale investments, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 13 "Fair value measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. This standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 will be adopted in the SIH Group's consolidated financial statements for the annual period beginning on 1 April 2013. The application of the new standard is not expected to affect the measurement of the SIH Group's assets and liabilities reported in the consolidated statements of financial position as at 31 March 2013 but will result in more extensive disclosures in the consolidated financial statements.

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

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the SIH Group's consolidated financial statements for the annual period beginning on 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Other than those disclosed above, the directors of SIH anticipate that the application of the other new and revised standards, amendments or interpretation will have no material impact on the results and financial position of the SIH Group.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Information has been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Non-controlling interests in subsidiaries are presented separately from the SIH Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of SIH and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the SIH Group's ownership interests in existing subsidiaries

Changes in the SIH Group's ownership interests in existing subsidiaries that do not result in the SIH Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the SIH Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted (i.e. the non-controlling interests share of recognised identifiable net assets at the date of acquisition) and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of SIH.

Goodwill

Goodwill arising on acquisition prior to 1 April 2001 continues to be held in reserves, and will be charged to accumulated profits/losses at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Goodwill arising on an acquisition of a business on or after 1 April 2001 is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statements of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

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

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

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the SIH Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the SIH Group's share of the profit or loss and other comprehensive income of the associates. When the SIH Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the SIH Group's net investment in the associate), the SIH Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the SIH Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the SIH Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the SIH Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the SIH Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the SIH Group's Financial Information only to the extent of interests in the associate that are not related to the SIH Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has been passed.

Commission income is recognised when services are rendered.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments excluding financial assets at fair value through profit or loss is recognised when the SIH Group's right to receive payment has been established.

Property, plant and equipment

Property, plant and equipment including land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statements of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

The cost or valuation of leasehold properties is depreciated on a straight line basis after taking into account of the estimated residual value. Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than leasehold properties over their estimated useful lives using the reducing balance method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in other property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits/losses.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in other property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits/losses.

Financial instruments

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

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

Financial assets

The SIH Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is excluded in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories including financial assets held for trading and those designated at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the SIH Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including debtors, amount due from ultimate holding company, amounts due from fellow subsidiaries, amount due from an associate, deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

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

Dividends on available-for-sale investments are recognised in profit or loss when the SIH Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the SIH Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranging from 30 days to 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities

Financial liabilities including creditors, amount due to ultimate holding company, amounts due to fellow subsidiaries and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments that do not qualify for hedge accounting

Derivatives that do not qualify for hedge accounting are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The SIH Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the SIH Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the SIH Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the SIH Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the SIH Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately or expensed on a straight line basis over the vesting period if the share options is not vested immediately, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to accumulated profits/losses.

Research and development expenditure

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

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

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

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

The resultant asset is amortised on a straight line basis over its useful life and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Inventories

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

Impairment (other than goodwill)

At the end of the reporting period, the SIH Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the SIH Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as an income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The SIH Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax are recognised in profit or loss, except when they are relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property", the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of Group whose business objective is to consume substantively all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Leases

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

The SIH Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease.

The SIH Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the SIH Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the SIH Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the SIH Group's foreign operations are translated into the presentation currency of the SIH Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Retirement benefits costs

Payments to defined contribution retirement benefit plans are charged as expenses when employees have rendered service entitling them to the contributions.

5. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the SIH Group's accounting policies, which are described in note 4, the directors of SIH are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Allowances for inventories

The management of the SIH Group reviews the physical conditions and saleability of inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and consumables primarily based on the latest invoice prices and current market conditions. As at 31 March 2011, 2012 and 2013, the carrying amount of inventories is HK$345,183,000, HK$245,183,000 and HK$185,529,000, respectively, net of accumulated allowance for obsolete and slow-moving inventories of HK$46,021,000, HK$53,441,000 and HK$86,820,000, respectively.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the SIH Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 31 March 2011, 2012 and 2013, the carrying amount of goodwill is HK$26,484,000, HK$17,665,000 and HK$17,665,000, respectively, net of accumulated impairment loss of HK$1,569,000, HK$10,388,000 and HK$10,388,000, respectively. Details of the recoverable amount calculation are disclosed in note 17.

Impairment of property, plant and equipment

The SIH Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with the relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value in use calculations. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted. Where the actual cash flows are different from the original estimate, a material change in the amount of impairment may arise. As at 31 March 2011, 2012 and 2013, the carrying amount of property, plant and equipment is HK$203,965,000, HK$143,998,000 and HK$99,248,000, respectively, net of accumulated impairment loss of nil, HK$14,126,000 and HK$39,760,000, respectively. Details of the recoverable amount calculation are set out in note 14.

Income taxes

As at 31 March 2011, 2012 and 2013, no deferred tax asset was recognised in the SIH Group's consolidated statements of financial position in relation to the estimated unused tax losses of HK$377,436,000, HK$550,438,000 and HK$600,448,000, respectively due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are more or less than expected, a material recognition or reversal of deferred tax asset may arise, which would be recognised in profit or loss in the period in which such a recognition or reversal takes place.

6. SEGMENT INFORMATION

Information reported to the directors of SIH, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered by each operating division.

The SIH Group was organised into three operating divisions, namely design, manufacture and sale of electronic products (representing consumer electronic audio and video equipment, imaging products, musical instruments and accessories), property investment and securities trading. These divisions are the basis on which the SIH Group reports its segment information.

Segment revenue and results

An analysis of the SIH Group's revenue, which represents sales of goods, and results by reportable and operating segments is as follows:

	Design, manufacture and sale of electronic products	Property investment	Securities trading	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2011				
TURNOVER	637,633	–	–	637,633
SEGMENT RESULTS	(96,142)	66,210	117	(29,815)
Interest income				81
Unallocated expenses				(5,585)
Share of profit of an associate				303
Interest expenses				(8,081)
Loss before taxation				(43,097)

	Design, manufacture and sale of electronic products HK$'000	Property investment HK$'000	Securities trading HK$'000	Consolidated HK$'000
Year ended 31 March 2012				
TURNOVER	631,830	–	–	631,830
SEGMENT RESULTS	(213,646)	60,928	(448)	(153,166)
Interest income				63
Unallocated income				78
Unallocated expenses				(23,632)
Share of loss of an associate				(55)
Interest expenses				(7,369)
Loss before taxation				(184,081)

	Design, manufacture and sale of electronic products HK$'000	Property investment HK$'000	Securities trading HK$'000	Consolidated HK$'000
Year ended 31 March 2013				
TURNOVER	515,408	–	–	515,408
SEGMENT RESULTS	(120,503)	77,754	224	(42,525)
Interest income				11
Unallocated income				142
Unallocated expenses				(9,001)
Share of loss of an associate				(225)
Interest expenses				(5,271)
Loss before taxation				(56,869)

The accounting policies of the reportable and operating segments are the same as the SIH Group's accounting policies described in note 4. Segment results represent the results from each operating segment without allocation of central administration costs incurred by head office, share of results of an associate, interest income, dividend income from available-for-sale investments, impairment loss recognised in respect of available-for-sale investments and interest expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

An analysis of the SIH Group's assets and liabilities by reportable and operating segments is as follows:

	Design, manufacture and sale of electronic products	Property investment	Securities trading	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2011				
ASSETS				
Segment assets	757,948	208,442	7,690	974,080
Unallocated corporate assets				323,340
Consolidated total assets				1,297,420
LIABILITIES				
Segment liabilities	150,948	–	–	150,948
Unallocated corporate liabilities				1,003,842
Consolidated total liabilities				1,154,790
At 31 March 2012				
ASSETS				
Segment assets	496,818	229,008	1,612	727,438
Unallocated corporate assets				332,588
Consolidated total assets				1,060,026
LIABILITIES				
Segment liabilities	107,139	–	17	107,156
Unallocated corporate liabilities				966,425
Consolidated total liabilities				1,073,581

	Design, manufacture and sale of electronic products	Property investment	Securities trading	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2013				
ASSETS				
Segment assets	344,146	276,936	1,068	622,150
Unallocated corporate assets				248,450
Consolidated total assets				870,600
LIABILITIES				
Segment liabilities	65,170	–	–	65,170
Unallocated corporate liabilities				868,274
Consolidated total liabilities				933,444

Unallocated corporate assets mainly represent interest in an associate, available-for-sale investments, deferred tax assets, amounts due from ultimate holding company/fellow subsidiaries/an associate and bank balances and cash.

Unallocated corporate liabilities mainly represent borrowings, taxation payable, amounts due to ultimate holding company/a fellow subsidiary and deferred tax liabilities.

Other segment information

	Design, manufacture and sale of electronic products *HK$'000*	Property investment *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
Amounts included in the measurement of segment results or segment assets:				
Year ended 31 March 2011				
Additions of property, plant and equipment	6,678	–	–	6,678
Increase in fair value of investment properties	–	61,381	–	61,381
Increase in fair value of derivative financial instruments	–	–	96	96
Decrease in fair value of financial assets designated at fair value through profit or loss	–	–	12	12
Decrease in fair value of investments held for trading	–	–	129	129
Release of prepaid lease payments	121	–	–	121
Depreciation of property, plant and equipment	39,975	–	–	39,975
Allowance for doubtful debts	1,161	–	–	1,161
Allowance for obsolete and slow-moving inventories	5,890	–	–	5,890
Write-off of other receivables	680	–	–	680

	Design, manufacture and sale of electronic products *HK$'000*	Property investment *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
Amounts included in the measurement of segment results or segment assets:				
Year ended 31 March 2012				
Additions of property, plant and equipment	4,467	–	–	4,467
Increase in fair value of investment properties	–	54,346	–	54,346
Decrease in fair value of derivative financial instruments	–	–	9	9
Decrease in fair value of financial assets designated at fair value through profit or loss	–	–	2	2
Decrease in fair value of investments held for trading	–	–	467	467
Release of prepaid lease payments	121	–	–	121
Depreciation of property, plant and equipment	30,417	–	–	30,417
Allowance for doubtful debts	7,221	–	–	7,221
Allowance for obsolete and slow-moving inventories	18,000	–	–	18,000
Impairment loss recognised in respect of goodwill	8,819	–	–	8,819
Impairment loss recognised in respect of property, plant and equipment	14,126	–	–	14,126
Write-off of other receivables	17,450	–	–	17,450

	Design, manufacture and sale of electronic products	Property investment	Securities trading	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measurement of segment results or segment assets:				
Year ended 31 March 2013				
Additions of property, plant and equipment	2,841	–	–	2,841
Increase in fair value of investment properties	–	68,904	–	68,904
Increase in fair value of derivative financial instruments	–	–	44	44
Increase in fair value of financial assets designated at fair value through profit or loss	–	–	7	7
Increase in fair value of investments held for trading	–	–	160	160
Release of prepaid lease payments	121	–	–	121
Depreciation of property, plant and equipment	19,075	–	–	19,075
Allowance for doubtful debts	3,072	–	–	3,072
Allowance for obsolete and slow-moving inventories	33,379	–	–	33,379
Impairment loss recognised in respect of property, plant and equipment	25,634	–	–	25,634

Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment results or segment assets:

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Interest in an associate	6,535	6,150	5,715
Share of profit (loss) of an associate	303	(56)	(225)
Interest expenses	8,081	7,369	5,271

Geographical segments

The SIH Group's operations are located in North America, Europe, Hong Kong (place of domicile), Mainland China (the "PRC") and other countries.

The SIH Group's revenue from external customers (based on location of customers) and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers Year ended 31 March			Non-current assets *(note)*		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
United States of America	515,876	448,177	358,749	3,522	2,987	3,798
Canada	50,072	116,044	112,019	–	–	–
Europe	51,072	36,585	15,431	–	–	–
The PRC	–	82	–	143,575	137,544	93,696
Hong Kong	9,704	10,445	26,676	301,982	259,822	305,481
Other countries	10,909	20,497	2,533	–	–	–
	637,633	631,830	515,408	449,079	400,353	402,975

Note: Non-current assets excluded available-for-sale investments and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the SIH Group are as follows:

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Customer A[1]	157,738	236,667	206,974
Customer B[1]	168,782	109,379	87,430

[1] Revenue from sales of electronic products.

7. OTHER INCOME

	Year ended 31 March		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Other income mainly includes:			
Commission	267	122	118
Dividend income from available-for-sale investments	–	78	142
Dividend income from listed equity securities	162	30	13
Interest income	81	63	11
Rental income *(note)*	4,858	6,638	9,215
Sale of scrap materials	454	5,371	292
Write-back of accrued charge	4,256	–	–

Note: Outgoings of HK$29,000, HK$56,000 and HK$365,000 were incurred resulting in net rental income of HK$4,829,000, HK$6,582,000 and HK$8,850,000 for the year ended 31 March 2011, 2012 and 2013, respectively.

8. OTHER GAINS AND LOSSES

	Year ended 31 March		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Other gains (losses) comprise:			
Allowance for doubtful debts	(1,161)	(7,221)	(3,072)
Increase (decrease) in fair value of derivative financial instruments	96	(9)	44
(Decrease) increase in fair value of financial assets designated at fair value through profit or loss	(12)	(2)	7
(Decrease) increase in fair value of investments held for trading	(129)	(467)	160
Exchange gain (loss), net	1,119	(4,661)	(4,205)
Gain on disposal of property, plant and equipment	–	1,479	1,562
Impairment loss recognised in respect of available-for-sale investments	–	(14,640)	–
Impairment loss recognised in respect of goodwill	–	(8,819)	–
Impairment loss recognised in respect of property, plant and equipment	–	(14,126)	(25,634)
Write-off of other receivables	(680)	(17,450)	–
Write-off of amount due from a fellow subsidiary	–	(84)	–
	(767)	(66,000)	(31,138)

9. LOSS BEFORE TAXATION

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Loss before taxation has been arrived at after charging:			
Allowance for obsolete and slow-moving inventories (included in cost of sales)	5,890	18,000	33,379
Auditors' remuneration	3,187	3,182	3,472
Depreciation of property, plant and equipment	39,975	30,417	19,075
Interest expenses on borrowings wholly repayable within five years	8,081	7,369	5,271
Minimum lease payments under operating leases in respect of rented premises	9,033	9,635	8,765
Release of prepaid lease payments	121	121	121
Research and development costs *(note (a))*	29,050	22,899	13,172
Staff costs including directors' remuneration *(note (b))*	93,065	76,088	56,257

Notes:

(a) The research and development costs included staff costs of HK$5,628,000, HK$4,290,000 and HK$2,935,000, for the three years ended 31 March 2011, 2012 and 2013, respectively.

(b) The staff costs included retirement benefits scheme contributions of HK$4,788,000, HK$4,529,000 and HK$3,460,000 and share-based payments of HK$98,000, HK$144,000 and HK$57,000 for the three years ended 31 March 2011, 2012 and 2013, respectively.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of emoluments paid by the SIH Group to each of the directors and the chief executive are as follows:

For the year ended 31 March 2011

	Fees	Salaries and other short term employee benefits	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Lau Sak Hong, Philip	–	5,000	12	5,012
Lau Sak Kai, Anthony	–	850	12	862
Lau Sak Yuk, Andy	–	715	12	727
	–	6,565	36	6,601

For the year ended 31 March 2012

	Fees	Salaries and other short term employee benefits	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Lau Sak Hong, Philip	–	3,754	12	3,766
Lau Sak Kai, Anthony	–	726	12	738
Lau Sak Yuk, Andy	–	591	12	603
	–	5,071	36	5,107

For the year ended 31 March 2013

	Fees	Salaries and other short term employee benefits	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Lau Sak Hong, Philip	–	4,095	10	4,105
Lau Sak Kai, Anthony	–	552	15	567
Lau Sak Yuk, Andy	–	395	15	410
	–	5,042	40	5,082

No performance related incentive payments were paid to the directors of SIH for each of the three years ended 31 March 2011, 2012 and 2013.

Mr. Lau Sak Hong, Philip is also the chief executive of SIH and his emoluments disclosed above included those for services rendered by him as the chief executive.

Employees

For the three years ended 31 March 2011, 2012 and 2013, the five highest paid individuals of the SIH Group included three, two and two directors, respectively, details of whose remuneration are set out above. The emoluments of the remaining two, three and three highest paid employees are as follows:

	Year ended 31 March		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other short term employee benefits	2,230	2,452	1,781
Retirement benefits scheme contributions	12	21	29
	2,242	2,473	1,810

Emoluments of these employees were within the following bands:

	Number of employees Year ended 31 March		
	2011	2012	2013
Nil – HK$1,000,000	1	2	3
HK$1,000,001 – HK$1,500,000	1	1	–

11. TAXATION

	Year ended 31 March		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
The charge (credit) comprises:			
Hong Kong Profits Tax			
(Over)underprovision in prior years	(23)	1,773	–
Taxation in other jurisdictions			
Current year	1,514	1,660	2,250
Underprovision in prior years	45	15	312
	1,559	1,675	2,562
Deferred taxation *(note 29)*	(696)	6,986	(9,951)
	840	10,434	(7,389)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the three years ended 31 March 2011, 2012 and 2013.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Tax charge (credit) for the year can be reconciled to the loss before taxation per the consolidated statements of comprehensive income as follows:

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Loss before taxation	(43,097)	(184,081)	(56,869)
Tax credit at the domestic income tax rate of 16.5%	(7,111)	(30,373)	(9,383)
Tax effect of share of results of an associate	(50)	9	37
Tax effect of expenses not deductible for taxation purposes	4,135	14,766	12,960
Tax effect of income not taxable for taxation purposes	(10,150)	(9,358)	(10,113)
Effect of different tax rates of subsidiaries operating in other jurisdictions	10	236	(3,563)
Tax effect of tax losses not recognised	15,246	30,583	17,016
Tax effect of utilisation of tax losses previously not recognised	(2,097)	(114)	(2,177)
Underprovision in prior years	22	1,788	312
Recognition of tax losses previously not recognised	–	–	(10,033)
Recognition of other deductible temporary differences previously not recognised	–	–	(2,051)
Others	835	2,897	(394)
Tax charge (credit) for the year	840	10,434	(7,389)

12. DIVIDEND

No dividend was declared by the SIH Group for the three years ended 31 March 2011, 2012 and 2013.

13. INVESTMENT PROPERTIES

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SIH GROUP			
Fair value of investment properties:			
At beginning of the year	145,350	208,442	229,008
Transfer from leasehold properties under property, plant and equipment	1,711	56,220	–
Increase in fair value	61,381	54,346	68,904
Disposals	–	(90,000)	(20,976)
At end of the year	208,442	229,008	276,936
The carrying amount of investment properties comprises properties situated on land held under:			
Land in Hong Kong:			
Long leases	190,800	192,300	231,900
Land outside Hong Kong:			
Long leases	17,642	18,228	26,196
Medium term leases	–	18,480	18,840
	208,442	229,008	276,936

The fair values of the SIH Group's investment properties have been arrived at on the basis of valuations carried out at the end of the reporting period by an independent qualified professional valuer not connected with the SIH Group. The valuations were arrived at by reference to recent market prices for similar properties in similar locations and conditions.

All of the SIH Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Computer equipment	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE SIH GROUP						
COST OR VALUATION						
At 1 April 2010	100,770	29,924	103,342	11,254	580,607	825,897
Additions	–	9	467	650	5,552	6,678
Transfer to investment properties *(note)*	(424)	–	–	–	–	(424)
At 31 March 2011	100,346	29,933	103,809	11,904	586,159	832,151
Additions	–	25	162	–	4,280	4,467
Disposals	–	(3,438)	(2,492)	(2,570)	(39,102)	(47,602)
Transfer to investment properties *(note)*	(21,887)	–	–	–	–	(21,887)
At 31 March 2012	78,459	26,520	101,479	9,334	551,337	767,129
Additions	–	27	310	–	2,504	2,841
Disposals	–	–	–	–	(35,073)	(35,073)
At 31 March 2013	78,459	26,547	101,789	9,334	518,768	734,897
Comprising:						
At cost	67,909	26,547	101,789	9,334	518,768	724,347
At valuation – 1991	10,550	–	–	–	–	10,550
	78,459	26,547	101,789	9,334	518,768	734,897

	Leasehold properties HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
DEPRECIATION AND IMPAIRMENT						
At 1 April 2010	16,834	23,045	90,045	9,039	449,282	588,245
Provided for the year	1,544	1,433	2,693	477	33,828	39,975
Eliminated on transfer	(34)	–	–	–	–	(34)
At 31 March 2011	18,344	24,478	92,738	9,516	483,110	628,186
Provided for the year	1,562	1,078	2,159	427	25,191	30,417
Impairment loss recognised in profit or loss	–	–	–	–	14,126	14,126
Eliminated on disposals	–	(3,407)	(2,492)	(2,231)	(34,822)	(42,952)
Eliminated on transfer	(6,646)	–	–	–	–	(6,646)
At 31 March 2012	13,260	22,149	92,405	7,712	487,605	623,131
Provided for the year	1,074	965	1,833	310	14,893	19,075
Impairment loss recognised in profit or loss	–	–	–	–	25,634	25,634
Eliminated on disposals	–	–	–	–	(32,191)	(32,191)
At 31 March 2013	14,334	23,114	94,238	8,022	495,941	635,649
CARRYING VALUES						
At 31 March 2013	64,125	3,433	7,551	1,312	22,827	99,248
At 31 March 2012	65,199	4,371	9,074	1,622	63,732	143,998
At 31 March 2011	82,002	5,455	11,071	2,388	103,049	203,965

Note: During the two years ended 31 March 2011 and 2012, the management resolved to rent out certain of its leasehold properties to outsiders for rental income and ended owner-occupation. These properties should be accounted for as investment properties. Upon the transfer from property, plant and equipment to investment properties, these properties were revalued with the increase in fair value of HK$1,321,000 and HK$40,979,000 (2013: nil) being credited to other property valuation reserve for the two years ended 31 March 2011 and 2012, respectively.

The cost or valuation of leasehold properties in Hong Kong, which included prepaid lease payments, is depreciated over forty years on a straight line basis and after taking into account of the estimated residual value. The cost of buildings situated on leasehold land outside Hong Kong is amortised over a period of fifty years or, where shorter, the remaining term of the leases on a straight line basis and after taking into account of the estimated residual value.

Depreciation is provided to write off the cost of other items of property, plant and equipment, other than leasehold properties, over their estimated useful lives, using the reducing balance method at the following rates per annum:

Computer equipment	25%
Furniture, fixtures and equipment	10 – 25%
Motor vehicles	20 – 25%
Plant and machinery	15 – 30%

During the three years ended 31 March 2011, 2012 and 2013, the directors conducted a review of the SIH Group's plant and machinery and identified a number of physically damaged and technologically obsolete assets. Accordingly, plant and machinery used in the SIH Group's electronic products segment with carrying amount of nil, HK$14,126,000 and HK$25,634,000, respectively, are considered to be fully impaired and impairment losses have been recognised in profit or loss.

The carrying value of the leasehold properties shown above comprises properties situated on land held under:

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Long leases in Hong Kong	20,253	12,228	12,090
Medium term leases outside Hong Kong	61,749	52,971	52,035
	82,002	65,199	64,125

The valuation of certain of the SIH Group's leasehold properties was carried out by a firm of independent professional valuers in 1991 on an open market value for existing use basis. The SIH Group has adopted the transitional relief provided by paragraph 80A of HKAS 16 from the requirement to make revaluation on a regular basis of certain of the SIH Group's leasehold properties and, accordingly, no further revaluation of leasehold properties will be carried out. Had these leasehold properties with a carrying amount of HK$15,773,000, HK$7,748,000 and HK$7,610,000 been carried at cost less accumulated depreciation and accumulated impairment losses, the carrying value of these leasehold properties at 31 March 2011, 2012 and 2013 would have been stated at HK$15,025,000, HK$7,381,000 HK$7,244,000, respectively.

15. PREPAID LEASE PAYMENTS

The SIH Group's prepaid lease payments comprise:

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Leasehold land held under medium term leases outside Hong Kong	3,774	3,653	3,532
Analysed for reporting purposes as:			
Current asset	121	121	121
Non-current asset	3,653	3,532	3,411
	3,774	3,653	3,532

16. PRODUCT DEVELOPMENT COSTS

	HK$'000
THE SIH GROUP	
COST	
At 1 April 2010, 31 March 2011, 31 March 2012 and 31 March 2013	1,732
AMORTISATION	
At 1 April 2010, 31 March 2011, 31 March 2012 and 31 March 2013	1,732
CARRYING VALUE	
At 31 March 2011, 31 March 2012 and 31 March 2013	–

Product development costs are amortised over a period of five years on a straight line basis.

17. GOODWILL

	HK$'000
THE SIH GROUP	
COST	
At 1 April 2010, 31 March 2011, 31 March 2012 and 31 March 2013	28,053
IMPAIRMENT	
At 1 April 2010 and 31 March 2011	1,569
Impairment loss recognised in profit or loss	8,819
At 31 March 2012 and 31 March 2013	10,388
CARRYING VALUE	
At 31 March 2012 and 31 March 2013	17,665
At 31 March 2011	26,484

For the purposes of impairment testing, goodwill of carrying value amounting to HK$26,484,000, HK$17,665,000 and HK$17,665,000 at 31 March 2011, 2012 and 2013, respectively has been allocated to cash-generating units ("CGUs") in the design, manufacture and sale of electronic products segment operating in the regions as below.

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Canada	8,111	–	–
United States of America	17,665	17,665	17,665
PRC	708	–	–
	26,484	17,665	17,665

The recoverable amount of the relevant CGUs has been determined on the basis of value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and expected changes to revenue and direct costs during the budgeted period. The management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

For the three years ended 31 March 2011, 2012 and 2013, the SIH Group performed impairment review for goodwill based on cash flow forecasts of the CGUs derived from the most recent financial budget for the next five years approved by the management and cash flows beyond the five-year period are extrapolated using 0%, 0% and 0% growth rate, respectively. The rate used to discount the forecast cash flows is 7.98%, 7.4% and 10%, respectively. No impairment was considered necessary for the year ended 31 March 2011 and the year ended 31 March 2013. During the year ended 31 March 2012, the SIH Group recognised impairment losses of HK$8,111,000 and HK$708,000 in relation to two subsidiaries engaged in the design, manufacturing and sale of electronic products in Canada and the PRC respectively due to the operating losses and the uncertainty of future prospects of these subsidiaries.

18. INVESTMENTS IN SUBSIDIARIES

	At 31 March		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
SIH			
Unlisted shares, at cost	147,597	147,597	147,597
Less: Impairment losses recognised	(20,500)	(20,500)	(20,500)
	127,097	127,097	127,097

19. INTEREST IN AN ASSOCIATE

	At 31 March		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
THE SIH GROUP			
Cost of investments in an associate, unlisted	6,510	6,510	6,510
Share of post-acquisition results, net of dividend received	25	(360)	(795)
	6,535	6,150	5,715

Included in the cost of investments in an associate is goodwill of HK$3,779,000, HK$3,779,000 and HK$3,779,000 at 31 March 2011, 2012 and 2013, respectively arising on acquisition of an associate in prior year.

The summarised financial information in respect of the SIH Group's associate is set out below:

	At 31 March		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Total assets	25,298	20,060	13,240
Total liabilities	(16,110)	(12,159)	(6,788)
Net assets	9,188	7,901	6,452
Share of net assets	2,756	2,371	1,936
Turnover	148,376	100,197	104,636
Profit (loss) for the year	1,011	(186)	(750)
Share of profit (loss) and total comprehensive income (expense) of an associate	303	(55)	(225)

20. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SIH GROUP			
Equity securities			
Unlisted shares, at cost	26,690	26,690	26,690
Less: Impairment losses recognised	(2,650)	(17,290)	(17,290)
	24,040	9,400	9,400
Analysed for reporting purposes as:			
Non-current asset	24,040	9,400	9,400

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in Hong Kong. They are measured at cost less impairment loss at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of SIH are of the opinion that their fair values cannot be measured reliably.

During the three years ended 31 March 2011, 2012 and 2013, an impairment loss of nil, HK$14,640,000 and nil, respectively was recognised in profit or loss which mainly comprised an impairment of HK$13,600,000 for an unlisted equity investment of 17% equity interest in Net Plus Company Limited ("Net Plus"), a company engaged in investment holding whose subsidiaries are engaged in provision of healthcare related services in Hong Kong and the PRC. At 31 March 2012, the directors reviewed the recoverability of the carrying amount of Net Plus with reference to the present value of the estimated future cash flows expected to arise from the investment and an impairment loss of HK$13,600,000 has been recognised. The carrying amount of the interest in Net Plus as at 31 March 2011, 2012 and 2013 was HK$23,000,000, HK$9,400,000 and HK$9,400,000, respectively.

21. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS/DERIVATIVE FINANCIAL INSTRUMENTS

	Assets			**Liabilities**		
	At 31 March			**At 31 March**		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE SIH GROUP						
(i) Financial assets designated at fair value through profit or loss:						
Buy-write certificates on:						
– equity securities listed in Hong Kong	1	–	–	–	–	–
– equity securities listed outside Hong Kong	19	18	25	–	–	–
	20	18	25	–	–	–
(ii) Derivative financial instruments not designated as hedging instruments settled on net basis:						
Options on equity securities listed outside Hong Kong	–	–	–	–	(17)	–
	20	18	25	–	(17)	–

The buy-write certificates contain embedded derivatives which are not closely related to the host contracts, accordingly, the entire combined contracts have been designed as financial assets at fair value through profit or loss.

On inception of the buy-write certificates, the strike price of the underlying equity securities, maturity date and observation period has been determined. At the end of each observation period or on maturity of the buy-write certificates, market price of the underlying equity securities will be compared to the strike price. The buy-write certificates will be terminated and the SIH Group will receive cash if the market price is higher than or equal to strike price. The buy-write certificates will be settled in shares transferred to the SIH Group at the strike price if the market price is lower than the strike price.

The fair values of buy-write certificates are determined by securities brokers using valuation models based on inputs such as share price, volatility, dividend yield of the underlying equity securities, and the fair values of options on equity securities are determined with reference to quoted market ask prices.

22. AMOUNTS DUE FROM/(TO) ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES/ SUBSIDIARIES/AN ASSOCIATE

THE SIH GROUP AND SIH

The amounts are unsecured, non-interest bearing and repayable on demand.

23. INVENTORIES

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SIH GROUP			
Raw materials	103,624	69,678	48,199
Work in progress	7,290	6,741	1,004
Finished goods	234,269	168,764	136,326
	345,183	245,183	185,529

The cost of inventories recognised as an expense in the consolidated statements of comprehensive income amounted to HK$532,743,000, HK$571,348,000 and HK$465,183,000 for the three years ended 31 March 2011, 2012 and 2013, respectively.

24. DEBTORS, DEPOSITS AND PREPAYMENTS

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SIH GROUP			
Trade debtors	111,780	68,877	25,837
Deposits with securities brokers	5,523	98	129
Advances to suppliers	20,574	9,901	7,216
Prepayments and other receivables	46,055	7,443	4,990
	183,932	86,319	38,172

During the three years ended 31 March 2011, 2012 and 2013, the SIH Group has written off other receivables of HK$680,000, HK$17,450,000 and nil, respectively, which mainly comprised a non-refundable advance payment of nil, HK$13,260,000 and nil, respectively, for certain technology patent which the management considered irrecoverable.

The aged analysis of trade debtors net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective recognition dates, is as follows:

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	75,387	36,802	16,308
31 – 60 days	9,132	4,033	1,262
61 – 90 days	2,707	5,934	1,565
Over 90 days	24,554	22,108	6,702
	111,780	68,877	25,837

The SIH Group allows an average credit period ranging from 30 days to 90 days to its trade customers. Before accepting any new customers, the management will internally assess the credit quality of the potential customer and define appropriate credit limits. Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good quality.

Included in the SIH Group's trade debtors are debtors with aggregate carrying amount of HK$27,785,000, HK$28,042,000 and HK$8,267,000 as at 31 March 2011, 2012 and 2013, respectively, which are past due as at the reporting date for which the SIH Group has not provided for impairment loss. The directors of SIH determined that these receivables are either due from customers of good credit quality with no history of default or covered by credit insurance. The SIH Group does not hold any collateral over these balances.

The aged analysis of trade debtors which are past due but not impaired is as follows:

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Overdue 31 – 60 days	544	11,020	1,585
Overdue 61 – 90 days	2,687	3,167	1,083
Overdue over 90 days	24,554	13,855	5,599
	27,785	28,042	8,267

Based on the experience of the management and repayment record of the customers, trade receivables which are past due but not impaired and not associated with litigations are generally recoverable.

Movements in the allowance for doubtful debts

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year	30,271	31,257	33,113
Impairment losses recognised on debtors	1,161	7,221	3,072
Amount written off	(175)	(5,365)	(744)
At end of the year	31,257	33,113	35,441

Included in the allowance for doubtful debts are individually impaired trade debtors with an aggregated balance of HK$29,198,000, HK$31,054,000 and HK$33,382,000 as at 31 March 2011, 2012 and 2013, respectively, which have either been placed under liquidation or in financial difficulties.

The management had withdrawn a litigation against a trade debtor in prior years as they consider that the legal and professional expenses involved would be high, and the related debtor balance of HK$2,059,000 as at 31 March 2011, 2012 and 2013. Such balance was fully impaired in prior years.

25. INVESTMENTS HELD FOR TRADING

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SIH GROUP			
Listed securities			
Equity securities listed in Hong Kong	479	323	280
Equity securities listed outside Hong Kong	1,773	1,271	763
	2,252	1,594	1,043

26. BANK BALANCES AND CASH

THE SIH GROUP

Bank balances and cash comprise cash held by the SIH Group and short term bank deposits with an original maturity of three months or less at an average interest rate of 0.01%, 0.01% and 0.01% per annum for the three years ended 31 March 2011, 2012 and 2013, respectively.

27. CREDITORS AND ACCRUED CHARGES

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SIH GROUP			
Trade creditors	96,140	59,091	28,781
Royalty and withholding tax payable	16,820	10,729	4,257
Other creditors and accrued expenses	37,988	37,319	32,132
	150,948	107,139	65,170

The aged analysis of trade creditors presented based on the invoice date at the end of the reporting period is as follows:

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	34,823	27,165	10,134
31 – 60 days	14,723	7,240	2,978
61 – 90 days	2,912	6,214	707
Over 90 days	43,682	18,472	14,962
	96,140	59,091	28,781

The average credit period on purchases of goods is 90 days.

28. BORROWINGS

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SIH GROUP			
Trust receipts and import loans	70,257	39,311	24,551
Short term bank loans	72,780	77,757	47,750
Loans related to bills discounted with recourse	73,911	37,665	18,834
Debt factoring loans	1,084	8,385	–
Other loan	35,300	36,300	–
	253,332	199,418	91,135
Analysed as:			
Secured	74,995	163,118	91,135
Unsecured	178,337	36,300	–
	253,332	199,418	91,135

The loans related to bills discounted with recourse are secured by intra-group trade debtors transferred to a bank.

The other loan as at 31 March 2011 and 2012 was unsecured, interest-free and repayable on demand. The remaining borrowings as at 31 March 2011, 2012 and 2013 are repayable on demand or within one year.

Except for the other loan as mentioned above, the SIH Group's borrowings are floating-rate borrowings, which are mainly linked with Hong Kong Interbank Offered Rate ("HIBOR"), and bear interest at a range from 2.0% to 3.7%, 2.6% to 4.5% and 2.9% to 4.1% per annum during the three years ended 31 March 2011, 2012 and 2013, respectively. Interest is repriced every month.

29. DEFERRED TAXATION

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

	Accelerated (tax) accounting depreciation	Tax losses	Revaluation of properties	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*
THE SIH GROUP					
A 1 April 2010	(6,302)	5,906	–	3,438	3,042
Credit (charge) to profit or loss	128	(130)	–	698	696
A 31 March 2011	(6,174)	5,776	–	4,136	3,738
Credit (charge) to profit or loss	3,454	(3,526)	(3,022)	(3,892)	(6,986)
Charge to other comprehensive income	–	–	(2,357)	–	(2,357)
A 31 March 2012	(2,720)	2,250	(5,379)	244	(5,605)
Credit (charge) to profit or loss	3,019	8,950	(2,082)	64	9,951
A 31 March 2013	299	11,200	(7,461)	308	4,346

Note: Others mainly represent temporary difference arising from unrealised profits on inventories.

For the purposes of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SIH GROUP			
Deferred tax assets	3,943	143	12,589
Deferred tax liabilities	(205)	(5,748)	(8,243)
	3,738	(5,605)	4,346

At 31 March 2011, 2012 and 2013, the SIH Group has unused tax loss of approximately HK$412,442,000, HK$564,074,000 and HK$681,811,000 and the SIH Group has not recognised deferred tax asset in respect of tax losses of HK$377,436,000, HK$550,438,000 and HK$600,448,000 due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of HK$115,099,000, HK$154,889,000 and HK$192,653,000 that will expire in the years of 2012 to 2030, 2013 to 2030 and 2014 to 2030, other tax losses may be carried forward indefinitely.

At 31 March 2011, 2012 and 2013, deferred taxation has not been provided for in the Financial Information in respect of the temporary differences attributable to the undistributed retained profits earned by the subsidiaries in the PRC amounting to HK$15,084,000, HK$19,064,000 and HK$24,241,000, respectively starting from 1 January 2008 under the New Law of the PRC that requires withholding tax upon the distribution of such profits to the shareholders, as the SIH Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30. SHARE CAPITAL

Ordinary shares of HK$1 each	**Number of ordinary shares**	**Amount**
		HK$'000
Authorised, issued and fully paid:		
At 1 April 2010, 31 March 2011, 31 March 2012 and 31 March 2013	10,000	10

31. RESERVES OF SIH

	Contributed surplus	**Accumulated profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2010	136,674	747	137,421
Loss for the year	–	(9)	(9)
At 31 March 2011	136,674	738	137,412
Loss for the year	–	(16)	(16)
At 31 March 2012	136,674	722	137,396
Loss for the year	–	(8)	(8)
At 31 March 2013	136,674	714	137,388

32. SHARE OPTION SCHEME OF SMC

SMC's share option scheme was approved by SMC's shareholders at the special meeting held on 6 September 2001 (the "SMC Scheme"). The SMC Scheme was developed to provide a means whereby the directors and selected employees, officers, consultants, and advisors of SMC may be granted incentive or non-qualified stock options to purchase common stock of SMC. The SMC Scheme authorises an aggregate of 1,950,000 shares of SMC's common stock and a maximum of 450,000 shares to any one individual in any one fiscal year.

