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 you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in 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 manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

STARLITE

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

(incorporated in Bermuda with limited liability)

(Stock Code: 485)

(1) PROPOSED CAPITAL REORGANISATION; (2) PROPOSED OPEN OFFER OF NOT LESS THAN 628,071,062 OFFER SHARES AND NOT MORE THAN 642,675,862 OFFER SHARES AT HK$0.12 PER OFFER SHARE PAYABLE IN FULL ON ACCEPTANCE (ON THE BASIS OF FOUR OFFER SHARES FOR EVERY FIVE ADJUSTED SHARES HELD); AND (3) CHANGE IN BOARD LOT SIZE

Independent Financial Adviser
to the Independent Board Committee and
the Independent Shareholders

VC CAPITAL LIMITED
滙盈融資有限公司

A letter of advice from the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 28 to 44 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 27 of this circular.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" on pages 8 to 9 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Open Offer will not proceed.

A notice convening the SGM to be held at 5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong at 10:00 a.m. on 23 June 2010 is set out on pages 131 to 134 of this circular. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

31 May 2010

* *for identification purpose only*

EXPECTED TIMETABLE

Dates or deadlines specified in this circular for events in the timetable for (or otherwise in relation to) the Open Offer is indicative only and may be extended or varied by agreement between the Company and the Underwriter, and subject to the approval by the Stock Exchange of such amendments. Any consequential changes to the expected timetable will be published or notified to Shareholders appropriately.

	2010
Last day of dealings in Existing Shares on a cum-entitlement basis	Friday, 11 June
Commencement of dealings in Existing Shares on an ex-entitlement basis	Monday, 14 June
Latest time for lodging transfer of Existing Shares in order to be qualified for the Open Offer	4:30 p.m. on Tuesday, 15 June
Closure of register of members to determine the eligibility of the Open Offer (both dates inclusive)	Thursday, 17 June to Wednesday, 23 June
Latest time for lodging proxy forms for the SGM	10:00 a.m. on Monday, 21 June
Expected date of SGM	10:00 a.m. on Wednesday, 23 June
Announcement of results of SGM	Wednesday, 23 June
Effective date and time of the Capital Reorganisation and Change in Board Lot Size	5:00 p.m. on Wednesday, 23 June
Record Date and Time for the Open Offer	5:30 p.m. on Wednesday, 23 June
Commencement in dealings in the Adjusted Shares in new board lot size of 10,000 Adjusted Shares	9:30 a.m. on Thursday, 24 June
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of Adjusted Shares	Thursday, 24 June
First day of free exchange of certificates for Existing Shares into new certificates for the Adjusted Shares	Thursday, 24 June
Register of members re-opens	Thursday, 24 June

Despatch of the Prospectus Documents	Tuesday, 29 June
Latest time for acceptance of, and payment of Offer Shares	4:00 p.m. on Wednesday, 14 July
Latest time for the Open Offer to become unconditional	4:00 p.m. on Friday, 16 July
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of Adjusted Shares	Friday, 16 July
Announcement of results of acceptance of the Offer Shares	Monday, 19 July
Despatch of share certificates for Offer Shares	Wednesday, 21 July
Dealings in Offer Shares commence	9:30 a.m. Friday, 23 July
Last day of free exchange of certificates for Existing Shares into new certificates for the Adjusted Shares	Tuesday, 3 August

Note: All references to time in this circular are references to Hong Kong time.

EFFECT OF BAD WEATHER ON THE LATEST ACCEPTANCE DATE

If there is:

1. a tropical cyclone warning signal number 8 or above, or

2. a "black" rainstorm warning

   (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 14 July 2010, the Latest Acceptance Date will not take place at 4:00 p.m. on Wednesday, 14 July 2010, but will be extended to 5:00 p.m. on the same day instead;

   (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 14 July 2010, the Latest Acceptance Date will not take place at 4:00 p.m. on Wednesday, 14 July 2010, but will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Acceptance Date does not take place on Wednesday, 14 July 2010, the dates mentioned in the section headed "Expected timetable" in this circular may be affected. An announcement will be made by the Company in such event.

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In this circular, unless the context otherwise requires, the following words and expressions have the following meanings:

"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Adjusted Shares"	the ordinary share(s) of HK$0.10 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
"Announcement"	the announcement of the Company dated 10 May 2010 in relation to, among other matters, the proposed Open Offer, the proposed Capital Reorganisation, the proposed Change in Board Lot Size
"Application Form(s)"	the form(s) of application for use by the Qualifying Shareholders to apply for the Offer Shares
"Associated Companies"	together, K.K. Nominees Limited, Wincard Management Services Limited and Philip Lau Holding Corporation
"associates"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday, Sunday, public holidays) on which banks are open for general banking business in Hong Kong
"Bye-Laws"	the bye-laws of the Company
"Capital Reduction"	the proposal for the reduction of the par value of the issued Shares from HK$0.40 each to HK$0.10 each by cancelling HK$0.30 of the paid-up capital on each issued Share
"Capital Reorganisation"	the Capital Reduction and the Share Subdivision
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Change in Board Lot Size"	change in board lot size for trading in the Shares from 2,500 Existing Shares to 10,000 Adjusted Shares upon the Capital Reorganisation becoming effective
"Company"	Starlight International Holdings Limited, a company incorporated in Bermuda with limited liability, whose issued Existing Shares are listed on the Stock Exchange

"Companies Act"	the Companies Act 1981 of Bermuda, as amended, supplemented or otherwise modified from time to time
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Excluded Overseas Shareholders"	the Overseas Shareholder(s) whose address is/are in a place outside Hong Kong where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it necessary or expedient 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 not to offer the Offer Shares to such Shareholders
"Executive"	Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s)
"Existing Shares"	the ordinary share(s) of HK$0.40 each in the existing share capital of the Company, before the completion of the Capital Reorganisation
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent board committee comprising all non-executive Directors, who have no direct or indirect interest in the Open Offer, namely Mr. Ho Hau Chong, Norman, Mr. Chan Chak Chung and Mr. Chuck Winston Calptor, formed for advising the Independent Shareholders, to advise the Independent Shareholders in relation to the Open Offer
"Independent Financial Adviser" or "VC Capital"	VC Capital Limited, a corporation licensed 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 as to whether the terms of the Open Offer are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and advise the Independent Shareholders as to how to vote at the SGM

"Independent Shareholders"	Shareholders other than Mr. Philip Lau, the Associated Companies, Mr. Anthony Lau, Mr. Andy Lau, the parties acting in concert with each of them, the Underwriters and any other persons who are involved in, or interested in, the Open Offer and their associates
"Independent Third Party"	third party independent of the Company and its connected persons (as defined in the Listing Rules)
"Latest Acceptance Date"	being 4:00 p.m. Wednesday, 14 July 2010 or such other date and/or time as Underwriter A (for and on behalf of the Underwriters) and the Company may agree as the latest date for acceptance and payment in respect of provisional allotments under the Open Offer
"Latest Practicable Date"	28 May 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
"Latest Time for Termination"	being 4:00 p.m. on Friday, 16 July 2010, or such other time as may be agreed between the Company and the Underwriters
"Last Trading Day"	7 May 2010, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Andy Lau"	Mr. Lau Sak Yuk, Andy, an executive Director
"Mr. Anthony Lau"	Mr. Lau Sak Kai, Anthony, an executive Director
"Mr. Philip Lau"	Mr. Lau Sak Hong, the chairman of the Company and an executive Director
"Offer Share(s)"	not less than 628,071,062 Adjusted Shares but not more than 642,675,862 Adjusted Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of four Offer Shares for every five Adjusted Shares held on the Record Date and Time pursuant to the Open Offer

"Open Offer"	the proposed issue of Offer Shares at a price of HK$0.12 per Offer Share on the basis of four Offer Shares for every five Adjusted Shares held on the Record Date and Time pursuant to the Open Offer
"Overseas Shareholders(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and Time and whose address(es) as shown on such register is(are) outside Hong Kong
"Polaroid License"	the license rights granted pursuant to the agreement dated 22 March 2010 signed between Starlight Marketing (HK) Ltd. and PLR IP Holdings, LLC
"Prospectus"	the prospectus to be issued by the Company in relation to the Open Offer
"Prospectus Documents"	the Prospectus and the application form for acceptance of the Offer Shares
"Prospectus Posting Date"	29 June 2010 or such later date as may be agreed between the Company and the Underwriters for the despatch of the Prospectus Documents
"Qualifying Shareholder(s)"	Shareholder(s), other than the Excluded Overseas Shareholders
"Record Date and Time"	5:30 p.m. on 23 June 2010, the record date and time whereat entitlements to the Offer Shares will be determined
"Registrar"	Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, being the Company's Hong Kong branch share registrar
"SFC"	The Securities and Futures Commission in Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, approve inter alia, the Capital Reorganisation and the Open Offer
"Shareholder(s)"	holder(s) of the Shares

"Share(s)"	the Existing Share(s) and/or the Adjusted Share(s), as the case may be
"Share Option(s)"	the option(s) granted by the Company to subscribe for Existing Shares pursuant to the Share Option Schemes
"Share Option Schemes"	the share option schemes of the Company adopted on 12 September 2002 and 15 January 2008
"Share Subdivision"	the subdivision of each unissued Share of HK$0.40 each into 4 Adjusted Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price for the Offer Shares, being HK$0.12 per Offer Share
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC
"Underwriter A"	Mr. Chu Tai On, a Hong Kong citizen, who is independent of and not connected with the Company and its connected persons
"Underwriter B"	Mr. Yu Kam Ching, Peter, a Hong Kong citizen, who is independent of and not connected with the Company and its connected persons
"Underwriter C"	Mr. Chow, Stephen Wing Cheung, a Hong Kong citizen, who is independent of and not connected with the Company and its connected persons
"Underwriter D"	Mr. Fan Shi Hoo, a Hong Kong citizen, who is independent of and not connected with the Company and its connected persons
"Underwriter E"	Mr. Ng Kam Ching, a Hong Kong citizen, who is independent of and not connected with the Company and its connected persons

"Underwriters"	together Underwriter A, Underwriter B, Underwriter C, Underwriter D and Underwriter E
"Underwriting Agreement"	the underwriting agreement dated 7 May 2010 in relation to the Open Offer entered into among the Company and the Underwriters, and Mr. Lau Sak Hong
"Underwritten Shares"	not less than 341,383,695 Offer Shares and not more than 355,988,495 Offer Shares, being the number of the Offer Shares undertaken to be taken up or procured to be taken up by the Underwriters less the number of the Offer Shares undertaken to be taken up or procured to be taken up by Mr. Philip Lau
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	percent.

The following information is derived from, and should be read in conjunction with, the full text of this circular.

Basis of the Open Offer	:	Four Offer Shares for every five Adjusted Shares held on the Record Date and Time
Subscription Price	:	HK$0.12 per Offer Share payable in full upon acceptance
Number of Existing Shares in issue as at the Latest Practicable Date	:	785,088,828 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	:	Not less than 785,088,828 Adjusted Shares (assuming all the outstanding Share Options are not exercised on or before the Record Date and Time) and not more than 803,344,828 Adjusted Shares (assuming all the outstanding Share Options are exercised on or before the Record Date and Time)
Number of Offer Shares	:	Not less than 628,071,062 Offer Shares but not more than 642,675,862 Offer Shares (assuming all the outstanding Share Options are exercised on or before the Record Date and Time)

TERMINATION OF THE UNDERWRITING AGREEMENT

It should be noted that the Underwriting Agreement contains provisions granting Underwriter A on behalf of the Underwriters the right to terminate the Underwriting Agreement, which may be exercised by Underwriter A at any time prior to the Latest Time for Termination, if there occurs any of the following events:

(1) in the reasonable opinion of Underwriter A, the success of the Open Offer would be materially and adversely affected by:

(a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction of trading in securities) occurs which in the reasonable opinion of the Underwriters is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

(3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriters will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

(4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this circular, the circular or the prospectus documents or other announcements or circulars in connection with the Open Offer.

If, prior to the Latest Time for Termination:

(a) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriters; or

(b) any specified event described in the Underwriting Agreement comes to the knowledge of the Underwriters,

Underwriter A on behalf of the Underwriters shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If Underwriter A on behalf of the Underwriters gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of all the Underwriters under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement, the 1.5% underwriting commissions described above shall not be payable to the Underwriters, and the Open Offer will not proceed.

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

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

Executive Directors:
Mr. Lau Sak Hong, Philip
Mr. Lau Sak Kai, Anthony
Mr. Lau Sak Yuk, Andy

Non-executive Director
Mr. Hon, Sheung Tin Peter

Independent non-executive Directors:
Mr. Ho Hau Chong, Norman
Mr. Chan Chak Chung
Mr. Winston Calptor Chuck

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

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

31 May 2010

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED CAPITAL REORGANISATION; (2) PROPOSED OPEN OFFER OF NOT LESS THAN 628,071,062 OFFER SHARES AND NOT MORE THAN 642,675,862 OFFER SHARES AT HK$0.12 PER OFFER SHARE PAYABLE IN FULL ON ACCEPTANCE (ON THE BASIS OF FOUR OFFER SHARES FOR EVERY FIVE ADJUSTED SHARES HELD); AND (3) CHANGE IN BOARD LOT SIZE

INTRODUCTION

Reference is made to the Announcement in relation to, among other matters, the proposed Open Offer in the proportion of four Offer Shares for every five Adjusted Shares held on the Record Date and Time, proposed Capital Reorganisation and the Change in Board Lot Size. The purpose of this circular is to provide you with details of the Open Offer, the Capital Reorganisation and Change in Board Lot Size and to give you the notice of SGM to be convened.

* *for identification purpose only*

PROPOSED CAPITAL REORGANISTAION

The Company intends to put forward a proposal to the Shareholders to effect the Capital Reorganisation which involves:

(i) the reduction of issued share capital whereby the par value of each issued Share will be reduced from HK$0.40 to HK$0.10 by cancelling HK$0.30 of the paid-up capital on each issued Share;

(ii) the subdivision of each authorised but unissued Share of HK$0.40 each into 4 Adjusted Shares of HK$0.10 each; and

(iii) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company.

Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company is HK$500,000,000 divided into 1,250,000,000 Existing Shares of HK$0.40 each, of which 785,088,828 Existing Shares have been issued and are fully paid or credited as fully paid. Assuming that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the SGM, immediately upon the Capital Reorganisation becoming effective, the authorised share capital of the Company will become HK$500,000,000 divided into 5,000,000,000 Adjusted Shares of HK$0.10 each, of which 785,088,828 Adjusted Shares will be in issue.

Based on 785,088,828 Existing Shares in issue as at the Latest Practicable Date, a credit of approximately HK$235,526,648.4 will arise as a result of the Capital Reduction and will be transferred to the contributed surplus account of the Company.

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the interests of the Shareholders as a whole.

The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

The Adjusted Shares will be traded in board lots of 10,000 Adjusted Shares after the Capital Reorganisation and Change in Board Lot Size become effective. For further details, please see the sub-section headed “CHANGE IN BOARD LOT SIZE”.

Reasons for the Capital Reorganisation

The Board considers that the Capital Reorganisation will give greater flexibility to the Company to raise funds through the issue of new Adjusted Shares in the future, and accommodate and facilitate the allotment and issue of Offer Shares since the Company is not permitted to issue new Shares below their nominal value under the laws of Bermuda and its Bye-Laws.

As such, the Board is of the view that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

Conditions of the Capital Reorganisation

The Capital Reorganisation (which will be effected in accordance with the Bye-Laws and the Companies Act) is conditional upon:

(i) the passing of the necessary special resolution(s) by the Shareholders to approve, among other things, the Capital Reorganisation at the SGM to be convened by the Company;

(ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares in issue arising from the Capital Reorganisation; and

(iii) the compliance with the relevant procedures and requirements under the Listing Rules and the requirements of section 46(2) of the Companies Act to effect the Capital Reorganisation, including (a) publication of a notice in relation to the Capital Reorganisation in an appointed newspaper in Bermuda on a date not more than thirty days and not less than fifteen days before the date on which the Capital Reorganisation is to take effect and (b) that on the date of the Capital Reorganisation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation, would be unable to pay its liabilities as they become due.

Subject to the fulfillment of the conditions of the Capital Reorganisation, the effective date and time of the Capital Reorganisation is expected to be at 5:00 p.m. on Wednesday, 23 June 2010.

Listing and dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

The Adjusted Shares will be identical in all respects and rank pari passu in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Free exchange of Share certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may submit certificates for the Existing Shares which are purple in colour, to the Registrar, Tricor Secretaries Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for exchange from Thursday, 24 June 2010 to Tuesday, 3 August 2010 (both dates inclusive), at the expense of the Company for certificates of the Adjusted Shares which will be red in colour. Thereafter, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the Existing Shares cancelled or each new share certificate issued for the Adjusted Shares, whichever number of certificates cancelled/issued is higher. The existing certificates will be valid for delivery, trading and settlement purposes and will continue to be good evidence of legal title after the Capital Reorganisation has become effective and may be exchanged for certificates of the Adjusted Shares at any time in accordance with the foregoing.

CHANGE IN BOARD LOT SIZE

The Shares are traded in board lot size of 2,500 Shares. It is proposed that the board lot size for trading in the Shares be changed from 2,500 Existing Shares to 10,000 Adjusted Shares upon the Capital Reorganisation becoming effective. Based on the closing price of HK$0.3 per Share as quoted on the Stock Exchange as at the Last Trading Day and the existing board lot size of 2,500 Shares, the prevailing board lot value is HK$750. On the basis of the theoretical ex-rights price of HK$0.22 per Adjusted Share based on the aforesaid closing price and the new board lot size of 10,000 Adjusted Shares, the new board lot value would be HK$2,200.

ODD LOT TRADING ARRANGEMENTS

In order to facilitate the trading of odd lots (if any) of the Adjusted Shares arising from the Change in Board Lot Size, the Company has procured Cinda International Securities Limited to stand in the market to provide matching service for the odd lots of the Adjusted Shares at the relevant market price per Adjusted Share for the period from Thursday, 24 June 2010 to Friday, 16 July 2010 (both dates inclusive). Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. Shareholders who wish to take advantage of this matching service either to dispose of their odd lots Adjusted Shares or to top up to board lots of 10,000 Adjusted Shares, may contact Mr. Leung Siu Wa of Cinda International Securities Limited at 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong at telephone number (852) 2235 7801. Any Shareholder, who is in any doubt about the odd lot arrangement, is recommended to consult his own professional advisers.

PROPOSED OPEN OFFER

The Open Offer is subject to, among other things, the Capital Reorganisation becoming effective.

Issue statistics

Basis of the Open Offer	:	Four Offer Shares for every Five Adjusted Shares held on the Record Date and Time
Subscription Price	:	HK$0.12 per Offer Share
Number of Existing Shares in issue as at the Latest Practicable Date	:	785,088,828 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	:	Not less than 785,088,828 Adjusted Shares (assuming that the outstanding Share Options are not exercised between the Latest Practicable Date and the Record Date and Time) and not more than 803,344,828 Adjusted Shares (assuming all the outstanding Share Options are exercised on or before the Record Date and Time)
Number of Offer Shares	:	Not less than 628,071,062 Offer Shares but not more than 642,675,862 Offer Shares (assuming all the outstanding Share Options are exercised on or before the Record Date and Time)
Number of Offer Shares undertaken to be taken up or procured to be taken up by Mr. Philip Lau	:	Mr. Philip Lau has undertaken in favour of the Company and the Underwriters that he will and he will procure the Associated Companies, Mr. Anthony Lau and Mr. Andy Lau to accept his or their respective entitlements under the Open Offer for an aggregate of 286,687,367 Offer Shares
Number of Offer Shares underwritten by the Underwriters	:	Not less than 341,383,695 Offer Shares but not more than 355,988,495 Offer Shares, being the number of the Offer Shares less the number of the Offer Shares undertaken to be taken up or procured to be taken up by Mr. Philip Lau

As at the Latest Practicable Date, there are outstanding Share Options granted which entitle the holders to subscribe for a total of 18,256,000 Existing Shares. Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau are not beneficially interested in any Share Options.

Save for the outstanding Share Options, the Company has no warrants, options, securities or derivatives which are convertible or exchangeable into Shares or confer any right to subscribe for Shares as at the Latest Practicable Date. The Company has no intention to issue any new Shares and any other securities before the completion of the Open Offer

Irrevocable Undertakings

Mr. Philip Lau has irrevocably undertaken to the Company and the Underwriters:

(i) to procure that the 282,157,930 Adjusted Shares registered in the name of and beneficially owned by Mr. Philip Lau and the Associated Companies will remain registered in the name of and beneficially owned by them before the date when the announcement of the results of the Open Offer is published;

(ii) to procure that the 76,201,281 Adjusted Shares registered in the name of and beneficially owned by Mr. Anthony Lau and Mr. Andy Lau will remain registered in the name of and beneficially owned by them before the date when the announcement of the results of the Open Offer is published;

(iii) that he will and he will procure the Associated Companies, Mr. Anthony Lau and Mr. Andy Lau to accept his or their respective entitlements under the Open Offer for 286,687,367 Offer Shares; and

(iv) to lodge or procure the Associated Companies, Mr. Anthony Lau and Mr. Andy Lau to lodge the application form in respect of the Offer Shares accompanied by appropriate remittances which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.