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12 month period up to the date of the grant will be 300,000 shares.

The period within which the shares must be taken up under an option is any period as determined by the Board of SMC, which will not be more than 10 years (or 5 years in the case of a holder with 10% or more of the common stock) from the date on which the option is granted. Each option vested in one year from the date of grant.

The subscription price of the share options is determined by SMC's Stock Option Committee, which consists of two or more directors chosen by the Board of SMC. The subscription price of the share options will be no less than the closing price of SMC's shares on the offer date (or, if granted to a holder of 10% or more of the common stock, the subscription price will be no less than 110% of the closing price of SMC's shares on the offer date).

The movements of the share options granted to employees of the SIH Group pursuant to the SMC Scheme were as follows:

For the year ended 31 March 2011

		Number of share options			
Date of grant	**Exercise price** *US$*	**Outstanding at beginning of the year**	**Granted during the year**	**Forfeited during the year**	**Outstanding at end of the year**
31 December 2002	9.00	5,500	–	(1,500)	4,000
19 December 2003	1.97	5,710	–	(830)	4,880
6 February 2004	1.54	6,500	–	–	6,500
26 February 2004	1.36	20,000	–	–	20,000
29 March 2004	1.20	20,000	–	–	20,000
29 November 2004	0.75	40,000	–	–	40,000
1 December 2004	0.77	20,000	–	–	20,000
9 May 2005	0.60	57,000	–	(23,000)	34,000
31 March 2006	0.32	60,000	–	–	60,000
10 April 2006	0.33	52,000	–	(10,000)	42,000
31 March 2007	0.93	60,000	–	–	60,000
31 March 2008	0.45	120,000	–	–	120,000
31 March 2009	0.11	120,000	–	–	120,000
31 March 2010	0.03	60,000	–	–	60,000
29 October 2010	0.06	–	520,000	–	520,000
31 March 2011	0.04	–	60,000	–	60,000
		646,710	580,000	(35,330)	1,191,380
Exercisable at the end at the year					611,380
Weighted average exercise price (US$)		0.56	0.06	0.91	0.31
Holders of the share options are analysed as follows:					
Employees		646,710	580,000	(35,330)	1,191,380

For the year ended 31 March 2012

		Number of share options		
Date of grant	**Exercise price**	**Outstanding at beginning of the year**	**Granted during the year**	**Outstanding at end of the year**
	US$			
31 December 2002	9.00	4,000	–	4,000
19 December 2003	1.97	4,880	–	4,880
6 February 2004	1.54	6,500	–	6,500
26 February 2004	1.36	20,000	–	20,000
29 March 2004	1.20	20,000	–	20,000
29 November 2004	0.75	40,000	–	40,000
1 December 2004	0.77	20,000	–	20,000
9 May 2005	0.60	34,000	–	34,000
31 March 2006	0.32	60,000	–	60,000
10 April 2006	0.33	42,000	–	42,000
31 March 2007	0.93	60,000	–	60,000
31 March 2008	0.45	120,000	–	120,000
31 March 2009	0.11	120,000	–	120,000
31 March 2010	0.03	60,000	–	60,000
29 October 2010	0.06	520,000	–	520,000
31 March 2011	0.04	60,000	–	60,000
31 March 2012	0.12	–	60,000	60,000
		1,191,380	60,000	1,251,380
Exercisable at end of the year				1,191,380
Weighted average exercise price (US$)		0.31	0.12	0.30
Holders of the share options are analysed as follows:				
Employees		1,191,380	60,000	1,251,380

For the year ended 31 March 2013

		Number of share options		
Date of grant	**Exercise price**	**Outstanding at beginning of the year**	**Granted during the year**	**Outstanding at end of the year**
	US$			
31 December 2002	9.00	4,000	–	4,000
19 December 2003	1.97	4,880	–	4,880
6 February 2004	1.54	6,500	–	6,500
26 February 2004	1.36	20,000	–	20,000
29 March 2004	1.20	20,000	–	20,000
29 November 2004	0.75	40,000	–	40,000
1 December 2004	0.77	20,000	–	20,000
9 May 2005	0.60	34,000	–	34,000
31 March 2006	0.32	60,000	–	60,000
10 April 2006	0.33	42,000	–	42,000
31 March 2007	0.93	60,000	–	60,000
31 March 2008	0.45	120,000	–	120,000
31 March 2009	0.11	120,000	–	120,000
31 March 2010	0.03	60,000	–	60,000
29 October 2010	0.06	520,000	–	520,000
31 March 2011	0.04	60,000	–	60,000
31 March 2012	0.12	60,000	–	60,000
31 March 2013	0.18	–	60,000	60,000
		1,251,380	60,000	1,311,380
Exercisable at end of the year				1,311,380
Weighted average exercise price (US$)		0.30	0.18	0.29
Holders of the share options are analysed as follows:				
Employees		1,251,380	60,000	1,311,380

The above options were granted for an exercise period of nine years from the date on which the options are vested.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes pricing model.

Fair value of share options and assumptions:

Grant date	**29.10.2010**	**31.3.2011**	**31.3.2012**	**31.3.2013**
Fair value at measurement date (US$)	0.05	0.03	0.11	0.16
Share price (US$)	0.06	0.04	0.12	0.25
Exercise price (US$)	0.06	0.04	0.12	0.18
Expected volatility	283.9%	283.9%	341.4%	304.7%
Expected option life (years)	1	1	1	1
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	0.2%	0.3%	0.19%	0.16%

Expected volatility was determined by using the historical volatility of the SMC's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations. Changes in the subjective input assumptions could materially affect the fair value estimate.

The SIH Group recognised total expense of HK$98,000, HK$144,000 and HK$57,000 for the three years ended 31 March 2011, 2012 and 2013, respectively in relation to share options granted by SMC.

33. CAPITAL RISK MANAGEMENT

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

The capital structure of the SIH Group consists of net debt, which includes the borrowings disclosed in notes 28 net of cash and cash equivalents, and equity attributable to owners of SIH, comprising issued share capital and reserves.

The directors of SIH review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The SIH Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Available-for-sale investments	24,040	9,400	9,400
Investments held for trading	2,252	1,594	1,043
Financial assets designated at fair value through profit or loss	20	18	25
Loans and receivables (including cash and cash equivalents)	454,135	397,157	250,000
Financial liabilities			
Derivative financial instruments	–	17	–
Other financial liabilities at amortised cost	1,116,101	1,033,285	904,444

Financial risk management objectives and policies

The SIH Group's major financial instruments include debtors and deposits, available-for-sale investments, investments held for trading, derivative financial instruments, financial assets designated at fair value through profit or loss, bank balances and cash, amounts due from/to group entities and an associate, creditors and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The SIH Group's overall strategy remains unchanged from prior year.

Currency risk

Several subsidiaries of SIH have foreign currency denominated monetary assets and liabilities, which expose the SIH Group to foreign currency risk.

The carrying amounts of the group entities' foreign currency denominated monetary assets and monetary liabilities (mainly represented by intra-group current accounts, debtors, bank balances, creditors and borrowings) at the end of the reporting period are as follows:

	At 31 March					
	2011		**2012**		**2013**	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Euro	41	146	–	99	–	99
Hong Kong dollars	264,512	551,956	258,145	442,008	233,727	313,146
Japanese yen	200	–	191	–	300	–
Renminbi	16,036	201	38,489	465	34,236	563
Swiss Franc	214	–	165	–	231	–
United States dollars	382,323	176,165	350,894	106,221	321,616	46,747

The SIH Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The group entities are mainly exposed to foreign currency risk from Hong Kong dollars, Renminbi and United States dollars. Under the pegged exchange rate system, the financial impact on exchange difference between Hong Kong dollars and United States dollars will be immaterial and therefore no sensitivity analysis has been prepared.

The following table details the group entities' sensitivity to a 5% increase and decrease in Hong Kong dollars and Renminbi against each group entity's functional currency (including Hong Kong dollars and Renminbi). 5% is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive/negative number below indicates a decrease/an increase in loss for the year where Hong Kong dollars and Renminbi strengthen 5% against each group entity's functional currency. For a 5% weakening of Hong Kong dollars and Renminbi against each group entity's functional currency, there would be an equal and opposite impact on the loss for the year.

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong dollars	(14,372)	(9,193)	(3,971)
Renminbi	792	1,901	1,684

In addition, the SIH Group is also exposed to currency risk concerning certain amounts due from/to group entities, which are denominated in currencies other than the functional currency of the relevant group entities. When Renminbi strengthens 5% against the relevant foreign currency, loss for the year of the SIH Group will decrease by HK$3,855,000, HK$4,713,000 and HK$3,545,000 and vice versa for the year ended 31 March 2011, 2012 and 2013, respectively.

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

Interest rate risk

The SIH Group has cash flow interest rate risk on floating-rate borrowings. The SIH Group currently does not have any policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The interest expenses on the SIH Group's floating-rate borrowings are mainly linked with HIBOR.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for floating-rate borrowings at the end of the reporting period (note 28). The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the SIH Group's loss for the three years ended 31 March 2011, 2012 and 2013 would increase/decrease by HK$910,000, HK$681,000 and HK$380,000, respectively. This is mainly attributable to the SIH Group's exposure to interest rates on its floating-rate borrowings.

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

Price risk

The SIH Group's derivative financial instruments, financial assets designated at fair value through profit or loss and held-for-trading investments are measured at fair value at the end of the reporting period. Therefore, the SIH Group is exposed to price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risk at the end of the reporting period.

If the prices of the respective financial instruments had been 5% higher/lower, loss for the three years ended 31 March 2011, 2012 and 2013 would decrease/increase by HK$114,000, HK$80,000 and HK$53,000, respectively as a result of the changes in fair value of derivative financial instruments, financial assets designated at fair value through profit or loss and held-for-trading investments.

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

Credit risk

The SIH Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2011, 2012 and 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the SIH Group reviews the recoverable amount of each individual trade debt and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of SIH consider that the SIH Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The SIH Group's concentration of credit risk by geographical locations is mainly in North America. The trade debtors located in North America accounted for 96%, 94% and 98% of the SIH Group's total trade debtors as at 31 March 2011, 2012 and 2013, respectively. The SIH Group also has concentration of credit risk by customers as 35%, 26% and 24% and 44%, 38% and 60% of the total trade debtors was due from the SIH Group's largest customer and the five largest customers as at 31 March 2011, 2012 and 2013, respectively. In the opinion of the directors, all five largest customers are customers with good reputation and creditability.

Liquidity risk

In the management of the liquidity risk, the SIH Group monitors and maintains sufficient reserve of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirement in the short and long term. The SIH Group finances its working capital requirements through a combination of funds generated from operations and borrowings. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the SIH Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the SIH Group can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments settled on a net basis, undiscounted net cash outflows are presented, while undiscounted gross outflows are presented for those derivative instruments that require gross settlement, based on the contractual maturities as the management considers that the contractual maturities are essential for any understanding of the timing of the cash flows of derivatives.

Liquidity and interest risk tables

	Effective interest rate	Repayable on demand and less than 1 month	1 - 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2011						
Non-derivative financial liabilities						
Creditors	–	71,290	42,220	–	113,510	113,510
Amount due to ultimate holding company	–	745,628	–	–	745,628	745,628
Amount due to a fellow subsidiary	–	3,631	–	–	3,631	3,631
Borrowings	2.6	102,653	125,953	25,830	254,436	253,332
		923,202	168,173	25,830	1,117,025	1,116,101
2012						
Non-derivative financial liabilities						
Creditors	–	40,171	35,431	–	75,602	75,602
Amount due to ultimate holding company	–	758,265	–	–	758,265	758,265
Borrowings	2.8	133,517	50,421	16,213	200,151	199,418
		931,953	85,852	16,213	1,034,018	1,033,285
Derivative – net settlement Options		17	–	–	17	17

	Effective interest rate	Repayable on demand and less than 1 month	1 - 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2013						
Non-derivative financial liabilities						
Creditors	–	23,455	6,769	16,232	46,456	46,456
Amount due to ultimate holding company	–	766,853	–	–	766,853	766,853
Borrowings	3.7	50,058	33,451	8,143	91,652	91,135
		840,366	40,220	24,375	904,961	904,444

Fair value

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively;

- the fair values of other financial assets and financial liabilities (excluding derivative instruments and financial assets designated at fair value through profit or loss) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair values of derivative instruments and financial assets designated at fair value through profit or loss are determined by securities brokers using valuation models based on inputs such as share price, volatility, dividend yield of the underlying equity securities.

The directors of SIH consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values.

Fair value measurements recognised in the consolidated statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	At 31 March 2011		
	Level 1	**Level 2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Investments held for trading	2,252	–	2,252
Financial assets designated at fair value through profit or loss	–	20	20
	2,252	20	2,272

	At 31 March 2012		
	Level 1	**Level 2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Investments held for trading	1,594	–	1,594
Financial assets designated at fair value through profit or loss	–	18	18
	1,594	18	1,612
Derivative financial liabilities	17	–	17

	At 31 March 2013		
	Level 1	**Level 2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Investments held for trading	1,043	–	1,043
Financial assets designated at fair value through profit or loss	–	25	25
	1,043	25	1,068

There were no transfers between Level 1 and 2 during the three years ended 31 March 2011, 2012 and 2013.

35. CAPITAL COMMITMENTS

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	287	440	453

36. OPERATING LEASE COMMITMENTS

As lessee

At the end of the reporting period, the SIH Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	8,041	8,414	4,607
In the second to fifth years inclusive	9,879	3,691	16,140
Over five years		–	9,201
	17,920	12,105	29,948

Operating lease payments represent rentals payable by the SIH Group for its office and warehouses. For the three years ended 31 March 2011, 2012 and 2013, leases are negotiated for terms ranging from one to five years, one to five years and one to seven years, respectively and rentals are fixed over the lease terms.

As lessor

At the end of the reporting period, the SIH Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	3,007	5,980	9,600
In the second to fifth years inclusive	332	19,225	26,706
Over five years	–	19,820	16,676
	3,339	45,025	52,982

These properties have committed tenants for terms ranging from one to two years, one to ten years and one to nine years for the three years ended 31 March 2011, 2012 and 2013, respectively.

37. PLEDGE OF ASSETS

At the end of the reporting period, the SIH Group pledged certain assets with the following carrying values to secure the general credit facilities granted to the SIH Group and the margin accounts with securities brokers:

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Investment properties	–	137,600	231,900
Bills discounted with recourse and factored debtor balances	174,995	46,927	–
Leasehold properties	–	6,596	6,462
Deposits with securities brokers as included in debtors, deposits and prepayments	1,130	98	129
Investments held for trading	385	23	29

38. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2013, the Company settled the other loan of HK$36,300,000 (2011 and 2012: nil) on behalf of the SIH Group and such balance was recorded in amount due to ultimate holding company.

39. RETIREMENT BENEFITS SCHEME

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

The SIH Group participates in the MPF Scheme implemented by the Hong Kong Government for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the SIH Group in funds under the control of trustee. The SIH Group contributes 5% of relevant payroll costs to the scheme, limit to HK$1,000 per month from 1 April 2010 to 31 May 2012 and HK$1,250 per month from 1 June 2012 to 31 March 2013 per staff.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits schemes to fund the benefits. The only obligation of the SIH Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

40. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, the SIH Group also entered into the following related party transactions.

(a) During the year, the SIH Group paid salaries and other short term employee benefits of HK$1,272,000, HK$1,219,000 and HK$1,506,000 to certain close family members of Mr. Lau Sak Hong, Philip, a director and a substantial shareholder of SIH's ultimate holding company, as employees of the SIH Group.

(b) Compensation of key management personnel

Details of the remuneration of key management personnel, who are the directors, during the year are set out in note 10.

B. DIRECTORS' REMUNERATION

Save as disclosed in the Financial Information, no other remuneration has been paid or payable by the SIH Group to the directors of SIH in respect of the three years ended 31 March 2011, 2012 and 2013.

C. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 March 2013:

On 30 January 2014, certain shareholders of the Company entered into a sale and purchase agreement (as supplemented by a supplemental agreement dated 21 March 2014) to dispose of an aggregate of 1,076,758,361 shares in the Company to Achieve Prosper Capital Limited (the "Purchaser"), an independent third party. On the same date, the Company entered into a subscription agreement with the Purchaser in relation to the subscription of the convertible bonds in the principal amount of HK$75,000,000 to be issued by the Company. As part of the above transactions, the Company will undergo a group restructuring pursuant to which subsidiaries of SIH which are engaged in manufacture and sale of electronic products such as television sets, audio products and components (the "Scheme Entities") will be transferred to Rich Giant, a wholly-owned subsidiary of Dual Success which is not part of the SIH Group (Dual Success, Rich Giant and the Scheme Entities together referred to as the "Scheme Subsidiaries"), and subsidiaries of SIH which are engaged in sale of electronic products such as karaoke, audio, video, musical instrument and clocks will be transferred to the Company (these subsidiaries together referred to as the "Remaining Subsidiaries"), SIH will then only retain its investments in subsidiaries which are engaged in property investment and sale of certain models of electronic products (the "Distributed Subsidiaries") (SIH and the Distributed Subsidiaries together referred to as the "Privateco Group"). The group restructuring took place during 3 March 2014 to 5 May 2014, and was completed prior to the date of this report. The shares of SIH will then be distributed in specie to the shareholders of the Company. More details of the group restructuring are set out in the section headed "Proposed Group Restructuring and Deemed Very Substantial Disposal Relating to the Disposal" of the Circular.

The financial information relevant to the Remaining Subsidiaries for each of the three years ended 31 March 2013 is disclosed as follows:

Assets and liabilities

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	2,817	2,362	3,798
Goodwill	25,776	17,665	17,665
Interest in an associate	6,535	6,150	5,715
Deferred tax assets	3,943	143	12,589
	39,071	26,320	39,767
Current assets			
Inventories	144,090	118,668	104,474
Debtors, deposits and prepayments	104,522	41,886	29,152
Investments held for trading	2,195	1,553	1,043
Financial assets designated at fair value through profit or loss	20	18	25
Amount due from ultimate holding company	74,653	74,811	74,056
Amounts due from fellow subsidiaries	164,061	234,272	231,727
Amount due from an associate	141	–	–
Bank balances and cash	13,911	4,969	16,779
	503,593	476,177	457,256
Current liabilities			
Creditors and accrued charges	24,196	27,428	21,381
Amount due to ultimate holding company	1,694	1,927	2,185
Amounts due to fellow subsidiaries	582,920	581,333	561,029
Derivative financial instruments	–	17	–
Borrowings	203	–	–
	609,013	610,705	584,595
Net current liabilities	(105,420)	(134,528)	(127,339)
Total assets less current liabilities	(66,349)	(108,208)	(87,572)
Non-current liabilities			
Deferred tax liabilities	–	–	298
	(66,349)	(108,208)	(87,870)

Profit or loss and other comprehensive income

	Year ended 31 March		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Turnover	506,606	479,469	404,369
Cost of sales	(444,115)	(411,699)	(299,522)
Gross profit	62,491	67,770	104,847
Other income	2,489	11,063	134
Distribution costs	(37,342)	(48,787)	(44,157)
Administrative expenses	(53,255)	(48,760)	(46,134)
Other gains and losses	611	(18,665)	(4,710)
Interest expenses	(1,590)	(468)	(1,750)
Share of profit (loss) of an associate	303	(55)	(225)
(Loss) profit before taxation	(26,293)	(37,902)	8,005
Taxation	692	(3,665)	12,142
(Loss) profit for the year	(25,601)	(41,567)	20,147
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations	288	(495)	75
Other comprehensive income (expense) for the year	288	(495)	75
Total comprehensive (expense) income for the year	(25,313)	(42,062)	20,222
(Loss) profit for the year attributable to:			
Owners of the Company	(22,619)	(42,440)	9,191
Non-controlling interests	(2,982)	873	10,956
	(25,601)	(41,567)	20,147
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company	(22,349)	(42,903)	9,261
Non-controlling interests	(2,964)	841	10,961
	(25,313)	(42,062)	20,222

Cash flows

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
(Loss) profit before taxation	(26,293)	(37,902)	8,005
Adjustments for:			
Share of (profit) loss of an associate	(303)	55	225
Depreciation of property, plant and equipment	3,544	1,393	880
Impairment loss recognised in respect of property, plant and equipment	–	108	–
Impairment loss recognised in respect of goodwill	–	8,110	–
Impairment loss recognised in respect of available-for-sale investments	6	452	–
Decrease in fair value of investments held for trading	108	–	–
(Increase) decrease in fair value of derivative financial instruments	(96)	9	(44)
Decrease (increase) in fair value of financial assets designated at fair value through profit or loss	12	2	(7)
Dividend income from investments held for trading	(162)	(30)	–
Dividend income from available-for-sale investments	–	–	(1)
Share-based payments	98	144	57
Interest expenses	1,590	468	1,750
Loss on disposal of property, plant and equipment	–	242	–
Allowance for obsolete and slow-moving inventories	–	12,693	11,791
Allowance for doubtful debts	–	7,221	3,072
Effect of foreign exchange rate change on inter-company balances	18	(32)	5

	Year ended 31 March		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital	(21,478)	(7,067)	25,733
(Increase) decrease in inventories	(29,201)	12,729	2,403
(Increase) decrease in debtors, deposits and prepayments	(35,689)	55,415	9,662
Decrease in investments held for trading	11,417	190	510
(Increase) decrease in derivative financial instruments	(179)	8	27
Increase in financial assets designated at fair value through profits or loss	(29)	–	–
(Decrease) Increase in creditors and accrued charges	(3,875)	3,232	(6,047)
Cash (used in) from operations	(79,034)	64,507	32,288
Dividend received from investments held for trading	–	30	–
Taxation in other jurisdictions paid	(653)	–	(6)
Taxation in other jurisdictions refunded	–	136	–
Net cash (used in) from operating activities	(79,687)	64,673	32,282
Cash flows from investing activities			
Repayment from (advance to) fellow subsidiaries	142,238	(70,211)	2,545
Dividend received from an associate	289	330	210
Dividend received from investments held for trading	162	–	–
(Advance to) repayment from ultimate holding company	(19,432)	(158)	755
Purchase of property, plant and equipment	(291)	(1,288)	(2,316)
Dividend received from available-for-sale investments	–	141	1
Net cash from (used in) investing activities	122,966	(71,186)	1,195

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from financing activities			
Advance from ultimate holding company	1,694	233	258
Capital contribution from non-controlling shareholders of a subsidiary	59	59	59
Repayment to fellow subsidiaries	(48,720)	(1,587)	(20,304)
Interest on bank and other borrowings paid	(1,590)	(468)	(1,750)
Repayment of short term loans	(1,398)	(203)	–
Net repayment of trust receipts and import loans and loans related to bills discounted with recourse	(9,166)	–	–
Net cash used in financing activities	(59,121)	(1,966)	(21,737)
Net (decrease) increase in cash and cash equivalents	(15,842)	(8,479)	11,740
Cash and cash equivalents at beginning of the year	29,483	13,911	4,969
Effect of exchange difference	270	(463)	70
Cash and cash equivalents at end of the year, representing bank balances and cash	13,911	4,969	16,779

The financial information relevant to the Privateco Group for each of the three years ended 31 March 2013 is disclosed as follows:

Assets and liabilities

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Investment properties	95,300	174,900	231,900
Property, plant and equipment	29,900	16,267	15,390
Goodwill	709	–	–
Investments in subsidiaries	189	109	109
	126,098	191,276	247,399
Current assets			
Inventories	15,309	13,085	9,491
Debtors, deposits and prepayments	56,479	20,379	5,550
Tax recoverable	37	–	–
Investments held for trading	57	41	–
Amount due from ultimate holding company	153,075	151,356	111,083
Amounts due from fellow subsidiaries	948,709	833,619	581,571
Amount due from an associate	89	–	–
Bank balances and cash	25,427	9,043	9,407
	1,199,182	1,027,523	717,102
Current liabilities			
Creditors and accrued charges	17,632	16,731	12,295
Amount due to ultimate holding company	619,229	624,328	624,885
Amounts due to fellow subsidiaries	525,571	554,165	454,812
Borrowings	140,690	113,426	45,095
	1,303,122	1,308,650	1,137,087
Net current liabilities	(103,940)	(281,127)	(419,985)
Total assets less current liabilities	22,158	(89,851)	(172,586)
Non-current liabilities			
Deferred tax liabilities	205	369	483
	21,953	(90,220)	(173,069)

Profit or loss and other comprehensive income

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	243,931	258,606	236,822
Cost of sales	(240,099)	(245,082)	(212,908)
Gross profit	3,832	13,524	23,914
Other income	11,201	12,734	6,146
Distribution costs	(22,173)	(13,848)	(10,435)
Administrative expenses	(28,161)	(27,995)	(16,055)
Other gains and losses	(817)	(165,483)	(141,291)
Increase in fair value of investment properties	26,900	40,300	57,000
Interest expenses	(3,512)	(2,789)	(2,016)
Loss before taxation	(12,730)	(143,557)	(82,737)
Taxation	21	(163)	(115)
Loss for the year	(12,709)	(143,720)	(82,852)
Other comprehensive income			
Revaluation of leasehold properties for own use upon transfer to investment properties	–	31,552	–
Other comprehensive income for the year	–	31,552	–
Total comprehensive expense for the year	(12,709)	(112,168)	(82,852)

Cash flows

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Loss before taxation	(12,730)	(143,557)	(82,737)
Adjustments for:			
Depreciation of property, plant and equipment	2,528	2,090	834
Impairment loss recognised in respect of property, plant and equipment	–	3,582	–
Impairment loss recognised in respect goodwill	–	709	–
Increase in fair value of investment properties	(26,900)	(40,300)	(57,000)
Decrease (increase) in fair value of investments held for trading	21	467	(160)
Dividend income from investments held for trading	–	–	(13)
Interest expenses	3,512	2,789	2,016
Interest income	(68)	(53)	–
Loss on disposal of property, plant and equipment	–	187	–
Write-off of other receivables	80	13,260	–
Allowance for obsolete and slow-moving inventories	1,930	185	152
Allowance for doubtful debts	613	–	–
Write-back of accrued charges	(4,256)	–	–
Effect of foreign exchange rate change on inter-company balances	(1,015)	(391)	134
Operating cash flows before movements in working capital	(36,285)	(161,032)	(136,774)
Decrease (increase) in inventories	1,153	(2,039)	(3,442)
(Increase) decrease in debtors, deposits and prepayments	(40,089)	36,100	14,829
Increase (decrease) in creditors and accrued charges	11,326	(901)	(4,436)
Cash used in operations	(63,895)	(127,872)	(129,823)
Hong Kong Profits Tax refunded (paid)	511	37	(3)
Net cash used in operating activities	(63,384)	(127,835)	(129,826)

	Year ended 31 March		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from investing activities			
Repayment from ultimate holding company	75,004	1,719	40,273
Repayment from fellow subsidiaries	65,794	115,090	252,048
Interest received	68	53	–
Purchase of property, plant and equipment	(805)	–	–
Net cash from investing activities	140,061	116,862	292,321
Cash flows from financing activities			
Advance from (repayment to) fellow subsidiaries	49,550	16,520	(164,578)
Net proceeds from (repayment of) trust receipts and import loans and loans related to bills discounted with recourse	47,439	(33,721)	9,337
Advance from ultimate holding company	11,668	5,099	557
Net (repayment of) proceeds from short term loans raised	(45,019)	3,203	–
Other loans raised	35,300	1,000	–
Net proceeds from (repayment of) debt factoring loans	1,084	5,277	(6,361)
Interest on bank and other borrowings paid	(3,512)	(2,789)	(1,086)
Net cash used in financing activities	(96,510)	(5,411)	(162,131)
Net (decrease) increase in cash and cash equivalents	(19,833)	(16,384)	364
Cash and cash equivalents at beginning of the year	45,260	25,427	9,043
Cash and cash equivalents at end of the year, representing bank balances and cash	25,427	9,043	9,407

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by SIH or any of the companies of the SIH Group subsequent to 31 March 2013.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
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REPORT ON REVIEW OF UNAUDITED FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF STARLIGHT INTERNATIONAL HOLDINGS LIMITED

Introduction

We have reviewed the unaudited financial information of SIH Limited and its subsidiaries (hereinafter collectively referred to as the "SIH Group") set out on pages IIIB-3 to IIIB-4 which comprises the unaudited consolidated statement of financial position as of 30 November 2013 and the related unaudited consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the eight months ended 30 November 2013 and explanatory notes (the "Unaudited Financial Information"). The Unaudited Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by Starlight International Holdings Limited (the "Company") in connection with the proposed deemed very substantial disposal relating to transfer of the entire equity interest in the share capital of Dual Success Holdings Limited under a creditors' scheme, proposed distribution in specie of SIH Limited's shares after completion of the group restructuring, proposed subscription of convertible bonds and proposed share premium reduction in accordance with Rule 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The directors of the Company are responsible for the preparation and presentation of the Unaudited Financial Information of the SIH Group in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information and Rule 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The directors of the Company are also responsible for such internal control as management determines is necessary to enable the preparation of unaudited financial information that is free from material misstatement, whether due to fraud or error. The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibility is to express a conclusion on this Unaudited Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the HKICPA. A review of the unaudited financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Financial Information of the SIH Group for the eight months ended 30 November 2013 is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 May 2014

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

	For the eight months ended 30 November	
	2013	**2012**
	HK$'000	*HK$'000*
Turnover	317,990	477,070
Cost of sales	(356,324)	(428,007)
Gross (loss) profit	(38,334)	49,063
Other income	8,712	7,202
Distribution costs	(47,301)	(53,870)
Administrative expenses	(51,873)	(53,687)
Other gains and losses	(16,947)	(28,572)
(Decrease) increase in fair value of investment properties	(17,411)	37,184
Gain on disposal of a subsidiary	440	–
Interest expenses	(3,347)	(3,742)
Share of profit an associate	357	67
Loss before taxation	(165,704)	(46,355)
Taxation	1,253	(1,761)
Loss for the period	(164,451)	(48,116)
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	1,413	(66)
Total comprehensive expense for the period	(163,038)	(48,182)
Loss for the period attributable to:		
Owners of SIH	(169,804)	(58,676)
Non-controlling interests	5,353	10,560
	(164,541)	(48,116)
Total comprehensive expense for the period attributable to:		
Owners of SIH	(168,637)	(58,739)
Non-controlling interests	5,599	10,557
	(163,038)	(48,182)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 NOVEMBER 2013

	As at 30 November 2013 *HK$'000*	As at 31 March 2013 *HK$'000*
Non-current assets		
Investment properties	259,525	276,936
Property, plant and equipment	79,258	99,248
Prepaid lease payments	3,331	3,411
Goodwill	17,665	17,665
Interest in an associate	6,072	5,715
Available-for-sale investments	9,400	9,400
Deferred tax assets	14,036	12,589
	389,287	424,964
Current assets		
Inventories	94,471	185,529
Debtors, deposits and prepayments	145,569	38,172
Prepaid lease payments	121	121
Investments held for trading	1,082	1,043
Financial assets designated at fair value through profit or loss	35	25
Amount due from ultimate holding company	22,696	185,139
Bank balances and cash	44,402	35,607
	308,376	445,636
Current liabilities		
Creditors and accrued charges	150,004	65,170
Amount due to ultimate holding company	605,004	766,853
Taxation payable	1,046	2,043
Borrowings	158,592	91,135
Bank overdraft	780	–
	915,426	925,201
Net current liabilities	(607,050)	(479,565)
Total assets less current liabilities	(217,763)	(54,601)
Non-current liabilities		
Deferred tax liabilities	7,946	8,243
	(225,709)	(62,844)
Capital and reserves		
Share capital	10	10
Reserves	(243,302)	(74,685)
Equity attributable to owners of SIH	(243,292)	(74,675)
Non-controlling interests	17,583	11,831
	(225,709)	(62,844)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

	Attributable to owners of SIH								Attributable to non-controlling interests			
	Share capital	Contributed surplus	Merger reserve	Capital reserve	Other property revaluation reserve	Translation reserve	Accumulated losses	Sub-total	Share of net assets of subsidiaries	Share option reserve of a listed subsidiary	Sub-total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2013	10	61,410	37,138	106	52,578	9,290	(235,207)	(74,675)	11,067	764	11,831	(62,844)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	1,167	–	1,167	246	–	246	1,413
Loss for the period	–	–	–	–	–	–	(169,804)	(169,804)	5,353	–	5,353	(164,451)
Total comprehensive income (expense) for the period	–	–	–	–	–	1,167	(169,804)	(168,637)	5,599	–	5,599	(163,038)
	10	61,410	37,138	106	52,578	10,457	(405,011)	(243,312)	16,666	764	17,430	
Capital contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	58	–	58	58
Deemed partial disposal of a subsidiary	–	–	–	20	–	–	–	20	(20)	–	(20)	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	115	115	115
At 30 November 2013	10	61,410	37,138	126	52,578	10,457	(405,011)	(243,292)	16,704	879	17,583	(225,709)
At 1 April 2012	10	61,410	37,138	85	52,578	9,220	(174,285)	(13,844)	(418)	707	289	(13,555)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(63)	–	(63)	(3)	–	(3)	(66)
Loss for the period	–	–	–	–	–	–	(58,676)	(58,676)	10,560	–	10,560	(48,116)
Total comprehensive (expense) income for the period	–	–	–	–	–	(63)	(58,676)	(58,739)	10,557	–	10,557	(48,182)
At 30 November 2012	10	61,410	37,138	85	52,578	9,157	(232,961)	(72,583)	10,139	707	10,846	(61,737)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

	For the eight months ended 30 November	
	2013	**2012**
	HK$'000	*HK$'000*
Cash flows from operating activities		
Loss before taxation	(165,704)	(46,355)
Adjustments for:		
Share of profit of an associate	(357)	(67)
Release of prepaid lease payments	80	80
Depreciation of property, plant and equipment	4,608	13,007
Impairment loss recognised in respect of property, plant and equipment	16,009	25,634
Decrease (increase) in fair value of investment properties	17,411	(37,184)
Increase in fair value of investments held for trading	(346)	(45)
Increase in fair value of derivative financial instruments	–	(44)
Increase in fair value of financial assets designated at fair value through profit or loss	(3)	(5)
Dividend income from investments held for trading	(10)	(11)
Dividend income from available-for-sale investments	–	(142)
Share-based payments	115	–
Interest expenses	3,347	3,742
Interest income	(15)	(5)
Gain on disposal of property, plant and equipment	(1,053)	(40)
Gain on disposal of a subsidiary	(440)	–
Allowance for obsolete and slow-moving inventories	60,740	33,379
Allowance for doubtful debts	2,340	3,072
Effect of foreign exchange rate change on inter-company balances	246	(3)
Operating cash flows before movements in working capital	(63,032)	(4,987)
Decrease in inventories	30,318	20,676
Increase in debtors, deposits and prepayments	(109,737)	(78,234)
Decrease in investments held for trading	307	611
(Increase) decrease in derivative financial instruments	(7)	27
Increase in creditors and accrued charges	84,834	47,717
Cash used in operations	(57,317)	(14,190)
Dividend received from investments held for trading	10	11
Hong Kong Profits Tax paid	(191)	(1,776)
Taxation in other jurisdictions paid	(1,297)	(1,734)
Net cash used in operating activities	(58,795)	(17,689)

	For the eight months ended 30 November	
	2013	**2012**
	HK$'000	*HK$'000*
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1,491	112
Disposal of a subsidiary	440	–
Repayment from ultimate holding company	193	32,958
Interest received	15	5
Purchase of property, plant and equipment	(1,065)	(1,378)
Dividend received from an associate	–	210
Dividend received from available-for-sale investments	–	142
Net cash from investing activities	1,074	32,049
Cash flows from financing activities		
Net proceeds from (repayment of) trust receipts and import loans and loans related to bills discounted with recourse	67,457	(12,821)
Advance from (repayment to) ultimate holding company	401	(34,809)
Capital contribution from non-controlling shareholders of a subsidiary	58	–
Interest on bank and other borrowings paid	(3,347)	(3,742)
Net cash from (used in) financing activities	64,569	(51,372)
Net increase (decrease) in cash and cash equivalents	6,848	(37,012)
Cash and cash equivalents at beginning of the period	35,607	90,728
Effect of exchange difference	1,167	(63)
Cash and cash equivalents at end of the period	43,622	53,653
Cash and cash equivalents at the end of the period, representing:		
bank balances and cash	44,402	53,653
bank overdraft	(780)	–
	43,622	53,653

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

FOR THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

1. GENERAL

SIH Limited ("SIH") is an exempted company incorporated in the British Virgin Islands with limited liability. SIH is engaged in investment holding. Its principal subsidiaries are engaged in the design, manufacture and sales of a wide range of electronic products, property investment and securities trading.

Pursuant to the group restructuring proposed by Starlight International Holdings Limited (the "Company"), the ultimate holding company of SIH, subsidiaries of SIH which are engaged in manufacture and sale of electronic products such as television sets, audio products and components (the "Scheme Entities") will be transferred to Rich Giant Holdings Limited ("Rich Giant"), a wholly-owned subsidiary of Dual Success Holdings Limited ("Dual Success") which is not part of SIH and its subsidiaries (the "SIH Group") (Dual Success, Rich Giant and the Scheme Entities together referred to as the "Scheme Subsidiaries"), and subsidiaries of SIH which are engaged in sale of electronic products such as karaoke, audio, video, musical instrument and clocks will be transferred to the Company (these subsidiaries together referred to as the "Remaining Subsidiaries"), SIH will then only retain its investments in subsidiaries which are engaged in property investment and sale of certain models of electronic products (the "Distributed Subsidiaries") (SIH and the Distributed Subsidiaries together referred to as the "Privateco Group"). The shares of SIH will then be distributed in specie to the shareholders of the Company.

The unaudited financial information is presented in Hong Kong dollars, which is the functional currency of SIH.

2. BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

The unaudited financial information of the SIH Group for the eight months ended 30 November 2013 (the "Unaudited Financial Information") has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in the circular to be issued by the Company in connection with the proposed deemed very substantial disposal relating to transfer of the entire equity interest in the share capital of Dual Success under a creditors' scheme, proposed distribution in specie of SIH's shares after completion of the group restructuring, proposed subscription of convertible bonds and proposed share premium reduction.

The amounts included in the Unaudited Financial Information of the SIH Group have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of the consolidated financial statements of the Company and its subsidiaries for the relevant period, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" nor an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

As set out in note 1, SIH will transfer the Scheme Entities to Rich Giant, transfer the Remaining Subsidiaries to the Company and retain its interest in Distributed Subsidiaries. The shares of SIH will then be distributed in specie to the shareholders of the Company. Upon completion of the distribution in specie, a company wholly owned by Mr. Lau Sak Hong will make an unconditional voluntary cash offer to the then shareholders of SIH to acquire all the shares of SIH after share sub-division. The distribution in specie is subject to the approval of the Company's shareholders in the special general meeting.

In preparing the Unaudited Consolidated Financial Information, the directors of SIH have given careful consideration to the future liquidity of the SIH Group in light of the fact that its current liabilities exceeded its current assets by approximately HK$607,050,000 as at 30 November 2013, and its total liabilities exceeded its total assets by approximately HK$225,709,000 as at 30 November 2013 and the SIH Group incurred losses of approximately HK$164,451,000 for the eight months ended 30

November 2013. Taking into account that the Company has agreed to provide financial support to the SIH Group prior to the distribution in specie and Mr. Lau Sak Hong has agreed to provide financial support to the SIH Group upon completion of the distribution in specie, accordingly, the Unaudited Financial Information has been prepared on a going concern basis.

3. FINANCIAL INFORMATION OF THE REMAINING SUBSIDIARIES

The financial information relevant to the Remaining Subsidiaries for the eight months ended 30 November 2013 is disclosed as follows:

Assets and liabilities

	HK$'000
Non-current assets	
Property, plant and equipment	4,733
Goodwill	17,665
Interest in an associate	6,072
Deferred tax assets	14,036
	42,506
Current assets	
Inventories	66,611
Debtors, deposits and prepayments	137,620
Investments held for trading	1,082
Financial assets designated at fair value through profit or loss	35
Amounts due from fellow subsidiaries	3,659
Bank balances and cash	24,219
	233,226
Current liabilities	
Creditors and accrued charges	74,821
Amount due to ultimate holding company	120,476
Amounts due to fellow subsidiaries	109,558
Borrowings	21,247
	326,102
Net current liabilities	(92,876)
	(50,370)

Profit or loss and other comprehensive income

	HK$'000
Turnover	293,016
Cost of sales	(225,532)
Gross profit	67,484
Other income	157
Distribution costs	(23,687)
Administrative expenses	(31,106)
Other gains and losses	(1,276)
Interest expenses	(589)
Share of profit of an associate	357
Profit before taxation	11,340
Taxation	1,191
Profit for the period	12,531
Other comprehensive income	
Items that may be subsequently reclassified to profit or loss:	
Exchange difference arising on translation of foreign operations	1,413
Total comprehensive income for the period	13,944

Cash flows

	HK$'000
Cash flows from operating activities	
Profit before taxation	11,340
Adjustments for:	
Share of profit of an associate	(357)
Depreciation of property, plant and equipment	131
Increase in fair value of investments held for trading	(346)
Increase in fair value of financial assets designated at fair value through profit or loss	(3)
Dividend income from investments held for trading	(10)
Share-based payments	116
Interest expenses	589
Allowance for doubtful debts	1,625
Effect of foreign exchange rate change on inter-company balances	246
Operating cash flows before movements in working capital	13,331
Decrease in inventories	37,863
Increase in debtors, deposits and prepayments	(110,093)
Decrease in investments held for trading	307
Increase in financial assets designated at fair value through profit or loss	(7)
Increase in creditors and accrued charges	53,440
Cash used in operations	(5,159)
Dividend received from investments held for trading	10
Taxation in other jurisdictions paid	(554)
Net cash used in operating activities	(5,703)
Cash flows from investing activities	
Repayment from fellow subsidiaries	7,804
Repayment from ultimate holding company	255
Purchase of property, plant and equipment	(1,066)
Net cash from investing activities	6,993
Cash flows from financing activities	
Net proceeds from trust receipts and import loans and loans related to bills discounted with recourse	21,247
Advance from ultimate holding company	258
Capital contribution from non-controlling shareholders of a subsidiary	59
Repayment to fellow subsidiaries	(15,993)
Interest on bank and other borrowings paid	(589)
Net cash from financing activities	4,982
Net increase in cash and cash equivalents	6,272
Cash and cash equivalents at beginning of the period	16,779
Effect of exchange difference	1,168
Cash and cash equivalents at end of the period, representing bank balances and cash	24,219

4. FINANCIAL INFORMATION OF THE PRIVATECO GROUP

The financial information relevant to the Privateco Group for the eight months ended 30 November 2013 is disclosed as follows:

Assets and liabilities

	HK$'000
Non-current assets	
Investment properties	232,700
Property, plant and equipment	14,408
Investments in subsidiaries	109
	247,217
Current assets	
Inventories	3,263
Debtors, deposits and prepayments	5,190
Amount due from ultimate holding company	7,754
Amounts due from fellow subsidiaries	33,094
Bank balances and cash	12,871
	62,172
Current liabilities	
Creditors and accrued charges	35,725
Amount due to ultimate holding company	64,319
Amounts due to fellow subsidiaries	3,681
Borrowings	63,462
	167,187
Net current liabilities	(105,015)
Total assets less current liabilities	(142,202)
Non-current liabilities	
Deferred tax liabilities	484
	(141,718)

Profit or loss and other comprehensive income

	HK$'000
Turnover	85,327
Cost of sales	(91,600)
Gross loss	(6,273)
Other income	4,768
Distribution costs	(17,850)
Administrative expenses	(14,263)
Other gains and losses	329,317
Increase in fair value of investment properties	800
Interest expenses	(1,253)
Profit before taxation	295,246
Taxation	(195)
Profit and total comprehensive income for the period	295,051

Cash flows

	HK$'000
Cash flows from operating activities	
Profit before taxation	295,246
Adjustments for:	
Depreciation of property, plant and equipment	823
Impairment loss recognised in respect of property, plant and equipment	362
Increase in fair value of investment properties	(800)
Interest expenses	1,253
Gain on disposal of a subsidiary	(440)
Allowance for amounts due from fellow subsidiaries	102,533
Allowance for obsolete and slow-moving inventories	4,931
Reversal of provision for amounts due from fellow subsidiaries	(431,772)
Operating cash flows before movements in working capital	(27,864)
Decrease in inventories	1,294
Decrease in debtors, deposits and prepayments	20,382
Increase in creditors and accrued charges	23,145
Cash generated from operations	16,957
Taxation in other jurisdictions paid	(191)
Net cash from operating activities	16,766
Cash flows from investing activities	
Repayment from fellow subsidiaries	3,020
Disposal of a subsidiary	440
Repayment from ultimate holding company	238
Proceeds from disposal of property, plant and equipment	(204)
Net cash from investing activities	3,494
Cash flows from financing activities	
Net proceeds from trust receipts and import loans and loans related to bills discounted with recourse	18,367
Repayment to fellow subsidiaries	(34,053)
Interest on bank and other borrowings paid	(1,253)
Advance from ultimate holding company	143
Net cash used in financing activities	(16,796)
Net increase in cash and cash equivalents	3,464
Cash and cash equivalents at beginning of the year	9,407
Cash and cash equivalents at end of the year, representing bank balances and cash	12,871

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Introduction

The following is a summary of an illustrative and unaudited pro forma condensed consolidated statement of financial position, unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows (collectively referred to as the "Unaudited Pro Forma Financial Information") of the Privateco Group, which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of (i) group restructuring to streamline the structure of the Distributed Subsidiaries and the Scheme Subsidiaries in the Group; (ii) transfer of Scheme Subsidiaries to the Creditors' Scheme; and (iii) transfer of Remaining Subsidiaries from the SIH Group to the Company, as if the transactions were completed on 30 November 2013 for the unaudited pro forma condensed consolidated statement of financial position and as if the transactions were completed on 1 April 2013 for the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows.

This Unaudited Pro Forma Financial Information of the Privateco Group has been prepared by the directors of the Company in accordance with Paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Privateco Group as at 30 November 2013 or at any future date or the results and cash flows of the Privateco Group for the eight months ended 30 November 2013 or for any future period.

The Unaudited Pro Forma Financial Information of the Privateco Group should be read in conjunction with the unaudited consolidated financial statements of the Group for the eight months ended 30 November 2013 as disclosed in the results announcements of the Company for the eight months ended 30 November 2013, on which no audit or review report has been published, and other financial information included elsewhere in the Circular.

Unaudited pro forma condensed consolidated statement of financial position of the Privateco Group

The unaudited pro forma condensed consolidated statement of financial position of the Privateco Group has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 November 2013, which has been extracted from the results announcements of the Company for the eight months ended 30 November 2013, with the pro forma adjustments relating to the transactions, which include, amongst others, (i) group restructuring to streamline the structure of the Distributed Subsidiaries and the Scheme Subsidiaries in the Group; (ii) transfer of Scheme Subsidiaries to the Creditors' Scheme; and (iii) transfer of Remaining Subsidiaries from the SIH Group to the Company, as explained in notes below and other adjustments directly attributable to the transactions and factually supportable.

Unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and unaudited condensed pro forma consolidated statement of cash flows of the Privateco Group

The unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows of the Privateco Group have been prepared based on the unaudited condensed consolidated statement of profit or loss and other comprehensive income and unaudited condensed consolidated statement of cash flows of the Group for the eight months ended 30 November 2013, which have been extracted from the results announcements of the Company for the eight months ended 30 November 2013, with the pro forma adjustments relating to the transactions, which include, amongst others, (i) group restructuring to streamline the structure of the Distributed Subsidiaries and the Scheme Subsidiaries in the Group; (ii) transfer of Scheme Subsidiaries to the Creditors' Scheme; and (iii) transfer of Remaining Subsidiaries from the SIH Group to the Company, as explained in notes below and other adjustments directly attributable to the transactions and factually supportable.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 NOVEMBER 2013

	The Group as at 30 November 2013			Pro forma adjustments				Pro forma Privateco Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)							(unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Non-current assets								
Investment properties	259,525	(26,825)	–	–	–	–	–	232,700
Property, plant and equipment	79,258	(60,117)	(4,733)	–	–	–	–	14,408
Prepaid lease payments	3,331	(3,331)	–	–	–	–	–	–
Goodwill	17,665	–	(17,665)	–	–	–	–	–
Investment in a subsidiary	–	–	(72,184)	72,184	–	–	–	–
Interest in an associate	6,072	–	(6,072)	–	–	–	–	–
Available-for-sale investments	9,400	(9,400)	–	–	–	–	–	–
Deferred tax assets	14,036	–	(14,036)	–	–	–	–	–
	389,287	(99,673)	(114,690)	72,184	–	–	–	247,108
Current assets								
Inventories	94,471	(24,597)	(66,611)	–	–	–	–	3,263
Debtors, deposits and prepayments	145,613	(2,759)	(137,664)	–	–	18,300	–	23,490
Amounts due from group companies	–	(93,028)	(488,187)	622,063	(22,548)	(18,300)	–	–
Prepaid lease payments	121	(121)	–	–	–	–	–	–
Investments held for trading	1,082	–	(1,082)	–	–	–	–	–
Financial assets designated at fair value through profit or loss	35	–	(35)	–	–	–	–	–
Bank balances and cash	44,703	(7,312)	(24,520)	–	–	–	(8,000)	4,871
	286,025	(127,817)	(718,099)	622,063	(22,548)	–	(8,000)	31,624

	The Group as at 30 November 2013			Pro forma adjustments				Pro forma Privateco Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)							(unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Current liabilities								
Creditors and accrued charges	150,660	(39,455)	(75,480)	–	–	3,802	–	39,527
Amounts due to group companies	–	(512,259)	(132,254)	712,513	(64,198)	(3,802)	–	–
Taxation payable	1,046	(1,046)	–	–	–	–	–	–
Borrowings	158,592	(73,883)	(21,247)	–	–	–	–	63,462
Bank overdraft	780	(780)	–	–	–	–	–	–
Convertible notes	36,129	–	(36,129)	–	–	–	–	–
	347,207	(627,423)	(265,110)	712,513	(64,198)	–	–	102,989
Net current (liabilities) assets	(61,182)	499,606	(452,989)	(90,450)	41,650	–	(8,000)	(71,365)
Total assets less current liabilities	328,105	399,933	(567,679)	(18,266)	41,650	–	(8,000)	175,743
Non-current liabilities								
Deferred tax liabilities	7,946	(7,462)	–	–	–	–	–	484
	320,159	407,395	(567,679)	(18,266)	41,650	–	(8,000)	175,259
Capital and reserves								
Share capital	164,781	–	(164,781)	–	–	–	–	–
Reserves	137,795	407,395	(387,493)	(18,266)	41,650	–	(8,000)	173,081
Equity attributable to owners of the Company	302,576	407,395	(552,274)	(18,266)	41,650	–	(8,000)	173,081
Non-controlling interests	17,583	–	(15,405)	–	–	–	–	2,178
	320,159	407,395	(567,679)	(18,266)	41,650	–	(8,000)	175,259

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

	The Group for the eight months ended 30 November 2013	Pro forma adjustments					Pro forma Privateco Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)						(unaudited)
	(Note 1)	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	*(Note 7)*	
Turnover	317,990	(51,663)	(293,016)	112,016	–	–	85,327
Cost of sales	(356,324)	151,208	225,532	(112,016)	–	–	(91,600)
Gross (loss) profit	(38,334)	99,545	(67,484)	–	–	–	(6,273)
Other income	8,712	(5,245)	(157)	1,458	–	–	4,768
Other gains and losses	(16,947)	46,340	1,276	(133,564)	–	–	(102,895)
Distribution costs	(47,301)	6,197	23,687	(433)	–	–	(17,850)
Administrative expenses	(53,225)	9,559	32,471	(3,068)	–	(8,000)	(22,263)
Decrease in fair value of investment properties	(17,411)	18,211	–	–	–	–	800
Gain on disposal of a subsidiary	440	–	–	–	–	–	440
Loss on deconsolidation of the Scheme Subsidiaries and Remaining Subsidiaries	–	–	–	–	(160,723)	–	(160,723)
Reversal of provision for amounts due from fellow subsidiaries	–	–	(134,631)	566,403	–	–	431,772
Interest expenses	(6,567)	1,505	3,809	–	–	–	(1,253)
Share of profit of an associate	357	–	(357)	–	–	–	–
(Loss) profit before taxation	(170,276)	176,112	(141,386)	430,796	(160,723)	(8,000)	126,523
Taxation	1,253	(257)	(1,191)	–	–	–	(195)
(Loss) profit for the period	(169,023)	175,855	(142,577)	430,796	(160,723)	(8,000)	126,328
Other comprehensive income							
Items that may be subsequently reclassified to profit or loss:							
Exchange difference arising on translation of foreign operations	1,413	–	(1,413)	–	–	–	–
Total comprehensive (expense) income for the period	(167,610)	175,855	(143,990)	430,796	(160,723)	(8,000)	126,328

	The Group for the eight months ended 30 November 2013	Pro forma adjustments					Pro forma Privateco Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)						(unaudited)
	(Note 1)	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	*(Note 7)*	
(Loss) profit for the period attributable to:							
Owners of the Company	(174,376)	175,855	(137,245)	430,796	(160,723)	(8,000)	126,307
Non-controlling interests	5,353	–	(5,332)	–	–	–	21
	(169,023)	175,855	(142,577)	430,796	(160,723)	(8,000)	126,328
Total comprehensive (expense) income for the period attributable to:							
Owners of the Company	(173,209)	175,855	(138,412)	430,796	(160,723)	(8,000)	126,307
Non-controlling interests	5,599	–	(5,578)	–	–	–	21
	(167,610)	175,855	(143,990)	430,796	(160,723)	(8,000)	126,328

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

	The Group for the eight months ended 30 November 2013		**Pro forma adjustments**			**Pro forma Privateco Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)					(unaudited)
	(Note 1)	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 7)*	
Net cash (used in) from operating activities	(60,289)	52,153	7,209	(2,043)	(8,000)	(10,970)
Net cash from (used in) investing activities	881	(72,968)	25,949	2,043	–	(44,095)
Net cash from (used in) financing activities	66,395	23,704	(39,570)	–	–	50,529
Net increase (decrease) in cash and cash equivalents	6,987	2,889	(6,412)	–	(8,000)	(4,536)
Cash and cash equivalents at beginning of the period	35,806	(9,421)	(16,978)	–	–	9,407
Effect of exchange difference	1,130	–	(1,130)	–	–	–
Cash and cash equivalents at end of the period	43,923	(6,532)	(24,520)	–	(8,000)	4,871
Cash and cash equivalents at end of the period representing:						
Bank balances and cash	44,703	(7,312)	(24,520)	–	(8,000)	4,871
Bank overdraft	(780)	780	–	–	–	–
	43,923	(6,532)	(24,520)	–	(8,000)	4,871

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

(1) Figures are extracted from the unaudited condensed consolidated financial statements of the Group as set out in the results announcement of the Company for the eight months ended 30 November 2013.

(2) The adjustment reflects (a) the exclusion of the assets and liabilities of the Scheme Subsidiaries; and (b) the pro forma gain on deconsolidation of the Scheme Subsidiaries, assuming the Creditors' Scheme had become effective and the Scheme Subsidiaries were transferred to the Administrators Vehicle on 30 November 2013. Pro forma gain on deconsolidation of Scheme Subsidiaries amounting HK$407,395,000 being the disposal of net liabilities of the Scheme Subsidiaries on 30 November 2013 was resulted. Figures are extracted from the condensed combined statement of financial position of the Scheme Subsidiaries as at 30 November 2013 included in Appendix IVB to the Circular.

(3) The adjustment reflects (a) the exclusion of the assets and liabilities of the Remaining Group and share capital and reserves of the Company; and (b) the pro forma gain on deconsolidation of the Remaining Subsidiaries, assuming the Remaining Subsidiaries were transferred to the Company on 30 November 2013. Pro forma gain on deconsolidation of Remaining Subsidiaries amounting HK$50,370,000 being the disposal of net liabilities of Remaining Subsidiaries on 30 November 2013 was resulted.

	HK$'000
Net assets of the Company (as extracted from the unaudited management account of the Company for the eight months ended 30 November 2013)	618,049
Net liabilities of the Remaining Subsidiaries (base on the financial information of the Remaining Subsidiaries as extracted from note 3 to the review report of the SIH Group included in Appendix IIIB to the Circular)	(50,370)
Net assets of the Remaining Group (as extracted from unaudited pro forma financial information of the Privateco Group on page IIIC-4 in Appendix IIIC to the Circular)	567,679

(4) The adjustment reflects the elimination of inter-company balances between the Remaining Group, Privateco Group and Scheme Subsidiaries, assuming the transactions had taken place on 30 November 2013. Figures are extracted from the unaudited management accounts of respective companies within the Remaining Group, Privateco Group and Scheme Subsidiaries for the eight months ended 30 November 2013.

(5) The adjustment reflects the waiver of certain receivables by the Remaining Group and the Scheme Subsidiaries to facilitate the Distribution In Specie and the implementation of the Creditors' Scheme through the assignment by the Scheme Subsidiaries of the receivables from the Remaining Group to the Administrators Vehicle and the assignment by the Remaining Group of receivables from the companies within the Privateco Group to Privateco, assuming the transactions had taken place on 30 November 2013. The effect of the waiver of receivables by the Remaining Group and the Scheme Subsidiaries is summarised and reconciled as follows:

	HK$'000
Waiver of receivables by the Remaining Group (recognised in equity as part of the Distribution in Specie)	34,196
Waiver of receivables by the Scheme Subsidiaries (recognised in profit or loss)	7,454
	41,650

	HK$'000
Amounts due from the Remaining Group and Scheme Subsidiaries to the Privateco Group before assignment (as extracted from the unaudited pro forma financial information of the Remaining Group on page V-3 in Appendix V to the Circular)	40,848
Amounts due to the Remaining Group and Scheme Subsidiaries by the Privateco Group before assignment (as extracted from the unaudited pro forma financial information of the Remaining Group on page V-3 in Appendix V to the Circular)	(68,000)
Less: Amounts due from the Remaining Group and Scheme Subsidiaries to the Privateco Group after assignment (as extracted from the unaudited pro forma financial information of the Privateco Group on page IIIC-3 in Appendix IIIC to the Circular)	(18,300)
Less: Amounts due to the Remaining Group and Scheme Subsidiaries by the Privateco Group after assignment (as extracted from the unaudited pro forma financial information of the Privateco Group on page IIIC-4 in Appendix IIIC to the Circular)	3,802
Assignment of receivables by the Remaining Group and the Scheme Subsidiaries	(41,650)

This adjustment is not expected to have continuing effect on the Privateco Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

(6) The adjustment reflects the reinstatement of the balances among the Privateco Group, Remaining Group and Scheme Subsidiaries as at 30 November 2013, assuming the transfer of Remaining Subsidiaries from the SIH Group to the Company and the implementation of the Creditors' Scheme had taken place on 30 November 2013.

(7) The adjustment reflects the estimated restructuring costs for the Privateco Group of approximately HK$8,000,000, which will be recognised in profit or loss, assuming the estimated restructuring costs were paid on 30 November 2013. The estimated amounts are subject to changes.

This adjustment is not expected to have continuing effect on the Privateco Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

(8) The adjustment reflects the exclusion of the income and expenses and cash flows of the Scheme Subsidiaries, assuming the Creditors' Scheme had become effective and the Scheme Subsidiaries were transferred to the Administrators Vehicle on 1 April 2013. Figures are extracted from the condensed combined statement of profit or loss and other comprehensive income and statement of cash flows of the Scheme Subsidiaries for the eight months ended 30 November 2013 included in Appendix IVB to the Circular.

(9) The adjustment reflects the exclusion of the income and expenses and cash flows of the Remaining Group, assuming the transfer of Remaining Subsidiaries from the SIH Group to the Company had taken place on 1 April 2013. Figures are based on the financial information of the Remaining Subsidiaries for the eight months ended 30 November 2013 as extracted from note 3 to the review report of the SIH Group for the eight months ended 30 November 2013 included in Appendix IIIB to the Circular and the financial information of the Company as extracted from the unaudited management accounts of the Company for the eight months ended 30 November 2013.

(10) The adjustment reflects the elimination of inter-company transactions between the Remaining Group, Privateco Group and Scheme Subsidiaries, assuming the transactions had taken place on 1 April 2013. Figures are extracted from the unaudited management accounts of respective companies within the Remaining Group, Privateco Group and Scheme Subsidiaries for the eight months ended 30 November 2013.

(11) The adjustment reflects the pro forma loss on deconsolidation of the Scheme Subsidiaries and Remaining Subsidiaries, assuming the Creditors' Scheme had become effective and the Scheme Subsidiaries and Remaining Subsidiaries were transferred to the Administrators Vehicle and the Company, respectively on 1 April 2013. Pro forma loss on deconsolidation of Scheme Subsidiaries and Remaining Subsidiaries is calculated as follows:

	HK$'000
Disposal of net liabilities of the Scheme Subsidiaries (as extracted from the combined statement of financial position of the Scheme subsidiaries as at 31 March 2013 included in Appendix IVA to the Circular)	231,540
Disposal of net liabilities of the Remaining Subsidiaries (base on the financial information of the Remaining Subsidiaries for the year ended 31 March 2013 as extracted from section C to the Accountant's Report of the SIH Group in Appendix IIA to the Circular)	87,870
Assignment of receivables from the Scheme Subsidiaries (see (i) below)	(480,133)
Pro forma loss on deconsolidation of the Scheme Subsidiaries and Remaining Subsidiaries	(160,723)

(i) The below reflects the waiver of certain receivables by the Remaining Group and the Privateco Group to facilitate the Distribution In Specie and the implementation of the Creditors' Scheme through the assignment of receivables by the Remaining Group from the companies within the Privateco Group to Privateco and the assignment of receivables by the Privateco Group From the Scheme Subsidiaries to the Administrators Vehicle, assuming the transactions had taken place on 1 April 2013. The effect of the waiver of receivables by the Remaining Group and the Privateco Group is summarised and reconciled as follows:

	HK$'000
Assignment of receivables by the Remaining Group (recognised in equity)	451,879
Assignment of receivables by the Privateco Group (see above) (recognised in profit or loss)	(480,133)
	(28,254)

	HK$'000
Amounts due from the Remaining Group and Scheme Subsidiaries to the Privateco Group before assignment (as extracted from the unaudited management accounts of the Privateco Group)	1,122,482
Amounts due to the Remaining Group and Scheme Subsidiaries by the Privateco Group before assignment (as extracted from the unaudited management accounts of the Privateco Group)	(1,079,730)
Less: Amounts due from the Remaining Group and Scheme Subsidiaries to the Privateco Group after assignment (as extracted from the unaudited pro forma financial information of the Privateco Group on page IIIC-3 in Appendix IIIC to the Circular)	(18,300)
Less: Amounts due to the Remaining Group and Scheme Subsidiaries by the Privateco Group after assignment (as extracted from the unaudited pro forma financial information of the Privateco Group on page IIIC-4 in Appendix IIIC to the Circular)	3,802
Assignment of receivables from the Remaining Group and the Scheme Subsidiaries	28,254

This adjustment is not expected to have continuing effect on the Privateco Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

(12) Except for the Group Restructuring, transfer of Scheme Subsidiaries to the Creditors' Scheme and provision of restructuring costs, no adjustment has been made to reflect any trading result or other transaction of the Privateco Group entered into subsequent to 30 November 2013.

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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

TO THE BOARD OF DIRECTORS OF STARLIGHT INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Starlight International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consisted of the unaudited pro forma condensed consolidated statement of financial position as at 30 November 2013, the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows for the eight months ended 30 November 2013 and related notes as set out on pages IIIC-3 to IIIC-11 of the circular issued by the Company dated 24 May 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IIIC-1 to IIIC-2 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed deemed very substantial disposal relating to transfer of the entire equity interest in the share capital of Dual Success Holdings Limited ("Dual Success") under a creditors' scheme, transfer of certain subsidiaries to Dual Success and transfer of certain subsidiaries from SIH Limited, a wholly owned subsidiary of the Company, to the Company on the Group's financial position as at 30 November 2013 and the Group's financial performance and cash flows for the eight months ended 30 November 2013 as if the transactions had taken place at 30 November 2013 and 1 April 2013, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's condensed consolidated financial statements for the eight months ended 30 November 2013, on which no audit or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Reporting Accountant's Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 November 2013 or 1 April 2013 would have been as presented.

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

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 May 2014

I. OVERALL

The estimate of the consolidated loss attributable to owners of SIH Limited ("SIH") for the eight months ended 30 November 2013 (the "Profit Estimate") is set out in Appendix IIIB in this circular.

II. BASES AND ASSUMPTION

The estimate of the consolidated loss attributable to owners of SIH for the eight months ended 30 November 2013 prepared by the directors of SIH is based on the unaudited consolidated financial statements of SIH and its subsidiaries (hereafter collectively referred to as the "SIH Group") for the eight months ended 30 November 2013. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the SIH Group as set out in the accountants' report on the financial information of the SIH Group for the three years ended 31 March 2011, 2012 and 2013 as set out in Appendix IIIA to the Circular.

The directors of SIH have made the following principal assumption in the preparation of the Profit Estimate:

– There will be no events subsequent to 30 November 2013 which require adjustments to the Profit Estimate.

III. REPORT FROM REPORTING ACCOUNTANTS

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

24 May 2014

The Directors
Starlight International Holdings Limited
5/F, Shing Dao Industrial Building
232 Aberdeen Main Road
Hong Kong

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the estimate of the consolidated loss of SIH Limited ("SIH") and its subsidiaries (hereinafter collectively referred to as the "SIH Group") for the eight-month period ended 30 November 2013 attributable to owners of SIH (the "Estimate"), for which the directors of SIH are solely responsible, as set out in the circular dated 24 May 2014 issued by Starlight International Holdings Limited (the "Circular"). The Estimate is prepared based on the results shown in the unaudited consolidated management accounts of the SIH Group for the eight months ended 30 November 2013.

In our opinion the Estimate, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of SIH as set out in part II of Appendix IIID to the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the SIH Group as set out in our accountants' report on the financial information of the SIH Group for the three years ended 31 March 2011, 2012 and 2013 as set out in Appendix IIIA to the Circular.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a report prepared for the purpose of incorporation in this circular, received from Fulbright Capital.

富昌融資有限公司
FULBRIGHT CAPITAL LIMITED

26/F., LHT Tower,
31 Queen's Road Central,
Hong Kong

24 May 2014

The Board of Directors
Starlight International Holdings Limited
5/F Shing Dao Industrial Bldg
232 Aberdeen Main Road
Hong Kong

Dear Sirs,

We refer to the estimate of the consolidated loss of the SIH Limited ("**SIH**") and its subsidiaries (hereinafter collectively referred to as the "**SIH Group**") for the eight months ended 30 November 2013 (the "**Estimate**") prepared by SIH and reviewed by Deloitte Touche Tohmatsu as published in Appendix IIIB to this circular. We note that the Estimate is regarded as a profit forecast under Rule 10 of the Takeovers Code. The Estimate is set out in the section headed "Financial information of the SIH Group" in the letter from the Board and the review report of the SIH Group for the eight months ended 30 November 2013 as published in the Appendix IIIB to this circular, of which this letter form part. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

We have discussed with the directors of SIH the bases upon which the Estimate was prepared. We have also considered the "Report from Deloitte Touche Tohmatsu on unaudited profit estimate of the SIH Group" dated 24 May 2014 issued to you, the text, of which is set out in Appendix IIID of this circular, regarding the accounting policies and calculations upon which the Estimate are prepared and relied upon.

On the basis of the foregoing, we are of the opinion that the Estimate, for which the directors of SIH are solely responsible, has been prepared after due care and consideration.

Yours faithfully,
For and on behalf of
Fulbright Capital Limited
Arthur Kan
Director of Corporate Finance

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

The Directors
Dual Success Holdings Limited

24 May 2014

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Dual Success Holdings Limited ("Dual Success") and the subsidiaries of Starlight International Holdings Limited (the "Company") which are transferred to Rich Giant Holdings Limited ("Rich Giant"), a wholly owned subsidiary of Dual Success, pursuant to the group restructuring (the "Scheme Entities") (Dual Success, Rich Giant and Scheme Entities together referred to as the "Scheme Subsidiaries") for each of the three years ended 31 March 2013 for inclusion in the circular of the Company dated 24 May 2014 (the "Circular") in connection with the proposed deemed very substantial disposal relating to transfer of the entire interest in the share capital of Dual Success under a creditors' scheme, proposed distribution in specie of SIH Limited ("SIH")'s shares after completion of the group restructuring, proposed subscription of convertible bonds and proposed share premium reduction.

Dual Success was incorporated on 12 October 2012 in the British Virgin Islands ("BVI") as an exempted company with limited liability. Pursuant to the group restructuring, the equity interests of the Scheme Entities were transferred to Rich Giant during 3 March 2014 to 5 May 2014, which is after 31 March 2013 but prior to date of this report.

Particulars of Rich Giant and the Scheme Entities indirectly held by Dual Success after completion of the group restructuring, unless otherwise specified, at the date of this report are as follows:

Name of entity	Place and date of incorporation or establishment/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to Dual Success				Principal activities
			2011[3]	2012[3]	2013[3]	Date of report	
Ever Solid Limited	Hong Kong 29 March 1985	HK$10,000	100%	100%	100%	100%	Investment holding
Hyundai Household Improvement Limited	Hong Kong 5 December 2003	HK$2	100%	100%	100%	100%	Trading in electrical appliance

Name of entity	Place and date of incorporation or establishment/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to Dual Success				Principal activities
			2011[3]	2012[3]	2013[3]	Date of report	
Niceday Limited	Hong Kong 25 April 1991	HK$2	100%	100%	100%	100%	Investment holding
Ram Light Management Limited	BVI 16 March 2001	US$1	100%	100%	100%	100%	Investment holding
Redsun Development Limited	Hong Kong 16 June 1989	HK$2	100%	100%	100%	100%	Inactive
Rich Giant[1]	BVI 12 October 2012	US$1	–	–	100%	100%	Investment holding
Sanrich Development Limited	Hong Kong 20 May 2006	HK$2	100%	100%	100%	100%	Inactive
Star Light Manufacturers Limited	Hong Kong 25 October 1999	HK$2	100%	100%	100%	100%	Inactive
Starcom Investment Limited	Hong Kong 30 April 1991	HK$2	100%	100%	100%	100%	Investment holding
Starlight Exports Limited	Hong Kong 14 September 1990	HK$2	100%	100%	100%	100%	Trading in electronic products and property investment
Starlight Manufacturers Limited	Jersey/People's Republic of China ("PRC") 16 March 1989	HK$100,000	100%	100%	100%	100%	Manufacture and sale of electronic products
Starlight Marketing Development Limited	Hong Kong 14 January 1993	HK$2	100%	100%	100%	100%	Trading and marketing of electronic products
Starlight R&D Limited	Hong Kong 21 August 1979	HK$10,000	100%	100%	100%	100%	Material sourcing and trading in electronic products and components

Name of entity	Place and date of incorporation or establishment/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to Dual Success				Principal activities
			2011[3]	2012[3]	2013[3]	Date of report	
Starlite Consumer Electronics (USA) Inc.	Cayman Islands 4 January 2005	HK$2	100%	100%	100%	100%	Trading in electronic products
Starshow Investment Limited	Hong Kong 21 February 1989	HK$2	100%	100%	100%	100%	Provision of nominee services for group companies
Top Spring Technology Limited	BVI 7 April 2000	US$1	100%	100%	100%	100%	Investment holding
番禺富臨花園房地產有限公司 Fortune Garden Development Company Limited[2]	PRC 18 January 1993	RMB31,750,000	100%	100%	100%	100%	Property investment
番禺恒敏塑膠製品有限公司 Panyu Success Base Plastic Company Limited[2]	PRC 14 November 1995	HK$20,000,000	100%	100%	100%	100%	Manufacture and sale of plastic products
廣州星輝電子製造有限公司 Starfair Manufacturing (Panyu) Company Limited ("SFM Panyu")[2]	PRC 21 November 1990	HK$54,800,000	100%	100%	100%	100%	Manufacture and sale of electronic products and property investment
深圳加利高通訊有限公司 Shenzhen Cosmo Communications Co Ltd.[2]	PRC 20 March 2006	HK$9,000,000	100%	100%	100%	100%	Sub-contracting in electronic products
深圳升岡電子有限公司 Shenzhen Starlight Electronics Company Ltd.[2]	PRC 10 July 1992	HK$60,000,000	100%	100%	100%	100%	Manufacture and sale of electronics products

1 Directly held by Dual Success.

2 These companies are PRC wholly foreign owned enterprises.

3 These represent the equity interest attributable to Dual Success as if the group structure upon the completion of the group restructuring had been in existence throughout the three years ended 31 March 2011, 2012 and 2013, or since the respective dates of incorporation where this is a shorter period.

The Scheme Subsidiaries other than those incorporated in the PRC adopt 31 March as the financial year end date and the Scheme Subsidiaries incorporated in the PRC adopt 31 December as the financial year end date.

The statutory financial statements of the Scheme Entities, other than those incorporated in the BVI and Jersey, for the three years ended 31 March 2011, 2012 and 2013 were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Deloitte Touche Tohmatsu except for the following:

Name of entity	Financial period	Name of auditor[2]
番禺富臨花園房地產有限公司 Fortune Garden Development Company Limited	For each of the three years ended 31 December 2012[1]	廣州業勤會計師事務所有限公司
番禺恆敏塑膠製品有限公司 Panyu Success Base Plastic Company Limited	For each of the three years ended 31 December 2012[1]	廣州業勤會計師事務所有限公司
廣州星輝電子製造有限公司 Starfair Manufacturing (Panyu) Company Limited	For each of the three years ended 31 December 2012[1]	廣州業勤會計師事務所有限公司
深圳加利高通訊有限公司 Shenzhen Cosmo Communications Company Limited	For each of the three years ended 31 December 2012[1]	深圳銘審會計師事務所有限公司
深圳升岡電子有限公司 Shenzhen Starlight Electronics Co. Ltd	For each of the three years ended 31 December 2012[1]	深圳銘審會計師事務所有限公司

1 Statutory financial statements prepared in accordance with relevant accounting principles and regulations in the PRC.

2 These auditors are certified public accountants registered in the PRC.

No statutory audited financial statements have been prepared for Dual Success, Rich Giant and the Scheme Entities incorporated in the BVI and Jersey as they were incorporated in jurisdictions where there are no statutory requirements to prepared audited financial statements.

For the purpose of this report, the director of Dual Success has prepared the individual financial statements of each of the Scheme Subsidiaries for each of the three years ended 31 March 2013 in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA.

The Financial Information for each of the three years ended 31 March 2013 set out in this report has been prepared based on the Underlying Financial Statements. Adjustments for elimination of intra-group balances and transactions have been made to the aggregation of the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the director of Dual Success who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

Pursuant to the group restructuring, the Scheme Subsidiaries will be transferred to a holding company deployed by the administrators (the "Administrators Vehicle") for realisation for the benefit of the creditors of the Company who are subject to the creditors' scheme when the creditors' scheme has become effective. As set out in note 2 to the Financial Information, the Scheme Subsidiaries incurred recurring losses for the three years ended 31 March 2013 and their combined current liabilities exceeded their combined current assets by approximately HK$300,701,000, HK$323,269,000 and HK$361,985,000 as at 31 March 2011, 31 March 2012 and 31 March 2013 and their combined total liabilities exceeded their combined total assets by approximately HK$136,239,000 and HK$231,540,000 as at 31 March 2012 and 31 March 2013, respectively. The Financial Information has been prepared on a going concern basis as the director of Dual Success believes that the ultimate holding company and fellow subsidiaries of the Scheme Subsidiaries (prior to the completion of the group restructuring) and the Administrators Vehicle (upon completion of the group restructuring) will not demand repayments from the Scheme Subsidiaries in respect of the amounts due to the ultimate holding company and fellow subsidiaries amounting to HK$139,783,000 and HK$817,558,000, respectively, as at 31 March 2013 and the amount at the date of completion of the group restructuring until the Scheme Subsidiaries are in a position to do so. However, in the absence of written confirmations provided by the ultimate holding company and fellow subsidiaries of the Scheme Subsidiaries and the Administrators Vehicle, we were unable to evaluate the appropriateness of the assumption that the ultimate holding company and fellow subsidiaries of the Scheme Subsidiaries and the Administrators Vehicle would not demand for repayment of these amounts. If this assumption was found not to be appropriate, the going concern basis in turn would be inappropriate, and adjustments might be required to reclassify non-current assets to current assets and non-current liabilities to current liabilities.