Qualifying Shareholders

The Company will offer the Offer Shares for subscription to Qualifying Shareholders only. The Prospectus will be sent to the Excluded Overseas Shareholders and holders of the Share Options for information only.

A Qualifying Shareholder must, at the close of business on the Record Date and Time:

(i) be registered as a member of the Company; and

(ii) not be an Excluded Overseas Shareholder.

In order to be registered as members of the Company on the Record Date and Time and to qualify for the Open Offer, Shareholders must lodge any transfer of the Shares (together with the relevant share certificates) and exercise of the Share Options with the Company's branch share registrar in Hong Kong by 4:30 p.m. on Tuesday, 15 June 2010.

The branch share registrar of the Company in Hong Kong is:

Tricor Secretaries Limited

26/F, Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong

Closure of register of members

The register of members of the Company will be closed from Thursday, 17 June 2010 to Wednesday, 23 June 2010 (both dates inclusive). No transfer of Shares will be registered during this period.

Subscription Price

The Subscription Price per Offer Share is HK$0.12, payable in full when a Qualifying Shareholder accepts his/her/its assured entitlement under the Open Offer.

The Subscription Price represents:

(i) a discount of approximately 60% to the closing price of HK$0.30 per Adjusted Share as quoted on the Stock Exchange on 7 May 2010, being the Last Trading Day;

(ii) a discount of approximately 61.29% to the average of the closing prices of approximately HK$0.31 per Adjusted Share for the last five trading days up to and including 7 May 2010, being the Last Trading Day;

(iii) a discount of approximately 61.54% to the average of the closing prices of approximately HK$0.312 per Adjusted Share for the last ten trading days up to and including 7 May 2010, being the Last Trading Day; and

(iv) a discount of approximately 86% to the net asset value of approximately HK$0.86 per Adjusted Share based on the audited financial statements of the Company for the year ended 31 March 2009 and the number of Adjusted Shares issued immediately before the completion of the Open Offer, and assuming there will be no exercise of the Share Options; and

(v) a discount of approximately 45.45% to the theoretical ex-rights price of HK$0.22 per Adjusted Share based on the closing price as quoted on the Stock Exchange on 7 May 2010, being the Last Trading Day.

The Subscription Price was agreed after arm's length negotiation between the Company and the Underwriters with reference to the prevailing market condition. After considering (i) the low liquidity of the Existing Shares, (ii) the Group's business had been operating at loss for the financial year 2009 and the interim period for the six months ended 30 September 2009, (iii) the need of new capital for continuing the Group's existing business and (iv) that a lower subscription price can attract more investors or Shareholders to participate in the Open Offer, the executive Directors consider that the Subscription Price and the discount for the Offer Shares are fair and reasonable.

Status of the Offer Shares

The Offer Shares (when allotted, issued and fully paid) will rank pari passu in all respects with the Adjusted Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares (when allotted, issued and fully paid) will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares. Dealings in the Offer Shares on the branch share registrar of the Company will be subject to payment of stamp duty in Hong Kong. The Offer Shares will be traded in board lots of 10,000 Adjusted Shares. For more details, please see the sub-section headed "CHANGE IN BOARD LOT SIZE" above.

Offer to Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda.

The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Offer Shares to Overseas Shareholders such as whether the issue of the Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or requirements of the relevant body or stock exchange. If, based on legal opinions provided by the relevant overseas legal advisors to the Company, the Directors consider that, it is necessary or expedient not to offer the Offer Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place of his registered address or the requirements of the relevant regulatory body or stock exchange in that place, the Directors will exercise their discretion given to them under the Bye-Laws to exclude such Overseas Shareholders from the Open Offer. The Company will disclose the results of the enquiry in the Prospectus regarding the legal restrictions on the allotment and issue of the Offer Shares to the Overseas Shareholders.

The Company will send the Prospectus to the Excluded Overseas Shareholders for their information only. The Company will not send the application forms for acceptance of Offer Shares to the Excluded Overseas Shareholders. The Excluded Overseas Shareholders will be entitled to attend and vote at the SGM to consider and, if thought fit, for the resolution(s) approving, among other things, the Open Offer.

Fractional entitlement to the Offer Shares

Fractional entitlements of Offer Shares will not be allotted and will be aggregated. Any Offer Shares created from the aggregation of fractions of Offer Shares will be taken by the Underwriters.

No Application for excess Offer Shares

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group. The Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Shareholders.

After arm's length negotiation with the Underwriters, and taking into account that the related administration costs would be lowered in the absence of excess applications, the Company decided that the Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements. Any Offer Shares not taken up by the Qualifying Shareholders and the Offer Shares to which the Excluded Overseas Shareholder(s) would otherwise have been entitled under the Open Offer will be taken up by the Underwriters.

Share certificates for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer, one share certificate for all fully paid Offer Shares will be issued to the Qualifying Shareholders who have accepted and applied for (where appropriate) and paid for the Offer Shares, which are expected to be posted on or before Wednesday, 21 July 2010 by ordinary post at their own risk.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Offer Shares.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date: 7 May 2010 (after trading hours)

The Open Offer is fully underwritten. Pursuant to the Underwriting Agreement and subject to the terms and conditions thereof, the Underwriters have agreed to fully underwrite not less than 341,383,695 Underwritten Shares and not more than 355,988,495 Underwritten Shares in the following proportion (which was agreed after arm's length negotiation between the Company and the Underwriters):

Underwriter	Percentage of the Underwritten Shares	Maximum number of Offer Shares underwritten
Underwriter A	22.5%	80,097,412
Underwriter B	14%	49,838,389
Underwriter C	11%	39,158,734
Underwriter D	17%	60,518,044
Underwriter E	35.5%	126,375,916

The Underwriting Agreement provides that the Underwriters will be obliged to subscribe for the Underwritten Shares not taken up by the Qualifying Shareholders. The Open Offer is not underwritten by financial institutions whose ordinary course of business includes underwriting, but is underwritten by the Underwriters who are all individuals not engaged in the profession as underwriters. The Company has negotiated with a financial institution whose ordinary course of business includes underwriting, which then also contacted other financial institutions with regard to the underwriting of the Open Offer, but considered the terms as offered by those financial institutions as less favourable than those of the Underwriters.

The Company will pay the Underwriters all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriters in respect of the Open Offer, and underwriting commissions of 1.5% of the aggregate Subscription Price in respect of the Underwritten Shares for which each of the Underwriters has agreed to subscribe.

The Directors are of the view that the terms of the Underwriting Agreement and the amount of commission are fair as compared to the market practice and commercially reasonable as agreed between the Company and the Underwriters. The Underwriters are all individuals as the amount of commission charged is lower than the amount generally charged by professional underwriters.

To the best knowledge, information, and belief of the Directors having made all reasonable enquiries, each of the Underwriters are third parties independent of and not connected with the other Underwriters, the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate of any of them and are not acting in concert with any Shareholder.

Conditions of the Open Offer

The Open Offer is conditional upon, among other things, the following conditions being fulfilled:

(i) the passing by the Independent Shareholders at the SGM of an ordinary resolution (such vote shall be taken by way of poll) to approve the Open Offer;

(ii) the passing by the Shareholders at the SGM of a special resolution (such vote shall be taken by way of poll) to approve the Capital Reorganisation and the Capital Reorganisation becoming effective;

(iii) the compliance with the relevant procedures and requirements under the Listing Rules and the requirements of section 46(2) of the Companies Act to effect the Capital Reorganisation, including (i) publication of a notice in relation to the Capital Reorganisation in an appointed newspaper in Bermuda on a date not more than thirty days and not less than fifteen days before the date on which the Capital Reorganisation is to take effect and (ii) that on the date of the Capital Reorganisation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation, would be unable to pay its liabilities as they become due;

(iv) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares in issue arising from the Capital Reorganisation;

(v) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;

(vi) the Open Offer and the transactions contemplated thereunder not being regarded as a mandatory general offer under Rule 26 of the Takeovers Code;

(vii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Overseas Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;

(viii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;

(ix) the filing with the Registrar of Companies in Bermuda one copy of each of the Prospectus Documents duly signed by either all Directors or one of the Directors for and on behalf of all the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Companies Act;

(x) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;

(xi) compliance with and performance of all the undertakings and obligations of the Underwriters under the terms of the Underwriting Agreement; and

(xii) compliance with and performance of all the undertakings and obligations of Mr. Philip Lau under the terms of the Underwriting Agreement.

The conditions set out above are not capable of being waived. If the conditions of the Open Offer under the Underwriting Agreement are not fulfilled by the relevant dates and times specified in the Underwriting Agreement (or, in each case, such later date or time as the Underwriters may agree in writing with the Company pursuant to the Underwriting Agreement), the Underwriting Agreement will terminate and no party thereto will have any claim against any other party for costs, damages compensation or otherwise save for any antecedent breaches. If the Underwriting Agreement is terminated in accordance with its terms, the Open Offer will not proceed.

REASONS OF THE OPEN OFFER AND USE OF PROCEEDS

The Company is principally engaged in design, manufacture and sale of a wide range of electronic products and securities trading.

The executive Directors consider that in view of the recent economic climate, it is prudent to finance the Group's long term growth by long term funding, preferably in the form of equity. The Directors also consider that the finance cost by equity will be lower than those by debt financing.

In view of the dilution effect of the interests of the Shareholders in case of placing new Shares, and the fact that not all Shareholders can participate in such placement exercise on an equal basis, the executive Directors consider the Open Offer is in the best interests of the Company and the Shareholders. The Open Offer can enlarge the capital base and increase the liquidity of Shares of the Company and is an opportunity for shareholders to participate the growth of the Company.

After deducting all necessary expenses for the Open Offer of approximately HK$2.46 million, which include the commission to the Underwriters of approximately HK$0.61 million, the fees to the Company's professional and legal advisers of approximately HK$1.65 million and printing and translation costs of approximately HK$0.2 million, the estimated net proceeds from the Open Offer will be not less than approximately HK$72.91 million but not more than approximately HK$74.66 million which will be used for the Group's working capital for the daily operation of the Group's business and for financing the business in relation to Polaroid License.

On 22 March 2010, a wholly-owned subsidiary of the Company, as licensee (the "Licensee"), entered into a license agreement ("License Agreement") with a company incorporated in the United States of America, as licensor (the "Licensor"), which under the terms of the license agreement, the Licensee will develop a wide range of Polaroid-branded consumer electronics (the "Products"), in return, the Licensors shall grant to the Licensee the limited, exclusive, and non-transferable right and license in the United States of America and Canada (the "Territory") to (i) utilize certain licensed marks solely to source, manufacture, package, distribute, promote and sell the Products to retailers and (ii) grant to the retailers the right to resell such Products in the Territory. Under the License Agreement, the Licensee shall pay to the Licensor royalties.

Such License Agreement commences from March 2010 and continues in full force and effect for five years unless sooner terminated in accordance with the License Agreement, the license under the License Agreement can be renewed for two (2) additional five year terms.

WARNING OF THE RISK OF DEALING IN SHARES

The Open Offer is conditional upon, among other things, the fulfillment of the conditions set out under the sub-section headed "Conditions of the Open Offer" in the section headed "Underwriting arrangements" above. In addition, Underwriter A on behalf of the Underwriters is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events as described under the sub-section headed "Conditions of the Open Offer" in the section headed "Underwriting arrangements" above. Accordingly, the Open Offer may or may not proceed.

Any dealing in the Shares from the Latest Practicable Date up to the date on which all the conditions of the Open Offer are fulfilled will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares are advised to consult their own professional advisers.

CHANGES IN SHAREHOLDING STRUCTURE

The shareholding structure of the Company before and after the Open Offer is as follows:

(i) assuming no exercise of the outstanding Share Options before the Record Date and Time.

	As at the Latest Practicable Date		Immediately after Capital Reorganisation		Immediately after the completion of the Open Offer assuming all Shareholders have fully subscribed for their entitlements under the Open Offer		Immediately after the completion of the Open Offer assuming no Shareholders subscribed for their entitlements under the Open Offer	
Name of Shareholder	*Number of Existing Shares*	*%*	*Number of Adjusted Shares*	*%*	*Number of Adjusted Shares*	*%*	*Number of Adjusted Shares*	*%*
Substantial Shareholders:								
Mr. Philip Lau *(Notes 1 and 4)*	99,823,029	12.71	99,823,029	12.71	179,681,452	12.71	179,681,452	12.71
Mr. Anthony Lau *(Notes 2 and 4)*	38,693,836	4.93	38,693,836	4.93	69,648,904	4.93	69,648,904	4.93
Mr. Andy Lau *(Notes 3 and 4)*	37,507,445	4.78	37,507,445	4.78	67,513,401	4.78	67,513,401	4.78
K.K. Nominees Limited *(Note 5)*	3,165,277	0.40	3,165,277	0.40	5,697,498	0.40	5,697,498	0.40
Wincard Management Services Limited *(Note 6)*	10,100,415	1.29	10,100,415	1.29	18,180,747	1.29	18,180,747	1.29
Philip Lau Holding Corporation *(Note 7)*	169,069,209	21.54	169,069,209	21.54	304,324,576	21.54	304,324,576	21.54
Mr. Lee Yu Chiang	42,140,878	5.37	42,140,878	5.37	75,853,580	5.37	42,140,878	2.98
Sub-total	400,500,089	51.01	400,500,089	51.01	720,900,158	51.01	687,187,456	48.63
Director:								
Mr. Winston Calptor Chuck	770,000	0.10	770,000	0.10	1,386,000	0.10	770,000	0.05
Mr. Peter Hon Sheung Tin	206,769	0.03	206,769	0.03	372,184	0.03	206,769	0.01
Underwriters:								
Underwriter A	–	–	–	–	–	–	76,811,331	5.44
Underwriter B	–	–	–	–	–	–	47,793,717	3.38
Underwriter C and his associates *(Note 8)*	4,332,500	0.55	4,332,500	0.55	7,798,500	0.55	41,884,707	2.96
Underwriter D	–	–	–	–	–	–	58,035,228	4.11
Underwriter E	–	–	–	–	–	–	121,191,212	8.58
Public Shareholders:								
Public Shareholders	379,279,470	48.31	379,279,470	48.31	682,703,048	48.31	379,279,470	26.84
Total	785,088,828	100.00	785,088,828	100.00	1,413,159,890	100.00	1,413,159,890	100.00

(ii) assuming the exercise of the outstanding Share Options.

	As at the Latest Practicable Date		Immediately after Capital Reorganisation the assuming the exercise of outstanding Share Options		Immediately after the completion of the Open Offer assuming all Shareholders have fully subscribed for their entitlements under the Open Offer		Immediately after the completion of the Open Offer assuming no Shareholders subscribed for their entitlements under the Open Offer	
Name of Shareholder	*Number of Existing Shares*	*%*	*Number of Adjusted Shares*	*%*	*Number of Adjusted Shares*	*%*	*Number of Adjusted Shares*	*%*
Substantial Shareholders:								
Mr. Philip Lau *(Notes 1 and 4)*	99,823,029	12.71	99,823,029	12.43	179,681,452	12.43	179,681,452	12.43
Mr. Anthony Lau *(Notes 2 and 4)*	38,693,836	4.93	38,693,836	4.82	69,648,904	4.82	69,648,904	4.82
Mr. Andy Lau *(Notes 3 and 4)*	37,507,445	4.78	37,507,445	4.67	67,513,401	4.67	67,513,401	4.67
K.K. Nominees Limited *(Note 5)*	3,165,277	0.40	3,165,277	0.39	5,697,498	0.39	5,697,498	0.39
Wincard Management Services Limited *(Note 6)*	10,100,415	1.29	10,100,415	1.26	18,180,747	1.26	18,180,747	1.26
Philip Lau Holding Corporation *(Note 7)*	169,069,209	21.54	169,069,209	21.05	304,324,576	21.05	304,324,576	21.05
Mr. Lee Yu Chiang	42,140,818	5.37	42,140,878	5.25	75,853,580	5.25	43,140,878	2.91
Sub-total	400,500,089	51.01	400,500,089	49.85	720,900,158	49.85	687,187,456	47.52
Director:								
Mr. Winston Calptor Chuck	770,000	0.10	770,000	0.10	1,386,000	0.10	770,000	0.05
Mr. Peter Hon Sheung Tin	206,769	0.03	206,769	0.03	372,184	0.03	206,769	0.01
Underwriters:								
Underwriter A	–	–	–	–	–	–	80,097,411	5.54
Underwriter B	–	–	–	–	–	–	49,838,389	3.45
Underwriter C and his associates *(Note 8)*	4,332,500	0.5	4,332,500	0.54	7,798,500	0.54	43,491,235	3.01
Underwriter D	–	–	–	–	–	–	60,518,044	4.19
Underwriter E	–	–	–	–	–	–	126,375,916	8.74
Public Shareholders:								
Public Shareholders	379,279,470	48.31	397,535,470	49.49	715,563,848	49.49	397,535,470	27.49
Total	785,088,828	100.00	803,344,828	100.00	1,446,020,690	100.00	1,446,020,690	100.00

Note 1: Mr. Philip Lau is the chairman and an executive Director.

Note 2: Mr. Anthony Lau is an executive Director and the brother of Mr. Philip Lau and Mr. Andy Lau.

Note 3: Mr. Andy Lau is an executive Director and the brother of Mr. Philip Lau and Mr. Anthony Lau.

Note 4: Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau are regarded as the parties acting in concert under the Takeovers Code and as such, they are deemed to be interested in the Existing Shares and Adjusted Shares held by each of them.

Note 5: K.K. Nominees Limited is wholly and beneficially owned by Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau. Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau are deemed to be interested in the Existing Shares and Adjusted Shares owned by K.K. Nominees Limited.

Note 6: Wincard Management Services Limited is wholly and beneficially owned by Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau. Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau are deemed to be interested in the Existing Shares and Adjusted Shares owned by Wincard Management Services Limited.

Note 7: Philip Lau Holding Corporation is beneficially owned by a discretionary trust of which the discretionary objects include Mr. Philip Lau and his associates. Mr. Philip Lau is deemed to be interested in the Existing Shares and Adjusted Shares owned by Philip Lau Holding Corporation.

Note 8: The Shares are beneficially owned by Timemate Industries Ltd. which is 75% beneficially owned by Underwriter C. Accordingly, Underwriter C is deemed to be interested in the Existing Shares and Adjusted Shares beneficially owned by Timemate Industries Ltd.

ADJUSTMENTS TO THE EXERCISE PRICE AND NUMBER OF THE SHARE OPTIONS

Adjustments to the exercise price and number of the outstanding Share Options may be required under the relevant terms of the Share Option Schemes.

Pursuant to the Share Option Schemes, in the event of any alteration in the capital structure of the Company by way of capitalization of profits or reserved, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction while any Share Options remains exercisable), such corresponding alterations (if any) certified by an independent financial advisor or the auditors of the Company for the time being as fair and reasonable and in accordance with the requirements set out in the Share Option Schemes shall be made in the number of Shares subject to the Share Options so far as unexercised; and/or the subscription price; provided that no alteration shall be made so that a Share would be issued as less than its nominal value or which would give a grantee a different proportion of the issued share capital of the Company as that to which he was previously entitled.

The Company will instruct an independent financial advisor or its auditors to review and certify the basis of such adjustments as soon as possible. Further announcement will be made by the Company in this regard.

FUNDS RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not carried out any fund-raising exercises in the 12 months immediately preceding the date of this circular.

GENERAL AND LISTING RULES IMPLICATION ON THE OPEN OFFER

As the Open Offer will increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.24(5) of the Listing Rules, the Open Offer must be made conditional on approval by Independent Shareholders at the SGM and any controlling Shareholders and their associates shall abstain from voting in favour of the relevant resolution relating to the Open Offer. As at the date of this circular, Mr. Philip Lau, Mr. Anthony Lau, Mr. Andy Lau and the Associated Companies, who held in aggregate 358,359,211 Shares representing approximately 45.65% of the entire issued share capital of the Company, are the controlling Shareholders of the Company and therefore, Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau, the Associated Companies, the Underwriters and their respective associates shall abstain from voting in favour of the relevant resolutions to approve the Open Offer at the SGM.

An Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Open Offer. VC Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Open Offer.

Subject to the Open Offer being approved at the SGM, the Prospectus or Prospectus Documents, where appropriate, containing further information on the Open Offer will be despatched to the Shareholders as soon as practicable.

SGM

A notice convening the SGM at 5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong on 23 June 2010 at 10:00 a.m. is set out on pages 131 to 134 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting thereof (as the case may be) should you so desire.

RECOMMENDATION

The Directors believe that the terms of the Capital Reorganisation, the Open Offer and the Change in Board Lot Size are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM regarding the Capital Reorganisation and the Open Offer. You are advised to read carefully the letter from the Independent Board Committee regarding the Open Offer on page 27 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 28 to 44 of this circular, considers that the terms of the Open Offer are fair and reasonable insofar as the Independent Shareholders are concerned.