Disclaimer of Opinion as at 31 March 2011, 2012 and 2013 and for each of the three years ended 31 March 2013 in respect of the Scheme Subsidiaries

Because of the significance of the possible effects of the matters described in the preceding paragraph, we do not express an opinion as to whether the Financial Information of the Scheme Subsidiaries gives, for the purpose of this report, a true and fair view of the state of affairs of the Scheme Subsidiaries as at 31 March 2011, 31 March 2012 and 31 March 2013 and of their results and cash flows for each of the three years ended 31 March 2013.

Opinion as at 31 March 2013 in respect of Dual Success

In our opinion, the Financial Information of Dual Success gives, for the purpose of this report, a true and fair view of the state of affairs of Dual Success as at 31 March 2013.

A. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

		Year ended 31 March		
		2011	**2012**	**2013**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*6*	520,376	410,610	191,693
Cost of sales		(488,007)	(434,225)	(270,595)
Gross profit (loss)		32,369	(23,615)	(78,902)
Other income	*7*	9,883	4,857	5,640
Distribution costs		(41,515)	(79,741)	(11,518)
Administrative expenses		(35,752)	(32,205)	(21,689)
Other gains and losses	*8*	(561)	(27,315)	(23,759)
Increase in fair value of investment properties	*12*	34,481	14,046	11,904
Interest expenses		(2,979)	(4,112)	(2,435)
Loss before taxation	*9*	(4,074)	(148,085)	(120,759)
Taxation	*11*	(1,553)	(6,606)	(4,638)
Loss for the year		(5,627)	(154,691)	(125,397)
Other comprehensive income (expense)				
Revaluation of leasehold properties for own use upon transfer to investment properties		1,321	9,427	–
Deferred tax liability on revaluation of leasehold properties for own use upon transfer to investment properties		–	(2,357)	–
Other comprehensive income for the year		1,321	7,070	–
Total comprehensive expense for the year		(4,306)	(147,621)	(125,397)

Statements of Financial Position

		THE SCHEME SUBSIDIARIES			Dual Success
			At 31 March		At 31 March
	NOTES	**2011**	**2012**	**2013**	**2013**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Investment properties	*12*	113,142	54,108	45,036	–
Property, plant and equipment	*13*	171,248	125,369	80,060	–
Prepaid lease payments	*14*	3,653	3,532	3,411	–
Product development costs	*15*	–	–	–	–
Investment in a subsidiary	*16*	–	–	–	–
Available-for-sale investments	*17*	24,040	9,400	9,400	–
		312,083	192,409	137,907	–
Current assets					
Inventories	*19*	185,784	113,430	71,564	–
Debtors, deposits and prepayments	*20*	22,931	24,054	3,470	–
Prepaid lease payments	*14*	121	121	121	–
Amounts due from fellow subsidiaries	*18*	703,870	720,488	590,357	–
Bank balances and cash	*21*	21,433	76,716	9,421	–
		934,139	934,809	674,933	–
Current liabilities					
Creditors and accrued charges	*22*	109,120	62,980	31,491	–
Amount due to ultimate holding company	*18*	124,705	132,010	139,783	–
Amounts due to fellow subsidiaries	*18*	887,530	974,102	817,558	–
Taxation payable		1,046	2,994	2,046	–
Borrowings	*23*	112,439	85,992	46,040	–
		1,234,840	1,258,078	1,036,918	–
Net current liabilities		(300,701)	(323,269)	(361,985)	–
Total assets less current liabilities		11,382	(130,860)	(224,078)	–
Non-current liabilities					
Deferred tax liabilities	*24*	–	5,379	7,462	–
		11,382	(136,239)	(231,540)	–
Capital and reserves					
Share capital	*25*	120	120	120	–
Reserves		11,262	(136,359)	(231,660)	–
		11,382	(136,239)	(231,540)	–

Combined Statements of Changes in Equity

	Share capital	Capital reserve	Other property revaluation reserve	Translation reserve	Accumulated profits (losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2010	120	–	–	3,236	12,332	15,688
Revaluation of leasehold properties for own use upon transfer to investment properties	–	–	1,321	–	–	1,321
Loss for the year	–	–	–	–	(5,627)	(5,627)
Total comprehensive income (expense) for the year	–	–	1,321	–	(5,627)	(4,306)
At 31 March 2011	120	–	1,321	3,236	6,705	11,382
Revaluation of leasehold properties for own use upon transfer to investment properties	–	–	9,427	–	–	9,427
Deferred tax liability on revaluation of leasehold properties for own use upon transfer to investment properties	–	–	(2,357)	–	–	(2,357)
Loss for the year	–	–	–	–	(154,691)	(154,691)
Total comprehensive income (expense) for the year	–	–	7,070	–	(154,691)	(147,621)
At 31 March 2012	120	–	8,391	3,236	(147,986)	(136,239)
Loss and total comprehensive expense for the year	–	–	–	–	(125,397)	(125,397)
Deemed capital contribution resulting from waiver of amounts due to fellow subsidiaries	–	30,096	–	–	–	30,096
At 31 March 2013	120	30,096	8,391	3,236	(273,383)	(231,540)

Combined Statements of Cash Flows

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Loss before taxation	(4,074)	(148,085)	(120,759)
Adjustments for:			
Release of prepaid lease payments	121	121	121
Depreciation of property, plant and equipment	33,903	26,934	17,361
Impairment loss recognised in respect of property, plant and equipment	–	10,436	25,634
Impairment loss recognised in respect of available-for-sale investments	–	14,640	–
Increase in fair value of investment properties	(34,481)	(14,046)	(11,904)
Dividend income from available-for-sale investments	–	(78)	(142)
Interest expenses	2,979	4,112	2,435
Interest income	(13)	(10)	(11)
Gain on disposal of property, plant and equipment	–	(1,908)	(1,562)
Write-off of other receivables	600	4,190	–
Allowance for obsolete and slow-moving inventories	3,960	5,122	21,436
Allowance for doubtful debts	548	–	–
Write-back of accrued charges	(4,256)	–	–
Operating cash flows before movements in working capital	(713)	(98,572)	(67,391)
Decrease in inventories	2,693	67,232	20,430
Decrease (increase) in debtors, deposits and prepayments	5,156	(5,313)	20,584
Increase (decrease) in creditors and accrued charges	8,024	(46,140)	(31,488)
Cash from (used in) operations	15,160	(82,793)	(57,865)
Hong Kong Profits Tax paid	(271)	–	(1,773)
Taxation in other jurisdictions paid	(1,200)	(1,636)	(1,731)
Net cash from (used in) operating activities	13,689	(84,429)	(61,369)

	Year ended 31 March		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from investing activities			
Interest received	13	10	11
Proceeds from disposal of an investment property	–	90,000	20,976
Proceeds from disposal of property, plant and equipment	–	6,202	4,443
Dividend received from available-for-sale investments	–	78	142
(Advance to) repayment from fellow subsidiaries	(172,385)	(16,618)	130,131
Purchase of property, plant and equipment	(5,582)	(3,278)	(567)
Net cash (used in) from investing activities	(177,954)	76,394	155,136
Cash flows from financing activities			
Advance from (repayment to) fellow subsidiaries	130,324	86,572	(126,448)
Net proceeds from (repayment of) trust receipts and import loans and loans related to bills discounted with recourse	32,984	(33,471)	(42,928)
Advance from ultimate holding company	20,094	7,305	7,773
Short term loans raised	–	5,000	5,000
Net proceeds from (repayment of) debt factoring loans	–	2,024	(2,024)
Interest on bank and other borrowings paid	(2,979)	(4,112)	(2,435)
Net cash from (used in) financing activities	180,423	63,318	(161,062)
Net increase (decrease) in cash and cash equivalents	16,158	55,283	(67,295)
Cash and cash equivalents at beginning of the year	5,275	21,433	76,716
Cash and cash equivalents at end of the year, representing bank balances and cash	21,433	76,716	9,421

Notes to Financial Information

1. GENERAL

Dual Success is an exempted company incorporated in British Virgin Islands with limited liability. The Company is its ultimate and immediate holding company. The addresses of the registered office and principal place of business of Dual Success are P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and 5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong, respectively.

The principal activity of Dual Success is investment holding. The principal activities of the Scheme Subsidiaries are design, manufacture and sale of a wide range of electronic products and property investment.

The Financial Information is presented in Hong Kong dollars which is the functional currency of Dual Success.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

To effect the group restructuring with details set out in the section headed "Proposed Group Restructuring and Deemed Very Substantial Disposal Relating to the Disposal" of the Circular. Dual Success and Rich Giant, a wholly owned subsidiary of Dual Success, were incorporated on 12 October 2012 and the equity interests of the Scheme Entities have been transferred to Rich Giant during 3 March 2014 to 5 May 2014, which is after 31 March 2013 but before the date of this report.

The Underlying Financial Statements were prepared and aggregated by the director of Dual Success. Adjustments have been made to the aggregation of the Underlying Financial Statements to eliminate intra-group balances and transactions. Accordingly, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Scheme Subsidiaries for the three years ended 31 March 2011, 2012 and 2013 include the results of operations, changes in equity and cash flows of the Scheme Subsidiaries as if the group structure upon the completion of the group restructuring had been in existence throughout the three years ended 31 March 2011, 2012 and 2013, or since the respective dates of incorporation where this is a shorter period. The combined statements of financial position of the Scheme Subsidiaries as at 31 March 2011, 2012 and 2013 have been restated to include the assets and liabilities of the Scheme Subsidiaries as if the group structure had been in existence as at the respective date, or since the respective dates of incorporation where this is a shorter period.

Pursuant to the group restructuring, the Scheme Subsidiaries 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 when the creditors' scheme has become effective. The group restructuring will also involve elimination of inter-company balances between the Company and the Remaining Subsidiaries (as defined in section C to this report) (together referred to as the "Remaining Group"), the Privateco Group (as defined in section C to this report) and the Scheme Subsidiaries and waiver of certain receivables by the Remaining Group through the assignment of these receivables from the Scheme Subsidiaries to the Administrators Vehicle and the assignment of receivables from the Privateco Group to SIH. All of the above are subject to the approval of the Company's shareholders in the special general meeting. In preparing the Financial Information, the director of Dual Success has given careful consideration to the future liquidity of the Scheme Subsidiaries in light of the fact that their current liabilities exceeded their current assets by approximately HK$300,701,000, HK$323,269,000 and HK$361,985,000 as at 31 March 2011, 31 March 2012 and 31 March 2013 and their total liabilities exceeded their total assets by approximately HK$136,239,000 and HK$231,540,000 as at 31 March 2012 and 31 March 2013, respectively and the Scheme Subsidiaries incurred losses of approximately HK$5,627,000, HK$154,691,000 and HK$125,397,000 for each of the three years ended 31 March 2013. The Financial Information has been prepared on a going concern basis as the director of Dual Success believes that the ultimate holding company and fellow subsidiaries of the Scheme Subsidiaries (prior to the completion of the group restructuring) and the Administrators' Vehicle (upon completion of the group restructuring) will not demand repayments from the Scheme Subsidiaries amounting to HK$139,783,000 and HK$817,558,000 as at 31 March 2013, respectively and the amount at the date of completion of the group restructuring unless the Scheme Subsidiaries are in a financial position to pay.

However, if this assumption was found not to be appropriate, the going concern basis in turn would be inappropriate, and adjustments might be required to reclassify non-current assets to current assets and non-current liabilities to current liabilities.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the three years ended 31 March 2011, 2012 and 2013, the Scheme Group has consistently applied the Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations ("INTs") (hereinafter collectively referred to the "HKFRSs") which are effective for the accounting period beginning on 1 April 2012 throughout the three years ended 31 March 2011, 2012 and 2013.

New and revised HKFRSs issued but not yet effective

The Scheme Subsidiaries has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective as at 31 March 2013.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[6]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[5]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (Revised 2011)	Employee benefits[1]
HKAS 27 (Revised 2011)	Separate financial statements[1]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[5]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[2]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[2]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]
HK(IFRIC) – INT 21	Levies[2]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2012.
5 Effective for annual periods beginning on or after 1 July 2014.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

HKFRS 9 "Financial instruments"

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

Key requirements of HKFRS 9 are described as follows:

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Except for available-for-sale investments, the directors anticipate that the application of HKFRS 9 will not affect the classification and measurement of the Scheme Subsidiaries' other financial assets and liabilities based on the combined statement of financial position of the Scheme Subsidiaries as at 31 March 2013. Regarding the Scheme Subsidiaries' available-for-sale investments, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 13 "Fair value measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. This standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 will be adopted in the Scheme Subsidiaries' combined financial statements for the annual period beginning on 1 April 2013. The application of the new standard is not expected to affect the measurement of the Scheme Subsidiaries' assets and liabilities reported in the combined statements of financial position as at 31 March 2013 but will result in more extensive disclosures in the combined financial statements.

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

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Scheme Subsidiaries' combined financial statements for the annual period beginning on 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Other than those disclosed above, the director of Dual Success anticipates that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Scheme Subsidiaries.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Information has been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

Basis of combination

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

The results of subsidiaries acquired or disposed of during the year are included in the combined statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has been passed.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments recognised when the Scheme Subsidiaries' right to receive payment has been established.

Property, plant and equipment

Property, plant and equipment including land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the combined statements of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

The cost of leasehold properties is depreciated on a straight line basis after taking into account of the estimated residual value. Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than leasehold properties over their estimated useful lives using the reducing balance method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in other property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits/losses.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in other property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits/losses.

Financial instruments

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

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

Financial assets

The Scheme Subsidiaries' financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

Available-for-sale financial assets

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

Dividends on available-for-sale investments are recognised in profit or loss when the Scheme Subsidiaries' right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Scheme Subsidiaries' past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranging from 30 days to 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entities after deducting all of its liabilities. Equity instruments issued by Dual Success are recognised at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including creditors, amount due to ultimate holding company, amounts due to fellow subsidiaries and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Scheme Subsidiaries derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Scheme Subsidiaries neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Scheme Subsidiaries continue to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Scheme Subsidiaries retain substantially all the risks and rewards of ownership of a transferred financial asset, the Scheme Subsidiaries continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

Research and development expenditure

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

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

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

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

The resultant asset is amortised on a straight line basis over its useful life and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Inventories

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

Impairment

At the end of the reporting period, the Scheme Subsidiaries review the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Scheme Subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as an income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the combined statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Scheme Subsidiaries' liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Scheme Subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they are relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property", the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Scheme Subsidiaries whose business objective is to consume substantively all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Leases

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

The Scheme Subsidiaries as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease.

Leasehold land and building

When a lease includes both land and building elements, the Scheme Subsidiaries assess the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Scheme Subsidiaries, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the combined statements of financial position and is amortised over the lease term on a straight line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Scheme Subsidiaries' foreign operations are translated into the presentation currency of the Scheme Subsidiaries (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Retirement benefits costs

Payments to defined contribution retirement benefit plans are charged as expenses when employees have rendered service entitling them to the contributions.

5. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Scheme Subsidiaries' accounting policies, which are described in note 4, the director of Dual Success is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Allowances for inventories

The management of the Scheme Subsidiaries review the physical conditions and saleability of inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and consumables primarily based on the latest invoice prices and current market conditions. As at 31 March 2011, 2012 and 2013, the carrying amount of inventories is HK$185,784,000, HK$113,430,000 and HK$71,564,000, respectively, net of accumulated allowance for obsolete and slow-moving inventories of HK$26,422,000, HK$24,572,000 and HK$46,008,000, respectively.

Impairment of property, plant and equipment

The Scheme Subsidiaries assess annually whether property, plant and equipment have any indication of impairment, in accordance with the relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value in use calculations. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted. Where the actual cash flows are different from the original estimate, a material change in the amount of impairment may arise. As at 31 March 2011, 2012 and 2013, the carrying amount of property, plant and equipment is HK$171,248,000, HK$125,369,000 and HK$80,060,000, respectively, net of accumulated impairment loss of nil, HK$10,436,000 and HK$36,070,000, respectively. Details of the recoverable amount calculation are set out in note 13.

Income taxes

As at 31 March 2011, 2012 and 2013, no deferred tax asset was recognised in the Scheme Subsidiaries' combined statements of financial position in relation to the estimated unused tax losses of HK$129,308,000, HK$229,184,000 and HK$297,360,000, respectively due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are more or less than expected, a material recognition or reversal of deferred tax asset may arise, which would be recognised in profit or loss in the period in which such a recognition or reversal takes place.

6. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered by each operating division.

The Scheme Subsidiaries were organised into two operating divisions, namely design, manufacture and sale of electronic products (representing consumer electronic audio and video equipment, imaging products, musical instruments and accessories) and property investment. These divisions are the basis on which the Scheme Subsidiaries reports its segment information.

Segment revenue and results

An analysis of the Scheme Subsidiaries' revenue, which represents sales of goods, and results by reportable and operating segments is as follows:

	Design, manufacture and sale of electronic products	**Property investment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 March 2011			
TURNOVER	520,376	–	520,376
SEGMENT RESULTS	(36,862)	37,004	142
Interest income			13
Unallocated expenses			(1,250)
Interest expenses			(2,979)
Loss before taxation			(4,074)

	Design, manufacture and sale of electronic products	**Property investment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 March 2012			
TURNOVER	410,610	–	410,610
SEGMENT RESULTS	(145,841)	17,784	(128,057)
Interest income			10
Unallocated income			78
Unallocated expenses			(16,004)
Interest expenses			(4,112)
Loss before taxation			(148,085)

	Design, manufacture and sale of electronic products	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 March 2013			
TURNOVER	191,693	–	191,693
SEGMENT RESULTS	(133,282)	16,193	(117,089)
Interest income			11
Unallocated income			141
Unallocated expenses			(1,387)
Interest expenses			(2,435)
Loss before taxation			(120,759)

The accounting policies of the reportable and operating segments are the same as the Scheme Subsidiaries' accounting policies described in note 4. Segment results represent the results from each operating segment without allocation of central administration costs incurred by head office, interest income, dividend income from available-for-sale investments, impairment loss recognised in respect of available-for-sale investments and interest expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

An analysis of the Scheme Subsidiaries' assets and liabilities by reportable and operating segments is as follows:

	Design, manufacture and sale of electronic products	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 March 2011			
ASSETS			
Segment assets	1,085,848	113,142	1,198,990
Unallocated corporate assets			47,232
Total assets			1,246,222
LIABILITIES			
Segment liabilities	1,168,733	–	1,168,733
Unallocated corporate liabilities			66,107
Total liabilities			1,234,840
At 31 March 2012			
ASSETS			
Segment assets	986,980	54,108	1,041,088
Unallocated corporate assets			86,130
Total assets			1,127,218
LIABILITIES			
Segment liabilities	1,217,741	–	1,217,741
Unallocated corporate liabilities			45,716
Total liabilities			1,263,457

	Design, manufacture and sale of electronic products	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 March 2013			
ASSETS			
Segment assets	748,890	45,036	793,926
Unallocated corporate assets			18,914
Total assets			812,840
LIABILITIES			
Segment liabilities	1,039,537	–	1,039,537
Unallocated corporate liabilities			4,843
Total liabilities			1,044,380

Unallocated corporate assets mainly represent available-for-sale investments and bank balances and cash.

Unallocated corporate liabilities mainly represent borrowings, taxation payable and deferred tax liabilities.

Other segment information

	Design, manufacture and sale of electronic products	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*
Amounts included in the measurement of segment results or segment assets:			
Year ended 31 March 2011			
Additions of property, plant and equipment	5,728	–	5,728
Increase in fair value of investment properties	–	34,481	34,481
Release of prepaid lease payments	121	–	121
Depreciation of property, plant and equipment	33,903	–	33,903
Allowance for doubtful debts	548	–	548
Allowance for obsolete and slow-moving inventories	3,960	–	3,960
Write-off of other receivables	600	–	600

	Design, manufacture and sale of electronic products	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*
Amounts included in the measurement of segment results or segment assets:			
Year ended 31 March 2012			
Additions of property, plant and equipment	3,109	–	3,109
Increase in fair value of investment properties	–	14,046	14,046
Release of prepaid lease payments	121	–	121
Depreciation of property, plant and equipment	26,934	–	26,934
Allowance for doubtful debts	328	–	328
Allowance for obsolete and slow-moving inventories	5,122	–	5,122
Impairment loss recognised in respect of property, plant and equipment	10,436	–	10,436
Write-off of other receivables	4,190	–	4,190

	Design, manufacture and sale of electronic products	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*
Amounts included in the measurement of segment results or segment assets:			
Year ended 31 March 2013			
Additions of property, plant and equipment	525	–	525
Increase in fair value of investment properties	–	11,904	11,904
Release of prepaid lease payments	121	–	121
Depreciation of property, plant and equipment	17,361	–	17,361
Allowance for obsolete and slow-moving inventories	21,436	–	21,436
Impairment loss recognised in respect of property, plant and equipment	25,634	–	25,634

Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment results or segment assets:

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Interest expenses	2,979	4,112	2,435

Geographical segments

The Scheme Group's operations are located in North America, Europe, Hong Kong (place of domicile), Mainland China (the "PRC") and other countries.

The Scheme Group's revenue from external customers (based on location of customers) and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers Year ended 31 March			Non-current assets *(note)*		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
United States of America	6,408	238,516	78,540	–	–	–
The PRC	–	–	–	147,098	137,522	88,326
Hong Kong	505,864	161,228	113,153	140,945	45,487	40,181
Other countries	8,104	10,866	–	–	–	–
	520,376	410,610	191,693	288,043	183,009	128,507

Note: Non-current assets excluded available-for-sale investments.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Scheme Subsidiaries are as follows:

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Customer A[1]	210,959	139,136	60,012
Customer B[1]	145,528	178,547	127,351
Customer C[1]	N/A[2]	N/A[2]	20,772

[1] Revenue from sales of electronic products
[2] The corresponding revenue did not contribute over 10% of the total sales of the Group.

7. OTHER INCOME

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Other income mainly includes:			
Dividend income from available-for-sale investments	–	78	142
Interest income	13	10	11
Rental income *(note)*	2,552	3,795	4,404
Sale of scrap materials	454	–	292
Service income	–	955	33
Write-back of accrued charges	4,256	–	–

Note: Outgoings of HK$29,000, HK$57,000 and HK$115,000 were incurred resulting in net rental income of HK$2,523,000, HK$3,738,000 and HK$4,289,000 for the three years ended 31 March 2011, 2012 and 2013, respectively.

8. OTHER GAINS AND LOSSES

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Other gains (losses) comprise:			
Allowance for doubtful debts	(548)	–	–
Exchange gain, net	587	43	313
Gain on disposal of property, plant and equipment	–	1,908	1,562
Impairment loss recognised in respect of available-for-sale investments	–	(14,640)	–
Impairment loss recognised in respect of property, plant and equipment	–	(10,436)	(25,634)
Write-off of other receivables	(600)	(4,190)	–
	(561)	(27,315)	(23,759)

9. LOSS BEFORE TAXATION

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Loss before taxation has been arrived at after charging:			
Allowance for obsolete and slow-moving inventories (included in cost of sales)	3,960	5,122	21,436
Auditors' remuneration	1,250	1,364	1,386
Depreciation of property, plant and equipment	33,903	26,934	17,361
Interest expenses on borrowings wholly repayable within five years	2,979	4,112	2,435
Release of prepaid lease payments	121	121	121
Research and development costs *(note (a))*	27,973	22,068	13,172
Staff costs *(note (b))*	57,170	43,631	25,658

Notes:

(a) The research and development costs included staff costs of HK$5,628,000, HK$4,290,000 and HK$2,935,000, for the three years ended 31 March 2011, 2012 and 2013, respectively.

(b) The staff costs included retirement benefits scheme contributions of HK$444,000, HK$3,699,000 and HK$2,776,000 for the three years ended 31 March 2011, 2012 and 2013, respectively.

10. DIRECTOR'S, CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of emoluments paid by the Scheme Subsidiaries to the director of Dual Success and the chief executive of the Scheme Subsidiaries are as follows:

For the year ended 31 March 2013

	Fees	Salaries and other short term employee	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Wong Nga Fan	–	–	–	–

No performance related incentive payments were paid to the director of Dual Success during the year ended 31 March 2013.

Mr. Lau Sak Hong, Philip is the chief executive of Dual Success and his emoluments were borne by the Company and a fellow subsidiary of the Company.

Employees

For the three years ended 31 March 2011, 2012 and 2013, the five highest paid individuals of the Scheme Subsidiaries were all employees and the emoluments of the five highest paid employees are as follows:

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other short term employee benefits	2,116	1,966	1,831
Retirement benefits scheme contributions	60	60	73
	2,176	2,026	1,904

Emoluments of these employees were within the following bands:

	Number of employees Year ended 31 March		
	2011	**2012**	**2013**
Nil – HK$1,000,000	5	5	5

11. TAXATION

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
The charge comprises:			
Hong Kong Profits Tax			
Underprovision in prior years	–	1,773	–
Taxation in other jurisdictions			
Current year	1,508	1,796	2,244
Underprovision in prior years	45	15	312
	1,553	1,811	2,556
Deferred taxation *(note 24)*	–	3,022	2,082
	1,553	6,606	4,638

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the three years ended 31 March 2011, 2012 and 2013.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Tax charge for the year can be reconciled to the loss before taxation per the combined statements of comprehensive income as follows:

	Year ended 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Loss before taxation	(4,074)	(148,085)	(120,759)
Tax credit at the domestic income tax rate of 16.5%	(672)	(24,434)	(19,925)
Tax effect of expenses not deductible for taxation purposes	3,892	12,621	14,497
Tax effect of income not taxable for taxation purposes	(5,699)	(2,079)	(596)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(791)	1,057	(2,318)
Tax effect of tax losses not recognised	4,969	16,588	11,248
Tax effect of utilisation of tax losses previously not recognised	(576)	(110)	–
Underprovision in prior years	45	1,788	312
Others	385	1,175	1,420
Tax charge for the year	1,553	6,606	4,638

12. INVESTMENT PROPERTIES

	At 31 March 2011	At 31 March 2012	At 31 March 2013
	HK$'000	HK$'000	HK$'000
THE SCHEME SUBSIDIARIES			
Fair value of investment properties:			
At beginning of the year	76,950	113,142	54,108
Transfer from leasehold properties under property, plant and equipment	1,711	16,920	–
Increase in fair value	34,481	14,046	11,904
Disposals	–	(90,000)	(20,976)
At end of the year	113,142	54,108	45,036
The carrying amount of investment properties comprises properties situated on land held under:			
Land in Hong Kong:			
Long leases	95,500	17,400	–
Land outside Hong Kong:			
Long leases	17,642	18,228	26,196
Medium term leases	–	18,480	18,840
	113,142	54,108	45,036

The fair values of the Scheme Subsidiaries' investment properties have been arrived at on the basis of valuations carried out at the end of the reporting period by an independent qualified professional valuer not connected with the Scheme Subsidiaries. The valuations were arrived at by reference to recent market prices for similar properties in similar locations and conditions.

All of the Scheme Subsidiaries' property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
THE SCHEME SUBSIDIARIES						
COST						
At 1 April 2010	79,671	13,780	75,771	4,740	513,672	687,634
Additions	–	6	380	–	4,862	5,248
Transfer to investment properties *(note)*	(424)	–	–	–	–	(424)
At 31 March 2011	79,247	13,786	76,151	4,740	518,534	692,458
Additions	–	–	21	–	3,257	3,278
Disposals	–	–	–	(1,156)	(38,510)	(39,666)
Transfer to investment properties *(note)*	(11,337)	–	–	–	–	(11,337)
At 31 March 2012	67,910	13,786	76,172	3,584	483,281	644,733
Additions	–	–	3	–	564	567
Disposals	–	–	–	–	(35,073)	(35,073)
At 31 March 2013	67,910	13,786	76,175	3,584	448,772	610,227
DEPRECIATION AND IMPAIRMENT						
At 1 April 2010	16,245	10,881	64,487	3,543	392,185	487,341
Provided for the year	1,268	594	2,250	242	29,549	33,903
Eliminated on transfer	(34)	–	–	–	–	(34)
At 31 March 2011	17,479	11,475	66,737	3,785	421,734	521,210
Provided for the year	1,285	473	1,850	173	23,153	26,934
Impairment loss recognised in profit or loss	–	–	–	–	10,436	10,436
Eliminated on disposals	–	–	–	(933)	(34,439)	(35,372)
Eliminated on transfer	(3,844)	–	–	–	–	(3,844)
At 31 March 2012	14,920	11,948	68,587	3,025	420,884	519,364
Provided for the year	955	380	1,502	113	14,411	17,361
Impairment loss recognised in profit or loss	–	–	–	–	25,634	25,634
Eliminated on disposals	–	–	–	–	(32,192)	(32,192)
At 31 March 2013	15,875	12,328	70,089	3,138	428,737	530,167
CARRYING VALUES						
At 31 March 2013	52,035	1,458	6,086	446	20,035	80,060
At 31 March 2012	52,990	1,838	7,585	559	62,397	125,369
At 31 March 2011	61,768	2,311	9,414	955	96,800	171,248

Note: During the two years ended 31 March 2011 and 2012, the management resolved to rent out certain of its leasehold properties to outsiders for rental income and ended owner-occupation. These properties should be accounted for as investment properties. Upon the transfer from property, plant and equipment to investment properties, these properties were revalued with the increase in fair value of HK$1,321,000 and HK$9,427,000 (2013: nil) being credited to other property valuation reserve for the two years ended 31 March 2011 and 2012, respectively.

The cost of leasehold properties in Hong Kong, which included land element, is depreciated over forty years on a straight line basis and after taking into account of the estimated residual value. The cost of buildings situated on leasehold land outside Hong Kong is amortised over a period of fifty years or, where shorter, the remaining term of the leases on a straight line basis and after taking into account of the estimated residual value.

Depreciation is provided to write off the cost of other items of property, plant and equipment, other than leasehold properties, over their estimated useful lives, using the reducing balance method at the following rates per annum:

Computer equipment	25%
Furniture, fixtures and equipment	10 – 25%
Motor vehicles	20 – 25%
Plant and machinery	15 – 30%

During the three years ended 31 March 2011, 2012 and 2013, the directors conducted a review of the Scheme Subsidiaries' plant and machinery and identified a number of physically damaged and technical obsolescent assets. Accordingly, plant and machinery used in the Scheme Subsidiaries' electronic products segment with carrying amount of nil, HK$10,436,000 and HK$25,634,000, respectively, are considered to be fully impaired and has been recognised in profit or loss.

The carrying value of the Scheme Subsidiaries' leasehold properties shown above comprises properties situated on land held under:

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Long leases in Hong Kong	19	19	–
Medium term leases outside Hong Kong	61,749	52,971	52,035
	61,768	52,990	52,035

14. PREPAID LEASE PAYMENTS

The Scheme Subsidiaries' prepaid lease payments comprise:

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Leasehold land held under medium term leases outside Hong Kong	3,774	3,653	3,532
Analysed for reporting purposes as:			
Current asset	121	121	121
Non-current asset	3,653	3,532	3,411
	3,774	3,653	3,532

15. PRODUCT DEVELOPMENT COSTS

	HK$'000
THE SCHEME SUBSIDIARIES	
COST	
At 1 April 2010, 31 March 2011, 31 March 2012 and 31 March 2013	1,732
AMORTISATION	
At 1 April 2010, 31 March 2011, 31 March 2012 and 31 March 2013	1,732
CARRYING VALUE	
At 31 March 2011, 31 March 2012 and 31 March 2013	–

Product development costs are amortised over a period of five years on a straight line basis.

16. INVESTMENT IN A SUBSIDIARY

	At 31 March 2013
	HK$
DUAL SUCCESS	
Unlisted shares, at cost	8

	HK$'000
Shown in the Financial Information	–

17. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SCHEME SUBSIDIARIES			
Equity securities			
Unlisted shares, at cost	26,690	26,690	26,690
Less: Impairment losses recognised	(2,650)	(17,290)	(17,290)
	24,040	9,400	9,400
Analysed for reporting purposes as:			
Non-current asset	24,040	9,400	9,400

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in Hong Kong. They are measured at cost less impairment loss at the end of the reporting period because the range of reasonable fair value estimates is so significant that the director of Dual Success is of the opinion that their fair values cannot be measured reliably.

During the three years ended 31 March 2011, 2012 and 2013, an impairment loss of nil, HK$14,640,000 and nil, respectively was recognised in profit or loss which mainly comprised an impairment of HK$13,600,000 for an unlisted equity investment of 17% equity interest in Net Plus Company Limited ("Net Plus"), a company engaged in investment holding whose subsidiaries are engaged in the provision of healthcare related services in Hong Kong and the PRC. At 31 March 2012, the directors reviewed the recoverability of the carrying amount of Net Plus with reference to the present value of the estimated future cash flows expected to arise from the investment and an impairment loss of HK$13,600,000 has been recognised. The carrying amount of the interest in Net Plus as at 31 March 2011, 2012 and 2013 was HK$23,000,000, HK$9,400,000 and HK$9,400,000, respectively.

18. AMOUNTS DUE FROM/(TO) ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES

THE SCHEME GROUP

The amounts are unsecured, non-interest bearing and repayable on demand.

19. INVENTORIES

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SCHEME SUBSIDIARIES			
Raw materials	96,472	63,042	43,160
Work in progress	7,290	6,741	1,004
Finished goods	82,022	43,647	27,400
	185,784	113,430	71,564

The cost of inventories recognised as an expense in the combined statements of comprehensive income amounted to HK$488,007,000, HK$434,225,000 and HK$270,595,000 for the three years ended 31 March 2011, 2012 and 2013, respectively.

20. DEBTORS, DEPOSITS AND PREPAYMENTS

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SCHEME SUBSIDIARIES			
Trade debtors	12,396	12,090	1,822
Advances to suppliers	5,670	7,108	–
Prepayments and other receivables	4,865	4,856	1,648
	22,931	24,054	3,470

During the three years ended 31 March 2011, 2012 and 2013, the Scheme Subsidiaries have written off other receivables of HK$600,000, HK$4,190,000 and nil, respectively.

The aged analysis of trade debtors net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective recognition dates, is as follows:

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SCHEME SUBSIDIARIES			
0 – 30 days	1,350	1,512	280
31 – 60 days	–	–	217
61 – 90 days	–	–	470
Over 90 days	11,046	10,578	855
	12,396	12,090	1,822

The Scheme Subsidiaries allow an average credit period ranging from 30 days to 90 days to its trade customers. Before accepting any new customers, the management will internally assess the credit quality of the potential customer and define appropriate credit limits. Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good quality.

Included in the Scheme Subsidiaries' trade debtors are debtors with aggregate carrying amount of HK$11,046,000, HK$10,578,000 and HK$1,325,000 as at 31 March 2011, 2012 and 2013, respectively, which are past due as at the reporting date for which the Scheme Subsidiaries have not provided for impairment loss. The director of Dual Success determined that these receivables are either due from customers of good credit quality with no history of default or covered by credit insurance. The Scheme Subsidiaries do not hold any collateral over these balances.

The aged analysis of trade debtors which are past due but not impaired is as follows:

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SCHEME SUBSIDIARIES			
Overdue 31 – 60 days	–	–	490
Overdue 61 – 90 days	–	–	128
Overdue over 90 days	11,046	10,578	707
	11,046	10,578	1,325

Based on the experience of the management and repayment record of the customers, trade receivables which are past due but not impaired and not associated with litigations are generally recoverable.

Movements in the allowance for doubtful debts

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SCHEME SUBSIDIARIES			
At beginning of the year	13,763	14,311	14,311
Impairment losses recognised on debtors	548	–	–
At end of the year	14,311	14,311	14,311

Included in the Scheme Subsidiaries' allowance for doubtful debts are individually impaired trade debtors which have either been placed under liquidation or in financial difficulties.

21. BANK BALANCES AND CASH

THE SCHEME SUBSIDIARIES

Bank balances and cash comprise cash held by the Scheme Subsidiaries and short term bank deposits with an original maturity of three months or less at an average interest rate of 0.01%, 0.01% and 0.01% per annum for the three years ended 31 March 2011, 2012 and 2013, respectively.

22. CREDITORS AND ACCRUED CHARGES

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SCHEME SUBSIDIARIES			
Trade creditors	82,376	43,474	20,252
Royalty and withholding tax payable	11,592	5,619	635
Other creditors and accrued expenses	15,152	13,887	10,604
	109,120	62,980	31,491

The aged analysis of trade creditors presented based on the invoice date at the end of the reporting period is as follows:

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SCHEME SUBSIDIARIES			
0 – 30 days	28,592	16,585	3,032
31 – 60 days	14,397	3,890	2,668
61 – 90 days	341	4,351	78
Over 90 days	39,046	18,648	14,474
	82,376	43,474	20,252

The average credit period on purchases of goods is 90 days.

23. BORROWINGS

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
THE SCHEME SUBSIDIARIES			
Trust receipts and import loans	69,739	37,255	12,207
Short term bank loans	5,000	10,000	15,000
Loans related to bills discounted with recourse	37,700	36,713	18,833
Debt factoring loans	–	2,024	–
	112,439	85,992	46,040
Analysed as:			
Secured	37,700	85,992	46,040
Unsecured	74,739	–	–
	112,439	85,992	46,040

The loans related to bills discounted with recourse are secured by intra-group trade debtors transferred to a bank.

The borrowings as at 31 March 2011, 2012 and 2013 are repayable on demand or within one year.

The Scheme Subsidiaries' borrowings are floating-rate borrowings, which are mainly linked with Hong Kong Interbank Offered Rate ("HIBOR"), and bear interest at a range from 2.0% to 3.7%, 2.6% to 4.5% and 2.9% to 4.1% per annum during the three years ended 31 March 2011, 2012 and 2013, respectively. Interest is repriced every month.

24. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Revaluation of properties HK$'000	Total HK$'000
THE SCHEME SUBSIDIARIES				
At 1 April 2010	(4,151)	4,151	–	–
(Charge) credit to profit or loss	(90)	90	–	–
At 31 March 2011	(4,241)	4,241	–	–
Credit (charge) to profit or loss	2,095	(2,095)	(3,022)	(3,022)
Charge to other comprehensive income	–	–	(2,357)	(2,357)
At 31 March 2012	(2,146)	2,146	(5,379)	(5,379)
Credit (charge) to profit or loss	932	(932)	(2,083)	(2,083)
At 31 March 2013	(1,214)	1,214	(7,462)	(7,462)

At 31 March 2011, 2012 and 2013, the Scheme Subsidiaries have unused tax losses of approximately HK$155,015,000, HK$242,196,000 and HK$304,724,000 and the Scheme Subsidiaries have not recognised deferred tax asset in respect of tax losses of HK$129,308,000, HK$229,184,000 and HK$297,360,000 due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of HK$12,063,000, HK$8,681,000 and HK$8,681,000 that will expire in the years of 2012 to 2030, 2013 to 2030 and 2014 to 2030 for each of the three years ended 31 March 2011, 2012 and 2013 respectively, other tax losses may be carried forward indefinitely.

At 31 March 2011, 2012 and 2013, deferred taxation has not been provided for in the Financial Information in respect of the temporary differences attributable to the undistributed retained profits earned by the subsidiaries in the PRC amounting to HK$15,084,000, HK$19,064,000 and HK$24,241,000, respectively starting from 1 January 2008 under the New Law of the PRC that requires withholding tax upon the distribution of such profits to the shareholders, as the Scheme Subsidiaries are able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

25. SHARE CAPITAL

Dual Success was incorporated on 12 October 2012 with an authorised share capital of 50,000 shares of US$1 each. On 23 November 2012, 1 share of US$1 was issued to the Company at par to provide initial capital of Dual Success.

The share capital at 1 April 2010, 31 March 2011, 31 March 2012 and 31 March 2013 represents the combined share capital of companies comprising the Scheme Subsidiaries, after adjusting the share capital held by the companies within the Scheme Subsidiaries.

26. CAPITAL RISK MANAGEMENT

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

The capital structure of the Scheme Subsidiaries consists of net debt, which includes the borrowings disclosed in notes 23 net of cash and cash equivalents and equity attributable to owners of Dual Success, comprising issued share capital and reserves.

The director of Dual Success reviews the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Scheme Subsidiaries will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

27. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Available-for-sale investments	24,040	9,400	9,400
Loans and receivables (including cash and cash equivalents)	776,653	828,428	621,757
Financial liabilities			
Other financial liabilities at amortised cost	1,201,070	1,248,414	1,033,138

Financial risk management objectives and policies

The Scheme Subsidiaries' major financial instruments include debtors, available-for-sale investments, bank balances and cash, amounts due from/to group entities, creditors and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Scheme Group's overall strategy remains unchanged from prior year.

Currency risk

Several subsidiaries of Dual Success have foreign currency denominated monetary assets and liabilities, which expose the Scheme Subsidiaries to foreign currency risk.

The carrying amounts of the group entities' foreign currency denominated monetary assets and monetary liabilities (mainly represented by intra-group current accounts, debtors, bank balances, creditors and borrowings) at the end of the reporting period are as follows:

	At 31 March					
	2011		2012		2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Euro	–	–	–	99	–	–
Hong Kong dollars	236,892	401,689	258,144	426,677	233,727	297,816
Renminbi	16,036	–	38,489	–	34,236	–
United States dollars	283,914	121,386	347,345	106,205	257,247	14,811

The Scheme Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The group entities are mainly exposed to foreign currency risk from Hong Kong dollars, Renminbi and United States dollars. Under the pegged exchange rate system, the financial impact on exchange difference between Hong Kong dollars and United States dollars will be immaterial and therefore no sensitivity analysis has been prepared.

The following table details the group entities' sensitivity to a 5% increase and decrease in Hong Kong dollars and Renminbi against each group entity's functional currency (including Hong Kong dollars and Renminbi). 5% is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive/negative number below indicates a decrease/an increase in loss for the year where Hong Kong dollars and Renminbi strengthen 5% against each group entity's functional currency. For a 5% weakening of Hong Kong dollars and Renminbi against each group entity's functional currency, there would be an equal and opposite impact on the loss for the year.

	At 31 March		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong dollars	(8,240)	(8,426)	(3,204)
Renminbi	802	1,924	1,712

In addition, the Scheme Subsidiaries are also exposed to currency risk concerning certain amounts due from/to group entities, which are denominated in currencies other than the functional currency of the relevant group entities. When Renminbi strengthens 5% against the relevant foreign currency, loss for the year of the Scheme Subsidiaries will decrease by HK$799,000, HK$2,215,000 and HK$3,290,000 and vice versa for the three years ended 31 March 2011, 2012 and 2013, respectively.

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

Interest rate risk

The Scheme Subsidiaries have cash flow interest rate risk on floating-rate borrowings. The Scheme Subsidiaries currently does not have any policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The interest expenses on the Scheme Subsidiaries' floating-rate borrowings are mainly linked with HIBOR.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for floating-rate borrowings at the end of the reporting periods (note 23). The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Scheme Subsidiaries' loss for the three years ended 31 March 2011, 2012 and 2013 would increase/decrease by HK$472,000, HK$368,000 and HK$192,000, respectively. This is mainly attributable to the Scheme Subsidiaries' exposure to interest rates on its floating-rate borrowings.

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

Credit risk

The Scheme Subsidiaries' maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2011, 2012 and 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Scheme Subsidiaries review the recoverable amount of each individual trade debt and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the director of Dual Success considers that the Scheme Subsidiaries' credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Scheme Subsidiaries have concentration of credit risk by customers as 40%, 34% and 70% and 99%, 97% and 99% of the total trade debtors was due from the Scheme Subsidiaries' largest customer and the five largest customers as at 31 March 2011, 2012 and 2013, respectively. In the opinion of the directors, all five largest customers are customers with good reputation and creditability.

Liquidity risk

In the management of the liquidity risk, the Scheme Subsidiaries monitor and maintain sufficient reserve of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirement in the short and long term. The Scheme Subsidiaries finance its working capital requirements through a combination of funds generated from operations and borrowings. The management monitors the utilisation of borrowings and ensures compliance with loan covenants. The following table details the Scheme Subsidiaries' remaining contractual maturity for its financial liabilities.

The following table details the Scheme Subsidiaries' remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Scheme Subsidiaries can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Effective interest rate	Repayable on demand and less than 1 month	1 – 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2011						
Non-derivative financial liabilities						
Creditors	–	40,584	35,812	–	76,396	76,396
Amount due to ultimate holding company	–	124,705	–	–	124,705	124,705
Amounts due to fellow subsidiaries	–	887,530	–	–	887,530	887,530
Borrowings	2.9	18,747	68,414	25,830	112,991	112,439
		1,071,566	104,226	25,830	1,201,622	1,201,070
2012						
Non-derivative financial liabilities						
Creditors	–	27,567	28,743	–	56,310	56,310
Amount due to ultimate holding company	–	132,010	–	–	132,010	132,010
Amounts due to fellow subsidiaries	–	974,102	–	–	974,102	974,102
Borrowings	3.4	45,755	24,379	16,213	86,347	85,992
		1,179,434	53,122	16,213	1,248,769	1,248,414
2013						
Non-derivative financial liabilities						
Creditors	–	12,536	2,747	14,474	29,757	29,757
Amount due to ultimate holding company	–	139,783	–	–	139,783	139,783
Amounts due to fellow subsidiaries	–	817,558	–	–	817,558	817,558
Borrowings	3.9	24,327	13,833	8,143	46,303	46,040
		994,204	16,580	22,617	1,033,401	1,033,138

Fair value

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

The director of Dual Success considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values.

28. CAPITAL COMMITMENTS

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Financial Information	287	440	453

29. OPERATING LEASE COMMITMENTS

As lessor

At the end of the reporting period, the Scheme Subsidiaries had contracted with tenants for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	2,046	2,567	6,530
In the second to fifth years inclusive	332	15,490	23,229
Over five years	–	19,820	16,676
	2,378	37,877	46,435

These properties have committed tenants for terms ranging from one to two years, one to ten years and one to nine years for the three years ended 31 March 2011, 2012 and 2013, respectively.

30. PLEDGE OF ASSETS

At the end of the reporting period, the Scheme Subsidiaries pledged certain assets with the following carrying values to secure the general credit facilities granted to the Scheme Group:

	At 31 March		
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Bills discounted with recourse and factored debtor balances	37,700	39,243	18,833

31. RETIREMENT BENEFITS SCHEME

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

The Scheme Subsidiaries participate in the Mandatory Provident Fund Scheme implemented by the Hong Kong Government for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Scheme Subsidiaries in funds under the control of trustee. The Scheme Subsidiaries contribute 5% of relevant payroll costs to the scheme, limit to HK$1,000 per month from 1 April 2010 to 31 May 2012 and HK$1,250 per month from 1 June 2012 to 31 March 2013 per staff.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Scheme Subsidiaries with respect to the retirement benefits schemes is to make the required contributions under the schemes.

32. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, the Scheme Subsidiaries also entered into the following related party transactions.

	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Sales of goods to fellow subsidiaries	470,810	362,517	161,688
Service income from fellow subsidiaries	–	955	–
Handling fee paid to fellow subsidiaries	1,880	1,320	960
Management fee paid to ultimate holding company	1,800	1,200	960

Compensation of key management personnel

The remuneration of key management personnel, who are the directors of Dual Success and the Company, are borne by the Company and a fellow subsidiary of the Company during the three years ended 31 March 2011, 2012 and 2013.

33. NON-CASH TRANSACTION

During the year ended 31 March 2013, certain fellow subsidiaries of the Company waived the amounts due by the Scheme Subsidiaries amounting to HK$30,096,000 and such balance was recorded in capital reserve.

B. DIRECTORS' REMUNERATION

Save as disclosed in the Financial Information, no other remuneration has been paid or payable by the Scheme Subsidiaries to the director of Dual Success in respect of the three years ended 31 March 2011, 2012 and 2013.

C. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 March 2013:

On 30 January 2014, certain shareholders of the Company entered into a sale and purchase agreement (as supplemented by a supplemental agreement dated 21 March 2014) to dispose of an aggregate of 1,076,758,361 shares in the Company to Achieve Prosper Capital Limited (the "Purchaser"), an independent third party. On the same date, the Company entered into a subscription agreement with the Purchaser in relation to the subscription of the convertible bonds in the principal amount of HK$75,000,000 to be issued by the Company. As part of the above transactions, the Company will undergo a group restructuring pursuant to which subsidiaries of SIH which are engaged in manufacture and sale of electronic products such as television sets, audio products and components will be transferred to Rich Giant, a wholly-owned subsidiary of Dual Success. Upon the creditors' scheme becoming effective, the entire interest in the share capital of Dual Success will be transferred to the Administrators Vehicle, whereby each of the Scheme Subsidiaries will cease to be a subsidiary of the Company. The equity interests of the Scheme Entities were transferred to Rich Giant during 3 March 2014 to 5 May 2014, which is after 31 March 2013 but prior to the date of this report. Subsidiaries of SIH which are engaged in sale of electronic products such as karaoke, audio, video, musical instrument and clocks will be transferred to the Company (these subsidiaries together referred to as the "Remaining Subsidiaries"), SIH will then only retain its investments in subsidiaries which are engaged in property investment and sale of certain models of electronic products (SIH and these subsidiaries together referred to as the "Privateco Group"). The shares of SIH will then be distributed in specie to the shareholders of the Company. More details of the group restructuring are set out in the section headed "Proposed Group Restructuring and Deemed Very Substantial Disposal Relating to the Disposal" of the Circular.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Dual Success or any of the companies of the Scheme Subsidiaries subsequent to 31 March 2013.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

THE REVIEW REPORT OF THE SCHEME SUBSIDIARIES FOR THE THREE YEARS ENDED 31 MARCH 2013 SET OUT IN THIS APPENDIX IVB ARE INSERTED FOR THE PURPOSE OF COMPLIANCE WITH RULE 14.68(2)(A)(1) OF THE LISTING RULES ONLY. SHAREHOLDERS, OPTIONHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO REFER TO THE ACCOUNTANTS' REPORT OF THE SCHEME SUBSIDIARIES FOR THE THREE YEARS ENDED 31 MARCH 2013 SET OUT IN APPENDIX IVA FOR THE AUDITED FINANCIAL INFORMATION OF THE SCHEME SUBSIDIARIES FOR THE THREE YEARS ENDED 31 MARCH 2013.

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

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REPORT ON REVIEW OF CONDENSED COMBINED FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF STARLIGHT INTERNATIONAL HOLDINGS LIMITED

Introduction

We were engaged to review the condensed combined financial information of Dual Success Holdings Limited ("Dual Success") and the subsidiaries of Starlight International Holdings Limited (the "Company"), identified on pages IIIA-1 to IIIA-8, which are transferred to Dual Success pursuant to the group restructuring (together referred to as the "Scheme Subsidiaries") during 3 March 2014 to 5 May 2014, set out on pages IVB-4 to IVB-10 which comprises the condensed combined statements of financial position as of 31 March 2011, 2012 and 2013 and 30 November 2013 and the related condensed combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the three years ended 31 March 2011, 2012, 2013 and the eight months ended 30 November 2013 and certain explanatory notes (the "Condensed Combined Financial Information"). The Condensed Combined Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by the Company in connection with the proposed deemed very substantial disposal relating to transfer of the entire interest in the share capital of Dual Success under a creditors' scheme, proposed distribution in specie of SIH Limited ("SIH")'s shares after completion of the group restructuring, proposed subscription of convertible bonds and proposed share premium reduction in accordance with Rule 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The directors of the Company are responsible for the preparation and presentation of the Condensed Combined Financial Information of the Scheme Subsidiaries in accordance with the basis of preparation set out in note 2 to the Condensed Combined Financial Information and Rule 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The directors of the

Company are also responsible for such internal control as management determines is necessary to enable the preparation of Condensed Combined Financial Information that is free from material misstatement, whether due to fraud or error. The Condensed Combined Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibility is to express a conclusion on this Condensed Combined Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

Except for the limitation in the scope of our work as explained in the Basis for Disclaimer of Conclusion paragraph, we conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the HKICPA. A review of the Condensed Combined Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Disclaimer of Conclusion

Pursuant to the group restructuring, the Scheme Subsidiaries will be transferred to a holding company deployed by the administrators (the "Administrators Vehicle") for realisation for the benefit of the creditors of the Company who are subject to the creditors' scheme when the creditors' scheme has become effective. As set out in note 2 to the Condensed Combined Financial Information, the Scheme Subsidiaries incurred recurring losses of approximately HK$5,627,000, HK$154,691,000, HK$125,397,000 and HK$175,855,000 for the three years ended 31 March 2013 and the eight months ended 30 November 2013, respectively and their current liabilities exceeded their current assets by approximately HK$300,701,000, HK$323,269,000, HK$361,985,000 and HK$499,606,000 as at 31 March 2011, 2012 and 2013 and 30 November 2013, respectively and their total liabilities exceeded their total assets by approximately HK$136,239,000, HK$231,540,000 and HK$407,395,000 as at 31 March 2012 and 2013 and 30 November 2013, respectively. The Condensed Combined Financial Information has been prepared on a going concern basis as the director of Dual Success believes that the ultimate holding company and fellow subsidiaries of the Scheme Subsidiaries (prior to the completion of the group restructuring) and the Administrators Vehicle (upon completion of the group restructuring) will not demand repayments from the Scheme Subsidiaries in respect of the amounts due to the ultimate holding company and fellow subsidiaries amounting to HK$420,209,000 and HK$92,050,000, respectively, as at 30 November 2013 and the amount at the date of completion of the group restructuring until the Scheme Subsidiaries are in a position to do so. However, in the absence of written confirmations provided by the ultimate holding company and fellow subsidiaries of the Scheme

Subsidiaries and the Administrators Vehicle, we were unable to evaluate the appropriateness of the assumption that the ultimate holding company and fellow subsidiaries of the Scheme Subsidiaries and the Administrators Vehicle would not demand for repayment of these amounts. If this assumption was found not to be appropriate, the going concern basis in turn would be inappropriate, and adjustments might be required to reclassify non-current assets to current assets and non-current liabilities to current liabilities.

Disclaimer of Conclusion

Because of the significance of the possible effects of the matters described in the Basis for Disclaimer of Conclusion paragraph, we do not express a conclusion as to whether the Condensed Combined Financial Information of the Scheme Subsidiaries for the three years ended 31 March 2011, 2012 and 2013 and the eight months ended 30 November 2013 is prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Condensed Combined Financial Information.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 May 2014

CONDENSED COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE YEARS ENDED 31 MARCH 2011, 2012 AND 2013 AND THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

	For the year ended 31 March			For the eight months ended 30 November	
	2011	**2012**	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	*(unaudited)*
Turnover	520,376	410,610	191,693	171,053	51,663
Cost of sales	(488,007)	(434,225)	(270,595)	(238,077)	(151,208)
Gross profit (loss)	32,369	(23,615)	(78,902)	(67,024)	(99,545)
Other income	9,883	4,857	5,640	5,577	5,245
Distribution costs	(41,515)	(79,741)	(11,518)	(5,668)	(6,197)
Administrative expenses	(35,752)	(32,205)	(21,689)	(13,351)	(9,559)
Other gains and losses	(561)	(27,315)	(23,759)	(25,594)	(46,340)
Increase (decrease) in fair value of investment properties	34,481	14,046	11,904	8,484	(18,211)
Interest expenses	(2,979)	(4,112)	(2,435)	(1,876)	(1,505)
Loss before taxation	(4,074)	(148,085)	(120,759)	(99,452)	(176,112)
Taxation	(1,553)	(6,606)	(4,638)	(1,727)	257
Loss for the year/period	(5,627)	(154,691)	(125,397)	(101,179)	(175,855)
Other comprehensive income (expense)					
Revaluation of leasehold properties for own use upon transfer to investment properties	1,321	9,427	–	–	–
Deferred tax liability on revaluation of leasehold properties for own use upon transfer to investment properties	–	(2,357)	–	–	–
Other comprehensive income for the year/period	1,321	7,070	–	–	–
Total comprehensive expense for the year/period	(4,306)	(147,621)	(125,397)	(101,179)	(175,855)

CONDENSED COMBINED STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2011, 2012 AND 2013 AND 30 NOVEMBER 2013

	As at 31 March			As at 30 November
	2011	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)
Non-current assets				
Investment properties	113,142	54,108	45,036	26,825
Property, plant and equipment	171,248	125,369	80,060	60,117
Prepaid lease payments	3,653	3,532	3,411	3,331
Available-for-sale investments	24,040	9,400	9,400	9,400
	312,083	192,409	137,907	99,673
Current assets				
Inventories	185,784	113,430	71,564	24,597
Debtors, deposits and prepayments	22,931	24,054	3,470	2,759
Prepaid lease payments	121	121	121	121
Amount due from ultimate holding company	–	–	–	14,942
Amounts due from fellow subsidiaries	703,870	720,488	590,357	78,086
Bank balances and cash	21,433	76,716	9,421	7,312
	934,139	934,809	674,933	127,817
Current liabilities				
Creditors and accrued charges	109,120	62,980	31,491	39,455
Amount due to ultimate holding company	124,705	132,010	139,783	420,209
Amounts due to fellow subsidiaries	887,530	974,102	817,558	92,050
Taxation payable	1,046	2,994	2,046	1,046
Borrowings	112,439	85,992	46,040	73,883
Bank overdraft	–	–	–	780
	1,234,840	1,258,078	1,036,918	627,423
Net current liabilities	(300,701)	(323,269)	(361,985)	(499,606)
Total assets less current liabilities	11,382	(130,860)	(224,078)	(399,933)
Non-current liabilities				
Deferred tax liabilities	–	5,379	7,462	7,462
	11,382	(136,239)	(231,540)	(407,395)
Capital and reserves				
Share capital	120	120	120	120
Reserves	11,262	(136,359)	(231,660)	(407,515)
	11,382	(136,239)	(231,540)	(407,395)

CONDENSED COMBINED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE YEARS ENDED 31 MARCH 2011, 2012 AND 2013 AND THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

	Share capital HK$'000 (Note)	Capital reserve HK$'000	Other property valuation reserve HK$'000	Translation reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000
At 1 April 2010	120	–	–	3,236	12,332	15,688
Revaluation of leasehold properties for own use upon transfer to investment properties	–	–	1,321	–	–	1,321
Loss for the year	–	–	–	–	(5,627)	(5,627)
Total comprehensive income (expense) for the year	–	–	1,321	–	(5,627)	(4,306)
At 31 March 2011	120	–	1,321	3,236	6,705	11,382
Revaluation of leasehold properties for own use upon transfer to investment properties	–	–	9,427	–	–	9,427
Deferred tax liability on revaluation of leasehold properties for own use upon transfer to investment properties	–	–	(2,357)	–	–	(2,357)
Loss for the year	–	–	–	–	(154,691)	(154,691)
Total comprehensive income (expense) for the year	–	–	7,070	–	(154,691)	(147,621)
At 31 March 2012	120	–	8,391	3,236	(147,986)	(136,239)
Loss and total comprehensive expense for the year	–	–	–	–	(125,397)	(125,397)
Deemed Capital contribution resulting from waiver of amounts due to fellow subsidiaries	–	30,096	–	–	–	30,096
At 31 March 2013	120	30,096	8,391	3,236	(273,383)	(231,540)
Loss and total comprehensive expense for the period	–	–	–	–	(175,855)	(175,855)
At 30 November 2013 (unaudited)	120	30,096	8,391	3,236	(449,238)	(407,395)
At 1 April 2012	120	–	8,391	3,236	(147,986)	(136,239)
Loss and total comprehensive expense for the period	–	–	–	–	(101,179)	(101,179)
Deemed capital contribution resulting from waiver of amounts due to fellow subsidiaries	–	30,096	–	–	–	30,096
At 30 November 2012 (unaudited)	120	30,096	8,391	3,236	(249,165)	(207,322)

Note: Share capital represents combined share capital of the Scheme Subsidiaries as defined in note 1.

CONDENSED COMBINED STATEMENTS OF CASH FLOWS

FOR THE THREE YEARS ENDED 31 MARCH 2011, 2012 AND 2013 AND THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

	For the year ended 31 March			For the eight months ended 30 November	
	2011	**2012**	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	*(unaudited)*
Operating activities					
Loss before taxation	(4,074)	(148,085)	(120,759)	(99,452)	(176,112)
Adjustments for:					
Release of prepaid lease payments	121	121	121	80	80
Depreciation of property, plant and equipment	33,903	26,934	17,361	12,066	3,654
Impairment loss recognised in respect of property, plant and equipment	–	10,436	25,634	25,634	15,647
Impairment loss recognised in respect of available-for-sale investments	–	14,640	–	–	–
Decrease (increase) in fair value of investment properties	(34,481)	(14,046)	(11,904)	(8,484)	18,211
Dividend income from available-for-sale investments	–	(78)	(142)	–	–
Interest expenses	2,979	4,112	2,435	1,905	1,505
Interest income	(13)	(10)	(11)	(6)	(15)
Gain on disposal of property, plant and equipment	–	(1,908)	(1,562)	(40)	(1,053)
Write-off of other receivables	600	4,190	–	–	–
Allowance for amounts due from fellow subsidiaries	–	–	–	–	31,031
Allowance for obsolete and slow-moving inventories	3,960	5,122	21,436	21,437	55,809
Allowance for doubtful debts	548	–	–	–	715
Write-back of accrued charges	(4,256)	–	–	–	–
Operating cash flows before movements in working capital	(713)	(98,572)	(67,391)	(46,860)	(50,528)
Decrease (increase) in inventories	2,693	67,232	20,430	7,169	(8,842)
Decrease (increase) in debtors, deposits and prepayments	5,156	(5,313)	20,584	5,316	(4)
Increase (decrease) in creditors and accrued charges	8,024	(46,140)	(31,488)	(6,529)	7,964
Cash from (used in) operations	15,160	(82,793)	(57,865)	(40,904)	(51,410)
Hong Kong Profits Tax paid	(271)	–	(1,773)	–	–
Taxation in other jurisdictions paid	(1,200)	(1,636)	(1,731)	(3,504)	(743)
Net cash from (used in) operating activities	13,689	(84,429)	(61,369)	(44,408)	(52,153)

	For the year ended 31 March			For the eight months ended 30 November	
	2011	**2012**	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000* *(unaudited)*
Investing activities					
(Advance to) repayment from fellow subsidiaries	(172,385)	(16,618)	130,131	146,958	71,558
Proceeds from disposal of property, plant and equipment	–	6,202	4,443	120	1,695
Dividend received from available-for-sale investments	–	78	142	–	–
Proceeds from disposal of an investment property	–	90,000	20,976	–	–
Interest received	13	10	11	6	15
Repayment to ultimate holding company	–	–	–	–	(300)
Purchase of property, plant and equipment	(5,582)	(3,278)	(567)	(557)	–
Net cash (used in) from investing activities	(177,954)	76,394	155,136	146,527	72,968
Financing activities					
Net proceeds from (repayment of) trust receipts and import loans and loans related to bills discounted with recourse	32,984	(33,471)	(42,928)	(4,630)	27,843
Advance from (repayment to) fellow subsidiaries	130,324	86,572	(126,448)	(163,133)	(50,042)
Interest paid	(2,979)	(4,112)	(2,435)	(1,905)	(1,505)
Advance from ultimate holding company	20,094	7,305	7,773	676	–
Short term loans raised (repaid)	–	5,000	5,000	(2,024)	–
Net proceeds from (repayment of) debt factoring loans	–	2,024	(2,024)	–	–
Net cash from (used in) financing activities	180,423	63,318	(161,062)	(171,016)	(23,704)
Net increase (decrease) in cash and cash equivalents	16,158	55,283	(67,295)	(68,897)	(2,889)
Cash and cash equivalents at beginning of the year/period	5,275	21,433	76,716	76,716	9,421
Cash and cash equivalents at end of the year/period	21,433	76,716	9,421	7,819	6,532
Cash and cash equivalents at end of the year/period, representing:					
bank balances and cash	21,433	76,716	9,421	7,819	7,312
bank overdraft	–	–	–	–	(780)
	21,433	76,716	9,421	7,819	6,532

NOTES TO THE CONDENSED COMBINED FINANCIAL INFORMATION
FOR THE THREE YEARS ENDED 31 MARCH 2011, 2012 AND 2013 AND THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

1. GENERAL

Dual Success Holdings Limited ("Dual Success") is an exempted company incorporated in the British Virgin Islands with limited liability. Dual Success is engaged in investment holding.

Pursuant to the group restructuring proposed by Starlight International Holdings Limited (the "Company"), the ultimate holding company of Dual Success, subsidiaries of the Company which are engaged in manufacture and sale of electronic products such as television sets, audio products and components (the "Scheme Entities") were transferred to Rich Giant Holdings Limited ("Rich Giant"), a wholly owned subsidiary of Dual Success, during 3 March 2014 to 5 May 2014 and Dual Success will be transferred to a creditors' scheme (Dual Success, Rich Giant and the Scheme Entities together referred to as the "Scheme Subsidiaries").

The condensed combined financial information is presented in Hong Kong dollars, which is also the functional currency of Dual Success.

2. BASIS OF PREPARATION OF THE CONDENSED COMBINED FINANCIAL INFORMATION

The condensed combined financial information of the Scheme Subsidiaries for the three years ended 31 March 2011, 2012 and 2013 and the eight months ended 30 November 2013 (the "Condensed Combined Financial Information") has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in the circular to be issued by the Company in connection with the proposed deemed very substantial disposal relating to transfer of the entire interest in the share capital of Dual Success under a creditors' scheme, proposed distribution in specie of SIH Limited's shares after completion of the group restructuring, proposed subscription of convertible bonds and proposed share premium reduction.

The amounts included in the Condensed Combined Financial Information of the Scheme Subsidiaries have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of the consolidated financial statements of the Company and its subsidiaries for the relevant period, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Condensed Combined Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" nor an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

The Condensed Combined Financial Information of the Scheme Subsidiaries has been prepared by aggregating the Underlying Financial Statements (as defined in Appendix IVA to the Circular) after eliminating the intra-group transactions and balances. Accordingly, the condensed combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the three years ended 31 March 2011, 2012 and 2013 and the eight months ended 30 November 2012 and 2013 include the results and cash flows of the Scheme Subsidiaries as if the Scheme Entities are held by Dual Success throughout the three years ended 31 March 2011, 2012 and 2013 and the eight months ended 30 November 2012 and 2013, and the condensed combined statements of financial position as at 31 March 2011, 2012 and 2013 and 30 November 2013 include the assets and liabilities of the Scheme Subsidiaries as if the Scheme Entities were held by Dual Success as at 1 April 2010, 31 March 2011, 31 March 2012, 31 March 2013 and 30 November 2013. Such transfers have taken place during 3 March 2014 to 5 May 2014, which is after 30 November 2013 but before the date of this report.

Pursuant to the group restructuring, the Scheme Subsidiaries 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 when the creditors' scheme has become effective. The group restructuring will also involve elimination of inter-company balances between the Remaining Group (as defined in Appendix IVA to the Circular), the Privateco Group (as defined in Appendix IVA to the Circular) and the Scheme Subsidiaries and waiver of certain receivables by the Remaining Group through the assignment of these receivables from the Scheme Subsidiaries to the Administrators Vehicle and the assignment of these receivables from the Privateco Group to SIH. All of the above are subject to the approval of the Company's shareholders in the special general meeting. In preparing the Condensed Combined Financial Information, the director of Dual Success has given careful consideration to the future liquidity of the Scheme Subsidiaries in light of the fact that their combined current liabilities exceeded their combined current assets by approximately HK$300,701,000, HK$323,269,000, HK$361,985,000 and HK$499,606,000 as at 31 March 2011, 2012 and 2013 and 30 November 2013 and their combined total liabilities exceeded their combined total assets by approximately HK$136,239,000, HK$231,540,000 and HK$407,395,000 as at 31 March 2012 and 2013 and 30 November 2013 and the Scheme Subsidiaries incurred losses of approximately HK$5,627,000, HK$154,691,000, HK$125,397,000 and HK$175,855,000 for each of the three years ended 31 March 2013 and the eight months ended 30 November 2013. The Condensed Combined Financial Information has been prepared on a going concern basis as the director of Dual Success believes that the ultimate holding company and fellow subsidiaries of the Scheme Subsidiaries (prior to the completion of the group restructuring) and the Administrators Vehicle (upon completion of the group restructuring) will not demand repayments from the Scheme Subsidiaries amounting to HK$420,209,000 and HK$92,050,000 as at 30 November 2013, respectively and the amount at date of completion of the group restructuring unless the Scheme Subsidiaries are in a financial position to pay. If this assumption was found not to be appropriate, the going concern basis in turn would be inappropriate, and adjustments might be required to reclassify non-current assets to current assets and non-current liabilities to current liabilities.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP AND THE PRIVATECO GROUP

Introduction

The following is a summary of an illustrative and unaudited pro forma condensed consolidated statement of financial position, unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows (collectively referred to as the "Unaudited Pro Forma Financial Information") of the Remaining Group and Privateco Group, which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of (i) group restructuring to streamline the structure of the Scheme Subsidiaries in the Group; and (ii) transfer of Scheme Subsidiaries to the Creditors' Scheme, as if the transactions were completed on 30 November 2013 for the unaudited pro forma condensed consolidated statement of financial position and as if the transactions were completed on 1 April 2013 for the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows.

This Unaudited Pro Forma Financial Information of the Remaining Group and the Privateco Group has been prepared by the directors of the Company in accordance with Paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 30 November 2013 or at any future date or the results and cash flows of the Group for the eight months ended 30 November 2013 or for any future period.

Unaudited Pro Forma Financial Information of the Remaining Group and the Privateco Group should be read in conjunction with the unaudited condensed consolidated financial statements of the Group for the eight months ended 30 November 2013 as disclosed in the results announcements of the Company for the eight months ended 30 November 2013, on which no audit or review report has been published, and other financial information included elsewhere in the Circular.

Unaudited pro forma condensed consolidated statement of financial position of the Remaining Group and the Privateco Group

The unaudited pro forma condensed consolidated statement of financial position of the Remaining Group and the Privateco Group has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 November 2013, which has been extracted from the results announcements of the Company for the eight months ended 30 November 2013, with the pro forma adjustments relating to the transactions, which include, amongst others, (i) group restructuring to streamline the structure of the Scheme Subsidiaries in the Group; and (ii) transfer of Scheme Subsidiaries to the Creditors' Scheme, as explained in notes below and other adjustments directly attributable to the transactions and factually supportable.

Unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows of the Remaining Group and the Privateco Group

The unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows of the Remaining Group and the Privateco Group have been prepared based on the unaudited condensed consolidated statement of profit or loss and other comprehensive income and unaudited condensed consolidated statement of cash flows of the Group for the eight months ended 30 November 2013, which have been extracted from the results announcements of the Company for the eight months ended 30 November 2013, with the pro forma adjustments relating to the transactions, which include, amongst others, (i) group restructuring to streamline the structure of the Scheme Subsidiaries in the Group; and (ii) transfer of Scheme Subsidiaries to the Creditors' Scheme, as explained in notes below and other adjustments directly attributable to the transactions and factually supportable.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 NOVEMBER 2013

	The Group as at 30 November 2013	Pro forma adjustments					Pro forma Remaining Group and Privateco Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)						(unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 9)*	
Non-current assets							
Investment properties	259,525	(26,825)	–	–	–	–	232,700
Property, plant and equipment	79,258	(60,117)	–	–	–	–	19,141
Prepaid lease payments	3,331	(3,331)	–	–	–	–	
Goodwill	17,665	–	–	–	–	–	17,665
Interest in an associate	6,072	–	–	–	–	–	6,072
Available-for-sale investments	9,400	(9,400)	–	–	–	–	–
Deferred tax assets	14,036	–	–	–	–	–	14,036
	389,287	(99,673)	–	–	–	–	289,614
Current assets							
Inventories	94,471	(24,597)	–	–	–	–	69,874
Debtors, deposits and prepayments	145,613	(2,759)	–	–	16,859	–	159,713
Amounts due from group companies	–	(93,028)	522,437	(412,550)	(16,859)	–	–
Prepaid lease payments	121	(121)	–	–	–	–	–
Investments held for trading	1,082	–	–	–	–	–	1,082
Financial assets designated at fair value through profit or loss	35	–	–	–	–	–	35
Bank balances and cash	44,703	(7,312)	–	–	–	(12,000)	25,391
	286,025	(127,817)	522,437	(412,550)	–	(12,000)	256,095

	The Group as at 30 November 2013	Pro forma adjustments					Pro forma Remaining Group and Privateco Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)						(unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 9)*	
Current liabilities							
Creditors and accrued charges	150,660	(39,455)	–	–	85,737	–	196,942
Amounts due to group companies	–	(512,259)	612,937	(14,941)	(85,737)	–	–
Taxation payable	1,046	(1,046)	–	–	–	–	–
Borrowings	158,592	(73,883)	–	–	–	–	84,709
Bank overdraft	780	(780)	–	–	–	–	–
Convertible notes	36,129	–	–	–	–	–	36,129
	347,207	(627,423)	612,937	(14,941)	–	–	317,780
Net current (liabilities) assets	(61,182)	499,606	(90,500)	(397,609)	–	(12,000)	(61,685)
Total assets less current liabilities	328,105	399,933	(90,500)	(397,609)	–	(12,000)	227,929
Non-current liabilities							
Deferred tax liabilities	7,946	(7,462)	–	–	–	–	484
	320,159	407,395	(90,500)	(397,609)	–	(12,000)	227,445
Capital and reserves							
Share capital	164,781	–	–	–	–	–	164,781
Reserves	137,795	407,395	(90,500)	(397,609)	–	(12,000)	45,190
Equity attributable to owners of the Company	302,576	407,395	(90,500)	(397,609)	–	(12,000)	209,862
Non-controlling interests	17,583	–	–	–	–	–	17,583
	320,159	407,395	(90,500)	(397,609)	–	(12,000)	227,445

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

	The Group for the eight months ended 30 November 2013		**Pro forma adjustments**			**Pro forma Remaining Group and Privateco Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)					(unaudited)
	(Note 1)	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	
Turnover	317,990	(51,663)	112,016	–	–	378,343
Cost of sales	(356,324)	151,208	(112,016)	–	–	(317,132)
Gross (loss) profit	(38,334)	99,545	–	–	–	61,211
Other income	8,712	(5,245)	1,458	–	–	4,925
Other gains and losses	(16,947)	46,340	(133,564)	–	–	(104,171)
Distribution costs	(47,301)	6,197	(433)	–	–	(41,537)
Administrative expenses	(53,225)	9,559	(3,068)	–	(12,000)	(58,734)
Decrease in fair value of investment properties	(17,411)	18,211	–	–	–	800
Gain on disposal of a subsidiary	440	–	–	–	–	440
Loss on deconsolidation of the Scheme Subsidiaries	–	–	–	(204,322)	–	(204,322)
Reversal of provision for amounts due from fellow subsidiaries	–	–	566,403	–	–	566,403
Interest expenses	(6,567)	1,505	–	–	–	(5,062)
Share of profit of an associate	357	–	–	–	–	357
(Loss) profit before taxation	(170,276)	176,112	430,796	(204,322)	(12,000)	220,310
Taxation	1,253	(257)	–	–	–	996

	The Group for the eight months ended 30 November 2013		**Pro forma adjustments**			**Pro forma Remaining Group and Privateco Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)					(unaudited)
	(Note 1)	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	
(Loss) profit for the period	(169,023)	175,855	430,796	(204,322)	(12,000)	221,306
Other comprehensive income						
Items that may be subsequently reclassified to profit or loss:						
Exchange difference arising on translation of foreign operations	1,413	–	–	–	–	1,413
Total comprehensive (expense) income for the period	(167,610)	175,855	430,796	(204,322)	(12,000)	222,719
(Loss) profit for the period attributable to:						
Owners of the Company	(174,376)	175,855	430,796	(204,322)	(12,000)	215,953
Non-controlling interests	5,353	–	–	–	–	5,353
	(169,023)	175,855	430,796	(204,322)	(12,000)	221,306
Total comprehensive (expense) income for the period attributable to:						
Owners of the Company	(173,209)	175,855	430,796	(204,322)	(12,000)	217,120
Non-controlling interests	5,599	–	–	–	–	5,599
	(167,610)	175,855	430,796	(204,322)	(12,000)	222,719

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

	The Group for the eight months ended 30 November 2013	Pro forma adjustments			Pro forma Remaining Group and Privateco Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)				(unaudited)
	(Note 1)	*(Note 6)*	*(Note 7)*	*(Note 9)*	
Net cash (used in) from operating activities	(60,289)	52,153	(2,043)	(12,000)	(22,179)
Net cash from (used in) investing activities	881	(72,968)	2,043	–	(70,044)
Net cash from financing activities	66,395	23,704	–	–	90,099
Net increase (decrease) in cash and cash equivalents	6,987	2,889	–	(12,000)	(2,124)
Cash and cash equivalents at beginning of the period	35,806	(9,421)	–	–	26,385
Effect of exchange difference	1,130	–	–	–	1,130
Cash and cash equivalents at end of the period	43,923	(6,532)	–	(12,000)	25,391
Cash and cash equivalents at end of the period, representing:					
Bank balances and cash	44,703	(7,312)	–	(12,000)	25,391
Bank overdraft	(780)	780	–	–	–
	43,923	(6,532)	–	(12,000)	25,391

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

(1) Figures are extracted from the unaudited condensed consolidated financial statements of the Group as set out in the results announcement of the Company for the eight months ended 30 November 2013.