FURTHER INFORMATION

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

By the order of the Board
Starlight International Holdings Limited
Lau Sak Hong, Philip
Chairman

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Open Offer.

STARLITE

STARLIGHT INTERNATIONAL HOLDINGS LIMITED

升岡國際有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 485)

31 May 2010

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED OPEN OFFER OF NOT LESS THAN 628,071,062 OFFER SHARES AND NOT MORE THAN 642,675,862 OFFER SHARES AT HK$0.12 PER OFFER SHARE PAYABLE IN FULL ON ACCEPTANCE (ON THE BASIS OF FOUR OFFER SHARES FOR EVERY FIVE ADJUSTED SHARES HELD)

We refer to the circular of the Company dated 31 May 2010 (the "Circular") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Open Offer are fair and reasonable insofar as the Independent Shareholders are concerned. VC Capital has been appointed as the Independent Financial Adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages 28 to 44 of the Circular, we are of the opinion that the Open Offer are on normal commercial terms, are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Open Offer.

Yours faithfully,
For and on behalf of the Independent Board Committee

Ho Hau Chong, Norman	**Chan Chak Chung**	**Chuck Winston Calptor**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

* *for identification purpose only*

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders received from the Independent Financial Adviser prepared for the purpose of inclusion in this circular:

VC CAPITAL LIMITED
滙盈融資有限公司

31 May 2010

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

Dear Sir or Madam,

PROPOSED OPEN OFFER OF NOT LESS THAN 628,071,062 OFFER SHARES AND NOT MORE THAN 642,675,862 OFFER SHARES AT HK$0.12 PER OFFER SHARE PAYABLE IN FULL ON ACCEPTANCE (ON THE BASIS OF FOUR OFFER SHARES FOR EVERY FIVE ADJUSTED SHARES HELD)

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Open Offer, details of which are set out in the letter from the Board as contained in the circular of the Company dated 31 May 2010 (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 10 May 2010, the Company announced that it would raise not less than approximately HK$75.37 million but not more than approximately HK$77.12 million, before expenses, by way of an open offer of not less than 628,071,062 Offer Shares and not more than 642,675,862 Offer Shares on the basis of four (4) Offer Shares for every five (5) Adjusted Shares held on the Record Date and Time and payable in full on acceptance. The Open Offer is fully underwritten by the Underwriters.

Mr. Philip Lau has undertaken in favour of the Company and the Underwriters that he will, and he will procure the Associated Companies, Mr. Anthony Lau and Mr. Andy Lau (collectively, the "**Lau Group**") to accept his or their respective entitlements under the Open Offer for an aggregate of 286,687,367 Offer Shares.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. HO Hau Chong, Norman, Mr. CHAN Chak Chung and Mr. Winston Calptor CHUCK, has been formed to advise the Independent Shareholders as to whether the terms of the Open Offer and the Underwriting Agreement are on normal commercial terms, whether they are fair and reasonable so far as the Independent Shareholders are concerned and whether the Open Offer is in the interests of the Company and the Shareholders as a whole.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether the terms of the Open Offer and the Underwriting Agreement are on normal commercial terms, whether they are fair and reasonable so far as the Independent Shareholders are concerned and whether the Open Offer is in the interests of the Company and the Shareholders as a whole.

VC Capital Limited ("**VC Capital**") is not associated with the Company and its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Open Offer. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby VC Capital will receive any fees or benefits from the Company or its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and facts supplied and the opinions expressed by the executive Directors and senior management of the Group. We have also assumed that the information and representations contained or referred to in the Circular were true and accurate at the time they were prepared or made and will continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations made to us by the executive Directors and senior management of the Group. We have also been advised by the executive Directors that no material facts have been omitted from the Circular and the information provided to us.

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information supplied.

All the executive Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and that there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Open Offer and the Underwriting Agreement are on normal commercial terms, whether they are fair and reasonable so far as the Independent Shareholders are concerned and whether the Open Offer is in the interests of the Company and the Shareholders as a whole, we have taken into account the following principal factors and reasons:

1. Reasons of the Open Offer

The Group is principally engaged in the design, manufacture and sale of a wide range of electronic products and securities trading.

The following table summarises the audited consolidated financial information of the Group for the two financial years ended 31 March 2009 and for the six months ended 30 September 2009:

(HK$'000)	**For the six months ended 30 September**		**For the financial year ended 31 March**	
	2009	**2008**	**2009**	**2008**
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*
Turnover	389,549	767,424	1,281,062	2,199,033
Gross Profit	72,106	172,044	256,865	532,722
(Loss) profit before taxation	(23,697)	7,594	(118,408)	64,025
Net (loss) profit for the period	(24,741)	6,870	(119,688)	45,494
Net assets	654,729	675,697	675,697	799,776
Bank balances and cash	132,938	103,572	103,572	77,068

With reference to the above table, the Company had recorded losses of approximately HK$119.69 million for the financial year ended 31 March 2009 and approximately HK$24.74 million for the six months ended 30 September 2009. According to the annual report of the Company for the year ended 31 March 2009, the loss was mainly attributable to the severely affected electronics division arising from the economic downturn. Due to the global financial crisis, the revenue generated from the Company's major geographical segments, Europe and the United States of America (which accounted for approximately 96% of the Group's sales), had inevitably suffered as sales in North America and Europe dropped by approximately 35% and approximately 54% respectively in the financial year ended 31 March 2009. As disclosed in the interim report of the Company for the six months ended 30 September 2009, the loss of approximately HK$24.74 million was primarily due to the decline in sales and a moderate drop in gross profit margin as compared with that of 2008, together with the weak economy spending and the cautious retail trend in the United States of America as a result of the global financial crisis.

As disclosed in the letter from the Board, the estimated net proceeds (after deducting all necessary expenses such as commission to the Underwriters and other professional fees and expenses) from the Open Offer will be not less than approximately HK$72.91 million but not more than approximately HK$74.66 million which will be used for the Group's working capital for the daily operation of the Group's business and for financing the business in relation to the Polaroid License.

We understood from the management of the Company that upon obtaining of the license rights granted pursuant to the agreement dated 22 March 2010 (the "**License Agreement**"), it is expected that the Group's business of producing and selling the Polaroid licensed products would become a new income driver to the Company. The License Agreement initially covers a term of 5 years and may be subject to renewal. By entering into the License Agreement, the Group would produce and market its products including portable DVD players, blu-ray players, iPod compatible docking stations and e-book readers under the name of Polaroid. With the gradual stabilization of the general economy after the global financial crisis in 2009, the Directors are of the view that the demand of electronic consumer products would revive and the Polaroid License would help enhance the marketability of the products of the Group and may bring along positive effect on the sales of the Group's products.

According to the Directors, the Group had bank balances and cash of approximately HK$80 million as at 31 March 2010, which is mainly intended for the existing business of the Group. In view of (i) the operating cost for the existing business of the Group; and (ii) the financial requirements for producing the products under the Polaroid License, the Directors are of the view that it is prudent for the Company to raise funds for the operations and business development of the Group.

Taking into consideration (i) the need of new capital for continuing the Group's existing business and for the Polaroid License; and (ii) the potential benefits that the Polaroid License may bring to the Group, we concur with the Directors that it is reasonable for the Group to conduct the Open Offer and is in the interests of the Company and the Shareholders as a whole.

2. Other financing alternatives available to the Group

As stated in the letter from the Board, the Company has not carried out any fund-raising exercises in the 12 months immediately preceding the date of the Circular. We understood from the management of the Company that they have already considered other fund raising means such as rights issue, placing of new Shares and debt financing.

The executive Directors consider that debt financing is not an optimal approach as it incurs interest expenses that may adversely affect the financial position of the Group and the Group may be subject to lengthy due diligence and negotiations with banks and/or more stringent terms, depending on the Group's then financial position and capital structure and the prevailing market conditions. The executive Directors are of the view that it is prudent to finance the Group's businesses and development by long term funding, preferably in the form of equity as the finance cost by equity will be lower than those by debt financing. In view of the dilution effect of the interests of the Shareholders in the case of placing of new Shares, and the fact that not all Shareholders can participate in such placement exercise on an equal basis, the executive Directors consider that the Open Offer is in the best interests of the Company and the Shareholders as it can enlarge the capital base of the Company and increase the liquidity of the Shares, as well as represents an opportunity for the Shareholders to participate in the growth of the Company. Taking into consideration of the above, we concur with the view of the Directors that the Open Offer is a more desirable means for the Group to obtain the required funding as compared with other financing alternatives and that the Open Offer is in the interests of the Company and the Shareholders as a whole.

3. The Open Offer

The Company proposes the Open Offer at the Subscription Price of not less than 628,071,062 Offer Shares and not more than 642,675,862 Offer Shares on the basis of four (4) Offer Shares for every five (5) Adjusted Shares held on the Record Date and Time and payable in full on acceptance. The Open Offer is conditional upon, amongst other things, (i) the passing by the Independent Shareholders at the SGM of an ordinary resolution (such vote shall be taken by way of poll) to approve the Open Offer; (ii) the passing by the Shareholders at the SGM of a special resolution (such vote shall be taken by way of poll) to approve the Capital Reorganisation and the Capital Reorganisation becoming effective; (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares in issue arising from the Capital Reorganisation; (iv) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings; and (v) compliance with and performance of all the undertakings and obligations of the Company, the Underwriters and Mr. Philip Lau under the terms of the Underwriting Agreement.

3.1 Major terms of the Open Offer

(a) The Subscription Price

The Subscription Price of HK$0.12 per Offer Share represents:

(i) a discount of approximately 52.00% to the closing price of HK$0.25 per Adjusted Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 60.00% to the closing price of HK$0.30 per Adjusted Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 61.29% to the average of the closing prices of approximately HK$0.31 per Adjusted Share for the last five trading days up to and including the Last Trading Day;

(iv) a discount of approximately 61.54% to the average of the closing prices of approximately HK$0.312 per Adjusted Share for the last ten trading days up to and including the Last Trading Day;

(v) a discount of approximately 86.00% to the net asset value of approximately HK$0.86 per Adjusted Share based on the audited financial statements of the Company for the year ended 31 March 2009 and the number of Adjusted Shares issued immediately before the completion of the Open Offer, and assuming there will be no exercise of the Share Options; and

(vi) a discount of approximately 45.45% to the theoretical ex-rights price of HK$0.22 per Adjusted Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day.

As stated in the letter from the Board, the Subscription Price was agreed after arm's length negotiation between the Company and the Underwriters with reference to the prevailing market condition and taking into consideration (i) the low liquidity of the Existing Shares; (ii) the Group's business had been operating at a loss for the financial year 2009 and the interim period for the six months ended 30 September 2009; (iii) the need of new capital for expanding the Group's business under the Polaroid License; and (iv) the fact that a lower subscription price could induce the investors or the Shareholders to participate in the Open Offer. As such, the executive Directors consider that the Subscription Price and the discount the Subscription Price represents for the Offer Shares are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

In order to assess the fairness and the reasonableness of the Subscription Price, we have considered the following factors:

(b) Comparison with recent open offer and rights issue transactions

We have identified, to the best of our knowledge and endeavours, the following 9 open offer and rights issue transactions as announced by other companies that are listed on the Main Board (the "**Main Board**") of the Stock Exchange (the "**Comparables**") for comparison purposes as shown in the table below. The Comparables involve open offer and rights issue transactions that required shareholders' approval as announced by Main Board-listed companies since 7 December 2009, being six months prior to and up to and including the date of the Underwriting Agreement (the "**Review Period**"). The Comparables are an exhaustive list of open offer and rights issue transactions during the Review Period as identified by us, to our best effort, in our research through published information based on the above criteria.

Table 1: Comparable analysis of open offer and rights issue transactions announced by other listed companies under the Review Period

Date of announcement	Company (Stock code)	Basis of entitlement	Excess application	Premium/ (discount) of subscription prices over/to share closing prices as at the last trading day prior to release of the announcement %	Premium/ (discount) of subscription prices over/to theoretical ex-entitlement/ ex-rights price as at the last trading day prior to release of the announcement %	Underwriting commission %
8-Dec-09	Wing On Travel (Holdings) Limited (1189)	5 for 1	Available	(82.14)	(43.40)	2.00
11-Jan-10	See Corporation Limited (491)	8 for 1	Available	(81.31)	(32.66)	2.50
14-Jan-10	Yue Da Mining Holdings Limited (629)	1 for 1	Available	(46.90)	(30.64)	2.00
14-Jan-10	Wang On Group Limited (1222) *(Note 1)*	3 for 1 (2 bonus shares for every 3 rights shares)	Available	(88.73)	(56.81)	2.50
28-Jan-10	Gold Peak Industries (Holdings) Limited (40)	3 for 7	Available	(50.00)	(41.40)	2.75
17-Feb-10	Imagi International Holdings Limited (585)	4 for 1	Available	(93.10)	(72.90)	1.00
2-Mar-10	China Merchants Bank Co., Ltd. (3968)	1.3 for 10	Available	(49.19)	(46.14)	N/A
4-Mar-10	Unity Investments Holdings Limited (913)	2 for 1	Available	(68.75)	(42.31)	2.50
19-Mar-10	United Gene High-Tech Group Limited (399)	1 for 1	Not available	(89.17)	(80.45)	5.00 *(Note 2)*
Average				**(72.14)**	**(49.63)**	**2.53**
Median				**(81.31)**	**(43.40)**	**2.50**
Maximum				**(46.90)**	**(30.64)**	**5.00**
Minimum				**(93.10)**	**(80.45)**	**1.00**
	The Company	**4 for 5**	**Not available**	**(60.00)**	**(45.45)**	**1.50**

Source: the website of the Stock Exchange

Notes:

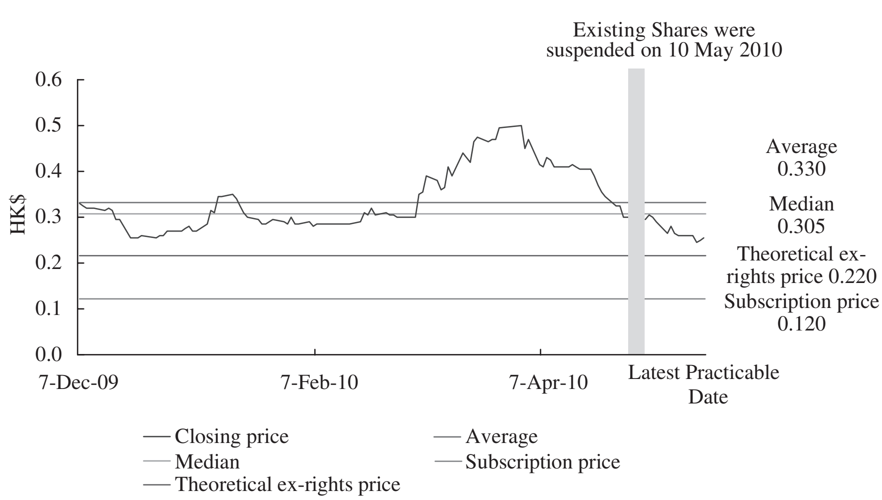
1. In this rights issue transaction, rights shares were issued with bonus shares. The calculations on the discounts of subscription prices to (i) the closing price of the shares on the last trading day; and (ii) the theoretical ex-rights price of the shares are based on the effective subscription price for each rights share which has taken into account the nil paid bonus shares being issued with one fully paid rights share.

2. In this rights issue transaction, the rights shares were underwritten by two underwriters with 5.0% and 0.0% commission rates.

As illustrated in the table above, we note that the premium/discount of the respective subscription prices to the respective closing prices quoted on the respective last trading day prior to the release of the announcement of the Comparables ranged from a discount of approximately 93.10% to a discount of approximately 46.90%, with an average and median of discounts of approximately 72.14% and approximately 81.31% respectively. The premium/discount of the respective subscription prices to the respective theoretical ex-entitlement prices quoted on the respective last trading day prior to the release of the announcement of the Comparables ranged from a discount of approximately 80.45% to a discount of approximately 30.64% with an average and median of discounts of approximately 49.63% and approximately 43.40% respectively. We note that the discount of approximately 60.00% of the Subscription Price to the closing price quoted on the Last Trading Day and the discount of approximately 45.45% of the Subscription Price to the theoretical ex-entitlement price are in line with the market and less than the average of the Comparables. As such, we are of the view that the discounts of the Subscription Price to the closing price quoted on the Last Trading Day and to the theoretical ex-entitlement price are not excessive and that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

(c) Price performance of the Existing Shares

The following chart shows the closing prices of the Existing Shares traded on the Stock Exchange under the Review Period and up to and including the Latest Practicable Date:



During the Review Period and up to and including the Latest Practicable Date, the Existing Shares were traded at a range of HK$0.245 to HK$0.500. We note that the both the Subscription Price and the theoretical ex-rights price are lower than the closing price of the Shares during the Review Period and up to and including the Latest Practicable Date. We are of the view that this would enhance the attractiveness of the Open Offer for the Shareholders to participate in it.

(d) The Underwriting Agreement

The Underwriting Agreement was entered into between the Underwriters and the Company after trading hours on 7 May 2010. Pursuant to the Underwriting Agreement and subject to the terms and conditions thereof, the Underwriters have agreed to fully underwrite not less than 341,383,695 Underwritten Shares and not more than 355,988,495 Underwritten Shares in the following proportion:

Underwriter	Percentage of the Underwritten Shares	Maximum number of Offer Shares underwritten
Underwriter A	22.5%	80,097,412
Underwriter B	14.0%	49,838,389
Underwriter C	11.0%	39,158,734
Underwriter D	17.0%	60,518,044
Underwriter E	35.5%	126,375,916

To the best information, knowledge and belief of the Directors, having made all reasonable enquiries, each of the Underwriters are third parties independent of and not connected with the other Underwriters, the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate of any of them and are not acting in concert with any Shareholder.

The Open Offer is not underwritten by financial institutions whose ordinary course of business includes underwriting, but is underwritten by the Underwriters who are all individuals not engaged in the profession as underwriters. We have been advised by the Company that the Company has negotiated with a financial institution whose ordinary course of business includes underwriting, which then also contacted other financial institutions with regard to the underwriting of the Open Offer, but considered the terms as offered by those financial institutions as less favourable than those of the Underwriters. In particular, the Company will pay the Underwriters all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriters in respect of the Open Offer, and underwriting commission of 1.50% (the "**Underwriting Commission**") of the aggregate Subscription Price in respect of the Underwritten Shares for which each of the Underwriters has agreed to subscribe. Such Underwriting Commission is lower than that generally charged by professional underwriters. As can be seen in table 1 above, the Underwriting Commission is in line with the market and is at the lower end of the range of 1.00% to 5.00% as represented by the Comparables. Having considered the above, we are of the view that the underwriting of the Open Offer and the Underwriting Commission are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

(e) No application for excess Offer Shares

As set out in the letter from the Board, the Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group and thus it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Shareholders.

After arm's length negotiations with the Underwriters, and taking into account that the related administration costs would be lower in the absence of excess applications, the Company decided that the Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements. Any Offer Shares not taken up by the Qualifying Shareholders and the Offer Shares to which the Excluded Overseas Shareholder(s) would otherwise have been entitled under the Open Offer will be taken up by the Underwriters.

Having considered the fact that (i) the Open Offer is intended to offer an equal chance for the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company by taking up their respective allotments of the Offer Shares; (ii) the absence of the excess application arrangement under open offer or rights issue transactions is not uncommon; and (iii) the lower administration costs in the absence of excess applications, we are of the view that the absence of the excess application arrangement under the Open Offer is acceptable.

4. Effects on the shareholding structure of the Company

The tables below illustrate the changes in the shareholding structure of the Company (i) assuming no exercise of the outstanding Share Options before the Record Date and Time; and (ii) assuming the exercise of all outstanding Share Options immediately after the Capital Reorganisation.