(2) The adjustment reflects (a) the exclusion of the assets and liabilities of the Scheme Subsidiaries; and (b) the pro forma gain on deconsolidation of the Scheme Subsidiaries, assuming the Creditors' Scheme had become effective and the Scheme Subsidiaries were transferred to the Administrators Vehicle on 30 November 2013. The net liabilities of the Scheme Subsidiaries disposed of amounted to HK$407,395,000 as at 30 November 2013. Figures are extracted from the condensed combined statement of financial position of the Scheme Subsidiaries as at 30 November 2013 included in Appendix IVB to the Circular.

(3) The adjustment reflects the elimination of inter-company balances between the Remaining Group, the Privateco Group and the Scheme Subsidiaries, assuming the transactions had taken place on 30 November 2013. Figures are extracted from the unaudited management accounts of respective companies within the Remaining Group, Privateco Group and Scheme Subsidiaries for the eight months ended 30 November 2013.

(4) The adjustment reflects the waiver of certain receivables by the Remaining Group and Scheme Subsidiaries to facilitate the implementation of the Creditors' Scheme through the assignment of the receivables by the Remaining Group from the Scheme Subsidiaries to the Administrators Vehicle and the waiver of receivables by the Scheme Subsidiaries from the companies within the Privateco Group to the Privateco, assuming the transactions had taken place on 30 November 2013. The effect of the waiver of receivables by the Scheme Subsidiaries and assignment of Remaining Group's receivables from the Scheme Subsidiaries is summarised and reconciled as follows:

	HK$'000
Waiver of the Scheme Subsidiaries' receivables from the Privateco Group (recognised in profit or loss)	7,454
Assignment of Remaining Group's receivables from the Scheme Subsidiaries (recognised in profit or loss)	(405,063)
	(397,609)

	HK$'000
Amounts due from Scheme Subsidiaries to the Company before assignment (as extracted from the condensed combined statement of financial position of the Scheme Subsidiaries as at 30 November 2013 included in Appendix IVB to the Circular)	420,209
Amounts due from Scheme Subsidiaries to the Remaining Subsidiaries and the Privateco Group before assignment (as extracted from the condensed combined statement of financial position of the Scheme Subsidiaries as at 30 November 2013 included in Appendix IVB to the Circular)	92,050
Allowance for amounts due from Scheme Subsidiaries to the Privateco Group (as extracted from the unaudited management accounts of the respective companies within the Privateco Group fro the eight months ended 30 November 2013)	(82,850)
Amounts due to Scheme Subsidiaries by the Company before assignment (as extracted from the condensed combined statement of financial position of the Scheme Subsidiaries as at 30 November 2013 included in Appendix IVB to the Circular)	(14,942)
Amounts due to Scheme Subsidiaries by the Remaining Subsidiaries and the Privateco Group before assignment (as extracted from the condensed combined statement of financial position of the Scheme Subsidiaries as at 30 November 2013 included in Appendix IVB to the Circular)	(78,086)
Allowance for amounts due from the Remaining Subsidiaries to the Scheme Subsidiaries (as extracted from the unaudited management accounts of the respective companies within the Scheme Subsidiaries fro the eight months ended 30 November 2013)	(7,650)
Less: Amounts due from Scheme Subsidiaries to the Remaining Group and the Privateco Group after assignment (as extracted from the unaudited pro forma financial information of the Remaining Group and the Privateco Group on page IVC-3 in Appendix IVC to the Circular)	(16,859)
Less: Amounts due to Scheme Subsidiaries by the Remaining Group and the Privateco Group after assignment (as extracted from the unaudited pro forma financial information of the Remaining Group and the Privateco Group on page IVC-4 in Appendix IVC to the Circular)	85,737
Waiver of receivables by the Scheme Subsidiaries and Assignment of Remaining Group's receivables from the Scheme Subsidiaries	397,609

This adjustment is not expected to have continuing effect on the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Remaining Group and Privateco Group.

(5) The adjustment reflects the reinstatement of the balances among the Remaining Group, Privateco Group and Scheme Subsidiaries as at 30 November 2013, assuming the implementation of the Creditors' Scheme had taken place on 30 November 2013.

(6) The adjustment reflects the exclusion of the income and expenses and cash flows of the Scheme Subsidiaries, assuming the Creditors' Scheme had become effective and the Scheme Subsidiaries were transferred to the Administrators Vehicle on 1 April 2013. Figures are extracted from the condensed combined statement of profit or loss and other comprehensive income and statement of cash flows of the Scheme Subsidiaries for the eight months ended 30 November 2013 included in Appendix IVB to the Circular.

(7) The adjustment reflects the elimination of inter-company transactions among the Remaining Group, Privateco Group and Scheme Subsidiaries assuming the transactions had taken place on 1 April 2013. Figures are extracted from the unaudited management accounts of respective companies within the Remaining Group, Privateco Group and Scheme Subsidiaries for the eight months ended 30 November 2013.

(8) The adjustment reflects the pro forma loss on deconsolidation of the Scheme Subsidiaries after taking into consideration the waiver of certain receivables by the Privateco Group and Scheme Subsidiaries to facilitate the implementation of the Creditors' Scheme through the assignment of the receivables by the Privateco Group from the Scheme Subsidiaries and the waiver of receivables from the Remaining Group by the Scheme Subsidiaries to the Administrators Vehicle, assuming the transactions had taken place on 1 April 2013.

	HK$'000
Disposal of net liabilities of the Scheme Subsidiaries (as extracted from the combined statement of financial position of the Scheme Subsidiaries as at 31 March 2013 included in Appendix IVA to the Circular)	231,540
Assignment of Privateco Group's receivables from the Scheme Subsidiaries (recognised in profit or loss)	(480,133)
Waiver of receivables form the Remaining Group by the Scheme Subsidiaries (recognised in profit or loss)	44,271
	(435,862)
	(204,322)

The effect of the assignment of Privateco Group's receivables from the Scheme Subsidiaries and waiver of receivables from the Remaining Group by the Scheme Subsidiaries is summarised and reconciled as follows:

	HK$'000
Amounts due from Scheme Subsidiaries to the Company before assignment (as extracted from the statement of financial position of the Scheme Subsidiaries as at 31 March 2013 included in Appendix IVA to the Circular)	139,783
Amounts due from Scheme Subsidiaries to the Remaining Subsidiaries and the Privateco Group before assignment (as extracted from the statement of financial position of the Scheme Subsidiaries as at 31 March 2013 included in Appendix IVA to the Circular)	817,558
Amounts due to Scheme Subsidiaries by the Remaining Subsidiaries and the Privateco Group before assignment (as extracted from the statement of financial position of the Scheme Subsidiaries as at 31 March 2013 included in Appendix IVA to the Circular)	(590,357)
Less: Amounts due from Scheme Subsidiaries to the Remaining Group and the Privateco Group after assignment (as extracted from the unaudited pro forma financial information of the Remaining Group and the Privateco Group on page IVC-3 in Appendix IVC to the Circular)	(16,859)
Less: Amounts due to Scheme Subsidiaries by the Remaining Group and the Privateco Group after assignment (as extracted from the unaudited pro forma financial information of the Remaining Group and the Privateco Group on page IVC-4 in Appendix IVC to the Circular)	85,737
Assignment of Privateco Group's receivables from the Scheme Subsidiaries and waiver of receivables from the Remaining Group by the Scheme Subsidiaries	435,862

This adjustment is not expected to have continuing effect on the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Remaining Group and Privateco Group.

(9) The adjustment reflects the estimated amount payable by the Company to the Administrators Vehicle for the purpose of implementing the Creditors' Scheme, assuming the amount was paid on 30 November 2013. The estimated amount is subject to changes.

This adjustment is not expected to have continuing effect on the Remaining Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

(10) Except for the transfer of Scheme Subsidiaries to the Creditors' Scheme and assignment of receivables, no adjustment has been made to reflect any trading result or other transaction of the Remaining Group and Privateco Group entered into subsequent to 30 November 2013.

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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

TO THE BOARD OF DIRECTORS OF STARLIGHT INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Starlight International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consisted of the unaudited pro forma condensed consolidated statement of financial position as at 30 November 2013, the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows for the eight months ended 30 November 2013 and related notes as set out on pages IVC-3 to IVC-11 of the circular issued by the Company dated 24 May 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IVC-1 to IVC-2 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed deemed very substantial disposal relating to transfer of the entire equity interest in the share capital of Dual Success Holdings Limited ("Dual Success") under a creditors' scheme and transfer of certain subsidiaries to Dual Success on the Group's financial position as at 30 November 2013 and the Group's financial performance and cash flows for the eight months ended 30 November 2013 as if the transactions had taken place at 30 November 2013 and 1 April 2013, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's condensed consolidated financial statements for the eight months ended 30 November 2013, on which no audit or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Reporting Accountant's Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 November 2013 or 1 April 2013 would have been as presented.

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

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 May 2014

I. OVERALL

The estimate of the consolidated loss attributable to owners of Dual Success Limited ("Dual Success") for the eight months ended 30 November 2013 (the "Profit Estimate") is set out in Appendix IVB in this circular.

II. BASES AND ASSUMPTION

The estimate of the combined loss attributable to owners of Dual Success for the eight months ended 30 November 2013 prepared by the director of Dual Success is based on the condensed combined financial statements of the Scheme Subsidiaries for the eight months ended 30 November 2013. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Scheme Subsidiaries as set out in our accountants' report on the financial information of the Scheme Subsidiaries for the three years ended 31 March 2011, 2012 and 2013 as set out in Appendix IVA to the Circular.

The director of Dual Success has made the following principal assumption in the preparation of the Profit Estimate:

– There will be no events subsequent to 30 November 2013 which require adjustments to the Profit Estimate.

III. REPORT FROM REPORTING ACCOUNTANTS

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

24 May 2014

The Directors
Starlight International Holdings Limited
5/F, Shing Dao Industrial Building
232 Aberdeen Main Road
Hong Kong

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the estimate of the combined loss of Dual Success Holdings Limited ("Dual Success") and its subsidiaries (hereinafter collectively referred to as the "Scheme Subsidiaries") for the eight-month period ended 30 November 2013 attributable to owners of Dual Success (the "Estimate"), for which the director of Dual Success are solely responsible, as set out in the circular dated 24 May 2014 issued by Starlight International Holdings Limited (the "Circular"). The Estimate is prepared based on the results shown in the unaudited combined management accounts of the Scheme Subsidiaries for the eight months ended 30 November 2013.

In our opinion the Estimate, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the director of Dual Success as set out in part II of Appendix IVA to the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Scheme Subsidiaries as set out in our accountants' report on the financial information of the Scheme Subsidiaries for the three years ended 31 March 2011, 2012 and 2013 as set out in Appendix IVA to the Circular.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a report on the unaudited profit estimate of the Scheme Subsidiaries prepared for sole purpose of inclusion in the Circular received from GF Capital.

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

29-30/F, Li Po Chun Chambers,
189 Des Voeux Road Central,
Hong Kong

24 May 2014

The Board of Directors
Starlight International Holdings Limited
5th Floor
Shing Dao Industrial Building
232 Aberdeen Main Road
Hong Kong

Dear Sirs,

We refer to the estimate of the combined financial statements of Dual Success Holdings Limited and its subsidiaries (the "**Scheme Subsidiaries**") for the eight months ended 30 November 2013 (the "**Profit Estimate**") as published in Appendix IVB to this circular. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

The Profit Estimate for which the Directors are solely responsible, has been prepared by them based on the unaudited consolidated management accounts of the Scheme Subsidiaries for the eight months ended 30 November 2013.

We have reviewed the Profit Estimate and other relevant information and documents which you as the Directors are solely responsible for and discussed with you and the senior management of the Company the bases upon which the Profit Estimate has been made. In addition, we have considered, and relied upon, the report on the Profit Estimate by Deloitte Touche Tohmatsu addressed to the Directors regarding the accounting policies and calculations upon which the Profit Estimate has been made.

Based on the above, we are of the opinion that the Profit Estimate, for which the Directors are solely responsible, has been made with due care and consideration.

Yours faithfully,
For and on behalf of
GF Capital (Hong Kong) Limited
Brian Lee
Managing Director

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction

The following is a summary of an illustrative and unaudited pro forma condensed consolidated statement of financial position, unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows (collectively referred to as the "Unaudited Pro Forma Financial Information") of the Remaining Group, which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of (i) group restructuring to streamline the structure of the Distributed Subsidiaries and the Scheme Subsidiaries in the Group; (ii) transfer of Scheme Subsidiaries to the Creditors' Scheme; (iii) Distribution In Specie of SIH which holds the Distributed Subsidiaries; and (iv) CB Subscription in the sum of HK$75,000,000 by the Purchaser, as if the transactions were completed on 30 November 2013 for the unaudited pro forma condensed consolidated statement of financial position and as if the transactions were completed on 1 April 2013 for the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows.

This Unaudited Pro Forma Financial Information of the Remaining Group has been prepared by the directors of the Company in accordance with Paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 30 November 2013 or at any future date or the results and cash flows of the Group for the eight months ended 30 November 2013 or for any future period.

The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with the unaudited condensed consolidated financial statements of the Group for the eight months ended 30 November 2013 as disclosed in the results announcements of the Company for the eight months ended 30 November 2013, on which no audit or review report has been published, and other financial information included elsewhere in the Circular.

Unaudited pro forma condensed consolidated statement of financial position of the Remaining Group

The unaudited pro forma condensed consolidated statement of financial position of the Remaining Group has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 November 2013, which has been extracted from the results announcements of the Company for the eight months ended 30 November 2013, with the pro forma adjustments relating to the transactions, which include, amongst others, (i) group restructuring to streamline the structure of the Distributed Subsidiaries and the Scheme Subsidiaries in the Group; (ii) transfer of Scheme Subsidiaries to the Creditors' Scheme; (iii) Distribution In Specie of SIH which holds the Distributed Subsidiaries; and (iv) CB Subscription in the sum of HK$75,000,000 by the Purchaser, as explained in notes below and other adjustments directly attributable to the transactions and factually supportable.

Unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows of the Remaining Group

The unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and unaudited pro forma condensed consolidated statement of cash flows of the Remaining Group have been prepared based on the unaudited condensed consolidated statement of profit or loss and other comprehensive income and unaudited condensed consolidated statement of cash flows of the Group for the eight months ended 30 November 2013, which have been extracted from the results announcements of the Company for the eight months ended 30 November 2013, with the pro forma adjustments relating to the transactions, which include, amongst others, (i) group restructuring to streamline the structure of the Distributed Subsidiaries and the Scheme Subsidiaries in the Group; (ii) transfer of Scheme Subsidiaries to the Creditors' Scheme; (iii) Distribution In Specie of SIH which holds the Distributed Subsidiaries; and (iv) CB Subscription in the sum of HK$75,000,000 by the Purchaser, as explained in notes below and other adjustments directly attributable to the transactions and factually supportable.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 NOVEMBER 2013

	The Group as at 30 November 2013				Pro forma adjustments					Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)									(unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	
Non-current assets										
Investment properties	259,525	(26,825)	(232,700)	–	–	–	–	–	–	–
Property, plant and equipment	79,258	(60,117)	(14,408)	–	–	–	–	–	–	4,733
Prepaid lease payments	3,331	(3,331)	–	–	–	–	–	–	–	–
Goodwill	17,665	–	–	–	–	–	–	–	–	17,665
Investment in a subsidiary	–	–	(109)	109	–	–	–	–	–	–
Interest in an associate	6,072	–	–	–	–	–	–	–	–	6,072
Available-for-sale investments	9,400	(9,400)	–	–	–	–	–	–	–	–
Deferred tax assets	14,036	–	–	–	–	–	–	–	–	14,036
	389,287	(99,673)	(247,217)	109	–	–	–	–	–	42,506
Current assets										
Inventories	94,471	(24,597)	(3,263)	–	–	–	–	–	–	66,611
Debtors, deposits and prepayments	145,613	(2,759)	(5,190)	–	–	3,985	–	–	–	141,649
Amounts due from group companies	–	(93,028)	(40,848)	622,063	(484,202)	(3,985)	–	–	–	–
Prepaid lease payments	121	(121)	–	–	–	–	–	–	–	–
Investments held for trading	1,082	–	–	–	–	–	–	–	–	1,082
Financial assets designated at fair value through profit or loss	35	–	–	–	–	–	–	–	–	35
Bank balances and cash	44,703	(7,312)	(12,871)	–	–	–	74,788	(12,000)	(4,000)	83,308
	286,025	(127,817)	(62,172)	622,063	(484,202)	–	74,788	(12,000)	(4,000)	292,685
Current liabilities										
Creditors and accrued charges	150,660	(39,455)	(35,725)	–	–	87,311	–	–	–	162,791
Amounts due to group companies	–	(512,259)	(68,000)	712,513	(44,943)	(87,311)	–	–	–	–
Taxation payable	1,046	(1,046)	–	–	–	–	–	–	–	–
Borrowings	158,592	(73,883)	(63,462)	–	–	–	–	–	–	21,247
Bank overdraft	780	(780)	–	–	–	–	–	–	–	–
Convertible notes	36,129	–	–	–	–	–	–	–	–	36,129
	347,207	(627,423)	(167,187)	712,513	(44,943)	–	–	–	–	220,167
Net current (liabilities) assets	(61,182)	499,606	105,015	(90,450)	(439,259)	–	74,788	(12,000)	(4,000)	72,518

	The Group as at 30 November 2013				Pro forma adjustments					Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)									(unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	
Total assets less current liabilities	328,105	399,933	(142,202)	(90,341)	(439,259)	–	74,788	(12,000)	(4,000)	115,024
Non-current liabilities										
Deferred tax liabilities	7,946	(7,462)	(484)	–	–	–	–	–	–	–
Convertible bonds	–	–	–	–	–	–	38,965	–	–	38,965
	7,946	(7,462)	(484)	–	–	–	38,965	–	–	38,965
	320,159	407,395	(141,718)	(90,341)	(439,259)	–	35,823	(12,000)	(4,000)	76,059
Capital and reserves										
Share capital	164,781	–	–	–	–	–	–	–	–	164,781
Reserves	137,795	407,395	(139,540)	(90,341)	(439,259)	–	35,823	(12,000)	(4,000)	(104,127)
Equity attributable to owners of the Company	302,576	407,395	(139,540)	(90,341)	(439,259)	–	35,823	(12,000)	(4,000)	60,654
Non-controlling interests	17,583	–	(2,178)	–	–	–	–	–	–	15,405
	320,159	407,395	(141,718)	(90,341)	(439,259)	–	35,823	(12,000)	(4,000)	76,059

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

	The Group for the eight months ended 30 November 2013				Pro forma adjustments				Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)								(unaudited)
	(Note 1)	*(Note 10)*	*(Note 11)*	*(Note 12)*	*(Note 13)*	*(Note 14)*	*(Note 8)*	*(Note 9)*	
Turnover	317,990	(51,663)	(85,327)	112,016	–	–	–	–	293,016
Cost of sales	(356,324)	151,208	91,600	(112,016)	–	–	–	–	(225,532)
Gross (loss) profit	(38,334)	99,545	6,273	–	–	–	–	–	67,484
Other income	8,712	(5,245)	(4,768)	1,458	–	–	–	–	157
Other gains and losses	(16,947)	46,340	102,895	(133,564)	–	–	–	–	(1,276)
Distribution costs	(47,301)	6,197	17,850	(433)	–	–	–	–	(23,687)
Administrative expenses	(53,225)	9,559	14,263	(3,068)	–	–	(12,000)	(4,000)	(48,471)
Decrease in fair value of investment properties	(17,411)	18,211	(800)	–	–	–	–	–	–
Gain on disposal of a subsidiary	440	–	(440)	–	–	–	–	–	–
Gain on deconsolidation of Scheme Subsidiaries	–	–	–	–	275,811	–	–	–	275,811
Reversal of provision for amounts due from fellow subsidiaries	–	–	(431,772)	566,403	–	–	–	–	134,631
Interest expenses	(6,567)	1,505	1,253	–	–	(6,490)	–	–	(10,299)
Share of profit of an associate	357	–	–	–	–	–	–	–	357
(Loss)/profit before taxation	(170,276)	176,112	(295,246)	430,796	275,811	(6,490)	(12,000)	(4,000)	394,707
Taxation	1,253	(257)	195	–	–	–	–	–	1,191
(Loss)/profit for the period	(169,023)	175,855	(295,051)	430,796	275,811	(6,490)	(12,000)	(4,000)	395,898
Other comprehensive income									
Items that may be subsequently reclassified to profit or loss:									
Exchange difference arising on translation of foreign operations	1,413	–	–	–	–	–	–	–	1,413
Total comprehensive (expense) income for the period	(167,610)	175,855	(295,051)	430,796	275,811	(6,490)	(12,000)	(4,000)	397,311

	The Group for the eight months ended 30 November 2013				Pro forma adjustments				Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)								(unaudited)
	(Note 1)	*(Note 10)*	*(Note 11)*	*(Note 12)*	*(Note 13)*	*(Note 14)*	*(Note 8)*	*(Note 9)*	
(Loss)/profit for the period attributable to:									
Owners of the Company	(174,376)	175,855	(295,030)	430,796	275,811	(6,490)	(12,000)	(4,000)	390,566
Non-controlling interests	5,353	–	(21)	–	–	–	–	–	5,332
	(169,023)	175,855	(295,051)	430,796	275,811	(6,490)	(12,000)	(4,000)	395,898
Total comprehensive (expense) income for the period attributable to:									
Owners of the Company	(173,209)	175,855	(295,030)	430,796	275,811	(6,490)	(12,000)	(4,000)	391,733
Non-controlling interests	5,599	–	(21)	–	–	–	–	–	5,578
	(167,610)	175,855	(295,051)	430,796	275,811	(6,490)	(12,000)	(4,000)	397,311

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

	The Group for the eight months ended 30 November 2013			Pro forma adjustments				Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)							(unaudited)
	(Note 1)	*(Note 10)*	*(Note 11)*	*(Note 12)*	*(Note 14)*	*(Note 8)*	*(Note 9)*	
Net cash (used in) from operating activities	(60,289)	52,153	(16,766)	(2,043)	–	(12,000)	(4,000)	(42,945)
Net cash from (used in) investing activities	881	(72,968)	(3,494)	2,043	–	–	–	(73,538)
Net cash from (used in) financing activities	66,395	23,704	16,796	–	74,788	–	–	181,683
Net increase (decrease) in cash and cash equivalents	6,987	2,889	(3,464)	–	74,788	(12,000)	(4,000)	65,200
Cash and cash equivalents at beginning of the period	35,806	(9,421)	(9,407)	–	–	–	–	16,978
Effect of exchange difference	1,130	–	–	–	–	–	–	1,130
Cash and cash equivalents at end of the period	43,923	(6,532)	(12,871)	–	74,788	(12,000)	(4,000)	83,308
Cash and cash equivalents at end of the period, representing:								
Bank balances and cash	44,703	(7,312)	(12,871)	–	74,788	(12,000)	(4,000)	83,308
Bank overdraft	(780)	780	–	–	–	–	–	–
	43,923	(6,532)	(12,871)	–	74,788	(12,000)	(4,000)	83,308

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

(1) Figures are extracted from the unaudited condensed consolidated financial statements of the Group as set out in the results announcement of the Company for the eight months ended 30 November 2013.

(2) The adjustment reflects (a) the exclusion of the assets and liabilities of the Scheme Subsidiaries; and (b) the pro forma gain on deconsolidation of the Scheme Subsidiaries, assuming the Creditors' Scheme had become effective and the Scheme Subsidiaries were transferred to the Administrators Vehicle on 30 November 2013. The net liabilities of the Scheme Subsidiaries disposed of amounted to HK$407,395,000 as at 30 November 2013. Figures are extracted from the condensed combined statement of financial position of the Scheme Subsidiaries as at 30 November 2013 included in Appendix IVB to the Circular.

(3) The adjustment reflects the exclusion of the assets and liabilities of the Privateco Group, assuming the Distribution In Specie had taken place on 30 November 2013. Figures are based on the financial information of the Privateco Group for the eight months ended 30 November 2013 as extracted from note 4 to the review report of the SIH Group for the eight months ended 30 November 2013 included in Appendix IIIB to the Circular.

The Distribution In Specie is accounted for at the carrying amount of the assets and liabilities of the Privateco Group as the ultimate controlling shareholders of the Privateco Group remain unchanged before and after the Distribution In Specie.

(4) The adjustment reflects the elimination of inter-company balances among the Remaining Group, Privateco Group and Scheme Subsidiaries, assuming the transactions had taken place on 30 November 2013. Figures are extracted from the unaudited management accounts of respective companies within the Remaining Group, Privateco Group and Scheme Subsidiaries for the eight months ended 30 November 2013.

(5) The adjustment reflects the 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 the receivables from the companies with the Privateco Group to Privateco, assuming the transactions had taken place on 30 November 2013. The effect of the assignment of receivables from the Privateco Group and the Scheme Subsidiaries is summarised and reconciled as follows:

	HK$'000
Assignment of receivables from the Privateco Group (recognised in equity as part of the Distribution in Specie)	(34,196)
Assignment of receivables from the Scheme Subsidiaries (recognised in profit or loss)	(405,063)
	(439,259)

	HK$'000
Amounts due from the Privateco Group and Scheme Subsidiaries to the Remaining Group before assignment (as extracted from the unaudited pro forma financial information of the Privateco Group on page IIIC-3 in Appendix IIIC to the Circular)	488,187
Amounts due to the Privateco Group and Scheme Subsidiaries by the Remaining Group before assignment (as extracted from the unaudited pro forma financial information of the Privateco Group on page IIIC-4 in Appendix IIIC to the Circular)	(132,254)
Less: Amounts due from the Privateco Group and Scheme Subsidiaries to the Remaining Group after assignment (as extracted from the unaudited pro forma financial information of the Remaining Group on page V-3 in Appendix V to the Circular)	(3,985)
Less: Amounts due to the Privateco Group and Scheme Subsidiaries by the Remaining Group after assignment (as extracted from the unaudited pro forma financial information of the Remaining Group on page V-3 in Appendix V to the Circular)	87,311
Assignment of receivables from the Privateco Group and the Scheme Subsidiaries	439,259

This adjustment is not expected to have continuing effect on the Remaining Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

(6) The adjustment reflects the reinstatement of the balances among the Remaining Group, Privateco Group and Scheme Subsidiaries as at 30 November 2013, assuming the Distribution In Specie and the implementation of the Creditors' Scheme had taken place on 30 November 2013.

(7) The adjustment reflects the net proceeds (after deducting estimated transaction costs of HK$212,000) of HK$74,788,000 from issue of Convertible Bonds in the principal amount of HK$75,000,000, assuming the CB Subscription had taken place on 30 November 2013. The Convertible Bonds bear interest at the rate of 3% per annum and will be payable half-yearly in arrears on 30 June and 31 December each year. The Convertible Bonds are convertible into shares of the Company at Conversion Price of HK$0.172 (subject to adjustments) per share. The maturity date of the Convertible Bonds is on the third anniversary of the date of issue. At the date of initial recognition, the liability component is measured at fair value of HK$39,075,000 and the difference between the cash consideration and liability component of HK$35,925,000 represent the equity component. Transaction costs of HK$110,000 and HK$102,000 are charged against the liability component and equity component in proportion to the allocation of the gross proceeds, respectively. The fair value of the liability component is determined based on the present value of the estimated future cash flows discounted at an effective interest rate of 26.1% per annum, being the average yield of similar financial instruments with similar credit rating and structure but without the call conversion option, which incorporated appropriate adjustments to reflect possible impact of country factors, firm specific risk and liquidity risk. The equity component is presented as convertible bonds reserve in equity, whereas the liability component is classified under non-current liabilities as at 30 November 2013.

The liability component and equity component represent provisional amounts which are subject to change at the date of CB Subscription Completion.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium).

(8) The adjustment reflects the estimated amount payable by the Company to the Administrators Vehicle for the purpose of implementing the Creditors' Scheme, assuming the amount was paid on 30 November 2013. The estimated amount is subject to changes.

This adjustment is not expected to have continuing effect on the Remaining Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

(9) The adjustment reflects the estimated restructuring costs for the Remaining Group of approximately HK$4,000,000, which will be recognised in profit or loss, assuming the estimated restructuring costs were paid on 30 November 2013. The estimated amounts are subject to changes.

This adjustment is not expected to have continuing effect on the Remaining Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

(10) The adjustment reflects the exclusion of the income and expenses and cash flows of the Scheme Subsidiaries, assuming the Creditors' Scheme had become effective and the Scheme Subsidiaries were transferred to the Administrators Vehicle on 1 April 2013. Figures are extracted from the condensed combined statement of profit or loss and other comprehensive income and statement of cash flows of the Scheme Subsidiaries for the eight months ended 30 November 2013 included in Appendix IVB to the Circular.

(11) The adjustment reflects the exclusion of the income and expenses and cash flows of the Privateco Group, assuming the Distribution In Specie had taken place on 1 April 2013. Figures are based on the financial information of the Privateco Group for the eight months ended 30 November 2013 as extracted from note 4 to the review report of the SIH Group for the eight months ended 30 November 2013 included in Appendix IIIB to the Circular.

(12) The adjustment reflects the elimination of inter-company transactions among the Remaining Group, Privateco Group and Scheme Subsidiaries, assuming the transactions had taken place on 1 April 2013. Figures are extracted from the unaudited management accounts of respective companies within the Remaining Group, Privateco Group and Scheme Subsidiaries for the eight months ended 30 November 2013.

(13) The adjustment reflects the pro forma gain on deconsolidation of the Scheme Subsidiaries of HK$275,811,000, representing the disposal of net liabilities of the Scheme Subsidiaries amounting to HK$231,540,000 (as extracted from the combined statement of the financial position of the Scheme Subsidiaries as at 31 March 2013 included in Appendix IVA to the Circular) after taking into consideration the waiver of payables to the Scheme Subsidiaries amounting to HK$44,271,000 (see (i) below).

(i) The below reflects the waiver of certain receivables by the Remaining Group and the Scheme Subsidiaries to facilitate the Distribution In Specie and the implementation of the Creditors' Scheme through the assignment of the receivables from the companies within the Privateco Group to Privateco and the waiver of receivables from the Remaining Group by the Scheme Subsidiaries, assuming the transactions had taken place on 1 April 2013. The effect of the assignment of receivables from the Privateco Group and the waiver of receivables from the Remaining Group by the Scheme Subsidiaries is summarised and reconciled as follows:

	HK$'000
Assignment of receivables from the Privateco Group (recognised in equity as part of the Distribution in Specie)	(451,879)
Waiver of receivables from the Remaining Group by the Scheme Subsidiaries (see above) (recognised in profit or loss)	44,271
	(407,608)

	HK$'000
Amounts due from the Privateco Group and Scheme Subsidiaries to the Remaining Group before assignment (as extracted from the unaudited management accounts of the Remaining Group)	996,394
Amounts due to the Privateco Group and and Scheme Subsidiaries by the Remaining Group before assignment (as extracted from the unaudited management accounts of the Remaining Group)	(672,112)
Less: Amounts due from the Privateco Group and Scheme Subsidiaries to the Remaining Group after assignment (as extracted from the unaudited pro forma financial information of the Remaining Group on page V-3 in Appendix V to the Circular)	(3,985)
Less: Amounts due to the Privateco Group and Scheme Subsidiaries by the Remaining Group after assignment (as extracted from the unaudited pro forma financial information of the Remaining Group on page V-3 in Appendix V to the Circular)	87,311
Assignment of receivables from the Privateco Group and waiver of receivables from the Remaining Group by the Scheme Subsidiaries	407,608

This adjustment is not expected to have continuing effect on the Remaining Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

(14) The adjustment reflects the net proceeds (after deducting estimated transaction costs of HK$212,000) of HK$74,788,000 from issue of Convertible Bonds in the principal amount of HK$75,000,000, assuming the CB Subscription had taken place on 1 April 2013. The adjustment also reflects the recognition of interest expenses on Convertible Bonds amounting to HK$6,490,000 calculated at an effective interest rate of 21.8% per annum, assuming the CB Subscription had taken place on 1 April 2013 and assuming the fair value of the liability component of the Convertible Bonds were HK$46,366,000, net of transaction costs.

(15) Except for the Group Restructuring, transfer of Scheme Subsidiaries to the Creditors' Scheme, Distribution In Specie, the CB Subscription and provision of estimated amount paid for implementation of the Creditors' Scheme and restructuring costs, no adjustment has been made to reflect any trading result or other transaction of the Remaining Group entered into subsequent to 30 November 2013.

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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

TO THE BOARD OF DIRECTORS OF STARLIGHT INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Starlight International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consisted of the unaudited pro forma condensed consolidated statement of financial position as at 30 November 2013, the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows for the eight months ended 30 November 2013 and related notes as set out on pages V-3 to V-11 of the circular issued by the Company dated 24 May 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages V-1 to V-2 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed deemed very substantial disposal relating to transfer of the entire equity interest in the share capital of Dual Success Holdings Limited under a creditors' scheme, proposed distribution in specie of SIH Limited's shares after completion of the group restructuring, proposed subscription of convertible bonds and proposed share premium reduction on the Group's financial position as at 30 November 2013 and the Group's financial performance and cash flows for the eight months ended 30 November 2013 as if the transactions had taken place at 30 November 2013 and 1 April 2013, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's condensed consolidated financial statements for the eight months ended 30 November 2013, on which no audit or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Reporting Accountant's Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 November 2013 or 1 April 2013 would have been as presented.

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

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 May 2014

The Group is principally engaged in the design, manufacture and sale of a wide range of electronic products, property investment and securities trading.

Upon completion of the Group Restructuring, the Remaining Subsidiaries will comprise the Company's entire interest in the Remaining Subsidiaries, which will be principally engaged in the sale of electronic products, such as karaoke, audio, video, musical instrument and clocks and other electronic products acquired from the Scheme Subsidiaries, the Privateco Group or third party suppliers to external customers in the U.S. and Canada, focusing on sale of karaoke products, and sale of television sets to external customers in Canada.

Set out below is a summary of the financial information of the Remaining Subsidiaries for each of the three financial years ended 31 March 2011, 2012 and 2013 and the eight months ended 30 November 2013, which is prepared based on the financial information of the Remaining Subsidiaries as extracted from section C to the Accountant's Report of the SIH Group in Appendix IIIA and note 3 to the Review Report of the SIH Group in Appendix IIIB to this circular.

	For the year ended 31 March			**Eight months ended 30 November**
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Turnover	506,606	479,469	404,369	293,016
(Loss)/ profit before income tax	(26,293)	(37,902)	8,005	11,340
(Loss)/ profit for the year	(25,601)	(41,567)	20,147	12,531

	As at 31 March 2011	**As at 31 March 2012**	**As at 31 March 2013**	**As at 30 November 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net liability value	(66,349)	(108,208)	(87,870)	(50,370)

Shareholders shall note that the following discussion and analysis on the Remaining Subsidiaries for the three financial years ended 31 March 2011, 2012 and 2013 and the eight months ended 30 November 2013 are based on the financial information of the Remaining Subsidiaries as set out in section C to the Accountant's Report of the SIH Group in Appendix IIIA and note 3 to the Review Report of the SIH Group in Appendix IIIB to this circular.

Business review for the year ended 31 March 2011

Operating Results

For the year ended 31 March 2011, the Remaining Subsidiaries recorded turnover of approximately HK$506.6 million with gross profit margin at approximately 12.3% and recorded net loss of approximately HK$25.6 million.

The Remaining Subsidiaries' main source of turnover was generated from sale of consumer electronic products in North America. Since the financial tsunami in 2008, the deteriorated economic environment has weakened the purchasing power of consumer market in North America and demand for consumer electronic products. For the year ended 31 March 2011, the market sentiment was still amid and the competition remained keen, as a result, the Remaining Subsidiaries continued to experience fall in turnover for the year ended 31 March 2011.

The Remaining Subsidiaries suffered from net losses for the year ended 31 March 2011 since its fixed operating costs could not be reduced spontaneously with the falling turnover.

Liquidity and Financial Resources

As at 31 March 2011, the Remaining Subsidiaries' net current liabilities and current ratio were approximately HK$105.4 million and 0.83, respectively. Net gearing ratio (total interest bearing borrowings net of cash and cash equivalents as a percentage of total equity) was insignificant as at 31 March 2011 as the Remaining Subsidiaries had interest bearing borrowing of HK$0.2 million as compared to the balances of cash and cash equivalents.