Table 2: (i) assuming no exercise of the outstanding Share Options before the Record Date and Time

	As at the Latest Practicable Date		Immediately after Capital Reorganisation		Immediately after the completion of the Open Offer assuming all Qualifying Shareholders have fully subscribed for their entitlements under the Open Offer		Immediately after the completion of the Open Offer assuming no Qualifying Shareholders subscribed for their entitlements under the Open Offer	
	No. of Existing Shares	*Approx. %*	*No. of Adjusted Shares*	*Approx. %*	*No. of Adjusted Shares*	*Approx. %*	*No. of Adjusted Shares*	*Approx. %*
Substantial Shareholders:								
Mr. Philip Lau *(Notes 1 and 4)*	99,823,029	12.71	99,823,029	12.71	179,681,452	12.71	179,681,452	12.71
Mr. Anthony Lau *(Notes 2 and 4)*	38,693,836	4.93	38,693,836	4.93	69,648,904	4.93	69,648,904	4.93
Mr. Andy Lau *(Notes 3 and 4)*	37,507,445	4.78	37,507,445	4.78	67,513,401	4.78	67,513,401	4.78
K.K. Nominees Limited *(Note 5)*	3,165,277	0.40	3,165,277	0.40	5,697,498	0.40	5,697,498	0.40
Wincard Management Services Limited *(Note 6)*	10,100,415	1.29	10,100,415	1.29	18,180,747	1.29	18,180,747	1.29
Philip Lau Holding Corporation *(Note 7)*	169,069,209	21.54	169,069,209	21.54	304,324,576	21.54	304,324,576	21.54
Mr. Lee Yu Chiang	42,140,878	5.37	42,140,878	5.37	75,853,580	5.37	42,140,878	2.98
Sub-total	**400,500,089**	**51.01**	**400,500,089**	**51.01**	**720,900,158**	**51.01**	**687,187,456**	**48.63**

	As at the Latest Practicable Date		Immediately after Capital Reorganisation		Immediately after the completion of the Open Offer assuming all Qualifying Shareholders have fully subscribed for their entitlements under the Open Offer		Immediately after the completion of the Open Offer assuming no Qualifying Shareholders subscribed for their entitlements under the Open Offer	
	No. of Existing Shares	*Approx. %*	*No. of Adjusted Shares*	*Approx. %*	*No. of Adjusted Shares*	*Approx. %*	*No. of Adjusted Shares*	*Approx. %*
Directors:								
Mr. Winston Calptor Chuck	770,000	0.10	770,000	0.10	1,386,000	0.10	770,000	0.05
Mr. Peter Hon Sheung Tin	206,769	0.03	206,769	0.03	372,184	0.03	206,769	0.01
Underwriters:								
Underwriter A	–	–	–	–	–	–	76,811, 331	5.44
Underwriter B	–	–	–	–	–	–	47,793,717	3.38
Underwriter C and his associates *(Note 8)*	4,332,500	0.55	4,332,500	0.55	7,798,500	0.55	41,884,707	2.96
Underwriter D	–	–	–	–	–	–	58,035,228	4.11
Underwriter E	–	–	–	–	–	–	121,191,212	8.58
Public Shareholders:								
Public Shareholders	379,279,470	48.31	379,279,470	48.31	682,703,048	48.31	379,279,470	26.84
Total	**785,088,828**	**100.00**	**785,088,828**	**100.00**	**1,413,159,890**	**100.00**	**1,413,159,890**	**100.00**

Table 2: (ii) assuming the exercise of all outstanding Share Options immediately after the Capital Reorganisation

	As at the Latest Practicable Date		Immediately after Capital Reorganisation assuming the exercise of all outstanding Share Options		Immediately after the completion of the Open Offer assuming all Qualifying Shareholders have fully subscribed for their entitlements under the Open Offer		Immediately after the completion of the Open Offer assuming no Qualifying Shareholders subscribed for their entitlements under the Open Offer	
	No. of Existing Shares	*Approx. %*	*No. of Adjusted Shares*	*Approx. %*	*No. of Adjusted Shares*	*Approx. %*	*No. of Adjusted Shares*	*Approx. %*
Substantial Shareholders:								
Mr. Philip Lau *(Notes 1 and 4)*	99,823,029	12.71	99,823,029	12.43	179,681,452	12.43	179,681,452	12.43
Mr. Anthony Lau *(Notes 2 and 4)*	38,693,836	4.93	38,693,836	4.82	69,648,904	4.82	69,648,904	4.82
Mr. Andy Lau *(Notes 3 and 4)*	37,507,445	4.78	37,507,445	4.67	67,513,401	4.67	67,513,401	4.67
K.K. Nominees Limited *(Note 5)*	3,165,277	0.40	3,165,277	0.39	5,697,498	0.39	5,697,498	0.39
Wincard Management Services Limited *(Note 6)*	10,100,415	1.29	10,100,415	1.26	18,180,747	1.26	18,180,747	1.26
Philip Lau Holding Corporation *(Note 7)*	169,069,209	21.54	169,069,209	21.05	304,324,576	21.05	304,324,576	21.05
Mr. Lee Yu Chiang	42,140,818	5.37	42,140,878	5.25	75,853,580	5.25	43,140,878	2.91
Sub-total	**400,500,089**	**51.01**	**400,500,089**	**49.85**	**720,900,158**	**49.85**	**687,187,456**	**47.52**

	As at the Latest Practicable Date		Immediately after Capital Reorganisation assuming the exercise of all outstanding Share Options		Immediately after the completion of the Open Offer assuming all Qualifying Shareholders have fully subscribed for their entitlements under the Open Offer		Immediately after the completion of the Open Offer assuming no Qualifying Shareholders subscribed for their entitlements under the Open Offer	
	No. of Existing Shares	*Approx. %*	*No. of Adjusted Shares*	*Approx. %*	*No. of Adjusted Shares*	*Approx. %*	*No. of Adjusted Shares*	*Approx. %*
Directors:								
Mr. Winston Calptor Chuck	770,000	0.10	770,000	0.10	1,386,000	0.10	770,000	0.05
Mr. Peter Hon Sheung Tin	206,769	0.03	206,769	0.03	372,184	0.03	206,769	0.01
Underwriters:								
Underwriter A	–	–	–	–	–	–	80,097,411	5.54
Underwriter B	–	–	–	–	–	–	49,838,389	3.45
Underwriter C and his associates *(Note 8)*	4,332,500	0.50	4,332,500	0.54	7,798,500	0.54	43,491,235	3.01
Underwriter D	–	–	–	–	–	–	60,518,044	4.19
Underwriter E	–	–	–	–	–	–	126,375,916	8.74
Public Shareholders:								
Public Shareholders	379,279,470	48.31	397,535,470	49.49	715,563,848	49.49	397,535,470	27.49
Total	**785,088,828**	**100.00**	**803,344,828**	**100.00**	**1,446,020,690**	**100.00**	**1,446,020,690**	**100.00**

Notes:

1. Mr. Philip Lau is the chairman and an executive Director.

2. Mr. Anthony Lau is an executive Director and the brother of Mr. Philip Lau and Mr. Andy Lau.

3. Mr. Andy Lau is an executive Director and the brother of Mr. Philip Lau and Mr. Anthony Lau.

4. Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau are regarded as parties acting in concert under the Takeovers Code and as such, they are deemed to be interested in the Existing Shares and Adjusted Shares held by each of them.

5. K.K. Nominees Limited is wholly and beneficially owned by Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau. Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau are deemed to be interested in the Existing Shares and Adjusted Shares owned by K.K. Nominees Limited.

6. Wincard Management Services Limited is wholly and beneficially owned by Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau. Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau are deemed to be interested in the Existing Shares and Adjusted Shares owned by Wincard Management Services Limited.

7. Philip Lau Holding Corporation is beneficially owned by a discretionary trust of which the discretionary objects include Mr. Philip Lau and his associates. Mr. Philip Lau is deemed to be interested in the Existing Shares and Adjusted Shares owned by Philip Lau Holding Corporation.

8. The Shares are beneficially owned by Timemate Industries Ltd. which is 75% beneficially owned by Underwriter C. Accordingly, Underwriter C is deemed to be interested in the Existing Shares and Adjusted Shares beneficially owned by Timemate Industries Ltd.

The Open Offer is offered to all Qualifying Shareholders on the same basis. All Qualifying Shareholders should note that each of them is entitled to subscribe for the Offer Shares so that they can maintain their proportionate interests in the Company. For those Qualifying Shareholders who choose to take up their respective entitlements in full under the Open Offer, their shareholding interests in the Company will remain unchanged upon completion of the Open Offer.

For those Qualifying Shareholders who choose not to take up their respective entitlements in full under the Open Offer, depending on the extent to which they take up their respective entitlements, their shareholding interests in the Company will be diluted. For illustrative purposes, with reference to the above tables, assuming none of the Qualifying Shareholders (except the Lau Group) take up their respective entitlements in the Open Offer, the public Shareholders' shareholding interests in the Company will be diluted from approximately 48.31% as at the Latest Practicable Date to (i) approximately 26.84% immediately upon completion of the Open Offer and assuming no exercise of the outstanding Share Options before the Record Date and Time; or (ii) approximately 27.49% immediately upon completion of the Open Offer and assuming exercise of all outstanding Share Options immediately after the Capital Reorganisation.

Notwithstanding that there may be dilution of the existing shareholding of the Shareholders as a result of the Open Offer, in view of the fact that (i) the Open Offer offers the Qualifying Shareholders an equal chance to subscribe for their respective entitlements under the Open Offer; (ii) the financing needs of the Group for its future development plan; and (iii) those Qualifying Shareholders who choose to accept the Open Offer in full can maintain their respective existing shareholding interests in the Company after the Open Offer, we consider the potential dilution to the shareholding of the Shareholders in the Company to be justifiable.

5. Financial effects of the Open Offer

Net asset value

Based on the unaudited pro forma statement of consolidated net tangible assets of the Group (the "**Statement**") as set out in appendix II to the Circular, the unaudited consolidated net tangible assets of the Group as at 30 September 2009 was approximately HK$624.26 million. Based on the 785,088,828 Existing Shares (equivalent to 785,088,828 Adjusted Shares) in issue as at the Latest Practicable Date, the unaudited adjusted consolidated net tangible assets of the Group per Adjusted Share was approximately HK$0.80.

According to the Statement, the unaudited pro forma adjusted consolidated net assets of the Group immediately after completion of the Capital Reorganisation and the Open Offer will be approximately HK$697.17 million (on the basis of 628,071,062 Offer Shares to be issued), assuming no exercise of the outstanding Share Options before the Record Date and Time, the unaudited pro forma adjusted consolidated net tangible assets of the Group per Adjusted Share would decrease to approximately HK$0.49 per Adjusted Share.

We note that there will be a decrease in the net asset value per Share upon completion of the Open Offer. Nevertheless, in light of the need of new capital to be raised from the Open Offer, which would be applied to the development of the Group's business under the Polaroid License, which is expected to become a new income driver of the Group, we consider the decrease in the net asset value per Share justifiable.

Cashflow

In view of the estimated net proceeds (after deducting all necessary expenses such as commission to the Underwriters and other professional fees and expenses) from the Open Offer, the Group will record a net cash inflow of not less than approximately HK$72.91 million but not more than approximately HK$74.66 million.

Gearing

According to the latest published interim report of the Company for the six months ended 30 September 2009, the gearing ratio of the Group (calculated as unaudited total borrowings of approximately HK$381.33 million divided by unaudited shareholders' funds of approximately HK$650.89 million) was approximately 0.59 times as at 30 September 2009. Upon completion of the Open Offer, the gearing ratio of the Group is expected to improve as a result of the increase in the working capital of not less than approximately HK$72.91 million but not more than approximately HK$74.66 million from the estimated net proceeds of the Open Offer.

Having considered the fact that completion of the Open Offer will create a positive effect on the Group's cashflow and gearing, we are of the view that the Open Offer is in the interests of the Company and the Shareholders as a whole.

Shareholders should note that the above analyses are only for illustrative purposes and do not purport to represent the financial position of the Group upon completion of the Open Offer.

RECOMMENDATION

Having considered the above-mentioned principal factors and reasons, we consider that the terms of the Open Offer and the Underwriting Agreement are on normal commercial terms, that they are fair and reasonable so far as the Independent Shareholders are concerned and that the Open Offer is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to approve the Open Offer at the SGM.

Yours faithfully
For and on behalf of
VC Capital Limited

Keith Lou
Executive Director

Felicia Hui
Director

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 March 2007 HK$'000	Year ended 31 March 2008 HK$'000	Year ended 31 March 2009 HK$'000	Six months ended 30 September 2009 HK$'000
Turnover	5	2,434,241	2,199,033	1,281,062	389,549
Cost of sales		(1,951,018)	(1,666,311)	(1,024,197)	(317,443)
Gross profit		483,223	532,722	256,865	72,106
Other income	6	25,709	22,194	30,357	14,386
Distribution costs		(213,620)	(295,479)	(186,529)	(55,048)
Administrative expenses		(170,154)	(168,461)	(167,473)	(55,619)
(Decrease) increase in fair value of investment properties	13	3,322	27,531	(16,736)	5,051
Increase in fair value of derivative financial instruments		3,576	2,599	1,667	–
Decrease in fair value of financial assets designated at fair value through profit or loss		1,120	(2,167)	(1,591)	–
Decrease in fair value of investments held for trading		1,949	(7,976)	(12,868)	–
Impairment loss recognised in respect of available-for-sale investments		(150)	–	–	–
(Loss) gain on deemed partial disposal of a subsidiary	35	10,194	279	(150)	–
Gain on disposal of a subsidiary		99	–	–	–
Finance costs	7	(26,975)	(47,590)	(22,528)	(5,034)
Share of profits of associates		1,613	373	578	461
(Loss) profit before taxation	8	119,906	64,025	(118,408)	(23,697)
Taxation	10	(9,715)	(18,531)	(1,280)	(1,044)
(Loss) profit for the year		110,191	45,494	(119,688)	(24,741)
Attributable to:					
Shareholders of the Company		105,196	45,914	(110,186)	(17,675)
Minority interests		4,995	(420)	(9,502)	(7,066)
		110,191	45,494	(119,688)	(24,741)
Dividends recognised as distribution during the year	11				
– Interim dividend for 2009 of nil (2008: 4.8 HK cents) per share		34,466	37,938	–	–
– Final dividend for 2008 of nil (2008: final dividend for 2007 of 3.5 HK cents) per share		22,735	27,677	–	–
		57,201	65,615	–	–
Proposed final dividend of nil (2008: nil) per share	11	27,677	–	–	–
		HK cents	*HK cents*	*HK cents*	*HK cents*
(Loss) earnings per share	12				
– Basic		13.80	5.81	(14.03)	(2.25)
– Diluted		13.50	5.75	N/A	N/A

CONSOLIDATED BALANCE SHEET

		At 31 March			30 September
		2007	2008	2009	2009
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Investment properties	*13*	81,121	108,652	91,916	91,916
Property, plant and equipment	*14*	305,842	298,575	272,565	258,462
Prepaid lease payments	*15*	4,136	65,062	63,676	3,835
Product development costs	*16*	954	607	260	87
Goodwill	*17*	25,494	27,671	26,541	26,541
Interest in associates	*19*	8,200	8,573	8,071	8,532
Available-for-sale investments	*20*	24,075	24,052	24,048	24,052
Deferred tax assets	*30*	1,263	7,542	5,918	5,918
Deposit for acquisition of land use rights		14,711	–	–	–
		465,796	540,734	492,995	419,343
Current assets					
Inventories	*22*	451,244	543,606	402,471	456,742
Debtors, deposits and prepayments	*23*	343,704	269,025	181,451	334,181
Prepaid lease payments	*15*	121	1,386	1,386	121
Amount due from related parties		17,196	–	–	–
Amounts due from associates	*24*	3,989	3,989	2,945	2,989
Taxation recoverable		11,659	9,852	4,919	2,564
Investments held for trading	*25*	25,613	20,381	6,955	11,941
Derivative financial instruments	*21*	480	120	–	–
Financial assets designated at fair value through profit or loss	*21*	20,795	8,149	798	564
Bank balances and cash	*26*	92,401	77,068	103,572	132,938
		967,202	933,576	704,497	942,040
Current liabilities					
Creditors and accrued charges	*27*	273,829	176,212	185,227	314,022
Amount due to an associate	*24*	2,809	2,809	2,809	2,809
Derivative financial instruments	*21*	438	518	50	532
Taxation payable		4,752	16,603	1,797	2,114
Borrowings – due within one year	*28*	329,515	430,160	302,309	363,106
Bank overdrafts	*29*	1,722	8,171	–	23
		613,065	634,473	492,192	682,606
Net current assets		354,137	299,103	212,305	259,434
Total assets less current liabilities		819,933	839,837	705,300	678,777

		At 31 March			30 September
		2007	**2008**	**2009**	**2009**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities					
Deferred tax liabilities	*30*	7,583	5,171	5,821	5,821
Borrowings – due after one year	*28*	–	34,890	23,782	18,227
		7,583	40,061	29,603	24,048
Net assets		812,350	799,776	675,697	654,729
Capital and reserves					
Share capital	*31*	315,043	316,151	314,035	314,035
Reserves		482,074	465,588	351,065	336,851
Equity attributable to shareholders of the Company		797,117	781,739	665,100	650,886
Share option reserve of a listed subsidiary		66	253	392	392
Minority interests		15,167	17,784	10,205	3,451
Total equity		812,350	799,776	675,697	654,729

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Goodwill reserve HK$'000	Investment revaluation reserve HK$'000	Other property revaluation reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Accumulated profits HK$'000	Equity attributable to shareholders of the Company HK$'000	Share option reserve of a listed subsidiary HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2007	315,043	100,393	37,138	(3,688)	(59)	2,007	9,726	3,765	51,786	281,006	797,117	66	15,167	812,350
Decrease in fair value of available-for-sale investments	–	–	–	–	(23)	–	–	–	–	–	(23)	–	–	(23)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(147)	–	–	–	(147)	–	513	366
Net income and expense recognised directly in equity	–	–	–	–	(23)	–	(147)	–	–	–	(170)	–	513	343
Profit for the year	–	–	–	–	–	–	–	–	–	45,914	45,914	–	(420)	45,494
Total recognised income and expense for the year	–	–	–	–	(23)	–	(147)	–	–	45,914	45,744	–	93	45,837
	315,043	100,393	37,138	(3,688)	(82)	2,007	9,579	3,765	51,786	326,920	842,861	66	15,260	858,187
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	2,183	2,183
Capital contribution from minority shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	626	626
Deemed partial disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(285)	(285)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	125	–	–	125	187	–	312
Issue of shares upon exercise of share options	1,264	2,376	–	–	–	–	–	(337)	–	–	3,303	–	–	3,303
Issue of shares as scrip dividend	1,910	6,859	–	–	–	–	–	–	–	(8,769)	–	–	–	–
Repurchase of shares	(2,066)	–	–	–	–	–	–	–	2,066	(7,704)	(7,704)	–	–	(7,704)
Dividends paid	–	–	–	–	–	–	–	–	–	(56,846)	(56,846)	–	–	(56,846)
At 31 March 2008	316,151	109,628	37,138	(3,688)	(82)	2,007	9,579	3,553	53,852	253,601	781,739	253	17,784	799,776
Exchange difference arising on translation of foreign operations and expense recognised directly in equity	–	–	–	–	–	–	(5,252)	–	–	–	(5,252)	–	(492)	(5,744)
Loss for the year	–	–	–	–	–	–	–	–	–	(110,186)	(110,186)	–	(9,502)	(119,688)
Total recognised income and expense for the year	–	–	–	–	–	–	(5,252)	–	–	(110,186)	(115,438)	–	(9,994)	(125,432)
	316,151	109,628	37,138	(3,688)	(82)	2,007	4,327	3,553	53,852	143,415	666,301	253	7,790	674,344
Acquisition/deemed acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(656)	(656)
Capital contribution from minority shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	3,426	3,426
Deemed partial disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(355)	(355)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	3	–	–	3	139	–	142
Repurchase of shares	(2,116)	–	–	–	–	–	–	–	2,116	(1,204)	(1,204)	–	–	(1,204)
At 31 March 2009	314,035	109,628	37,138	(3,688)	(82)	2,007	4,327	3,556	55,968	142,211	665,100	392	10,205	675,697

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	2009	2008
	HK$'000	*HK$'000*
Cash flows from operating activities		
(Loss) profit before taxation	(118,408)	64,025
Adjustments for:		
Share of profits of associates	(578)	(373)
Amortisation of product development costs	347	347
Release of prepaid lease payments	1,386	1,070
Depreciation of property, plant and equipment	53,514	55,198
Decrease (increase) in fair value of investment properties	16,736	(27,531)
Decrease in fair value of investments held for trading	12,868	7,976
Increase in fair value of derivative financial instruments	(1,667)	(2,599)
Decrease in fair value of financial assets designated at fair value through profit or loss	1,591	2,167
Impairment loss recognised in respect of available-for-sale investments	4	–
Impairment loss recognised in respect of goodwill	1,569	–
Dividend income from investments held for trading	(359)	(1,434)
Brokerage expenses on redemption of shares	14	44
Share-based payments	142	312
Interest expense	22,528	47,590
Interest income	(525)	(4,342)
Gain on disposal of property, plant and equipment	(15,268)	(10)
Net allowance for obsolete and slow-moving inventories	10,451	1,648
Allowance for doubtful debts	14,436	5,961
Loss (gain) on deemed partial disposal of a subsidiary	150	(279)
Effect of foreign exchange rate change on inter-company balances	(5,744)	353

	2009	2008
	HK$'000	*HK$'000*
Operating cash flows before movement in working capital	(6,813)	150,123
Decrease (increase) in inventories	130,684	(94,010)
Decrease in debtors, deposits and prepayments	94,478	68,718
Decrease in amounts due from associates	1,049	–
Decrease (increase) in investments held for trading	558	(2,744)
Decrease in derivative financial instruments	1,319	3,039
Decrease in financial assets designated at fair value through profit or loss	5,760	10,479
Increase (decrease) in creditors and accrued charges	9,015	(97,617)
Cash generated from operations	236,050	37,988
Dividend received from investments held for trading	359	1,434
Hong Kong Profits Tax paid	(10,509)	(10,165)
Taxation in other jurisdictions paid	(2,627)	(6,239)
Taxation in other jurisdictions refunded	4,257	2,840
Net cash from operating activities	227,530	25,858
Cash flows from investing activities		
Capital contribution from minority shareholders of a subsidiary	3,426	626
Dividend received from an associate	1,080	–
Proceeds from disposal of property, plant and equipment	1,000	685
Interest received	525	4,342
Purchase of property, plant and equipment	(34,576)	(48,593)
Acquisition of additional interest of a subsidiary	(1,600)	–
Advance to an associate	(5)	–
Repayment from related parties	–	17,196
Prepaid lease payments made	–	(48,550)
Net cash used in investing activities	(30,150)	(74,294)

	2009 *HK$'000*	2008 *HK$'000*
Cash flows from financing activities		
Net proceeds from debt factoring loans	16,349	11,853
Net (repayment of) proceeds from trust receipts and import loans and loans related to bills discounted with recourse	(129,452)	18,037
Interest on bank and other borrowings paid	(22,528)	(47,590)
Net (repayment of) proceeds from short term loans	(15,468)	56,867
Repayment of bank loan	(10,388)	(1,222)
Repurchases of shares including brokerage expenses	(1,218)	(7,748)
Bank loan raised	–	50,000
Proceeds from issue of shares upon exercise of share options	–	3,303
Dividends paid	–	(56,846)
Net cash (used in) from financing activities	(162,705)	26,654
Net increase (decrease) in cash and cash equivalents	34,675	(21,782)
Cash and cash equivalents at beginning of the year	68,897	90,679
Cash and cash equivalents at end of the year	103,572	68,897
Represented by:		
Bank balances and cash	103,572	77,068
Bank overdrafts	–	(8,171)
	103,572	68,897

NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 March 2009

1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments and interpretations of Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC)* – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

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

HKFRSs (Amendments)	Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of financial statements[3]
HKAS 23 (Revised)	Borrowing costs[3]
HKAS 27 (Revised)	Consolidated and separate financial statements[4]
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[3]
HKAS 39 (Amendment)	Eligible hedge items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[3]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[3]
HKFRS 3 (Revised)	Business combinations[4]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[3]
HKFRS 8	Operating segments[3]
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives[5]
HK(IFRIC) – INT 13	Customer loyalty programmes[6]
HK(IFRIC) – INT 15	Agreements for the construction of real estate[3]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation[7]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[4]
HK(IFRIC) – INT 18	Transfer of assets from customers[8]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2009.
[4] Effective for annual periods beginning on or after 1 July 2009.
[5] Effective for annual periods ending on or after 30 June 2009.
[6] Effective for annual periods beginning on or after 1 July 2008.
[7] Effective for annual periods beginning on or after 1 October 2008.
[8] Effective for transfers on or after 1 July 2009.

* IFRIC represents the International Financial Reporting Interpretations Committee.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting treatment for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results or financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company 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 income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Acquisition of additional interests of subsidiaries does not fall within the definition of business combination under HKFRS 3 "Business combinations" as the acquisition does not result in a change in control. The excess of the cost of acquisition over the carrying amount of assets and liabilities of the subsidiary attributable to the additional interest acquired is recognised as goodwill.

All intra-company transactions, balances, income and expenses within the Group are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisition prior to 1 January 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

Goodwill arising on acquisition prior to 1 April 2001 continues to be held in reserves, and will be transferred to the accumulated profits 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.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity on or after 1 April 2001, the Group has discontinued amortisation from 1 April 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisition after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

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

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

Interest 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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the 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. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided 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.

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

Commission income is recognised when services are rendered.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost or revalued amounts less subsequent accumulated depreciation and accumulated impairment losses.

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 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.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all development expenditure and other direct costs attributable to such project. Construction in progress is not depreciated until completion of construction. On completion of construction, the assets are transferred to appropriate categories of property, plant and equipment.

The cost or valuation of leasehold properties in Hong Kong is depreciated over forty years on a straight line basis after taking into account of the estimated residual value. The cost of leasehold properties 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.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress and leasehold properties over their estimated useful lives using the reducing balance method.

The land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment properties

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

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in 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 the consolidated income statement in the year in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet 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 Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. 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 on points 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.

Income is recognised on an effective interest basis for debt instruments other than those financial assets at fair value through profit or loss, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have 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 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 fair value through profit or loss 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 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 "Financial instruments: Recognition and measurement" permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, deposits, bank balances and cash and amounts due from associates) 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. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For 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, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are 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 impacted.

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; default or delinquency in interest or 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 subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period 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, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the 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.

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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities generally include other financial liabilities and derivative financial instruments that do not qualify for hedge accounting.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including creditors, amount due to an associate, bank overdrafts and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly from equity. No gains or loss is recognised in profit or loss on the purchase or cancellation of the Company's own equity instruments. Consideration paid is recognised directly in equity.

Distribution settled in shares are recorded at market price at the date of issue, and credited to the share capital and share premium respectively.

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 each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. 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, 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.

For share options granted to employees on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 April 2005, the financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

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 expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life on the same basis as intangible assets acquired separately, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

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. 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.

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 less all further costs to completion and costs to be incurred in selling and distribution.

Impairment (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, 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 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 in prior years. A reversal of an impairment loss is recognised as 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 as reported in the consolidated income statement 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which 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 arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 Group as lessor

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

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement 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 each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet 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 consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, 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 as a separate component of equity (translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefits schemes

Payments to state-managed retirement benefits scheme or the Mandatory Provident Fund ("MPF") Scheme are charged as expenses when employees have rendered services entitling them to contributions.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company 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 balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Allowances for inventories

The management of the Group reviews the physical conditions and saleability of inventories at each balance sheet date, 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 based primarily on the latest invoice prices and current market conditions. As at 31 March 2009, the carrying amount of inventories is HK$402,471,000 (2008: HK$543,606,000), net of allowance for obsolete and slow-moving inventories of HK$36,995,000 (2008: HK$26,544,000).

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 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 2009, the carrying amount of goodwill is HK$26,541,000 (2008: HK$27,671,000). Details of the recoverable amount calculation are disclosed in note 18.

Income taxes

As at 31 March 2009, no deferred tax asset was recognised in the Group's consolidated balance sheet in relation to the estimated unused tax losses of HK$228,797,000 (2008: HK$132,592,000) 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 the consolidated income statement in the period in which such a recognition takes place.

5. SEGMENT INFORMATION

(a) Business segments

The Group is organised into two operating divisions, namely design, manufacture and sale of electronic products and securities trading. These divisions are the basis on which the Group reports its primary segment information.

(i) An analysis of the Group's turnover, which represents sales of goods, and results by business segments is as follows:

	Design, manufacture and sale of electronic products	Securities trading	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 March 2009			
TURNOVER	1,281,062	–	1,281,062
SEGMENT RESULTS	(58,850)	(12,433)	(71,283)
Interest income			525
Unallocated income			4,689
Unallocated expenses			(13,503)
Decrease in fair value of investment properties			(16,736)
Loss on deemed partial disposal of a subsidiary	(150)	–	(150)
Finance costs			(22,528)
Share of profits of associates	578	–	578
Loss before taxation			(118,408)
Taxation			(1,280)
Loss for the year			(119,688)
OTHER INFORMATION			
Additions of property, plant and equipment	34,576	–	34,576
Amortisation of product development costs	347	–	347
Increase in fair value of derivative financial instruments	–	(1,667)	(1,667)
Decrease in fair value of financial assets designated at fair value through profit or loss	–	1,591	1,591
Decrease in fair value of investments held for trading	–	12,868	12,868
Release of prepaid lease payments	1,386	–	1,386
Depreciation of property, plant and equipment	53,514	–	53,514
Allowance for doubtful debts	14,436	–	14,436
Allowance for obsolete and slow-moving inventories	10,451	–	10,451
Impairment loss recognised in respect of goodwill – unallocated	–	–	1,569

	Design, manufacture and sale of electronic products HK$'000	Securities trading HK$'000	Consolidated HK$'000
Year ended 31 March 2008			
TURNOVER	2,199,033	–	2,199,033
SEGMENT RESULTS	97,406	(6,110)	91,296
Interest income			4,342
Unallocated income			3,773
Unallocated expenses			(15,979)
Increase in fair value of investment properties			27,531
Gain on deemed partial disposal of a subsidiary	279	–	279
Finance costs			(47,590)
Share of profits of associates	373	–	373
Profit before taxation			64,025
Taxation			(18,531)
Profit for the year			45,494
OTHER INFORMATION			
Additions of property, plant and equipment	48,593	–	48,593
Amortisation of product development costs	347	–	347
Increase in fair value of derivative financial instruments	–	(2,599)	(2,599)
Decrease in fair value of financial assets designated at fair value through profit or loss	–	2,167	2,167
Decrease in fair value of investments held for trading	–	7,976	7,976
Prepaid lease payments made	48,550	–	48,550
Release of prepaid lease payments	1,070	–	1,070
Depreciation of property, plant and equipment	55,198	–	55,198
Allowance for doubtful debts	5,961	–	5,961
Net allowance for obsolete and slow-moving inventories	1,648	–	1,648

(ii) An analysis of the Group's consolidated balance sheet by business segments is as follows:

	Design, manufacture and sale of electronic products HK$'000	Securities trading HK$'000	Consolidated HK$'000
At 31 March 2009			
ASSETS			
Segment assets	945,317	10,786	956,103
Interest in associates	8,071	–	8,071
Unallocated corporate assets			233,378
Consolidated total assets			1,197,492
LIABILITIES			
Segment liabilities	184,556	619	185,175
Unallocated corporate liabilities			336,620
Consolidated total liabilities			521,795

	Design, manufacture and sale of electronic products HK$'000	Securities trading HK$'000	Consolidated HK$'000
At 31 March 2008			
ASSETS			
Segment assets	1,194,558	48,307	1,242,865
Interest in associates	8,573	–	8,573
Unallocated corporate assets			222,872
Consolidated total assets			1,474,310
LIABILITIES			
Segment liabilities	171,344	5,256	176,600
Unallocated corporate liabilities			497,934
Consolidated total liabilities			674,534

(b) Geographical segments

(i) An analysis of the Group's turnover in respect of design, manufacture and sale of electronic products by geographical markets based on location of customers is as follows:

	2009	2008
	HK$'000	*HK$'000*
North America	870,141	1,348,799
Europe	356,038	782,738
Hong Kong	39,549	17,463
Mainland China	85	422
Japan and Korea	–	4,221
Other countries	15,249	45,390
	1,281,062	2,199,033

(ii) An analysis of the carrying amount of segment assets and capital additions analysed by the geographical areas in which the assets are located is as follows:

	Carrying amount of segment assets		Capital additions	
	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
North America	275,902	424,317	5,835	3,853
Hong Kong	257,144	337,005	25,941	28,226
Mainland China	358,385	426,183	2,800	16,514
Other countries	64,672	55,360	–	–
	956,103	1,242,865	34,576	48,593

6. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Other income includes:		
Claims received	302	148
Commission	3,362	6,206
Dividend income from investments held-for-trading	359	1,434
Exchange gain, net	–	1,048
Gain on disposal of property, plant and equipment	15,268	10
Interest income	525	4,342
Rental income *(note)*	4,689	3,773
Repairing income	2,333	1,263
Sale of scrap materials	1,623	2,275

Note: Outgoings of HK$406,000 (2008: HK$143,000) were incurred resulting in net rental income of HK$4,283,000 (2008: HK$3,630,000).

7. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years	22,528	47,590

8. (LOSS) PROFIT BEFORE TAXATION

	2009	2008
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging:		
Amortisation of product development costs (included in administrative expenses)	347	347
Auditors' remuneration		
– current year	3,858	3,529
– underprovision in prior years	–	515
Depreciation of property, plant and equipment	53,514	55,198
Exchange loss, net	6,620	–
Impairment loss recognised in respect of goodwill (included in administrative expenses)	1,569	–
Impairment loss recognised in respect of available-for-sale investments (included in administrative expenses)	4	–
Minimum lease payments under operating leases in respect of rented premises	10,301	6,077
Allowance for doubtful debts	14,436	5,961
Net allowance for obsolete and slow-moving inventories *(note 1)*	10,451	1,648
Release of prepaid lease payments	1,386	1,070
Research and development costs	42,813	43,614
Staff costs including directors' remuneration *(note 2)*	154,104	159,471

Note:

1. Included in the amount is a reversal of allowance for obsolete and slow-moving inventories of nil (2008: HK$2,607,000), which is resulted from subsequent sales of certain impaired items.

2. The staff costs for the year included retirement benefits scheme contributions of HK$1,868,000 (2008: HK$2,227,000) and share-based payments of HK$142,000 (2008: HK$312,000).

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of emoluments paid by the Group to each of the directors are as follows:

For the year ended 31 March 2009

	Fees	Salaries and other short term employee benefits	Performance related incentive payments	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Lau Sak Hong, Philip	50	6,062	133	190	6,435
Lau Sak Kai, Anthony	50	1,377	46	67	1,540
Lau Sak Yuk, Andy	50	1,231	46	60	1,387
Non-executive director:					
Hon Sheung Tin, Peter	109	24	–	–	133
Independent non-executive directors:					
Ho Hau Chong, Norman	50	–	–	–	50
Chan Chak Chung	50	–	–	–	50
Chuck Winston Calptor	50	–	–	–	50
	409	8,694	225	317	9,645

For the year ended 31 March 2008

	Fees	Salaries and other short term employee benefits	Performance related incentive payments	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Lau Sak Hong, Philip	50	8,009	268	208	8,535
Lau Sak Kai, Anthony	50	1,388	87	74	1,599
Lau Sak Yuk, Andy	50	1,257	76	67	1,450
Non-executive director:					
Hon Sheung Tin, Peter	50	20	–	–	70
Independent non-executive directors:					
Ho Hau Chong, Norman	50	–	–	–	50
Chan Chak Chung	50	–	–	–	50
Chuck Winston Calptor	50	–	–	–	50
	350	10,674	431	349	11,804

The performance related incentive payments are determined by the performance of the individual and the Group's performance and profitability for the two years ended 31 March 2009.

Employees

The five highest paid individuals of the Group included three (2008: three) directors, details of whose remuneration are set out above. The emoluments of the remaining two (2008: two) highest paid employees are as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries and other short term employee benefits	3,106	3,072
Performance related incentive payments	80	148
Retirement benefits scheme contributions	24	24
	3,210	3,244

Emoluments of these employees were within the following bands:

	Number of employees	
	2009	2008
HK$1,000,001 – HK$1,500,000	1	1
HK$1,500,001 – HK$2,000,000	1	1

10. TAXATION

	2009	2008
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current year	46	15,843
Overprovision in prior years	(1,830)	(7)
	(1,784)	15,836
Taxation in other jurisdictions		
Current year	812	2,058
(Over)underprovision in prior years	(22)	9,328
	790	11,386
Deferred taxation *(note 30)*	2,274	(8,691)
	1,280	18,531

Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the year ended 31 March 2009.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The underprovision in prior years mainly arose from a settlement of corporate tax audit with the Canada Revenue Agency related to allocation of income by a subsidiary of the Group between Canada and Hong Kong for the two years ended 31 March 2004 and 2005. The tax audits were closed in the year ended 31 March 2008.

Taxation for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	2009	2008
	HK$'000	*HK$'000*
(Loss) profit before taxation	(118,408)	64,025
Tax (credit) charge at the domestic income tax rate of 16.5% (2008: 17.5%)	(19,537)	11,204
Tax effect of share of profits of associates	95	65
Tax effect of expenses not deductible for taxation purposes	6,169	1,626
Tax effect of income not taxable for taxation purposes	(2,974)	(2,881)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(6,207)	(1,233)
Tax effect of tax losses not recognised	21,825	5,792
Tax effect of utilisation of tax losses previously not recognised	(75)	(5,265)
Effect of tax exemption granted to a subsidiary (note)	(145)	(1,908)
(Over)underprovision in prior years	(1,852)	9,321
Decrease in opening deferred tax liabilities resulting from a decrease in applicable rate	(176)	–
Others	4,157	1,810
Taxation for the year	1,280	18,531

Note: The subsidiary is exempted from taxation in other jurisdiction pursuant to the relevant laws and regulations in that jurisdiction.

11. DIVIDENDS

The directors have resolved not to recommend a final dividend for the year ended 31 March 2009 (2008: nil).

During the year ended 31 March 2008, the directors have declared an interim dividend of 4.8HK cents per share, amounting to HK$37,938,000, and scrip alternative was offered in respect of the 2007 final dividend. The scrip alternative was accepted by the shareholders, as follows:

	HK$'000
Dividends:	
Cash	18,908
Scrip alternative	8,769
	27,677

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
(Loss) earnings attributable to shareholders of the Company for the purposes of basic and diluted (loss) earnings per share	(110,186)	45,914

	2009	2008
Weighted average number of shares for the purposes of basic (loss) earnings per share	785,466,362	790,246,143
Effect of dilutive potential shares relating to share options	N/A	8,080,944
Weighted average number of shares for the purposes of diluted earnings per share	N/A	798,327,087

No diluted loss per share is presented for 2009 as the exercise of the outstanding options would result in a decrease in the loss per share for the year.

13. INVESTMENT PROPERTIES

	2009	2008
	HK$'000	*HK$'000*
Fair value of investment properties:		
At beginning of the year	108,652	81,121
(Decrease) increase in fair value	(16,736)	27,531
At end of the year	91,916	108,652
The carrying amount of investment properties comprises:		
Long leases in Hong Kong	77,750	94,000
Long leases outside Hong Kong	14,166	14,652
	91,916	108,652

The fair values of the Group's investment properties have been arrived at on the basis of valuations carried out on the balance sheet date by an independent qualified professional valuer not connected with the Group. The valuer has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to market evidence of transaction prices for similar properties.

All of the 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. As at 31 March 2009, the carrying amount of such property interests amounted to HK$91,916,000 (2008: HK$108,652,000).

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Computer equipment	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST OR VALUATION							
At 1 April 2007	120,544	27,703	106,252	16,736	503,309	–	774,544
Currency realignment	–	3	3	–	48	–	54
Additions	–	1,666	5,466	729	40,313	419	48,593
Disposal	(168)	–	(459)	(2,077)	–	–	(2,704)
At 31 March 2008	120,376	29,372	111,262	15,388	543,670	419	820,487
Additions	145	1,277	901	555	31,698	–	34,576
Disposal	(11,451)	(1,045)	(8,910)	(3,766)	(12,750)	–	(37,922)
At 31 March 2009	**109,070**	**29,604**	**103,253**	**12,177**	**562,618**	**419**	**817,141**
Comprising:							
At cost	79,670	29,604	103,253	12,177	562,618	419	787,741
At valuation – 1991	29,400	–	–	–	–	–	29,400
	109,070	29,604	103,253	12,177	562,618	419	817,141
DEPRECIATION							
At 1 April 2007	20,388	17,209	86,212	13,359	331,534	–	468,702
Currency realignment	–	3	–	–	38	–	41
Provided for the year	2,285	2,580	4,521	776	45,036	–	55,198
Eliminated on disposal	(3)	–	(90)	(1,936)	–	–	(2,029)
At 31 March 2008	22,670	19,792	90,643	12,199	376,608	–	521,912
Provided for the year	2,257	2,261	4,067	724	44,205	–	53,514
Eliminated on disposal	(7,178)	(941)	(7,849)	(3,490)	(11,392)	–	(30,850)
At 31 March 2009	**17,749**	**21,112**	**86,861**	**9,433**	**409,421**	**–**	**544,576**
CARRYING VALUES							
At 31 March 2009	**91,321**	**8,492**	**16,392**	**2,744**	**153,197**	**419**	**272,565**
At 31 March 2008	97,706	9,580	20,619	3,189	167,062	419	298,575

The cost or valuation of leasehold properties in Hong Kong, which included prepaid lease payments that cannot be allocated reliably between the land and building elements, is depreciated over forty years 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.

Depreciation is provided to write off the cost of other property, plant and equipment 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%

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

	2009	**2008**
	HK$'000	*HK$'000*
Long leases in Hong Kong	26,621	27,022
Medium term leases outside Hong Kong	64,700	70,684
	91,321	97,706

The valuation of leasehold properties was carried out by a firm of independent professional valuers in 1991 on an open market value for existing use basis. The Group has adopted the transitional relief provided by paragraph 80A of HKAS 16 from the requirement to make revaluation on a regular basis of the Group's leasehold properties and, accordingly, no further revaluation of leasehold properties will be carried out. Had these leasehold properties with a carrying amount at 31 March 2009 of HK$26,621,000 (2008: HK$27,022,000) been carried at cost less accumulated depreciation and accumulated impairment losses, the carrying value of the leasehold properties at 31 March 2009 would have been stated at HK$20,554,000 (2008: HK$20,920,000).