As at 31 March 2011, the Remaining Subsidiaries' cash and cash equivalents amounted to approximately HK$13.9 million.

Pledge of Assets

As at 31 March 2011, the Remaining Subsidiaries' certain trade debts balances of approximately HK$0.2 million were pledged for banking facilities. The Remaining Group's cash balances of approximately HK$1.1 million and investments held for trading of HK$0.4 million were pledged for margin accounts with securities brokers.

Capital Structure

For the year ended 31 March 2011, the Remaining Subsidiaries financed its liquidity requirements mainly through cash flows generated from operation, trade credits provided by the Privateco Group and the Scheme Subsidiaries and banking facilities granted to the Remaining Subsidiaries.

Capital Commitment and Contingent Liabilities

As at 31 March 2011, the Remaining Subsidiaries had approximately HK$17.9 million as operating lease commitments.

As at 31 March 2011, the Remaining Subsidiaries did not have any significant contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

During the year ended 31 March 2011, the Remaining Subsidiaries did not make any significant investments, material acquisitions or disposals.

Staff and Remuneration Policy

As at 31 March 2011, the Remaining Subsidiaries utilized a total of 59 employees. Staff cost for the year ended 31 March 2011 was approximately HK$27 million. The Remaining Subsidiaries remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Remaining Subsidiaries and individual employees. Other benefits include share option scheme and contributions to the statutory mandatory provident fund scheme to its employees in Hong Kong and the U.S..

Foreign Exchange Fluctuation and Hedge

During the year ended 31 March 2011, the Remaining Subsidiaries operated principally in Hong Kong/US and was not exposed to foreign exchange risk. Foreign exchange risk arose from future commercial transactions and recognised assets and liabilities.

During the year ended 31 March 2011, the Remaining Subsidiaries did not enter into any forward foreign currency contracts.

Future Plans for Material Investments and Acquisition of Capital Assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2011.

Business review for the year ended 31 March 2012

Operating Results

For the year ended 31 March 2012, the Remaining Subsidiaries recorded turnover of approximately HK$479.5 million with gross profit margin at approximately 14.1% and recorded net loss of approximately HK$41.6 million.

For the year ended 31 March 2012, the Remaining Subsidiaries continued to face fierce price competition in the TV and DVD market. The Remaining Subsidiaries provided longer sales discounts to U.S. chain store customers in the traditional peak season and successfully recorded a boost in sales. However, the Remaining Subsidiaries were not able to raise back the prices afterwards since its U.S. chain store customers requested the Remaining Subsidiaries to sell products to them at discounts. As a result, the turnover of the Remaining Subsidiaries decreased by 5.4% when compared to the year ended 31 March 2011.

The Remaining Subsidiaries recorded a greater net loss for the year ended 31 March 2012 due to continued fall in turnover and several once-off expenses such as loss on the guaranteed minimum royalty, provision for doubtful debts and allowances for prepaid licence fee upon termination of the agreement.

Liquidity and Financial Resources

As at 31 March 2012, the Remaining Subsidiaries' net current liabilities and current ratio were approximately HK$134.5 million and 0.78, respectively. Net gearing ratio (total interest bearing borrowings net of cash and cash equivalents as a percentage of total equity) was nil as at 31 March 2012 as the Remaining Subsidiaries did not have any borrowings. The increase in net current liabilities for the year under review was mainly attributable to write-off of non-refundable advance technology patent which had been expired and increase in provision for inventories.

As at 31 March 2012, the Remaining Subsidiaries' cash and cash equivalents at year end amounted to approximately HK$5 million.

Pledge of Assets

As at 31 March 2012, the Remaining Subsidiaries' investments held for trading and deposits with a carrying amount of HK$0.1 million were pledged for margin accounts with securities brokers.

Capital Structure

For the year ended 31 March 2012, the Remaining Subsidiaries financed its liquidity requirements mainly through cash flows generated from operation, trade credits provided by the Privateco Group and the Scheme Subsidiaries and banking facilities granted to the Remaining Subsidiaries.

Capital Commitment and Contingent Liabilities

As at 31 March 2012, the Remaining Subsidiaries had approximately HK$12 million as operating lease commitments.

As at 31 March 2012, the Remaining Subsidiaries did not have any significant contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

During the year ended 31 March 2012, the Remaining Subsidiaries did not make any significant investments, material acquisitions or disposals.

Staff and Remuneration Policy

As at 31 March 2012, the Remaining Subsidiaries utilized a total of 56 employees. Staff cost for the year ended 31 March 2012 was approximately HK$24 million. The Remaining Subsidiaries remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Remaining Subsidiaries and individual employees. Other benefits include share option scheme and contributions to the statutory mandatory provident fund scheme to its employees in Hong Kong and the U.S..

Foreign Exchange Fluctuation and Hedge

During the year ended 31 March 2012, the Remaining Subsidiaries operated principally in Hong Kong/U.S. and was not exposed to foreign exchange risk. Foreign exchange risk arose from future commercial transactions and recognised assets and liabilities.

During the year ended 31 March 2012, the Remaining Subsidiaries did not enter into any forward foreign currency contracts.

Future Plans for Material Investments and Acquisition of Capital Assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2012.

Business review for the year ended 31 March 2013

Operating Results

For the year ended 31 March 2013, the Remaining Subsidiaries recorded turnover of approximately HK$404.4 million with gross profit margin at approximately 25.9% and recorded net profit of approximately HK$8 million.

In light of the continuous fierce price competition in the TV and DVD market, the Remaining Subsidiaries had continued its efforts to develop new products to meet market demand and explore growth opportunities. For the year ended 31 March 2013, the Remaining Subsidiaries had continued to increase market share of home karaoke system and recorded 16% increase in sales of karaoke products. However, total turnover of the Remaining Subsidiaries continued to decline due to drop in orders received for DVD products and price competition in TV sets market. The Remaining Subsidiaries also ceased selling digital imaging products as a result of the Group's termination of the licensing agreement due to overlapping of the selling off period granted to the previous licensee with the Group's exclusive licensing period and therefore the Remaining Subsidiaries' difficulties in selling the licensed digital imaging products.

The Remaining Subsidiaries recorded significant improvement in the gross profit margin in the year ended 31 March 2013. The increment was brought by increasing proportion of sales of home karaoke products which were less affected by the price competition and yielded higher margin.

The Remaining Subsidiaries turned around the year ended 31 March 2013 and achieved a net profit as a result of more rigorous cost control measures such as consolidating the storage space and reducing the warehouse rental expenses; adopting direct shipment sales and reducing freight charge costs; minimizing staff costs by reducing headcounts.

Liquidity and Financial Resources

As at 31 March 2013, the Remaining Subsidiaries' net current liabilities and current ratio were approximately HK$127.3 million and 0.78, respectively. Net gearing ratio (total interest bearing borrowings net of cash and cash equivalents as a percentage of total equity) was nil as at 31 March 2013 as the Remaining Subsidiaries did not have any borrowings. The decrease in net current liabilities for the year under review was mainly attributable to decrease in credition and accrued changes.

As at 31 March 2013, the Remaining Subsidiaries' cash and cash equivalents at year end amounted to approximately HK$16.8 million.

Pledge of Assets

As at 31 March 2013, the Remaining Subsidiaries' investments held for trading and deposits with a carrying amount of approximately HK$0.2 million were pledged for margin accounts with securities brokers.

Capital Structure

For the year ended 31 March 2013, the Remaining Subsidiaries Group financed its liquidity requirements mainly through cash flows generated from operation, trade credits provided by the Privateco Group and the Scheme Subsidiaries and banking facilities granted to the Remaining Subsidiaries.

Capital Commitment and Contingent Liabilities

As at 31 March 2013, the Remaining Subsidiaries had approximately HK$30 million as operating lease commitments.

As at 31 March 2013, the Remaining Subsidiaries did not have any significant contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

During the year ended 31 March 2013, the Remaining Subsidiaries did not make any significant investments, material acquisitions or disposals.

Staff and Remuneration Policy

As at 31 March 2013, the Remaining Subsidiaries utilized a total of 48 employees. Staff cost for the year ended 31 March 2013 was approximately HK$23 million. The Remaining Subsidiaries remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Remaining Subsidiaries and individual employees. Other benefits include share option scheme and contributions to the statutory mandatory provident fund scheme to its employees in Hong Kong and the U.S..

Foreign Exchange Fluctuation and Hedge

During the year ended 31 March 2013, the Remaining Subsidiaries operated principally in Hong Kong/US and was not exposed to foreign exchange risk. Foreign exchange risk arose from future commercial transactions and recognised assets and liabilities.

During the year ended 31 March 2013, the Remaining Subsidiaries did not enter into any forward foreign currency contracts.

Future Plans for Material Investments and Acquisition of Capital Assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 March 2013.

Business review for the eight months ended 30 November 2013

Operating Results

For the eight months ended 30 November 2013, the Remaining Subsidiaries recorded turnover of approximately HK$293 million with gross profit margin at approximately 23% and recorded net profit of approximately HK$11.3 million.

Liquidity and Financial Resources

As at 30 November 2013, the Remaining Subsidiaries' net current liabilities and current ratio were approximately HK$93 million and 0.72, respectively. Net gearing ratio (total interest bearing borrowings net of cash and cash equivalents as a percentage of total equity) was approximately -0.06 as at 30 November 2013. The decrease in net current liabilities for the eight months under review was mainly attributable to decrease in credition and accrued changes.

As at 30 November 2013, the Remaining Subsidiaries' cash and cash equivalents amounted to approximately HK$24.2 million.

Pledge of Assets

As at 30 November 2013, the Remaining Subsidiaries' investments held for trading and deposits with a carrying amount of approximately HK$57 million were pledged for margin accounts with securities brokers.

Capital Structure

For the eight months ended 30 November 2013, the Remaining Subsidiaries financed its liquidity requirements mainly through cash flows generated from operation, trade credits provided by the Privateco Group and the Scheme Subsidiaries and banking facilities granted to the Remaining Subsidiaries.

Capital Commitment and Contingent Liabilities

As at 30 November 2013, the Remaining Subsidiaries had approximately HK$28.4 million as operating lease commitments and had no capital commitments.

As at 30 November 2013, the Remaining Subsidiaries did not have any significant contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

During the eight months ended 30 November 2013, the Remaining Subsidiaries did not make any significant investments, material acquisitions or disposals.

Staff and Remuneration Policy

As at 30 November 2013, the Remaining Subsidiaries utilized a total of 44 employees. Staff cost for the eight months ended 30 November 2013 was approximately HK$15 million. The Remaining Subsidiaries remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Remaining Subsidiaries and individual employees. Other benefits include share option scheme and contributions to the statutory mandatory provident fund scheme to its employees in Hong Kong and the U.S..

Foreign Exchange Fluctuation and Hedge

During the eight months ended 30 November 2013, the Remaining Subsidiaries operated principally in Hong Kong/US and was not exposed to foreign exchange risk. Foreign exchange risk arose from future commercial transactions and recognised assets and liabilities.

During the eight months ended 30 November 2013, the Remaining Subsidiaries did not enter into any forward foreign currency contracts.

Future Plans for Material Investments and Acquisition of Capital Assets

There was no specific plan for material investments and acquisition of material capital assets as at 30 November 2013.

I. OVERALL

The estimate of the consolidated loss attributable to owners of Starlight International Holdings Limited (the "Company") for the eight months ended 30 November 2013 (the "Profit Estimate") is set out in Appendix VIIA in this circular.

II. BASES AND ASSUMPTION

The estimate of the consolidated loss attributable to owners of the Company for the eight months ended 30 November 2013 prepared by the Directors is based on the unaudited consolidated financial statements of the Group for the eight months ended 30 November 2013. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as set out in the consolidated financial statements of the Group for the year ended 31 March 2013 published in the annual report of the Company dated 26 June 2013.

The Directors have made the following principal assumption in the preparation of the Profit Estimate:

– There will be no events subsequent to 30 November 2013 which require adjustments to the Profit Estimate.

III. REPORT FROM REPORTING ACCOUNTANTS

The following is the text of a report prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

24 May 2014

The Directors
Starlight International Holdings Limited
5/F, Shing Dao Industrial Building
232 Aberdeen Main Road
Hong Kong

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the estimate of the consolidated loss of Starlight International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the eight-month period ended 30 November 2013 attributable to owners of the Company (the "Estimate"), for which the directors of the Company are solely responsible, as set out in the circular dated 24 May 2014 issued by the Company (the "Circular"). The Estimate is prepared based on the results shown in the unaudited consolidated management accounts of the Group for the eight months ended 30 November 2013.

In our opinion the Estimate, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company as set out in part II of Appendix VIIA to the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the consolidated financial statements of the Group for the year ended 31 March 2013 published in the annual report of the Company dated 26 June 2013.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a report on the Statement prepared for sole purpose of inclusion in the Circular received from GF Capital.

廣發融資(香港)有限公司
GF CAPITAL (HONG KONG) LIMITED
29-30/F, Li Po Chun Chambers,
189 Des Voeux Road Central,
Hong Kong

24 May 2014

The Board of Directors
Starlight International Holdings Limited
5th Floor
Shing Dao Industrial Building
232 Aberdeen Main Road
Hong Kong

Dear Sirs,

We refer to the profit warning statement made by the Company in its announcement dated 2 April 2014 in respect of the estimate of the Group's profit for the eight months ended 30 November 2013 (the "**Statement**"). Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

The Statement for which the Directors are solely responsible, has been prepared by them based on the unaudited consolidated management accounts of the Group for the eight months ended 30 November 2013.

We have reviewed the Statement and other relevant information and documents which you as the Directors are solely responsible for and discussed with you and the senior management of the Company the bases upon which the Statement has been made. In addition, we have considered, and relied upon, the report on the Statement by Deloitte Touche Tohmatsu addressed to the Directors regarding the accounting policies adopted and calculations upon which the Statement has been made.

Based on the above, we are of the opinion that the Statement, for which the Directors are solely responsible, has been made with due care and consideration.

Yours faithfully,
For and on behalf of
GF Capital (Hong Kong) Limited
Brian Lee
Managing Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Greater China Appraisal Limited, an independent valuer, in connection with its valuations as at 28 February 2014 of the property interests held by the Distributed Subsidiaries.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

24 May 2014

Starlight International Holdings Limited
5/F, Shing Dao Industrial Limited
232 Aberdeen Main Road
Aberdeen
Hong Kong

Dear Sirs,

Re: Various Units And Car Parking Spaces On Various Floors, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong

In accordance with the instructions from Starlight International Holdings Limited (the "Company") to value certain real properties (the "Properties") which are held by the Company or its subsidiaries (these companies referred to as the "Group"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such real property interests as at 28 February 2014 (referred to as the "valuation date").

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the real properties and the limiting conditions.

BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY

The real property interests are valued by the comparison method where comparison based on prices realised or market prices of comparable real properties is made. Comparable real properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each real property. Adjustments in the prices of the comparable real properties are then made to account for the identified differences between the real property in the relevant factors.

For those tenanted real properties, the rentals receivable during the term of the tenancies are capitalized at appropriate yield with due allowance for the reversionary value upon expiry of tenancies.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the real property interests in their existing states without the benefit of any deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the real property interests.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report. Moreover, it is assumed that the utilization of the land and improvements is within the boundaries of the site held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the report.

Other specific assumptions of the Properties, if any, have been stated out in the footnotes of the valuation certificate.

TITLESHIP INVESTIGATION

We have caused searches made at the Land Registry in Hong Kong in respect of the real property interests. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copy handed to us.

All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the Properties set out in this report.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the Properties. However, no structural survey has been made and we are therefore unable to report as to whether the Properties are free from rot, infestation or any other structural defects. Also, no tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the areas in respect of the Properties but have assumed that the areas shown on the relevant documents provided to us are correct. Based on our experience of valuation of similar real properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us by it on such matters as planning approvals, statutory notices, easements, tenure, occupation, rentals, site and floor areas and in the identification of the Properties. We were also advised by the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the real property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the real property interest is free of encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

OPINION OF VALUE

Valuation figures of the Properties are set out in the attached summary of values and valuation certificates.

REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In valuing the real property interests, we have complied with the requirements contained in the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

Site inspection of the Properties was conducted on 24 March 2014 by Mr. Jonathan Ho (AsSc). The Properties were maintained in a reasonable condition commensurate with their ages and uses and equipped with normal building services.

For the purpose of compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Share Buy-backs and as advised by the Company, the potential tax liabilities which may arise from the sale of the Properties may include stamp duty on the amount or value of the consideration (maximum 8.5%) and profit tax (16.5% on the profit amount). As advised by the Company, the likelihood of any potential tax liability being crystalised is remote as the Company has no intention to sell the Properties.

All amounts are denominated in Hong Kong Dollars (HK$).

We enclose herewith a summary of values and our valuation certificates.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
Mr. Gary Man
Registered Professional Surveyor (G.P.)
FHKIoD, FRICS, MHKIS, MCIREA
Director

Note: Mr. Gary Man is a Chartered Surveyor who has more than 26 years of valuation experience in countries such as The PRC, Hong Kong, Singapore, Vietnam, Philippines and the Asia Pacific region.

SUMMARY OF VALUES

GROUP I - REAL PROPERTIES HELD FOR INVESTMENT

No.	Real Properties	Market Value in existing state as at 28 February 2014 *(HK$)*
1.	18th Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong	40,700,000
2.	16th Floor Including The Flat Roof and Car Parking Space No.9 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong	41,800,000
3	14th Floor and Car Parking Space No.10 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong	48,800,000
4	12th Floor and Car Parking Space No.12 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong	48,600,000
5	6th Floor and Car Parking Space No.1 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong	48,500,000

GROUP II - REAL PROPERTY HELD FOR OWNER OCCUPATION

No.	Real Properties	Market Value in existing state as at 28 February 2014 *(HK$)*
6	5th Floor and Car Parking Space No.7 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong	47,000,000
	Total:	275,400,000

VALUATION CERTIFICATES

GROUP I - REAL PROPERTIES HELD FOR INVESTMENT

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014
1.	18th Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong 20/529th shares of and in Aberdeen Inland Lot No. 303	The subject development, namely Shing Dao Industrial Building which was completed in 1978, comprises a 20-storey industrial building with carparking facilities. The real property is located at the western side of Aberdeen Main Road, next to the Aberdeen Centre. The vicinity mainly comprises residential and industrial buildings. The real property comprises the 18th Floor of Shing Dao Industrial Building. The gross floor area of the real property is approximately 12,079 square feet. The real property is held under a Conditions of Exchange No. 10512 for a term of 999 years commencing on 1 June 1857. The government rent payable for the lot is HK$38 per annum.	As advised by the Company, the real property is leased to Gucci Group (Hong Kong) Limited at a monthly rent of approximately HK$78,513.5 exclusive of management fee, government rates and other charges for a term of 2 years commencing from 1 September 2013 and expiring on 31 August 2015.	HK$40,700,000 (Hong Kong Dollar Forty Million and Seven Hundred Thousand Only)

Notes:

(i) The registered owner of the real property is Noble Win Limited, 100% interest owned by the Company, via memorial no. UB6300134 dated 2 May 1995.

(ii) The real property is subject to a mortgage in favour of Chong Hing Bank Limited via memorial no. 11052400830016 dated 5 May 2011.

(iii) The real property is subject to a second mortgage in favour of Chong Hing Bank Limited via memorial no. 12051600880042 dated 26 April 2012.

(iv) As advised by the Company, the real property together with Real Property No.4 (12th Floor and Car Parking Space No.12 on Ground Floor, Shing Dao Industrial Building) are subject to mortgage with a facilities amount of HK$72,500,000.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014
2.	16th Floor Including The Flat Roof and Car Parking Space No.9 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong 21/529st shares of and in Aberdeen Inland Lot No. 303	The subject development, namely Shing Dao Industrial Building which was completed in 1978, comprises a 20-storey industrial building with carparking facilities. The real property is located at the western side of Aberdeen Main Road, next to the Aberdeen Centre. The vicinity mainly comprises residential and industrial buildings. The real property comprises the 16th Floor and a car parking space No.9 on Ground Floor of Shing Dao Industrial Building. The gross floor area of the real property is approximately 12,079 square feet. The real property is held under a Conditions of Exchange No. 10512 for a term of 999 years commencing on 1 June 1857. The government rent payable for the lot is HK$38 per annum.	As advised by the Company, the real property (excluding the car parking space No.9) is leased to Target Hong Kong Group Limited at a monthly rent of approximately HK$68,250 inclusive of management fee and government rates for a term of 5 years commencing from 1 September 2011 and expiring on 31 August 2016. The car parking space No.9 is currently occupied for car park use.	HK$41,800,000 (Hong Kong Dollar Forty One Million and Eight Hundred Thousand Only)

Notes:

(i) The registered owner of the real property is Star Light Electronics Company Limited, 100% interest owned by the Company, via memorial no. UB2162607 dated 5 October 1981.

(ii) The real property is subject to a mortgage in favour of The HongKong And Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities via memorial no. 11081903000218 dated 1 August 2011.

(iii) The real property is subject to a rent assignment in favour of The HongKong And Shanghai Banking Corporation Limited via memorial no. 11081903000222 dated 1 August 2011.

(iv) As advised by the Company, the real property together with Real Property No.3 (14th Floor and Car Parking Space No.10 on Ground Floor, Shing Dao Industrial Building) are subject to mortgage with a facilities amount of HK$65,000,000.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014
3.	14th Floor and Car Parking Space No.10 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong 26/529th shares of and in Aberdeen Inland Lot No. 303	The subject development, namely Shing Dao Industrial Building which was completed in 1978, comprises a 20-storey industrial building with carparking facilities. The real property is located at the western side of Aberdeen Main Road, next to the Aberdeen Centre. The vicinity mainly comprises residential and industrial buildings. The real property comprises the 14th Floor and a car parking space No.10 on Ground Floor of Shing Dao Industrial Building. The gross floor area of the real property is approximately 13,974 square feet. The real property is held under a Conditions of Exchange No. 10512 for a term of 999 years commencing on 1 June 1857. The government rent payable for the lot is HK$38 per annum.	As advised by the Company, the real property (excluding car parking space no.10) is leased to Gucci Group (Hong Kong) Limited at a monthly rent of approximately HK$90,831 exclusive of management fee, government rates and other charges for a term of 2 years commencing from 1 September 2013 and expiring on 31 August 2015. The car parking space No.10 is currently occupied for car park use.	HK$48,800,000 (Hong Kong Dollar Forty Eight Million and Eight Hundred Thousand Only)

Notes:

(i) The registered owner of the real property is Noble Win Limited, 100% interest owned by the Company, via memorial no. UB5975708 dated 23 November 1993.

(ii) The real property is subject to a mortgage in favour of The HongKong And Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities via memorial no. 11081903000218 dated 1 August 2011.

(iii) The real property is subject to a rent assignment in favour of The HongKong And Shanghai Banking Corporation Limited via memorial no. 11081903000222 dated 1 August 2011.

(iv) As advised by the Company, the real property together with Real Property No.2 (16th Floor including the Flat Roof and Car Parking Space No.9 on Ground Floor, Shing Dao Industrial Building) are subject to mortgage with a facilities amount of HK$65,000,000.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014
4.	12th Floor and Car Parking Space No.12 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong 26/529th shares of and in Aberdeen Inland Lot No. 303	The subject development, namely Shing Dao Industrial Building which was completed in 1978, comprises a 20-storey industrial building with carparking facilities. The real property is located at the western side of Aberdeen Main Road, next to the Aberdeen Centre. The vicinity mainly comprises residential and industrial buildings. The real property comprises the 12th Floor and a car parking space No.12 on Ground Floor of Shing Dao Industrial Building. The gross floor area of the real property is approximately 13,974 square feet. The real property is held under a Conditions of Exchange No. 10512 for a term of 999 years commencing on 1 June 1857. The government rent payable for the lot is HK$38 per annum.	As advised by the Company, the real property (excluding car parking space No.12) is leased to Gucci Group (Hong Kong) Limited at a monthly rent of approximately HK$90,831 exclusive of management fee, government rates and other charges for a term of 2 years commencing from 1 September 2013 and expiring on 31 August 2015. The car parking space No.12 is currently occupied for car park use.	HK$48,600,000 (Hong Kong Dollar Forty Eight Million and Six Hundred Thousand Only)

Notes:

(i) The registered owner of the real property is Merrygain Holding Company Limited, 96% interest owned by the Company, via memorial no. UB2155073 dated 27 August 1981.

(ii) The 12th floor of the real property is subject to a mortgage in favour of Chong Hing Bank Limited via memorial no. 12051600880024 dated 26 April 2012.

(iii) The 12th floor of the real property is subject to an assignment of rentals in favour of Chong Hing Bank Limited via memorial no. 12051600880037 dated 26 April 2012.

(iv) As advised by the Company, the real property together with Real Property No.1 (18th Floor, Shing Dao Industrial Building) are subject to mortgage with a facilities amount of HK$72,500,000.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014
5.	6th Floor and Car Parking Space No.1 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong 26/529th shares of and in Aberdeen Inland Lot No. 303	The subject development, namely Shing Dao Industrial Building which was completed in 1978, comprises a 20-storey industrial building with carparking facilities. The real property is located at the western side of Aberdeen Main Road, next to the Aberdeen Centre. The vicinity mainly comprises residential and industrial buildings. The real property comprises the 6th Floor and a car parking space No.1 on Ground Floor of Shing Dao Industrial Building. The gross floor area of the real property is approximately 13,974 square feet. The real property is held under a Conditions of Exchange No. 10512 for a term of 999 years commencing on 1 June 1857. The government rent payable for the lot is HK$38 per annum.	As advised by the Company, the real property (excluding car parking space No.1) is leased to Chi Sun Company Limited at a monthly rent of approximately HK$97,818 exclusive of management fee, government rates and other charges for a term of 3 years commencing from 16 August 2012 and expiring on 15 August 2015. The car parking space No.1 is currently occupied for car park use.	HK$48,500,000 (Hong Kong Dollar Forty Eight Million and Five Hundred Thousand Only)

Notes:

(i) The registered owner of the real property is Nice States Investment Limited, 100% interest owned by the Company, via memorial no. UB4913622 dated 1 July 1991.

(ii) The real property is subject to a tripartite legal charge/mortgage in favour of Standard Chartered Bank (Hong Kong) Limited as trustee for the secured parties via memorial no. 11060102640160 dated 27 May 2011.

(iii) As advised by the Company, the real property is subject to mortgage with a facilities amount of HK$35,000,000.

GROUP II - REAL PROPERTY HELD FOR OWNER OCCUPATION

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014
6.	5th Floor and Car Parking Space No.7 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong 26/529th shares of and in Aberdeen Inland Lot No. 303	The subject development, namely Shing Dao Industrial Building which was completed in 1978, comprises a 20-storey industrial building with carparking facilities. The real property is located at the western side of Aberdeen Main Road, next to the Aberdeen Centre. The vicinity mainly comprises residential and industrial buildings. The real property comprises the 5th Floor and a car parking space No.7 on Ground Floor of Shing Dao Industrial Building. The gross floor area of the real property is approximately 13,974 square feet. The real property is held under a Conditions of Exchange No. 10512 for a term of 999 years commencing on 1 June 1857. The government rent payable for the lot is HK$38 per annum.	The real property is occupied as office and warehouse.	HK$47,000,000 (Hong Kong Dollar Forty Seven Million Only))

Notes:

(i) The registered owner of the real property is Nice States Investment Limited, 100% interest owned by the Company, via memorial no. UB4913622 dated 1 July 1991.

(ii) The 5th floor of the real property is subject to a mortgage in favour of Hang Seng Bank Limited to secure all moneys in respect of general banking facilities via memorial no.11092702610211 dated 8 September 2011.

(iii) As advised by the Company, the real property is subject to mortgage with a facilities amount of HK$61,600,000.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Greater China Appraisal Limited, an independent valuer, in connection with its valuations as at 28 February 2014 of the property interests held by the Scheme Subsidiaries.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

24 May 2014

Starlight International Holdings Limited
5/F, Shing Dao Industrial Limited
232 Aberdeen Main Road
Aberdeen
Hong Kong

Dear Sirs,

Re: Various properties in Shiji Town, Panyu District, Guangzhou City, Guangdong Province, the People's Republic of China (the "PRC")

In accordance with the instructions from Starlight International Holdings Limited (the "Company") to value certain real properties (the "Properties") which are held by the Company or its subsidiaries (these companies referred to as the "Group"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such real property interests as at 28 February 2014 (referred to as the "valuation date").

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the real properties and the limiting conditions.

BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY

Unless stated as otherwise, all real property interests are valued by the comparison method where comparison based on prices realised or market prices of comparable real properties is made. Comparable real properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each real property. Adjustments in the prices of the comparable real properties are then made to account for the identified differences between the real property in the relevant factors.

For real properties nos. 4 and 5, due to the nature of buildings and structures constructed, there are no readily identifiable market comparables to them. We have applied the cost method in valuing the real property on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacing the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The reported market value only applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed. The depreciated replacement cost of the real property interest is subject to adequate potential profitability of the concerned business.

In valuing real properties no. 1 and 2, we have adopted the investment method whereby the rentals receivable during the term of the tenancies are capitalized at appropriate yield with due allowance for the reversionary value upon expiry of tenancies.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the real property interests in their existing states without the benefit of any deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the real property interests.

For the real properties which are held under long term Land Use Rights, we have assumed that the owner of the real properties has free and uninterrupted rights to use, transfer or lease the real properties for the whole of the unexpired term of the respective land use rights. In our valuation, we have assumed that these real properties can be freely disposed of, transferred and leased to third parties on the open market without any additional payment to the relevant government authorities.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report. Moreover, it is assumed that the utilization of the land and improvements is within the boundaries of the site held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the report.

No environment impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. In addition, it is assumed that all required licences, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other specific assumptions of the Properties, if any, have been stated out in the footnotes of the valuation certificate.

TITLESHIP INVESTIGATION

We have been provided with copies of title documents relating to the real property interests. However, due to the current registration system of the PRC, no investigations have been made for the legal title or any material liabilities attached to the real property interests.

In the course of our valuation, we have relied upon the legal opinion given by the Company's PRC legal advisor – Guangdong Jinlian Law Firm（廣東金聯律師事務所）dated 20 May 2014 in relation to the legal title to the real properties.

All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the Properties set out in this report.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the Properties. However, no structural survey has been made and we are therefore unable to report as to whether the Properties are free from rot, infestation or any other structural defects. Also, no tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the areas in respect of the Properties but have assumed that the areas shown on the relevant documents provided to us are correct. Based on our experience of valuation of similar real properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

No soil investigations have been carried out to determine the suitability of the ground conditions or the services for any property development. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us by it on such matters as planning approvals, statutory notices, easements, tenure, occupation, rentals, site and floor areas and in the identification of the Properties. We were also advised by the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the real property interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Since the real properties located in a relatively under-developed market of the PRC, the above assumptions are often based on imperfect market evidence. A range of values may be attributable to the real property interests depending upon the assumptions made. While we have exercised our professional judgments in arriving at the values, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

OPINION OF VALUE

Valuation figures of the Properties are set out in the attached summary of values and valuation certificates.

REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In valuing the real property interests, we have complied with the requirements contained in the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

Site inspection of the Properties was conducted on 6 February 2014 by Mr. Jonathan Ho (AsSc). The Properties were maintained in a reasonable condition commensurate with their ages and uses and equipped with normal building services.

For the purpose of compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Share Buy-backs and as advised by the Company, the potential tax liabilities which may arise from the sale of the Properties may include (i) business tax, city construction tax and education surcharge (5.60% to 5.65% of the taxable amount), (ii) income tax (25% of the profit amount), (iii) stamp duty (0.05% of the consideration), and (iv) land appreciation tax at progressive tax rates (30% to 60% on the appreciation amount). As advised by the Company, the likelihood of any potential tax liability being crystalised is remote as the Company has no intention to sell the Properties.

All amounts are denominated in Renminbi (RMB).

We enclose herewith a summary of values and our valuation certificates.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
Mr. Gary Man
Registered Professional Surveyor (G.P.)
FHKIoD, FRICS, MHKIS, MCIREA
Director

Note: Mr. Gary Man is a Chartered Surveyor who has more than 26 years of valuation experience in countries such as The PRC, Hong Kong, Singapore, Vietnam, Philippines and the Asia Pacific region.

SUMMARY OF VALUES

GROUP I - REAL PROPERTIES HELD FOR INVESTMENT

No.	Real Properties	Market Value in existing state as at 28 February 2014 *(RMB)*
1.	Units 506, 507 and 508 on Level 5 of Block 1, Fulinyuan, No. 2 Lixin Avenue Shiji Town, Panyu District, Guangzhou City, Guangdong Province, The PRC	2,000,000
2.	Retail Shop Units 2, 19, 20, 64 and 66 of Fulinyuan, No. 2 Qishan South Road Shiji Town, Panyu District, Guangzhou City, Guangdong Province, The PRC	3,940,000
3	Basement Level 1, Fulinyuan, No. 2 Lixin Avenue, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, The PRC	No commercial value

No.	Real Properties	Market Value in existing state as at 28 February 2014 *(RMB)*
4	An Industrial Complex located at Section No. 1, Shiji Village, Shilian Road, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, The PRC	15,200,000
GROUP II - REAL PROPERTY HELD FOR OWNER OCCUPATION		
5	An Industrial Complex located at No. 46 of Dalong Section, Shilian Road, Shiji Village, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, The PRC	80,700,000
	Total:	RMB101,840,000

VALUATION CERTIFICATES

GROUP I - REAL PROPERTIES HELD FOR INVESTMENT

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014 *(RMB)*
1.	Units 506, 507 and 508 on Level 5 of Block 1, Fulinyuan, No. 2 Lixin Avenue, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, The PRC	The real property comprises 3 residential units on level 5 of block 1 within a 5-storey residential development completed in about 2003. The real property is located at the western side of Qishan Road. The vicinity mainly comprises residential and industrial buildings. The total gross floor area of the real property is approximately 293.8 square metres (3,162 square feet). The real property is held under 3 sets of Real Estate Ownership Certificates for a term expiring on 18 December 2064 for commercial and residential uses.	As advised by the Company, Units 506 and 507 are subject to various tenancies with the latest term expiring on 31 December 2014 at a total monthly rental of approximately RMB2,800. Unit 508 is currently vacant.	2,000,000 (Renminbi Two Million)

Notes:

(i) According to 3 sets of Real Estate Ownership Certificates (Yue Fang Di Zheng Zi Nos. C5116559-C5116561) dated 14 February 2007 issued by the People's Government of Guangdong Province, the real property with a total gross floor area of 293.8 square metres is held by 廣州星輝電子製造有限公司, 100% interest owned by the Company, for a term expiring on 18 December 2064 for commercial and residential uses.

(ii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, Guangdong Jinlian Law Firm, which contains, inter alia, the following:

a) The ownership of the real property is entitled to 廣州星輝電子製造有限公司.

b) The real property has not been secured or seized. It can be transferred legally.

c) The real property is subject to various tenancy agreements. The tenancy agreements have not been registered. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department within a specific period of time. For those have not been registered, the relevant government department would order to rectify with a specific period of time. For those have not been rectified after the specific period, a fine less than RMB1,000 would be ordered for a person or a fine between RMB1,000 to RMB 10,000 would be ordered for a company. However, in reality, this is seldom to happen. Although 廣州星輝電子製造有限公司 has not applied for the registration in respect of the tenancy agreements, it does not affect the validity of the agreements and the tenancy agreements are still valid.

(iii) With regard to the penalty as mentioned in Note (ii) c) above, the amount is insignificant and, as advised in the above legal opinion, being fine due to such non-compliance is seldomly happened. In the course of valuation, we have not considered such penalty.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014 *(RMB)*
2.	Retail Shop Units 2, 19, 20, 64 and 66 Fulinyuan, No. 2 Qishan South Road, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, The PRC	The real property comprises 5 retail shops on ground level within a 5-storey residential development completed in about 2003. The real property is located at the western side of Qishan Road. The vicinity mainly comprises residential and industrial buildings. The total gross floor area of the real property is approximately 568.62 square metres (6,121 square feet). Retail shop units 2, 64 and 66 of the real property are held under 3 sets of Real Estate Ownership Certificates for a term expiring on 18 December 2064 for commercial and residential uses.	As advised by the Company, Shop Units 2, 64 and 66 are subject to various tenancies with the latest term expiring on 31 March 2016 at a total passing monthly rental of approximately RMB 13,203. Shop Unit 19 is currently occupied as the management office and Shop Unit 20 is used as motorbike parking space.	3,940,000 (Renminbi Three Million Nine Hundred and Forty Thousand) *(see note (ii))*

Notes:

(i) According to 3 sets of Real Estate Ownership Certificates (Yue Fang Di Zheng Zi Nos. C5116563-C5116565) of unit Nos. 2, 64 and 66, dated 14 February 2007 issued by the People's Government of Guangdong Province, the real properties with a total gross floor area of 324.7 square metres are held by 廣州星輝電子製造有限公司, 100% interest owned by the Company, for a term expiring on 18 December 2064 for commercial and residential uses.

(ii) In the course of our valuation, we have not attributed any commercial value to Units 19 and 20 having a total gross floor area of approximately 243.92 square metres, which have not been obtained the relevant long-term title certificates. However, for reference purpose, we are of the opinion that the market value of Units 19 and 20, assuming all relevant long-term title certificates had been obtained and the land premium has been settled in full and it could be freely transferred without payment of onerous fees, would be RMB2,350,000 as at the valuation date.

(iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, Guangdong Jinlian Law Firm, which contains, inter alia, the following:

a) The ownership of the shop units 2, 64 and 66 of the real property is entitled to 廣州星輝電子製造有限公司.

b) Shop units 2, 64 and 66 of the real property have not been secured or seized. They can be transferred legally.

c) Shop units 2, 64 and 66 are subject to various tenancy agreements. The tenancy agreements have not been registered. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department within a specific period of time. For those have not been registered, the relevant government department would order to rectify with a specific period of time. For those have not been rectified after the specific period, a fine less than RMB1,000 would be ordered for a person or a fine between RMB1,000 to RMB 10,000 would be ordered for a company. However, in reality, this is seldom to happen. Although 廣州星輝電子製造有限公司 has not applied for the registration in respect of the tenancy agreements, it does not affect the validity of the agreements and the tenancy agreements are still valid.

d) As advised by 廣州星輝電子製造有限公司, shop units 19 and 20 belong to 番禺富臨花園房地產有限公司, 100% interest owned by the Company. Shop unit 19 is currently used as management office while unit 20 is used for motorbike parking space. As the titleship of these two real properties has not been registered in the real estate management department, their titleship cannot be traced. Therefore, the actual titleship of these two real properties is not clear.