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2009	**2008**
	HK$'000	*HK$'000*
Leasehold land held under medium term leases outside Hong Kong	65,062	66,448
Analysed for reporting purposes as:		
Current asset	1,386	1,386
Non-current asset	63,676	65,062
	65,062	66,448

16. PRODUCT DEVELOPMENT COSTS

	HK$'000
COST	
At 1 April 2007, 31 March 2008 and 31 March 2009	1,732
AMORTISATION	
At 1 April 2007	778
Charge for the year	347
At 31 March 2008	1,125
Charge for the year	347
At 31 March 2009	1,472
CARRYING VALUE	
At 31 March 2009	260
At 31 March 2008	607

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

17. GOODWILL

	HK$'000
COST	
At 1 April 2007	25,494
Deemed acquisition of additional interest in a subsidiary	2,183
Deemed partial disposal of a subsidiary	(6)
At 31 March 2008	27,671
Acquisition/deemed acquisition of additional interests in subsidiaries	944
Deemed partial disposal of a subsidiary	(505)
IMPAIRMENT	
At 31 March 2009	28,110
Impairment losses recognised during the year and balance at 31 March 2009	1,569
CARRYING VALUE	
At 31 March 2009	26,541
At 31 March 2008	27,671

Particulars regarding impairment testing on goodwill are disclosed in note 18.

18. IMPAIRMENT TESTING ON GOODWILL

As explained in note 5, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill of carrying value amounting to HK$26,541,000 (2008: HK$26,102,000) has been allocated to three cash generating units ("CGUs"), including three subsidiaries in the design, manufacture and sale of electronic products segment amounting to HK$8,111,000, HK$17,722,000 and HK$708,000 (2008: HK$8,111,000, HK$17,991,000 and nil), respectively. For the remaining goodwill of HK$1,569,000 as at 31 March 2008, which is related to a subsidiary engaged in e-business but has become inactive, full impairment loss has been recognised in the financial statements for the current year.

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 year. 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. The growth rates are based on industry growth forecasts. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budget for the next year by the management and the cashflow projections were extrapolated at 0% (2008: 0%) growth rate for subsequent four years using a discount rate of 7.43% (2008: 8%).

19. INTEREST IN ASSOCIATES

	2009	**2008**
	HK$'000	*HK$'000*
Cost of investment in associates, unlisted	9,310	9,310
Share of post-acquisition reserves, net of dividend received	(1,239)	(737)
	8,071	8,573

Details of the Group's associates are as follows:

Name of associate	**Form of business structure**	**Place of registration/ operations**	**Nominal value of registered capital**	**Attributable equity interest to the Group 2009**	**2008**	**Principal activities**
Danehill Investments (Holdings) Limited	Limited liability company	Cayman Islands	HK$7,000,000	48.28%	48.28%	Investment holding
Interforce Limited ("Interforce")	Limited liability company	Hong Kong	HK$500,000	30%	30%	Trading in electronic products

The associates are indirectly held by the Company through its wholly-owned subsidiaries.

Included in the cost of investment in associates is goodwill of HK$3,779,000 (2008: HK$3,779,000) arising on acquisition of an associate in prior year.

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

	2009	2008
	HK$'000	*HK$'000*
Total assets	24,545	33,993
Total liabilities	(12,344)	(21,610)
Net assets	12,201	12,383
Share of net assets	4,292	4,794
Turnover	211,642	190,117
Profit for the year	1,997	1,266
Share of profits of associates	578	373

20. AVAILABLE-FOR-SALE INVESTMENTS

	2009	2008
	HK$'000	*HK$'000*
Equity securities		
Unlisted shares, at cost	26,690	26,690
Less: Impairment losses recognised	(2,650)	(2,650)
	24,040	24,040
Listed shares outside Hong Kong, at fair value	8	12
	24,048	24,052
Analysed for reporting purposes as:		
Non-current asset	24,048	24,052

As at the balance sheet date, all listed shares included in available-for-sale investments are stated at fair value. Fair values of these investments have been determined by reference to bid prices quoted in active markets.

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 each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Included in unlisted equity securities was an investment of 17% (2008: 17%) equity interest in Net Plus Company Limited ("Net Plus"), a company engaged in investment holding and provision of healthcare related services. An impairment loss of HK$2,500,000 was recognised in the consolidated financial statements in prior years. At 31 March 2009, the directors reviewed the recoverability of its carrying amount of HK$23,000,000 (2008: HK$23,000,000) with reference to the present value of the estimated future cash flows expected to arise from the investment and considered that the carrying value of the interest in Net Plus is recoverable.

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

		Assets		Liabilities	
		2009	**2008**	**2009**	**2008**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(i)	Financial assets designated at fair value through profit or loss settled on net basis:				
	Buy-write certificates on:				
	– equity securities listed in Hong Kong	258	1,606	–	–
	– equity securities listed outside Hong Kong	540	6,543	–	–
		798	8,149	–	–
(ii)	Derivative financial instruments not designated as hedging instruments settled on net basis:				
	Foreign exchange option	–	120	–	–
	Options on equity securities listed outside Hong Kong	–	–	(50)	(518)
		–	120	(50)	(518)
		798	8,269	(50)	(518)

The buy-write certificates contain embedded derivatives which are not closely related to the host contracts, accordingly, the entire combined contracts have been designed at 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 would be determined. At the end of each observation period or on maturity of the buy-write certificates, market price of the underlying equity securities would be compared to the strike price. The buy-write certificates would be terminated and settled in cash if the market price is higher than strike price. The buy-write certificates would be settled in shares 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.

22. INVENTORIES

	2009	2008
	HK$'000	*HK$'000*
Raw materials	116,511	197,817
Work in progress	7,581	11,893
Finished goods	278,379	333,896
	402,471	543,606

The cost of inventories recognised as an expense in the consolidated income statement during the year amounted to HK$1,024,197,000 (2008: HK$1,666,311,000).

23. DEBTORS, DEPOSITS AND PREPAYMENTS

	2009	2008
	HK$'000	*HK$'000*
Trade debtors	102,003	192,803
Deposits with securities brokers	3,034	19,657
Advances to suppliers	30,585	31,920
Prepayments and other receivables	24,489	24,645
Consideration receivable for disposal of property, plant and equipment	21,340	–
	181,451	269,025

The aged analysis of trade debtors net of allowance for doubtful debts at the balance sheet date is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 – 30 days	67,376	103,982
31 – 60 days	5,002	38,261
61 – 90 days	9,338	17,269
Over 90 days	20,287	33,291
	102,003	192,803

The 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 Group's trade debtors are debtors with aggregate carrying amount of HK$20,998,000 (2008: HK$54,014,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The directors of the Company determined that these receivables are due from customers of good credit quality with no history of default. The 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:

	2009	2008
	HK$'000	*HK$'000*
31 – 60 days	711	9,155
61 – 90 days	–	11,568
Over 90 days	20,287	33,291
	20,998	54,014

Based on the experience of the management and repayment record of the customers, trade receivables which are past due but not impaired are generally recoverable. For those balances associated with litigations, the directors of the Company will assess the cases based on legal advices from lawyers and provide allowance for the irrecoverable debts.

Movements in the allowance for doubtful debts

	2009	2008
	HK$'000	*HK$'000*
At beginning of the year	16,436	10,475
Impairment losses recognised on debtors	14,436	5,961
At end of the year	30,872	16,436

Included in the allowance for doubtful debts are individually impaired trade debtors with an aggregated balance of HK$23,531,000 (2008: HK$10,146,000) which have either been placed under liquidation or in financial difficulties. In addition, a debtor balance of HK$5,282,000 (2008: HK$4,231,000) has been individually impaired since such debt will be settled by the customer at a discount as agreed by arbitration.

The management has withdrawn a litigation against a trade debtor as they consider that the legal and professional expenses involved will be high, and the related debtor balance of HK$2,059,000 (2008: HK$2,059,000) was individually impaired.

Included in trade debtors are bills discounted with recourse amounting to HK$3,310,000 (2008: HK$80,426,000) and factored debtors amounting to HK$35,643,000 (2008: HK$17,223,000). For factored debtors, the Group will need to repay the financial institutions if there are credit losses on the receivables before the end of factoring period, accordingly, the Group continues to recognise the full carrying amount of the debtors and has recognised the cash received as a secured borrowing (see note 28).

24. AMOUNTS DUE FROM/TO ASSOCIATES

The amounts are unsecured, interest-free and repayable within one year. Included in the amounts due from associates as at 31 March 2008 was a trade receivable from an associate of HK$1,049,000 (2009: nil) which was aged over 90 days.

25. INVESTMENTS HELD FOR TRADING

	2009	**2008**
	HK$'000	*HK$'000*
Listed securities		
Equity securities listed in Hong Kong	1,253	4,230
Equity securities listed outside Hong Kong	5,702	16,151
	6,955	20,381

26. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less at an average interest rate of 0.01% (2008: 0.01%) per annum.

27. CREDITORS AND ACCRUED CHARGES

	2009	**2008**
	HK$'000	*HK$'000*
Trade creditors	120,323	101,584
Royalty and withholding tax payable	15,488	19,124
Receipt in advance	–	755
Other creditors and accrued expenses	49,416	54,749
	185,227	176,212

The aged analysis of trade creditors at the balance sheet date is as follows:

	2009	**2008**
	HK$'000	*HK$'000*
0 – 30 days	29,264	70,671
31 – 60 days	16,914	17,887
61 – 90 days	19,641	5,500
Over 90 days	54,504	7,526
	120,323	101,584

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

28. BORROWINGS

	2009	2008
	HK$'000	*HK$'000*
Borrowings comprise the followings:		
Trust receipts and import loans	89,547	141,883
Short term loans	166,521	181,989
Loans related to bills discounted with recourse	3,310	80,426
Bank loan	38,390	48,778
Debt factoring loans	28,323	11,974
	326,091	465,050
Analysed as:		
Secured	32,879	161,588
Unsecured	293,212	303,462
	326,091	465,050

The borrowings are repayable as follows:

	2009	2008
	HK$'000	*HK$'000*
On demand or within one year	302,309	430,160
More than one year but not exceeding two years	11,110	11,110
More than two years but not more than five years	12,672	23,780
	326,091	465,050
Less: Amounts due within one year shown under current liabilities	(302,309)	(430,160)
	23,782	34,890

The Group's borrowings are floating-rate borrowings which are interest bearing at a range from 0.7% to 4.4% (2008: 3.0% to 6.2%) per annum. Interest is repriced every month.

29. BANK OVERDRAFTS

At 31 March 2008, the Group's bank overdrafts bore interest at floating-rate. The interest was charged at an average interest rate of 6.1% (2009: nil) per annum. Interest was repriced every month.

30. DEFERRED TAXATION

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

	Accelerated tax depreciation	Revaluation of investment properties	Tax losses	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	(8,372)	(3,203)	4,981	274	(6,320)
Credit (charge) to income for the year	2,050	(2,734)	2,046	7,329	8,691
At 31 March 2008	(6,322)	(5,937)	7,027	7,603	2,371
Effect of change in tax rate	364	141	(313)	(16)	176
(Charge) credit to income for the year	(1,661)	2,250	(1,563)	(1,476)	(2,450)
At 31 March 2009	(7,619)	(3,546)	5,151	6,111	97

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

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

	2009	2008
	HK$'000	*HK$'000*
Deferred tax assets	5,918	7,542
Deferred tax liabilities	(5,821)	(5,171)
	97	2,371

The Group has not recognised deferred tax asset in respect of tax losses of HK$228,797,000 (2008: HK$132,592,000) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of HK$184,072,000 (2008: HK$172,393,000) that will expire in the years of 2010 to 2023 (2008: 2009 to 2019), other tax losses may be carried forward indefinitely.

Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed retained profits earned by the subsidiaries in People's Republic of China ("PRC") amounting to approximately HK$2,828,000 (2008: HK$314,000) starting from 1 January 2008 under the New Law of PRC that requires withholding tax upon the distribution of such profits to the shareholders as the 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.

31. SHARE CAPITAL

	Number of shares	*HK$'000*
Ordinary shares of HK$0.40 each		
Authorised:		
At 1 April 2007, 31 March 2008 and 31 March 2009	1,250,000,000	500,000
Issued and fully paid:		
At 1 April 2007	787,607,614	315,043
Issue of shares upon exercise of share options	3,160,000	1,264
Issue of shares as scrip dividends	4,776,214	1,910
Repurchase of shares	(5,165,000)	(2,066)
At 31 March 2008	790,378,828	316,151
Repurchase of shares	(5,290,000)	(2,116)
At 31 March 2009	785,088,828	314,035

Details of the changes in the share capital of the Company are as follows:

(a) In April 2007, 500,000 shares of HK$0.40 each were issued at HK$0.814 per share as a result of the exercise of certain share options of the Company by their holders.

(b) In May 2007, 2,660,000 shares of HK$0.40 each were issued at a range of HK$0.814 to HK$1.72 per share as a result of the exercise of certain share options of the Company by their holders.

(c) In October 2007, 4,776,214 shares of HK$0.40 each were issued at HK$1.836 per share as scrip dividend.

(d) The Company repurchased its own shares on the Stock Exchange during the year ended 31 March 2008 as follows:

		Price per share		
Month	**Number of shares**	**Lowest**	**Highest**	**Aggregate consideration**
		HK$	*HK$*	*HK$'000*
October 2007	2,222,500	1.42	1.54	3,371
November 2007	2,942,500	1.43	1.52	4,333
	5,165,000			7,704

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was charged against accumulated profits. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated profits to the capital redemption reserve.

(e) The Company repurchased its own shares on the Stock Exchange during the year ended 31 March 2009 as follows:

Month	Number of shares	Price per share Lowest	Price per share Highest	Aggregate consideration
		HK$	*HK$*	*HK$'000*
September 2008	2,245,000	0.310	0.330	709
October 2008	3,045,000	0.100	0.275	495
	5,290,000			1,204

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The discount on repurchase was charged against accumulated profits. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated profits to the capital redemption reserve.

All shares issued rank pari passu with the then existing shares in all respects.

32. SHARE OPTION SCHEMES

Share option schemes of the Company

The Company has a share option scheme which was approved and adopted at the special general meeting of the Company held on 12 September 2002 (the "Old Scheme") for a period of 5 years. The primary purpose was to provide incentives or rewards to participants for their contribution to the Group. Eligible participants of the Old Scheme included any employees, non-executive directors, suppliers of goods or services, customers, advisors or consultants and shareholders of any member of the Group.

The maximum number of share options which might be issued upon exercise of all options to be granted under the Old Scheme of the Company must not, in aggregate, exceed 10% while overall limit for all outstanding options granted and yet to be exercised must not exceed 30% of the shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12 months period up to the date of the grant should not exceed 1% of the shares in issue.

The period within which the shares should be taken up under an option was any period as determined by the Board, which should not be more than 5 years from the date on which the option was granted. The option might be exercised by the grantee at any time during the option period. Each share option vested immediately at the date of grant.

The subscription price of the share options was determined by the Board, but would be no less than the highest of (i) the closing price of the shares on the offer date; (ii) the average of the closing price of the shares of the 5 trading day immediately preceding the offer date; or (iii) the nominal value of the shares on the offer date.

The offer of a grant of share options might be accepted within 21 days from the date of offer. The consideration for the grant was HK$1 and it would in no circumstance be refundable.

The Old Scheme expired on 11 September 2007 and thereafter, no more option could be granted pursuant to the Old Scheme. In respect of the options already granted under the Old Scheme, the provisions shall remain in force. The movements of the share options granted pursuant to the Old Scheme were as follows:

		Number of share options		
Date of grant	**Exercise price** *HK$*	**Outstanding at beginning of the year**	**Lapsed during the year**	**Outstanding at end of the year**
For the year ended 31 March 2009				
10 October 2003	0.86	3,000,000	(3,000,000)	–
2 November 2004	0.814	500,000	–	500,000
5 January 2006	0.89	12,000,000	–	12,000,000
13 November 2006	1.45	2,000,000	–	2,000,000
4 January 2007	1.66	220,000	–	220,000
1 February 2007	1.72	40,000	–	40,000
7 March 2007	1.93	3,000,000	–	3,000,000
		20,760,000	(3,000,000)	17,760,000
Exercisable at the end of the year				17,760,000
Weighted average exercise price (HK$)		1.10	0.86	1.07
For the year ended 31 March 2008				
10 October 2003	0.86	3,000,000	–	3,000,000
2 November 2004	0.814	2,500,000	(2,000,000)	500,000
5 January 2006	0.89	12,000,000	–	12,000,000
16 August 2006	1.15	500,000	(500,000)	–
13 November 2006	1.45	2,000,000	–	2,000,000
4 January 2007	1.66	820,000	(600,000)	220,000
1 February 2007	1.72	100,000	(60,000)	40,000
7 March 2007	1.93	3,000,000	–	3,000,000
		23,920,000	(3,160,000)	20,760,000
Exercisable at the end of the year				20,760,000
Weighted average exercise price (HK$)		1.09	1.05	1.10

The above share options were granted for an exercise period of five years from the date of grant of the share options.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2008 was HK$2.46.

No share options have been granted to the directors of the Company pursuant to the Old Scheme.

A new share option scheme (the "New Scheme") was approved and adopted at the special general meeting of the Company held on 15 January 2008 for a period of 10 years. The primary purpose is to recognise the contribution of participants and to recruit and retain high calibre employees and attract human resources that are valuable to the Group. Eligible participants of the New Scheme included any full time employees (including directors, whether executive or non-executive and whether independent or not), suppliers, consultants, agents and advisors of the Group.

The maximum number of share options which may be issued upon exercise of all options to be granted under the New Scheme must not, in aggregate, exceed 10% of the shares in issue at the adoption of the New Scheme on 15 January 2008 while overall limit for all outstanding options granted and yet to be exercised must not exceed 30% of the shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of the option granted to each participant in any 12 months period up to the date of the grant shall not exceed 1% of the shares in issue unless certain conditions are fulfilled.

The period within which the shares must be taken up under an option is any period as determined by the Board, which shall not be more than 10 years from the date on which the option is granted. The option may be exercised by the grantee at any time during the option period.

The subscription price of the share options is determined by the Board, but will be no less than the highest of (i) the closing price of the shares on the offer date; (ii) the average of the closing price of shares on the 5 trading days immediately preceding the offer date; or (iii) the nominal value of the shares on the offer date.

The offer of a grant of share options may be accepted within 28 days from the date of offer. The consideration for the grant is HK$1 and it will in no circumstance be refundable.

The movements of the options granted pursuant to the New Scheme were as follows:

		Number of share options		
Date of grant	**Exercise price** *HK$*	**Outstanding at beginning of the year**	**Granted during the year**	**Outstanding at end of the year**
For the year ended 31 March 2009				
23 January 2008	1.042	150,000	–	150,000
28 January 2008	0.96	346,000	–	346,000
15 October 2008	0.40	–	500,000	500,000
		496,000	500,000	996,000
Exercisable at the end of the year				996,000
Weighted average exercise price (HK$)		0.98	0.40	0.69

Date of grant	Exercise price *HK$*	Number of share options granted during the year and outstanding as at 31.3.2008
For the year ended 31 March 2008		
23 January 2008	1.042	150,000
28 January 2008	0.96	346,000
		496,000
Exercisable at the end of the year		496,000
Weighted average exercise price (HK$)		0.98

The above share options were granted for an exercise period of ten years from the date of grant of the share options.

No share options have been granted to the directors of the Company pursuant to the New Scheme.

Total consideration received during the year from employees for taking up the options granted amounted to HK$1 (2008: HK$2).

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.

Grant dates	**23.1.2008**	**28.1.2008**	**15.10.2008**
Fair value of share options and assumptions:			
Fair value at measurement dates (HK$)	0.224	0.263	0.220
Share price (HK$)	0.880	0.960	0.400
Exercise price (HK$)	1.042	0.960	0.400
Expected volatility	53.95%	49.32%	47.68%
Expected option life (years)	3	3	1
Expected dividend yield	4.35%	4.38%	6.34%
Risk-free interest rate	2.56%	2.56%	1.14%

Expected volatility was determined by using the historical volatility of the Company'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 Group recognised total expense of HK$3,000 (2008: HK$125,000) for the year in relation to share options granted by the Company.

Share option scheme of The Singing Machine Company, Inc. ("SMC"), a 52.4% (2008: 54.07%) owned subsidiary of the Company.

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 months 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. The option may be exercised by the grantee at any time during the option period. Each option vested in one year from the date of grant.