(iv) With regard to the penalty as mentioned in Note (iii) c) above, the amount is insignificant and, as advised in the above legal opinion, being fine due to such non-compliance is seldomly happened. In the course of valuation, we have not considered such penalty.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014 *(RMB)*
3.	Basement Level 1, Fulinyuan, No. 2 Lixin Avenue, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, The PRC	The real property comprises basement level 1 within a 5-storey building completed in about 2003. The real property is located at the western side of Qishan Road. The vicinity mainly comprises residential and industrial buildings. The gross floor area of the real property is approximately 5,886 square metres (63,357 square feet). The real property is held under a Real Estate Ownership Certificate for a term expiring on 18 December 2064 for residential use.	The real property is currently vacant.	No commercial value *(see note (iii))*

Notes:

(i) According to the Real Estate Ownership Certificate (Yue Fang Di Zheng Zi No.C5122151) issued by the People's Government of Guangdong Province, the real property is held by 番禺富臨花園房地產有限公司, 100% interest owned by the Company, for a term expiring on 18 December 2064 for residential use. As shown in the remarks of the certificate, the usage of the real property is for car park.

(ii) As advised by the Company, it is planned to renovate the real property and the estimated cost is about RMB5,890,000.

(iii) As advised by the Company, the business license of 番禺富臨花園房地產有限公司 has been revoked. We have not attributed any commercial value to the real property. For reference purpose, we are of the opinion that the market value of the real property would be RMB11,800,000 assuming that the business license of 番禺富臨花園房地產有限公司 has not been revoked and is valid and effective and that the real property could be freely transferred, leased and mortgaged legally without payment of any onerous fee.

(iv) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, Guangdong Jinlian Law Firm, which contains, inter alia, the following:

a) The ownership of the real property is entitled to 番禺富臨花園房地產有限公司.

b) The real property has not been secured or seized.

c) According to a record from the 廣州市工商行政管理局番禺分局 (translated as Guangzhou Administration Bureau for Industry and Commerce Panyu Branch), 番禺富臨花園房地產有限公司 has not conducted annual inspection according to the relevant regulations, thus the business license was revoked on 23 August 2011. Therefore, the qualification of operation of 番禺富臨花園房地產有限公司 has been cancelled and it can no longer be operate any business activities nor transfer, lease, mortgage the real property legally. If the business license has not been revoked, the real property can be leased, mortgaged and transferred legally.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014 *(RMB)*
4.	An Industrial Complex located at Section No. 1, Shiji Village, Shilian Road, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, The PRC	The real property comprises a parcel of land with a site area of approximately 9,400.4 square metres and 5 blocks of buildings (the "Buildings") and various structures erected thereon. The Buildings were completed in about 1988. The real property is located at the eastern side of Qishian Road. The vicinity mainly comprises residential and industrial buildings. The total gross floor area of the Buildings is approximately 16,656.53 square metres (179,291 square feet). Detailed breakdown is as follows:	As advised by the Company, the real property is leased for a term of 10 years expiring on 31 October 2021 at a monthly passing rent of approximately RMB258,469.21 as at the valuation date with 4% annual increase for the remaining lease term.	15,200,000 (Renminbi Fifteen Million and Two Hundred Thousand)

Building	No. of Blocks	No. of Storey	Gross Floor Area *(sq. m.)*
Workshop A	1	4	5,945.49
Workshop B	1	2	1,802.68
Godown	1	5	6,296.58
Staff Quarters	1	5	2,218.39
Office	1	3	393.39
Total	5		16,656.53

The various structures comprise boundary walls, internal road, greenery and etc.

The real property is held under 5 sets of Real Estate Ownership Certificates for land use rights terms expiring on 20 October 2053 for industrial use.

Notes:

(i) According to 5 sets of the Real Estate Ownership Certificates (Yue Fang Di Quan Zheng Sui Zi Nos. 0210194762, 0210194765-0210194768) issued by the Guangzhou Municipal Land Resources and Housing Administrative Bureau, the land use rights of the real property with a site area of approximately 9,400.4 square metres is held by 廣州星輝電子製造有限公司, 100% interest owned by the Company, for a term expiring on 20 October 2053 for industrial use and the Buildings are held by 廣州星輝電子製造有限公司.

(ii) Due to the uncertainties on the legality of the current retail usage by the tenant, we have not taken into account the rental income in the course of our valuation.

(iii) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, Guangdong Jinlian Law Firm, which contains, inter alia, the following:

a) The ownership of the real property is entitled to 廣州星輝電子製造有限公司.

b) The real property is subject to mortgage, but the real property is not subject to any charging order. The real property can be transferred legally when the mortgagor made repayment of the mortgage and the mortgage registration has been cancelled.

c) The real property is subject to a tenancy agreement. For this tenancy, the relevant parties of the tenancy agreement have applied for the registration in the relevant government department.

d) According to a maximum amount mortgage guarantee contract, the mortgage was set up after the tenancy agreement was signed. Therefore, the tenancy would not be affected by the mortgage and the new owner of the real property should continue to perform the tenancy agreement.

e) The permitted usage of the land is for industrial use. The tenant of the real property has subleased out the real property for commercial uses. According to relevant regulations, changing usage of the real property into commercial uses should be approved by the relevant government departments and subject to settlement with the required land premium. On the other hand, under a policy of '三舊改造' (translated as 'Three Olds Renewal') in the Guangdong Province, the real property is applicable to this policy to change the usage into commercial uses after obtaining the approval of such change of use with payment of land premium. According to the employee of 廣州星輝電子製造有限公司, no such application has been made. As the aforesaid policy is under implementation, the relevant government department, temporarily, would not take any actions against those enterprises who have changed the usage by themselves.

(iv) As 廣州星輝電子製造有限公司 has not applied for the change in the usage of the land, we have valued the subject real property on the original permitted usage as industrial use.

(v) As advised by the Company, the real property is subject to mortgage with a facilities amount of HK$50,000,000.

GROUP II - REAL PROPERTY HELD FOR OWNER OCCUPATION

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014 *(RMB)*
5.	An Industrial Complex located at No. 46 of Dalong Section, Shilian Road, Shiji Village, Shiji Town, Panyu District, Guangzhou City, Guangdong Province, The PRC	The real property comprises a parcel of land with a site area of approximately 38,214.8 square metres (411,344 square feet) and 7 blocks of buildings (the "Buildings") and various structures erected thereon. The Buildings were completed in between 1995 and 2005. The real property is located at the southern side of Shilian Road. The vicinity mainly comprises residential and industrial buildings. As advised by the Company, the total gross floor area of the Buildings is approximately 86,576.93 square metres (931,914 square feet). Detailed breakdown is as follows:	As advised by the Company, portions of the real property are subject to various tenancies with the latest term expiring on 31 July 2017 at a total monthly passing rental of approximately RMB607,662.90. The remaining portion of the real property is occupied as office, warehouse, workshop and staff quarters.	80,700,000 (Renminbi Eighty Million and Seven Hundred Thousand) *(see note (iii))*

Building	No. of Blocks	No. of Storey	Gross Floor Area *(sq. m.)*
Workshops	4	5	62,977.33
Dormitories	3	7	23,599.60
Total	7		86,576.93

The various structures comprise boundary walls, internal road, greenery and etc.

The real property is held under a State-owned Land Use Rights Certificate for land use rights term expiring on 20 August 2053 for industrial use.

Notes:

(i) According to a State-owned Land Use Rights Certificate (G08-001365) ("Certificate G08-001365") issued by the People's Government of Guangzhou City and dated 16 December 2003, the land use rights of the real property located at Section No. 1 Shiji Village of Shilian Road at Shiji Town, with a site area of approximately 38,214.8 square metres are held by 廣州星輝電子製造有限公司, 100% interest owned by the Company, for a term expiring on 20 August 2053 for industrial use. As advised by the Company, the real property address in the Certificate G08-001365 should be No. 46 of Dalong Section, Shilian Road, Shiji Village, Shiji Town.

(ii) According to 4 sets of the Real Estate Ownership Certificates (Yue Fang Di Zheng Zi Nos. 0622587, C0684646-C0684648) issued by the People's Government of Panyu District, 4 blocks of buildings with a total gross floor area of approximately 57,823.93 sq.m. are held by 廣州星輝電子製造有限公司.

(iii) In the course of our valuation, we have not attributed any commercial value to the 3 blocks of buildings having a total gross floor area of approximately 28,753 square metres, which have not obtained building ownership certificate(s). However, for reference purpose, we are of the opinion that the total depreciated replacement cost (excluding land) of these buildings, assuming all relevant building ownership certificate(s) had been obtained and the land premium has been settled in full and they could be freely transferred without payment of onerous fees, is RMB34,300,000 as at the valuation date.

(iv) We have been provided with a legal opinion regarding the real property by the Company's PRC legal advisor, Guangdong Jinlian Law Firm, which contains, inter alia, the following:

a) The ownership of the real property with ownership certificates is entitled to 廣州星輝電子製造有限公司.

b) The real property with ownership certificates has not been secured or seized. It can be transferred legally.

c) Portions of the real property are subject to various tenancy agreements. The tenancy agreements have not been registered. In accordance with relevant regulations, the tenancy agreements have to be registered in the real estate management department within a specific period of time. For those have not been registered, the relevant government department would order to rectify with a specific period of time. For those have not been rectified after the specific period, a fine less than RMB1,000 would be ordered for a person or a fine between RMB1,000 to RMB 10,000 would be ordered for a company. However, in reality, this is seldom to happen. Although 廣州星輝電子製造有限公司 has not applied for the registration in respect of the tenancy agreements, it does not affect the validity of the agreements and the tenancy agreements are still valid.

d) Pursuant to the Certificate G08-001365, the registered address is Section No. 1 Shiji Village of Shilian Road at Shiji Town, which is the registered address of Real Property No.4. According to a confirmation from 廣州星輝電子製造有限公司, Certificate G08-001365 is referring to the real property but not the Real Property No.4. In fact, according to the map attached to the Certificate G08-001365, it can identify that the Certificate G08-001365 is the land use rights certificate of the real property, as the title of the map is referring to the real property and the location shown is matched with the real property. The mistake on the registered address in the Certificate G08-001365 can be corrected at the housing administration department. Before correcting the certificate, as the Certificate G08-001365 is real, there would not be material effect on the owner in using the land.

(v) With regard to the penalty as mentioned in Note (iv) c) above, the amount is insignificant and, as advised in the above legal opinion, being fine due to such non-compliance is seldomly happened. In the course of valuation, we have not considered such penalty.

Set out below is a summary of certain provisions of the memorandum of association (the "Memorandum") and articles of association (the "Articles") of the Privateco which will be adopted on or before completion of the Distribution In Specie and of certain aspects of the BVI company law.

The Privateco was incorporated in the BVI on the 21st September 1989 as an International Business Company, governed by the International Business Companies Act (Cap 291) (the "IBC Act"), and was automatically re-registered as a BVI Business Company with limited liability on 1 January 2007 under the BVI Business Companies Act, 2004, as amended (the "**BVI Companies Act**"). The Memorandum and the Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that subject to the BVI Companies Act and any other BVI legislation, the Privateco has, irrespective of corporate benefit:

a. full capacity to carry on or undertake any business or activity, do any act or enter into any transaction; and

b. for the purposes of paragraph (a), full rights, powers and privileges.

(b) The Memorandum states, inter alia, that the liability of members of the Privateco is limited to the amount, if any, for the time being unpaid on the shares of the Privateco respectively held by them.

(c) The Privateco is authorized by the Memorandum to issue a maximum of 10,000 shares of a single class with par value of HK$1.00 each.

2. ARTICLES OF ASSOCIATION

(a) DIRECTORS

(i) Power to allot and issue shares and warrants

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

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

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

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

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

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

(iii) Compensation or payments for loss of office

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

(iv) Loans and provision of security for loans to Directors

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

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

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

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

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

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

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

(bb) any contract, transaction, arrangement or proposal for the giving by the Privateco of any security or indemnity to a third party in respect of a debt or obligation of the Privateco or any of its subsidiaries for which the Director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of or by the Privateco or any other company which the Privateco may promote or be interested in for subscription or purchase, where the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract, transaction, arrangement or proposal in which the Director is interested in the same manner as other holders of shares or debentures or other securities of the Privateco or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Privateco; or

(ee) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors and employees of the Privateco or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(vi) Remuneration

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

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

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

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

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

(vii) Retirement, appointment and removal

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

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

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

The office or director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Privateco at the registered office of the Privateco for the time being or tendered at a meeting of the board whereupon the board resolves to accept such resignation;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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

(viii) Borrowing powers

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

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

(ix) Proceedings of the Board

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

(x) Register of Directors and Officers

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

(b) ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

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

(c) ALTERATION OF CAPITAL

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

(i) combine its shares, including issued shares, into a smaller number of shares; or

(ii) sub-divide its shares, or any of them, into a greater number of shares,

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

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

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

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

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

(e) SPECIAL RESOLUTION-MAJORITY REQUIRED

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

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

(f) VOTING RIGHTS

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

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

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

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

(g) REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

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

(h) ACCOUNTS AND AUDIT

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

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

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

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

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

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

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

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

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

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

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

(a) the declaration and sanctioning of dividends;

(b) consideration and adoption of the accounts and balance sheet and the reports of the Directors and Auditors and other documents required to be annexed to the balance sheet;

(c) the election of Directors whether by rotation or otherwise in the place of those retiring;

(d) appointment of Auditors (where special notice of the intention for such appointment is not required by the BVI Companies Act) and other officers;

(e) the fixing of the remuneration of the Auditors, and the voting of remuneration or extra remuneration to the Directors;

(f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares in the capital of the Privateco representing not more than twenty per cent. (20%) in nominal value of its existing issued share capital; and

(g) the granting of any mandate or authority to the Directors to repurchase securities of the Privateco.

(j) TRANSFER OF SHARES

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

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

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

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

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

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

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

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

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

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

Subject to compliance with the rules and regulations any relevant regulatory authority, the Privateco may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Privateco.

(m) DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

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

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

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

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

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

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

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

(n) PROXIES

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

(o) FORFEITURE OF SHARES

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

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

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

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

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

(p) INSPECTION OF SHARE REGISTER

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

(q) QUORUM FOR MEETINGS AND SEPARATE CLASS MEETINGS

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

(r) UNTRACEABLE MEMBERS

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

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

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

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

(t) PROCEDURES ON LIQUIDATION

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

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

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

3. BVI COMPANY LAW

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

(a) Share Capital

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

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

(i) the right to one vote at a meeting of the members of the company or on any resolution of the members of the company;

(ii) the right to an equal share in any dividend paid in accordance with the BVI Companies Act; and

(iii) the right to an equal share in the distribution of the surplus assets of the company.

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

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

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

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

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

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

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

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

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

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

(a) where shares are purchased, redeemed; or otherwise acquired pursuant to a right of a member to have his shares redeemed or to have his shares exchanged for money or other property of the company;

(b) by virtue of the provisions of the BVI Companies Act in relation to the rights of dissenters under a redemption of minority shareholders, merger, consolidation, a disposition of assets, a compulsory redemption or an arrangement; or

(c) pursuant to an order of the BVI court.

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

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

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

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

(d) Protection of Minorities

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

(i) **Restraining or Compliance Orders:** if a company or a director of a company engages in, proposes to engage in or has engaged in, conduct that contravenes the BVI Companies Act or the company's memorandum and articles of association, the court may, on the application of a member or a director of the company, make an order directing the company or its director to comply with, or restraining the company or director from engaging in conduct that contravenes, the BVI Companies Act or the company's memorandum and articles of association;

(ii) **Derivative Actions:** the court may, on the application of a member of a company, grant leave to that member to:

(aa) bring proceedings in the name and on behalf of that company; or

(bb) intervene in proceedings to which the company is a party for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company; and

(iii) **Unfair Prejudice Remedies:** a member of a company who considers that the affairs of the company have been, are being or are likely to be, conducted in a manner that is, or any acts of the company have been, or are, likely to be oppressive, unfairly discriminatory, or unfairly prejudicial to him, may apply to the court for an order and, if the court considers that it is just and equitable to do so, it may make such order as it thinks fit, including, without limitation, one or more of the following orders:

(aa) in the case of a shareholder, requiring the company or any other person to acquire the shareholder's shares;

(bb) requiring the company or any other person to pay compensation to the member;

(cc) regulating the future conduct of the company's affairs;

(dd) amending the memorandum or articles of association of the company;

(ee) appointing a receiver of the company;

(ff) appointing a liquidator of the company under section 159(1) of the Insolvency Act;

(gg) directing the rectification of the records of the company; and (hh) setting aside any decision made or action taken by the company or its directors in breach of the BVI Companies Act or the company's memorandum and articles of association.

(iv) **Representative Actions:** a member is able to bring an action against the company for a breach of a duty owed by the company to member in his capacity as a member. Where a member brings such an action and other members have the same (or substantially the same) action against the company, the court may appoint the first member to represent all or some of the members having the same interest and may make an order:

(aa) as to the control and conduct of the proceedings;

(bb) as to the costs of the proceedings; and

(cc) directing the distribution of any amount ordered to be paid by a defendant in the proceedings among the members represented.

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

(i) a merger;

(ii) a consolidation;

(iii) any sale, transfer, lease, exchange or other disposition of more than 50% of the assets or business of the company if not made in the usual or regular course of the business carried on by the company but not including:

(aa) a disposition pursuant to an order of the court having jurisdiction in the matter;

(bb) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interests within one (1) year after the date of disposition; or

(cc) a transfer pursuant to the power of the directors to transfer assets for the protection thereof;

(iv) a redemption of 10% or less of the issued shares of the company required by the holders of 90% or more of the shares of the company pursuant to the terms of the BVI Companies Act; and

(v) an arrangement, if permitted by the court.

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

(e) Dividends and distributions

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

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

(f) Management

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

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

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

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

(g) Amendment of Constitutional Document

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

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

(ii) that a resolution passed by a specified majority of members, greater than 50%, is required to amend the memorandum or articles of association or specified provisions of the memorandum or articles of association; and

(iii) that the memorandum or articles of association, or specified provisions of the memorandum or articles of association, may be amended only if certain specified conditions are met.

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

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

(i) a notice of amendment in the approved form; or

(ii) a restated memorandum or articles incorporating the amendment made.

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

(h) Accounting requirements

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

(i) Exchange control

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

(j) Loans to and transactions with directors

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

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

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

(i) the transaction or proposed transaction is between the director and the company; and

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

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

(k) Taxation in the BVI

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

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

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

(l) Stamp duty on transfer

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

(m) Inspection of corporate records

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

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

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

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

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

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

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

(n) Winding up

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

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

(i) make a declaration of solvency in the approved form stating that, in their opinion, the company is and will continue to be able to discharge, pay or provide for its debts as they fall due; and the value of the company's assets equals or exceeds its liabilities; and

(ii) approve a liquidation plan specifying:

(aa) the reasons for the liquidation of the company;

(bb) their estimate of the time required to liquidate the company;

(cc) whether the liquidator is authorised to carry on the business of the company if he determines that to do so would be necessary or in the best interests of the creditors or members of the company;

(dd) the name and address of each individual to be appointed as liquidator and the remuneration proposed to be paid to each liquidator; and

(ee) whether the liquidator is required to send to all members a statement of account prepared or caused to be prepared by the liquidator in respect of his actions or transactions.

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

(aa) it is made on a date no more than four weeks earlier than the date of the resolution to appoint a voluntary liquidator; and

(bb) it has attached to it a statement of the company's assets and liabilities as at the latest practical date before the making of the declaration.

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

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

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

(i) by a resolution of the directors; or

(ii) by a resolution of the members.

(o) Reconstructions

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

(p) Compulsory acquisition

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

(q) Indemnification

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

4. GENERAL

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

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in the circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, section 341 of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company were as follows:

(a) Long position in the Shares

Name	Capacity/Nature of interest	Number of Shares interested	Percentage of the issued share capital of the Company
Lau Sak Hong, Philip	Beneficial owner	204,283,551	10.15%
	Interest in a controlled corporation *(Note 1)*	5,697,497	0.28%
	Interest in a controlled corporation *(Note 2)*	18,180,747	0.90%
	Held by trust *(Note 3)*	304,415,473	15.12%
	Interest of spouse	14,950,000	0.74%
Lau Sak Kai, Anthony	Beneficial owner	73,148,904	3.63%
Lau Sak Yuk, Andy	Beneficial owner	70,473,402	3.50%

Name	Capacity/Nature of interest	Number of Shares interested	Percentage of the issued share capital of the Company
Lau Chu Lan, Carol	Beneficial owner	15,344,483	0.76%
Hon Sheung Tin, Peter	Beneficial owner	372,181	0.02%
Chuck Winston Calptor	Beneficial owner	770,000	0.04%
	Interest in a controlled corporation *(Note 4)*	616,000	0.03%

Notes:

1. These Shares are held by K.K. Nominees Limited, a company which is wholly and beneficially owned by Mr. Lau Sak Hong, Philip.

2. These Shares are held by Wincard Management Services Limited, a company which is 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.

3. These Shares are wholly and beneficially owned directly or indirectly by Philip Lau Holding Corporation, a company beneficially owned by a discretionary trust, the discretionary objects of which include Mr. Lau Sak Hong, Philip and his associates.

4. These 616,000 Shares are held by Gather Profit Corporate Services Limited which is a company incorporated in the BVI and is wholly beneficially owned by Ms. Kung King Man, Inna, being the wife of Mr. Chuck Winston Calptor. Mr. Chuck Winston Calptor therefore is deemed to be interested in these 616,000 Shares.

(b) Long position in the shares and underlying shares of The Singing Machine Company, Inc. ("SMC"), an associated corporation of the Company

At the Latest Practicable Date, the following Directors had interests in the shares and underlying shares of SMC:

Name	Number of shares	Number of underlying shares in respect of options	Aggregate percentage of issued share capital of SMC as at the Latest Practicable Date
Lau Chu Lan, Carol	68,857	40,000	0.29%
Hon Sheung Tin, Peter	68,857	40,000	0.29%

Note: These shares and options are held by the Directors as beneficial owners.

Save as disclosed in this paragraph, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest which any such Director was taken or deemed to have under section 344 of the SFO) or which were required, pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, Shareholders (other than Directors or chief executives of the Company) who had, or were deemed or taken to have, an interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital:

Long position in the Shares

Name	Capacity/Nature of interest	Number of Shares interested	Percentage of the issued share capital of the Company
The Offeror *(Note 1)*	Beneficial owner	1,512,804,872	75.14%
Hong Kong Shihua *(Note 2)*	Interest in controlled corporations	1,512,804,872	75.14%
Liaoning Shihua Property *(Note 2)*	Interest in controlled corporations	1,512,804,872	75.14%
Mr.Wang Jing *(Note 2)*	Interest in controlled corporations	1,512,804,872	75.14%
Ms. Hu Bao Qin *(Note 2)*	Interest of spouse	1,512,804,872	75.14%
Lau Shek Yuen	Beneficial owner	350,794,813	17.42 %
Philip Lau Holding Limited	Beneficial owner	304,415,473	15.12%
Lee Yu Chiang	Beneficial owner	42,140,878	2.09%

Note:

1. These interests represent (i) an interest in 1,076,758,361 Shares, representing approximately 53.5% of the issued share capital of the Company as at the Latest Practicable Date, that the Offeror has conditionally agreed to acquire pursuant to the Sale and Purchase Agreement; and (ii) an interest in respect of 436,046,511 underlying Shares, representing approximately 21.7% of the issued share capital of the Company as at the Latest Practicable Date, issuable to the Offeror upon the conversion of the Convertible Bonds. The Offeror is wholly owned by Hong Kong Shihua.

2. The Offeror is wholly-owned by Hong Kong Shihua, which is in turn beneficially and wholly owned by Liaoning Shihua Property. Liaoning Shihua Property is controlled by Mr. Wang Jing and his family. Ms. Hu Bao Qin is the spouse of Mr. Wang Jing. Therefore, each of Hong Kong Shihua, Liaoning Shihua Property, Mr. Wang Jing and Ms. Hu Bao Qin is deemed to be interested in the Shares held by the Offeror.

Save as disclosed in this paragraph, as at the Latest Practicable Date, there was no person known to the Directors or the chief executive of the Company other than Directors or the chief executive of the Company, who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed in paragraph 2(a) above under the section headed "Disclosure of Interests of Directors", none of the Directors, and save as disclosed in this section and to the best knowledge of the Directors after having made due enquiries with the Offeror, none of the proposed directors of the Company who are nominated by the Offeror, as at the Latest Practicable Date, is a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE COMPANY

Save as disclosed in this circular, as at the Latest Practicable Date:

(a) none of the Directors had any direct or indirect interest in any assets which had been, since the date to which the latest published audited accounts of the Company were made up (being 31 March 2013), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any members of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

5. LITIGATION

As at the Latest practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Company and no litigation, arbitration or claim which would materially and adversely affect the operations of the Company is known to the Directors to be pending or threatened by or against any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group. As informed by the Offeror, there were no proposed Directors as at the Latest Practicable Date.

7. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Group, were entered into by the Group within two years immediately preceding the Latest Practicable Date and which are or may be material:

(a) the CB Subscription Agreement.

8. QUALIFICATION AND CONSENTS OF EXPERTS

(a) The following is the qualification of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Conyers Dill & Pearman	BVI legal advisers
Deloitte Touche Tohmatsu	Certified public accountants
Fulbright Capital	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
GF Capital	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Greater China Appraisal Limited	Independent property valuer
Guangdong Jinlian Law Firm	PRC legal advisers

(b) As at the Latest Practicable Date, save as disclosed in this circular, each of Conyers Dill & Pearman, Deloitte Touche Tohmatsu, Fulbright Capital, GF Capital, Greater China Appraisal Limited and Guangdong Jinlian Law Firm had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) Each of Conyers Dill & Pearman, Deloitte Touche Tohmatsu, Fulbright Capital, GF Capital, Greater China Appraisal Limited and Guangdong Jinlian Law Firm has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear respectively.

(d) As at the Latest Practicable Date, each of Conyers Dill & Pearman, Deloitte Touche Tohmatsu, Fulbright Capital, GF Capital, Greater China Appraisal Limited and Guangdong Jinlian Law Firm did not have any interest, direct or indirect, in any assets which have been, since 31 March 2013, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.

9. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

10. MISCELLANEOUS

(a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

(b) The head office and principal place of business of the Company is at 5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong.

(c) The share registrar and transfer office of the Company is Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Mr. Lo Tai On. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants.

(e) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong on weekdays (Saturdays and public holidays excepted) from the date of this circular up to and including 16 June 2014:

(a) the CB Subscription Agreement;

(b) the memorandum of association and bye-laws of the Company;

(c) the annual reports of the Company for the last two financial years ended 31 March 2013;

(d) the interim report of the Company for the six month period ended 30 September 2013;

(e) the memorandum of association and the form of articles of association of the Privateco to be adopted on or before completion of the Group Restructuring;

(f) the letter from the Independent Board Committee, the text of which is set out on pages 58 to 59 of this circular;

(g) the letter from Fulbright Capital, the text of which is set out on pages 60 to 102 of this circular;

(h) the accountant's report of the SIH Group for the three years ended 31 March 2013, the text of which is set out in Appendix IIIA to this circular;

(i) the review report of the SIH Group for the eight months ended 30 November 2013, the text of which is set out in Appendix IIIB to this circular;

(j) the unaudited pro forma financial information of the Privateco Group, the text of which is set out in Appendix IIIC to this circular;

(k) the report from Deloitte Touche Tohmatsu on unaudited profit estimate of the SIH Group, the text of which is set out in Appendix IIID to this circular;

(l) the report from Fulbright Capital on unaudited profit estimate of the SIH Group, the text of which is set out in Appendix IIIE to this circular

(m) the accountants' report of the Scheme Subsidiaries for the three years ended 31 March 2013, the text of which is set out in Appendix IVA to this circular;

(n) the review report of the Scheme Subsidiaries for the three years ended 31 March 2013 and the eight months ended 30 November 2013, the text of which is set out in Appendix IVB to this circular;

(o) the unaudited proforma financial information of the Remaining Group and Privateco Group, the test of which is set out in Appendix IVC to this circular;

(p) the report from Deloitte Touche Tohmatsu on unaudited profit estimate of the Scheme Subsidiaries, the text of which is set out in Appendix IVD to this circular;

(q) the report from GF Capital on unaudited profit estimate of the Scheme Subsidiaries, the text of which is set out in Appendix IVE to this circular;

(r) the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix V to this circular;

(s) the report from Deloitte Touche Tohmatsu on the Statement, the text of which is set out in Appendix VIIA to this circular;

(t) the report from GF Capital on the Statement, the text of which is set out in Appendix VIIB to this circular;

(u) the valuation report for properties held by the Distributed Subsidiaries, the text of which is set out in Appendix VIIIA to this circular;

(v) the valuation report for properties held by the Scheme Subsidiaries, the text of which is set out in Appendix VIIIB to this circular;

(w) the letter from Conyers Dill & Pearman as referred to in Appendix IX to this circular summarising certain aspects of BVI company law, together with a copy of the BVI Business Companies Act, 2004, as amended (as amended);

(x) the written consents of the experts as referred to in the section headed "Qualification and consents of experts" in this appendix; and

(y) this circular.

STARLITE

STARLIGHT INTERNATIONAL HOLDINGS LIMITED
升岡國際有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 485)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Starlight International Holdings Limited (the "**Company**") will be held at 5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong on 16 June 2014 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the terms of the subscription agreement dated 30 January 2014 (the "**CB Subscription Agreement**") entered into between the Company and Achieve Prosper Capital Limited as the subscriber (the "**Offeror**") (details relating to the CB Subscription Agreement are set out in the circular of the Company dated 24 May 2014 (the "**Circular**") and a copy of the CB Subscription Agreement marked "**A**" has been produced to the SGM and initialled by the chairman of the SGM for the purpose of identification), be and are hereby ratified, confirmed and approved;

(b) the creation and issue by the Company, pursuant to the CB Subscription Agreement, of the maximum principal amount of HK$75,000,000 of its 3% convertible bonds due on the third anniversary of the date of issue of the convertible bonds (the "**Convertible Bonds**") to the Offeror, be and are hereby approved;

(c) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in the New Shares (as defined below) to be allotted and issued upon the conversion of the Convertible Bonds, the directors of the Company (the "**Directors**") be and are hereby granted a specific mandate (the "**Specific Mandate**") to allot and issue, credited as fully paid, a maximum of 436,046,511 ordinary shares of HK$0.10 each (the "**New Shares**") in the capital of the Company as may be required to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds at an initial conversion price of HK$0.1720 per share of HK$0.10 each in the capital of the Company (the "**Share**") (subject to adjustment pursuant to the terms and conditions of the Convertible Bonds), on and subject to the terms and conditions of the Convertible Bonds, provided that the Specific Mandate shall be in addition to and shall not prejudice nor revoke the existing general

* *for identification purpose only*

mandate granted to the Directors by the shareholders of the Company (the "**Shareholders**") in the annual general meeting of the Company held on 26 August 2013;

(d) all transactions contemplated under the CB Subscription Agreement and in connection with the issue of the Convertible Bonds (collectively referred to as the "**Transactions**") be and are hereby approved; and

(e) the Directors be and are hereby authorised to do all such acts and things and sign and execute all such documents as they consider necessary or expedient in connection with the CB Subscription Agreement, the issue of the Convertible Bonds, the allotment and issue of the New Shares upon conversion of the Convertible Bonds and/or to give effect to the terms of, or the Transactions contemplated by, the CB Subscription Agreement."

2. "**THAT**:

(a) transfer of all the equity interests in Dual Success Holdings Limited together with its subsidiaries by the Company to a company wholly-owned by the Administrators (as defined in paragraph (c) of this resolution), and execution by the Company of all necessary transfer documentations as may be reasonably requested by the Administrators to effect such transfer, be and are hereby approved;

(b) the Directors be and are hereby authorised to do all acts and things and execute all documents or make such arrangement as they may determine to be appropriate, necessary or desirable to give effect to or to implement the foregoing; and

(c) for the purpose of this resolution:

"Administrators" means the administrators sanctioned by the courts of Hong Kong and Bermuda in respect of the scheme of arrangement for the Company pursuant to Section 670 of the Hong Kong Companies Ordinance, and pursuant to Section 99 of The Companies Act 1981 of Bermuda."

3. "**THAT**:

(a) the framework purchase agreement to be entered into between SIH Limited (the "**Privateco**") and Treasure Green Holdings Limited ("**Treasure Green**") (the "**Framework Purchase Agreement**", a copy of which marked "**B**" has been produced to the SGM and initialled by the chairman of the SGM for the purpose of identification) in respect of the supply of certain existing models of electronic products by the Privateco and its subsidiaries to Treasure Green and its subsidiaries for a term commencing from the date of completion of the Distribution In Specie (as defined below) up to and including 31 March 2015 with a maximum value of the orders for the period concerned under the Framework Purchase Agreement not exceeding HK$150 million, and the transactions contemplated thereunder, be and are hereby approved;

(b) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all documents and to take such steps as they consider necessary, desirable or expedient to give effect to or in connection with the Framework Purchase Agreement (including but not limited to entering into any supplemental or variation agreement thereto) and the transactions contemplated thereunder."

To consider and if thought fit, passing the following resolution as special resolutions:

SPECIAL RESOLUTION

4. "**THAT**:

(a) conditional on the compliance by the Company with the relevant legal and regulatory procedures and requirements under Bermuda laws and bye-laws of the Company ("**Bye-Laws**") to effect the Share Premium Reduction (as defined below), with effect from the Business Day (as defined in the Circular) immediately following the date of the passing of this resolution:

(i) the entire sum standing to the credit of the share premium account of the Company as at 16 June 2014 which amounted in the range of HK$146,000,000 to HK$148,000,000 be reduced to nil and the entire amount of the credit arising from the Share Premium Reduction be transferred to the contributed surplus account of the Company (the "**Contributed Surplus Account**") within the meaning of the Companies Act 1981 of Bermuda (as amended from time to time) (the "**Share Premium Reduction**"); and

(ii) the Directors be and are hereby authorised to apply the amount standing to the credit of the Contributed Surplus Account in any manner permitted by the applicable laws of Bermuda and the Bye-Laws, including, but not limited to effecting, as applicable, the Distribution In Specie (as defined below); and

(iii) the Directors be and are hereby authorised to take all actions and execute all such documents on behalf of the Company in accordance with the Bye-Laws, including under seal where necessary, as they may consider necessary, desirable or expedient to give effect to the foregoing in respect of the Share Premium Reduction and/or any of the transactions contemplated thereunder;

(b) conditional upon the completion of the Share Premium Reduction in resolution no. 4(a) above and the passing of the ordinary resolution by the shareholders of the Privateco to approve a sub-division of each authorized issued and unissued shares of the Privateco of par value of HK$1.00 each to 100 shares of the Privateco of par value of HK$0.01 each (the "**New Privateco Shares**"), increase of the maximum number of the New Privateco

Shares, and the allotment and issue of the New Privateco Shares the distribution in specie in the following manner (the "**Distribution In Specie**") be and is hereby approved:

(i) subject to (ii) below, the ordinary shares of HK$0.01 each in the capital of the Privateco (the "**New Privateco Shares**") held by the Company will be distributed to the Shareholders whose names appear on the register of members of the Company as at the close of business of a record date (the "**Record Date**") as determined by the Directors, which shall be a date falling after the SGM but before the date of completion of the sale and purchase of an aggregate of 1,076,758,361 Shares pursuant to a conditional sale and purchase agreement dated 30 January 2014 (as supplemented by a supplemental agreement dated 21 March 2014 and a second supplemental agreement dated 19 May 2014) entered into between 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 as the vendors and the Offeror as the purchaser, on a one-for-one basis (i.e. one New Privateco Share for one Share held by such Shareholders) by applying a sufficient amount standing to the credit of the Contributed Surplus Account or other distributable reserve accounts of the Company equivalent to the carrying value in the books of account of the Privateco and its subsidiaries, it being noted that the Directors have determined that the Company is or would be, after the distribution is made, able to pay its debts as they fall due in the ordinary course of its business, or the realizable value of the Company's assets would not be thereby less than its liabilities in accordance with the applicable laws of Bermuda;

(ii) for those overseas Shareholders whose names appear on the register of members of the Company as at the close of business of the Record Date but to whom the Directors, based on enquiries made with its lawyers, consider it necessary or expedient not to offer the New Privateco Shares to them under the Distribution In Specie (the "**Excluded Overseas Shareholders**"), arrangement will be made for the New Privateco Shares which would otherwise be distributed to the Excluded Overseas Shareholders to be held by a person to be authorized by the Directors and that person will sell such New Privateco Shares to Fairy King Prawn Holdings Limited at HK$0.061 per New Privateco Share for the benefits and accounts of such Excluded Overseas Shareholders; and

(iii) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all documents on behalf of the Company in accordance with the Bye-Laws, including under seal where necessary, and to take such steps as they consider necessary, desirable or expedient to give effect to or in connection with the foregoing in respect of the Distribution In Specie and/or the transactions contemplated thereunder."

By Order of the Board
Starlight International Holdings Limited
Lau Sak Hong, Philip
Chairman

Hong Kong, 24 May 2014

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal place of business in Hong Kong:
5th Floor
Shing Dao Industrial Building
232 Aberdeen Main Road
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company but must attend the meeting in person to represent the member.

2. A form of proxy for use at the SGM is enclosed herewith. Whether or not you intend to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.

3. To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the head office and principal place of business of the Company at 5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof

4. In the case of joint holders of shares, any one of such holders may attend and vote at the SGM or its adjourned meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the SGM or its adjourned meeting, either personally or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

5. All the resolutions are to be voted by way of poll.

6. The Board of the Company comprises 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.