The subscription price of the share options is determined by the 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 pursuant to the SMC Scheme were as follows:

		Number of share options			
Date of grant	Exercise price	Outstanding at beginning of the year	Granted during the year	Forfeited during the year	Outstanding at end of the year
	US$				
For the year ended 31 March 2009					
5 September 2000	2.04	36,150	–	(30,600)	5,550
11 September 2002	11.09	30,000	–	(30,000)	–
31 December 2002	9.00	89,140	–	(70,140)	19,000
7 March 2003	5.60	30,000	–	(30,000)	–
18 April 2003	7.20	10,000	–	(10,000)	–
19 December 2003	1.97	35,540	–	(21,860)	13,680
6 February 2004	1.54	6,500	–	–	6,500
26 February 2004	1.36	40,000	–	(20,000)	20,000
29 March 2004	1.20	20,000	–	–	20,000
26 April 2004	1.05	12,000	–	(12,000)	–
29 November 2004	0.75	60,000	–	(20,000)	40,000
1 December 2004	0.77	20,000	–	–	20,000
9 May 2005	0.60	182,000	–	(70,000)	112,000
6 June 2005	0.76	30,000	–	–	30,000
20 January 2006	0.34	30,000	–	(30,000)	–
31 March 2006	0.32	80,000	–	(20,000)	60,000
10 April 2006	0.33	336,485	–	(150,000)	186,485
31 March 2007	0.93	80,000	–	(20,000)	60,000
31 March 2008	0.45	120,000	–	–	120,000
3 October 2008	0.14	–	300,000	–	300,000
31 March 2009	0.11	–	120,000	–	120,000
		1,247,815	420,000	(534,600)	1,133,215
Exercisable at the end at the year					713,215
Weighted average exercise price (US$)		1.67	0.13	2.79	0.58

Date of grant	Exercise price	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at end of the year
			Number of share options			
	US$					
For the year ended 31 March 2008						
5 September 2000	2.04	43,650	–	–	(7,500)	36,150
11 September 2002	11.09	30,000	–	–	–	30,000
31 December 2002	9.00	90,140	–	–	(1,000)	89,140
7 March 2003	5.60	30,000	–	–	–	30,000
18 April 2003	7.20	10,000	–	–	–	10,000
19 December 2003	1.97	39,600	–	–	(4,060)	35,540
6 February 2004	1.54	6,500	–	–	–	6,500
26 February 2004	1.36	40,000	–	–	–	40,000
29 March 2004	1.20	20,000	–	–	–	20,000
26 April 2004	1.05	12,000	–	–	–	12,000
29 November 2004	0.75	60,000	–	–	–	60,000
1 December 2004	0.77	40,000	–	–	(20,000)	20,000
9 May 2005	0.60	207,000	–	–	(25,000)	182,000
6 June 2005	0.76	30,000	–	–	–	30,000
20 January 2006	0.34	30,000	–	–	–	30,000
1 February 2006	0.32	30,000	–	(30,000)	–	–
31 March 2006	0.32	80,000	–	–	–	80,000
10 April 2006	0.33	484,000	–	(117,515)	(30,000)	336,485
31 March 2007	0.93	100,000	–	–	(20,000)	80,000
31 March 2008	0.45	–	120,000	–	–	120,000
		1,382,890	120,000	(147,515)	(107,560)	1,247,815
Exercisable at the end at the year						1,127,815
Weighted average exercise price (US$)		1.57	0.45	0.33	0.85	1.67

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

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2008 was US$0.24.

No share options have been granted to the directors of the Company pursuant to the SMC Scheme.

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	**31.3.2008**	**3.10.2008**	**31.3.2009**
Fair value at measurement date (US$)	0.12	0.04	0.03
Share price (US$)	0.45	0.14	0.11
Exercise price (US$)	0.45	0.14	0.11
Expected volatility	67.41%	70.22%	80.07%
Expected option life (year)	3	1	1
Expected dividend yield	0%	0%	0%
Risk-free interest rate	3.3%	1.4%	0.6%

Expected volatility was determined by using the historical volatility of the Company'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 Group recognised total expense of HK$139,000 (2008: HK$187,000) for the year in relation to share options granted by SMC.

33. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 28 net of cash and cash equivalents and equity attributable to shareholders of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company 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 Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2009	2008
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	24,048	24,052
Investments held for trading	6,955	20,381
Derivative financial instruments	–	120
Financial assets designated at fair value through profit or loss	798	8,149
Loans and receivables (including cash and cash equivalents)	247,607	316,001
Financial liabilities		
Derivative financial instruments	50	518
Other financial liabilities at amortised cost	457,477	624,931

Financial risk management objectives and policies

The Group's major financial instruments include debtors and deposits, amounts due from/to associates, 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, creditors, bank overdrafts 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 Group's overall strategy remains unchanged from prior year.

Currency risk

Several subsidiaries of the Company have foreign currency denominated monetary assets and liabilities, which expose the 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, trade receivables, bank balances, trade payables and borrowings) at the reporting date are as follows:

	2009		2008	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Canadian dollars	5,939	549	47,643	434
Euro	94	–	94	19,370
Hong Kong dollars	221,791	428,149	209,676	382,722
Japanese dollars	1,523	1,247	4,172	2,876
Macao pataca	17	–	53	–
Renminbi	169	–	153	3,712
Singapore dollars	206	–	2,670	935
United States dollars	285,276	89,756	145,195	102,881
Swiss Franc	122	–	–	–

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

	2009	**2008**
	HK$'000	*HK$'000*
Canadian dollars	270	2,360
Hong Kong dollars	(10,318)	(8,652)

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.

Cash flow interest rate risk

The Group has cash flow interest rate risk on floating-rate borrowings and bank overdrafts. The 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 Group's floating-rate borrowings are mainly linked with Hong Kong Interbank Offered Rate.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for floating-rate borrowings and bank overdrafts at the balance sheet date (notes 28 and 29). The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and 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 Group's loss for the year ended 31 March 2009 would increase/decrease by HK$1,390,000 (2008: profit would decrease/increase by HK$2,018,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings and bank overdrafts.

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 Group's derivative financial instruments, financial assets designated at fair value through profit or loss, held-for-trading investments and certain available-for-sale investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. The price risk exposure of listed shares included in available-for-sale investments to price risk is insignificant, accordingly no sensitivity analysis is presented.

Sensitivity analysis

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

If the prices of the respective financial instruments had been 5% higher/lower, loss for the year ended 31 March 2009 would decrease/increase by HK$385,000 (2008: profit would increase/decrease by HK$1,401,000) 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 Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

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 Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group's concentration of credit risk by geographical locations is mainly in North America. The trade debtors located in North America accounted for 47% (2008: 70%) of the Group's total trade debtors as at 31 March 2009. The Group also has concentration of credit risk by customers as 32.98% (2008: 7.91%) and 44.52% (2008: 44.57%) of the total trade debtors was due from the Group's largest customer and the five largest customers respectively. In the opinion of the directors, all five largest customers are international customers with good creditability.

Liquidity risk

In the management of the liquidity risk, the 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 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 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 Group can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments settle on a net basis, undiscounted net cash outflows are presented. If they require gross settlement, the undiscounted gross outflows on these derivatives are shown in the table.

Liquidity and interest risk tables

	Effective interest rate	Repayable on demand	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009								
Non-derivative financial liabilities								
Trade and other creditors	–	32,575	23,477	33,749	38,776	–	128,577	128,577
Amount due to an associate	–	2,809	–	–	–	–	2,809	2,809
Borrowings	2.0	–	87,771	148,589	65,360	29,225	330,945	326,091
		35,384	111,248	182,338	104,136	29,225	462,331	457,477
Derivatives								
– net settlement								
Options		50	–	–	–	–	50	50
2008								
Non-derivative financial liabilities								
Trade and other creditors	–	41,506	65,156	23,325	18,914	–	148,901	148,901
Amount due to an associate	–	2,809	–	–	–	–	2,809	2,809
Borrowings	3.5	20,114	146,096	297,572	35,692	39,050	538,524	465,050
Bank overdrafts	6.1	8,320	–	–	–	–	8,320	8,171
		72,749	211,252	320,897	54,606	39,050	698,554	624,931
Derivatives								
– net settlement								
Options	–	518	–	–	–	–	518	518

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;

- 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 the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

35. DEEMED PARTIAL DISPOSAL OF A SUBSIDIARY

During the year, SMC issued an aggregate of 2,300,556 shares (2008: 4,297,619 shares) to certain independent third parties, accordingly, the shareholding held by the Group was diluted and resulted in a loss on deemed partial disposal amounting to HK$150,000 (2008: gain of HK$279,000), net of attributable goodwill of HK$505,000 (2008: HK$6,000). The loss/gain on deemed partial disposal was calculated as the difference between the Group's share of net assets in SMC, prior to and after each additional issue of shares by SMC.

36. COMMITMENTS

	2009	**2008**
	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	3,229	4,067

37. OPERATING LEASE COMMITMENTS

As lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Within one year	6,204	6,288
In the second to fifth years inclusive	12,038	23,414
Over five years	–	871
	18,242	30,573

Operating lease payments represent rentals payable by the Group for its office and factory premises. During the year, a lease of a term of nine years was terminated. Leases are negotiated for terms ranging from one to five years (2008: one to nine years) and rentals are fixed over the lease terms.

As lessor

At the balance sheet date, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Within one year	4,060	7,891
In the second to fifth years inclusive	127	2,608
	4,187	10,499

These properties have committed tenants for terms ranging from one to two years.

38. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged certain assets with the following carrying values to secure the general credit facilities granted to the Group and the margin accounts with securities brokers:

	2009	**2008**
	HK$'000	*HK$'000*
Bills discounted with recourse and factored debtor balances	38,953	97,649
Investments held for trading	3,204	9,726
Financial assets designated at fair value through profit or loss	798	6,795
Deposits with securities brokers as included in debtors, deposits and prepayments	3,034	19,657

39. RETIREMENT BENEFITS SCHEME

The 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 Group in funds under the control of trustee. The Group contributes 5% of relevant payroll costs with a cap of monthly contribution HK$1,000 to the MPF Scheme for employees except for executive directors of the Company, which there is no cap on monthly contribution.

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 payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

40. RELATED PARTY TRANSACTIONS

(a) Mr. Lau Sak Hong, Philip, a substantial shareholder of the Company, has provided a personal guarantee to indemnify the Group for any impairment of an unlisted available-for-sale investment to the extent of HK$15 million (2008: HK$15 million).

(b) On 25 September 2008, Starlight Industrial Holdings Limited, a wholly owned subsidiary of the Company, effected the acquisition of the remaining 20% equity interest in Success Base Industries Limited ("Success Base"), a non-wholly owned subsidiary of the Company, from Success Base's other shareholders (including one shareholder being entitled to exercise or control 15% of the voting power of Success Base) for a consideration of HK$1,600,000. Upon completion of the acquisition, Success Base became a wholly owned subsidiary of the Company.

(c) The Group maintained current accounts with associates. Their balances as at 31 March 2009 are set out in the consolidated balance sheet with the terms disclosed in note 24.

(d) During the year, the Group paid salaries and other short term employee benefits, including share-based payments, of HK$1,778,000 (2008: HK$1,376,000) to certain close family members of Mr. Lau Sak Hong, Philip, a director of the Company, as employees of the Group.

(e) Compensation of key management personnel

Details of the remuneration of key management personnel, who are the executive directors, during the year were set out in note 9.

41. POST BALANCE SHEET EVENT

On 10 June 2009, the Group entered into an agreement with Economic Development Area Xinhui District Jiangmen City Guangdong Administrative Committee to dispose of a parcel of land in the Jiangmen City, which is shown in the consolidated balance sheet as at 31 March 2009 as prepaid lease payments of HK$61,046,000 and construction in progress of HK$419,000 for a consideration of approximately RMB59,388,000 (equivalent to HK$67,702,000). The disposal has not been completed up to date of approval of these financial statements.

42. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the Group 2009	2008	Principal activities
ACME Delight Limited	Hong Kong	HK$2	100%	100%	Investment holding
Cosmo Communications Corporation	United States of America/ Canada	US$1,571,000	93.8%	93.8%	Trading in electrical appliances and investment holding
Ever Solid Limited	Hong Kong	HK$10,000	100%	100%	Investment holding
Hyundai Household Improvement Limited	Hong Kong	HK$2	100%	100%	Trading in electrical appliances
Korrigan Industrial Holdings Limited	Hong Kong	HK$25,000,000	100%	100%	Investment holding
Master Light Enterprises Limited	Hong Kong	HK$2	100%	100%	Investment holding
Merrygain Holding Company Limited	Hong Kong	HK$5,000,000	96%	96%	Property investment
Newstar.com Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Nice States Investment Limited	Hong Kong	HK$2	100%	100%	Property investment
Niceday Limited	Hong Kong	HK$2	100%	100%	Investment holding and property development
Noble Win Limited	Hong Kong	HK$2	100%	100%	Property investment
Ram Light Management Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Sheen United Technology Limited	British Virgin Islands	US$1	100%	100%	Investment holding
SIH Limited	British Virgin Islands	HK$10,000	100%	100%	Investment holding
Skylight Technologies Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Star Fair Electronics Company Limited	Hong Kong	HK$15,090,000	100%	100%	Trading in electronic products

Name of subsidiary	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the Group 2009	2008	Principal activities
Star Fair Manufacturing Company Limited	Jersey/PRC	£12	100%	100%	Manufacture and sale of electronic products
Star Legend Offshore Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Star Legend Technologies Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Star Light Electronics Company Limited	Hong Kong	HK$13,000,000	100%	100%	Trading in electronic products
Starleaf Development Limited	Hong Kong	HK$2	100%	100%	Investment holding
Starlight eTech (Holdings) Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Starlight Exports Limited	Hong Kong	HK$2	100%	100%	Trading in electronic products and property investment
Starlight Industrial Holdings Limited	Hong Kong	HK$73,920,192	100%	100%	Investment holding
Starlight Manufacturers Limited	Jersey/PRC	HK$100,000	100%	100%	Manufacture and sale of electronic products
Starlight Marketing Development Limited	Hong Kong	HK$2	100%	100%	Marketing in electronic products
Starlight Marketing Limited	Hong Kong	HK$2	100%	100%	Securities trading and trading in electronic products
Starlight Marketing Macao Commercial Offshore Limited	Macau	HK$100,000	100%	100%	Trading in electronic products
Starlight R&D Limited	Hong Kong	HK$10,000	100%	100%	Material sourcing and trading in electronic products and components
Starlight Video Limited	Hong Kong	HK$4	100%	100%	Provision of nominee services for group companies and trading of DVD products

Name of subsidiary	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the Group 2009	2008	Principal activities
Starlite Consumer Electronics (USA) Inc.	Cayman Islands	HK$2	100%	100%	Trading in electronic products
Starlite Consumer Electronics (USA) Inc.	United States of America	US$20	100%	100%	Trading in electronic products
Starshow Investment Limited	Hong Kong	HK$2	100%	100%	Provision of nominee services for group companies
Success Base Industries Limited	Hong Kong	HK$4,000,000	100%	80%	Manufacture and sale of plastic products
The Singing Machine Company, Inc. (“SMC”)**	United States of America	US$272,862	52.4%	54.07%	Trading in consumer karaoke audio equipment
Top Spring Technology Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Starfair Manufacturing (Panyu) Company Limited	PRC*	HK$33,300,000	100%	100%	Manufacture and sale of electronic products
番禺富臨花園房地產有限公司 (Fortune Garden Ltd)	PRC*	RMB31,750,000	100%	100%	Property development
Panyu Success Base Plastic Company Limited	PRC*	HK$20,000,000	100%	100%	Manufacture and sale of plastic products
Panyu Starfair Electronics Manufacturing Company Limited	PRC*	HK$21,500,000	100%	100%	Manufacture and sale of electronic products

* The subsidiaries are PRC wholly foreign owned enterprises.

** At 31 March 2009, SMC was listed on the NYSE Amex Equatres (formerly known as “American Stock Exchange”). On 23 June 2009, SMC received a written delisting notice from the NYSE Amex LLC and its common stock are quoted on the over-the-counter bulletin board with effective from 7 July 2009.

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

Other than SIH Limited and Star Legend Offshore Limited which are held directly by the Company, all other subsidiaries are held indirectly by the Company. None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

NOTES TO THE FINANCIAL STATEMENT
For the six months ended 30 September 2009

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial report for the six months ended 30 September 2009 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting".

2. CHANGES IN ACCOUNTING POLICIES

The following new/revised and amendments to standards are relevant to the Group and are mandatory for the financial year beginning on or after 1 January 2009:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Amendment)	Borrowing Costs
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

The adoption of the above amendments to existing standards did not have significant impact to the Group's financial position and has not led to any changes in the Group's accounting policies.

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning on or after 1 January 2009, but are not currently relevant for the Group:

HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Embedded Derivatives
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment–Vesting Conditions and Cancellations
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Item
HKFRS 2 (Amendments)	Share-based Payments – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised) and HKAS 7 (Revised)	Business Combinations and Consolidated and Separate Financial Statements
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers
Various	HKICPA's improvements to HKFRSs

3. SEGMENT INFORMATION

Business segments

HKFRS 8 Operating Segments requires the disclosure of information about the Group's operating segments. The adoption of this standard did not have any effect on the Group's results of operations or financial position. The Group determines that the operating segments are the same as the business segments previously identified and disclosed in accordance with HKAS 14 Segment Reporting.

The Group is currently organised into two operating divisions – design, manufacture and sale of electronic products and securities trading. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

SIX MONTHS ENDED 30 SEPTEMBER 2009

	Design, manufacture and sale of electronic products	**Securities trading**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
TURNOVER	389,549	–	389,549
SEGMENT RESULTS	(27,338)	5,156	(22,182)
Interest income			639
Unallocated income			2,419
Share of profits of associates			461
Finance costs			(5,034)
Loss before taxation			(23,697)
Taxation			(1,044)
Loss for the period			(24,741)

SIX MONTHS ENDED 30 SEPTEMBER 2008

	Design, manufacture and sale of electronic products	**Securities trading**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
TURNOVER	767,424	–	767,424
SEGMENT RESULTS	22,428	(5,386)	17,042
Interest income			365
Share of profits of associates			1,175
Finance costs			(10,988)
Profit before taxation			7,594
Taxation			(724)
Profit for the period			6,870

4. OTHER INCOME

	Six months ended 30 September	
	2009	**2008**
	HK$'000	*HK$'000*
Other income includes:		
Commission	343	1,191
Exchange gain, net	7,441	596
Income from investments	1,113	1,173
Rental income	2,419	2,334
Miscellaneous income	3,070	2,819
	14,386	8,113

5. NET INCREASE (DECREASE) IN FAIR VALUE OF FINANCIAL INSTRUMENTS

	Six months ended 30 September	
	2009	**2008**
	HK$'000	*HK$'000*
Increase in fair value of derivative financial instruments	675	417
Increase (decrease) in fair value of financial assets designated at fair value through profit or loss	374	(669)
Increase (decrease) in fair value of investments held for trading	4,002	(5,403)
	5,051	(5,655)

6. DEPRECIATION AND AMORTISATION

During the period, depreciation and amortisation of approximately HK$24,639,000 (HK$27,267,000 for the six months ended 30 September 2008) was charged to the consolidated financial results in respect of the Group's property, plant and equipment, prepaid lease payments and product development costs.

7. TAXATION

	Six months ended 30 September	
	2009	**2008**
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax	–	1,081
Taxation (recovery) in other jurisdictions	1,044	(357)
Taxation attributable to the Company and its subsidiaries	1,044	724

No provision of Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 September 2008: HK$1,081,000).

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the period.

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

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is computed based on the following data:

	Six months ended 30 September	
	2009	**2008**
Net (loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	HK$(17,675,000)	HK$10,359,000
Weighted average number of shares for the purpose of basic (loss) earnings per share	785,088,828	789,241,999
Effect of dilutive potential ordinary shares for the purpose of dilutive (loss) earnings per share – Share option	N/A	42,410,925
Weighted average number of ordinary shares for the purpose of dilutive (loss) earnings per share	N/A	831,652,924

9. INTERIM DIVIDEND

The directors have resolved not to pay an interim dividend for the year ending 31 March 2010 (Year ended 31 March 2009: nil cent per share).

10. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 September 2009 HK$'000	2008 HK$'000
Net book value at beginning of year	272,565	298,575
Currency realignment	(149)	(64)
Additions	10,452	22,647
Depreciation	(24,406)	(26,401)
	258,462	294,757

11. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30 September 2009, debtors, deposits and prepayments includes trade debtors of HK$228,826,000 (31 March 2009: HK$102,003,000). The Group provides credit periods of up to 90 days, depending on the products sold, to its trade customers. The following is an aged analysis of accounts receivable at the reporting date:

	30 September 2009 (Unaudited) HK$'000	31 March 2009 (Audited) HK$'000
0 – 30 days	183,566	67,376
31 – 60 days	22,804	5,002
61 – 90 days	2,139	9,338
Over 90 days	20,317	20,287
	228,826	102,003

12. CREDITORS AND ACCRUED CHARGES

At 30 September 2009, creditors and accrued charges includes trade creditors of HK$188,456,000 (31 March 2009: HK$120,323,000). The aged analysis of trade creditors at the balance sheet date is as follows:

	30 September 2009 (Unaudited) HK$'000	31 March 2009 (Audited) HK$'000
0 – 30 days	140,838	29,264
31 – 60 days	19,680	16,914
61 – 90 days	6,771	19,641
Over 90 days	21,167	54,504
	188,456	120,323

13. SHARE CAPITAL

	Number of shares	Issued and Fully paid Share capital *HK$'000*
Balance at 1 April 2009 and 30 September 2009	785,088,828	314,035

14. CAPITAL COMMITMENTS

	30 **September 2009** *HK$'000*	**31 March 2009** *HK$'000*
Contracted for but not provided in the consolidated financial results in respect of:		
– capital expenditure for acquisition of property, plant and equipment	1,389	3,229

15. CONTINGENT LIABILITIES

There are no significant contingent liabilities as of 30 September 2009 and 31 March 2009.

16. RELATED PARTY TRANSACTIONS

There were no significant related party transactions undertaken by the Group at any time during the six months period.

STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular (the "Indebtedness Date"), the Group had the following outstanding borrowings:

	Non-current portion	**Current portion**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Short term bank loans *(note a)*	–	100,800	100,800
Long term bank loans *(note b)*	14,504	11,943	26,447
Loans related to bills discounted with recourse *(note c)*	–	28,003	28,003
Trust receipts and import loans *(note d)*	–	65,098	65,098
Debt factoring loans *(note e)*	–	4,618	4,618
	14,504	210,462	224,966

Notes

a) The short term bank loans of approximately HK$100,800,000 are unsecured, bear interest at 1.13% to 3.92% per annum and are repayable within one year.

b) The secured long term bank loans of approximately HK$26,447,000 are unsecured, bear interest at 1.63% per annum, in which, of approximately HK$11,943,000 are repayable within one year and the remaining balance of approximately HK$14,504,000 are repayable between 2 to 5 years.

c) The loans related to bills discounted with recourse of approximately HK$28,003,000, the Group will need to repay the financial institutions if there are credit losses on the receivables before the maturity date, accordingly, the Group continues to recognize the full carrying amount as a borrowing.

d) The trust receipts and import loans of approximately HK$65,098,000 are unsecured, bear interest at 1.5% to 2.6% per annum and are repayable within one year.

e) The debt factoring loans of approximately HK$4,618,000 are unsecured, bear interest at 2% per month and are repayable within one year.

Contingent liabilities

The Company

The Company had contingent liabilities in respect of corporate guarantees for banking facilities granted to certain subsidiaries in the aggregate amount of HK$1,299,100,000. As at 30 April 2010, such facilities of approximately HK$214,852,000 were utilized by the subsidiaries.

Apart from the above, the Group and the Company did not have any material contingent liabilities as at 30 April 2010.

Pledge of Assets

As at 30 April 2010, the Group pledged certain major assets with the following carrying values to secure the general credit facilities granted to the Group and the margin accounts with securities brokers:

	HK$'000
Bills discounted with recourse and factored debtor balances	32,621

Disclaimers

Save as aforesaid as stated in the sub-section headed "Statement of Indebtedness" in this Appendix I and apart from intra-group liabilities, as at 30 April 2010 the Group had no debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured, and guaranteed, unguaranteed, secured and unsecured bank borrowings including, bank loans and overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credit, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there has not been any material adverse change in the indebtedness and contingent liabilities of the Group since 30 April 2010.

WORKING CAPITAL

Taking into account of the proceeds from the Open Offer and the financial resources of the Group, including internally generated funds and credit facilities available to the Group, the Directors, after due and careful consideration, are of the opinion that the Group will have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

BUSINESS REVIEW AND PROSPECTS

Business Review for the Year Ended 31 March 2009

Results

During our fiscal year ended 31 March 2009, the world economy has experienced unprecedented turbulence in the global financial markets, a sharp decline in consumer confidence, and increasingly tightened access to credit markets. Unfortunately, as a Group that operates globally, with manufacturing, sales, and distribution offices throughout the world, we were unable to avoid the challenges that are plaguing the economy. As a result, the Group reported HK$1,281M in sales for fiscal year 2009 as compared to HK$2,199M sales in fiscal 2008 (a reduction of 42%). Due to the sharp and turbulent decline in the economy, we reported a loss of HK$120M. However, despite the economic downturn, we emerged from the year with more cash on hand, less inventory, and reduced overhead expenses as compared to the year before.

Electronics Division

Fiscal year 2009 was a tumultuous year for the Group's electronics division. With Europe and the US accounting for 96% of the Group's sales, it was inevitable that the Group's performance suffered as sales in North America dropped 35% and sales in Europe dropped 54% from the previous year.

There were numerous factors which contributed to the financial results for the year. Gross profit margin dropped from 24% in fiscal 2008 to 20% in fiscal 2009. Prior to fiscal 2009, the Group's strategy for the electronics division was to target high-end products and phase out lower-end products with lower margins. Unfortunately due to the economic instability, the Group was forced to reverse its strategy. Weakened retail markets and shaken consumer confidence resulted in more sales of low-priced products with traditionally lower margins. As a consequence, the average unit selling price dropped by 5.4%. Margin dropped as low-end products accounted for a majority of the sales mix.

Discounts offered to our customers during the year also adversely affected gross profit margin. Due to the weakened retail market, sales slumped during the holiday peak season. In order to support the retailers to turn inventory, the Group offered discounts and marketing support money.

The cost of substantial raw materials was also affected during fiscal 2009. One of the Group's major components was the LCD panel, which experienced unpredictable fluctuation throughout the second half of the fiscal year. Although the cost for LCD panels continued to fall throughout the year, the Group was unable to take advantage of the falling prices due to the fact that the Group had to purchase these components in advance in order to produce finished goods by their shipping deadlines. This hurt the Group on two fronts; the Group had to procure supplies at a high price in the pre-season and then in the selling season was forced to issue discounts to stay competitive with the current lowered cost of LCD panels at that time.

The Group's operating cost was also adversely affected by the instability in the world financial markets. During fiscal 2009, the value of the RMB against the HKD appreciated by 6.8%. With extensive manufacturing operations in China, the Group experienced additional expenses due to the declined purchasing power of the HKD in China. This inflation in expenses was exacerbated by the passing of a new labour law in China. As the Group reacted to the reduction in sales and took steps to reduce its workforce, this new labour law forced the Company to make increased severance payments to downsize workforce.

The Group ended the year with HK$402M in inventory, a drop of 26% from the previous year of HK$544M. The reduction in inventory is attributed to rigorous inventory clearing in Q4 of the fiscal year.

Securities Trading

The Group recorded a segment result of a loss of HK$12.4 million for the year.

Business Review for the Six Months Ended 30 September 2009

Due to the prolonged global economic recession, high unemployment, and weak consumer spending, the Group has yet to reverse its performance during this interim period. The Group recorded sales of HK$390M (2008: HK$767M) and a net loss attributable to the owners of the Company of HK$18M as compared with a net profit attributable to owners of the Company of HK$10M in 2008.

The Group experienced a 49% reduction in turnover, primarily due to slow sales at the beginning of the fiscal year. Slow sales were influenced by the following multiple factors outside of the Group's control. At the beginning of the year, the U.S. retail trend was cautious as retailers reduced forecasts due to excess inventory in stores and uncertain trends with consumer confidence. As a result, retailers delayed placing orders or cancelled orders entirely. In addition, traditional holidays such as Easter, Mother's Day, and Father's Day did not lift retail spending. To cater for the weak economy spending, retailers also focused on ordering affordable, entry-level products. However, two years prior when the economy was strong, the Group switched its strategy from manufacturing entry-level products to high-end products. This shift in retail buying trend did not follow the Group's strategy to focus on high-end product. The Group was also affected by a shortage of workers in the Pearl Delta area when the Christmas holiday season orders began coming in. The loss in sales, although not significant did contribute to a higher unit cost of manufacturing and a lower gross profit margin during this period.

Gross profit margin dropped from 22% to 19%. Workers wages have stabilized but due to a shortage of labor, we had to increase workers overtime to make up for the shortage. Since the closing of thousands of factories in the southern province of China, many workers returned to their home towns hundred of miles away and did not return to wait for employment. Gross profit margin was also negatively affected as the Group took aggressive action in the beginning of the fiscal year to reduce surplus inventory and reduce the cost of storage and financing.

The Group cut its administrative expenses and finance costs by 7% and 54% respectively. Administrative payroll was cut across the board by 10%-25%. Finance charges were substantially reduced compared with 2008 as we maintained a low level of borrowing throughout the current period.

The net loss attributable to the owners of the Company of HK$18M was primarily due to the decline in sales and a moderate drop in gross profit margin. Management had anticipated a better result but attributed the current net loss to factors that were outside management control.

Prospects

Management is confident the Group can weather the continued economic recession. In preparation, the Group has implemented plans to lower overhead expenses and is taking a conservative view of a slow economic recovery.

In April of 2009, the Group substantially reduced its workforce and cut overtime predominantly in its China factories. In doing so, Management achieved substantial savings in anticipation of further reduced turnover in the upcoming year.

During fiscal 2009 many factories in China's Pearl Delta area closed. The Group expects a future market with relatively less cut-throat competition, and consequently a better outlook for improved margin. The licensed series of product under brand Hamilton Beach is taking shape, especially in the area of under-the-cabinet ("UTC") line. The Group is also vigorously pursuing the opportunity of licensing other well-known brands to bolster its brand mix. With an established history, large capacity, and technological resources, the Group expects to continue to be a strong player in the consumer electronics market after the recession.

During fiscal 2009 the Group invested HK$42.8M on R&D related activities, which was only slightly off the HK$43.6M of the year before, despite the halved sales under the financial meltdown. It is the policy of the Group to maintain significant level of investment in R&D in order to stay ahead of the competition by maintaining innovation and technological products for our customers.

The Group foresees a better manufacturing environment in China in the years ahead. The RMB which appreciated as much as 6.8% last year and impacted wages, raw materials and all manufacturing overheads in China has remained stable since the close of our fiscal 2009. The Group expects that the Chinese operating environment will improve as the struggling economy may prompt the government to be more sympathetic to the grievances of private employers operating within China.

The Group is hopeful that fiscal year 2010 will be much improved over fiscal 2009. Starting with strong liquidity position in the backdrop of a leaner overhead structure, flexible production ability, sustained R&D investment, improved distribution in North America, and an experienced workforce in China, the Group is positioned to recover and resume profitability after the recovery of the world economy.

While certain economic indicators are showing early signs of recovery around the globe, the prediction of ending the current economic recession has been postponed from 2009 to 2010. Management is cautiously optimistic that our sales will improve in 2010. We have positioned the Group to sustain a prolonged recovery by maintaining a low level of bank borrowing, carefully monitored inventory planning, strengthening our sales presence in the US and UK, and a continued action to reduce our overhead structure.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Capital Reorganisation and the Open Offer of not less than 628,071,062 Offer Shares and not more than 642,675,862 Offer Shares of HK$0.10 each (as adjusted after the Capital Reorganisation becoming effective) at HK$0.12 per Offer Share on the basis of four Offer Shares for every five Adjusted Shares held on the net tangible assets of the Group as if the Capital Reorganisation and the Open Offer had been completed on 30 September 2009. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Capital Reorganisation and the Open Offer.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2009 as extracted from the published unaudited interim report of the Group for the six months ended 30 September 2009 and is adjusted for the effect of the Capital Reorganisation and the Open Offer.

Adjusted unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2009	**Estimated net proceeds from the Open Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Capital Reorganisation and the Open Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Adjusted Share immediately after completion of the Capital Reorganisation and the Open Offer**
(Note 1)	*(Note 2)*		*(Note 3)*
HK$'000	*HK$'000*	*HK$'000*	*HK$*
624,258	72,909	697,167	0.49

Notes:

1. The adjusted unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2009 of HK$624,258,000 represents the unaudited consolidated net assets of the Group attributable to owners of the Company of HK$650,886,000, as extracted from the published interim report of the Company for the six months ended 30 September 2009, and deducting product development costs and goodwill with an aggregate amount of HK$26,628,000.

2. The amount of estimated net proceeds from the Open Offer is calculated based on 628,071,062 Offer Shares of HK$0.10 each (as adjusted after the proposed Capital Reorganisation becoming effective) at HK$0.12 per Offer Share (assuming no exercise of the outstanding Share Options before the Record Date and Time), after deducting the estimated underwriting fees and other related expenses of approximately HK$2.46 million to be incurred by the Group.

3. The calculation of the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Adjusted Share is based on 1,413,159,890 Adjusted Shares, comprising 785,088,828 Adjusted Shares in issue on the Latest Practicable Date and 628,071,062 Offer Shares (assuming no exercise of the outstanding Share Options before the Record Date and Time). As at the Latest Practicable Date, the Group had 18,256,000 Share Options outstanding. The preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets assumes no exercise of these Share Options.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the text of an accountants' report from Deloitte Touche Tohmatsu, the reporting accountants, on the unaudited proforma financial information.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

TO THE DIRECTORS OF STARLIGHT INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of Starlight International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed capital reorganisation and the open offer of not less than 628,071,062 offer shares and not more than 642,675,862 offer shares of HK$0.10 each (as adjusted after the proposed capital reorganisation becoming effective) at HK$0.12 per offer share on the basis of four offer shares for every five adjusted shares held (the "Open Offer") might have affected the consolidated net tangible assets of the Group presented as at 30 September 2009, for inclusion in Appendix II of the circular dated 31 May, 2010 issued by the Company (the "Circular"). The basis of preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets is set out on page 116 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma statement of adjusted consolidated net tangible assets 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 statement of adjusted consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of adjusted consolidated net tangible assets with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma statement of adjusted consolidated net tangible assets is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 September 2009 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company 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 statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 May, 2010

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group.

The Directors jointly and severally accept full responsibility for the accuracy of 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 this circular misleading.

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular concerning the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

Assuming that the outstanding Share Options are not exercised before the Record Date and Time

Authorised capital:		*HK$*
1,250,000,000	ordinary shares of HK$0.40 each	500,000,000
Issued and fully paid or credited as fully paid:		
785,088,828	ordinary shares of HK$0.40 each as at the Latest Practicable Date	314,035,531
785,088,828	ordinary shares of HK$0.10 each upon the Capital Reorganisation becoming effective	78,508,882.80
628,071,062	Offer Shares to be issued	62,807,106.20
1,413,159,890		141,315,989.00

Assuming that all the outstanding Share Options are exercised before the Record Date and Time

Authorised capital:		*HK$*
1,250,000,000	ordinary shares of HK$0.40 each	500,000,000
Issued and fully paid or credited as fully paid:		
785,088,828	ordinary shares of HK$0.40 each as at the Latest Practicable Date	314,035,531
785,088,828	ordinary shares of HK$0.10 each upon the Capital Reorganisation becoming effective	78,508,882.80
803,344,828	ordinary shares of HK$0.10 each upon exercise of all outstanding share options	80,334,482.80
642,675,862	Offer Shares to be issued	64,267,586.20
2,231,109,518		223,110,951.80

No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

There is no arrangement under which future dividiends are/will be waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives and their associates in the shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company or any of its associated corporations) and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or that was required to be recorded pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name	Nature of interest	Number of Shares held	Approximately Percentage of the Company's issued share capital
Mr. Philip Lau *(Note 1 & 4)*	Beneficial Owner	99,823,029	12.71%
Mr. Anthony Lau *(Note 2 & 4)*	Beneficial Owner	38,693,836	4.93%
Mr. Andy Lau *(Note 3 & 4)*	Beneficial Owner	37,507,445	4.78%
KK. Nominees Limited *(Note 5)*	Interest of controlled corporation	3,165,277	0.40%
Wincard Management Services Ltd *(Note 6)*	Interest of controlled corporation	10,100,415	1.29%
Philip Lau Holding Corporation *(Note 7)*	Held by Trust	169,069,209	21.54%
Hon Sheung Tin, Peter	Beneficial Owner	206,769	0.03%
Chuck Winston Calptor	Beneficial Owner	770,000	0.10%

Note:

1. Mr. Philip Lau is the chairman and an executive Director.

2. Mr. Anthony Lau is an executive Director and the brother of Mr. Philip Lau and Mr. Andy Lau.

3. Mr. Andy Lau is an executive Director and the brother of Mr. Philip Lau and Mr. Anthony Lau.

4. Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau are regarded as the parties acting in concert under the Takeovers Code and as such, they are deemed to be interested in the Existing Shares and Adjusted Shares held by each of them.

5. K.K. Nominees Limited is wholly and beneficially owned by Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau. Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau are deemed to be interested in the Existing Shares and Adjusted Shares owned by K.K. Nominees Limited.

6. Wincard Management Services Limited is wholly and beneficially owned by Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau. Mr. Philip Lau, Mr. Anthony Lau and Mr. Andy Lau are deemed to be interested in the Existing Shares and Adjusted Shares owned by Wincard Management Services Limited.

7. Philip Lau Holding Corporation is beneficially owned by a discretionary trust of which the discretionary objects include Mr. Philip Lau and his associates. Mr. Philip Lau is deemed to be interested in the Existing Shares and Adjusted Shares owned by Philip Lau Holding Corporation.

8. The Shares are beneficially owned by Timemate Industries Ltd. which is 75% beneficially owned by Underwriter C. Accordingly, Underwriter C is deemed to be interested in the Existing Shares and Adjusted Shares beneficially owned by Timemate Industries Ltd.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Substantial shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any member of the Group:

(i) Substantial shareholders of the Company:

Name	**Nature of interest**	**Number of Shares held**	**Approximately Percentage of the Company's issued share capital**
Lee Yu Chiang	Beneficial owner	42,140,878	5.37%

Note:

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

5. DIRECTORS' INTEREST IN ASSETS

None of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2010 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' INTEREST IN CONTRACT OR ARRANGEMENT

So far as the Directors are aware of, none of themselves or the substantial Shareholders (as defined in the Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest with the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

8. LITIGATION

As at the Latest Practicable Date, a writ of summons (the "**Writ**") taken by Digital Integrated System Sdn. Bhd. ("**DIS**") from the Hong Kong High Court against Starlight Marketing Limited ("**SML**"), a wholly owned subsidiary of the Company, had been served on the Group. According to the statement of claim enclosed in the Writ, DIS alleged that there were various transactions between DIS and SML during the period from February 2009 to December 2009 but no payment was received by DIS. The aggregate alleged sum as claimed by DIS amounts to approximately US$23,753,947. SML has sought legal advices regarding the Writ and intends to actively and strenuously defend the claims. Given that the litigation process is still at an early stage, the Directors consider that it is not practical to assess the potential impact on the Group at this stage, although there may be material adverse impact on the Group in the event that SML fails to successfully defend the claims. If the claims cannot be established, there will be no impact on the Group.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
VC Capital	a corporation licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants

Each of VC Capital and Deloitte Touche Tohmatsu have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their letter or their name in the form and context in which they respective appear.

Each of VC Capital and Deloitte Touche Tohmatsu do not have any 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.

Each of VC Capital and Deloitte Touche Tohmatsu do not have any direct or indirect interests in any assets which have been, since 31 March 2010 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

1. the Underwriting Agreement.

11. EXPENSES

The expenses in connection with the Open Offer, including financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to amount approximately HK$2.46 million and are payable by the Company.

12. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION

Directors	
Mr. Lau Sak Hong, Philip	5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong
Mr. Lau Sak Kai, Anthony	5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong
Mr. Lau Sak Yuk, Andy	5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong
Mr. Hon Sheung Tin, Peter	5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong
Mr. Ho Hau Chong, Norman	5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong
Mr. Chan Chak Chung	5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong
Mr. Winston Calptor Chuck	5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong
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
Authorised representatives	Mr. Lau Sak Hong 5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong Mr. Lau Sak Kai 5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong
Company Secretary	Lo Tai On FCCA

Legal advisor to the Company	As to Hong Kong Law Michael Li & Co 14th Floor, Printing House 6 Duddell Street Central Hong Kong As to Bermuda law: Appleby 8th Floor, Bank of America Tower 12 Harcourt Road Central, Hong Kong
Independent financial adviser to the Independent Board Committee in relation to the Open Offer	VC Capital Limited 28/F, The Centrium 60 Wyndham Street Central, Hong Kong
Auditor and reporting accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 35/F One Pacific Place 88 Queensway, Hong Kong
Underwriters	Chu Tai On Yu Kam Chung, Peter Chow Stephen Wing Cheung Fan Shi Hoo Ng Kam Ching
Principal share registrar	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre, 11 Bermudiana Road, Pembroke, HM08, Bermuda
Hong Kong branch share registrar	Tricor Secretaries Limited 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited Standard Chartered Bank (Hong Kong) Limited Hang Seng Bank Limited Industrial and Commercial Bank of China (Asia) Limited

13. MISCELLANEOUS

(a) As at the Latest Practicable Date, there was no benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Open Offer.

(b) This circular and the accompanying form of proxy have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

14. ADDITIONAL DISCLOSURE OF INTERESTS

(1) As at the Latest Practicable Date, no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the SGM to approve the Open Offer.

(2) As at the Latest Practicable Date, save for the undertakings under the Underwriting Agreement, the Board had not received any information from any substantial Shareholders of their intention to take up the securities of the Company to be provisionally allotted or offered to them under the Open Offer.

(3) As at the Latest Practicable Date, there was no contract or arrangement entered into by the Underwriters and parties acting in concert with it in which the Directors were materially interested.

15. DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Philip Lau Sak Hong, aged 63, was appointed executive director of the Company since 26th September, 1989. He is also the Chairman and Managing Director of the Company. He has been in the Group for 40 years and over 40 years of management experience in the electronics industry. Mr. Lau did not hold any directorship in other listed public companies in the last three years. Mr. Lau is also a director in a number of subsidiaries of the Group of the Company. He is the brother of Mr. Anthony Lau Sak Kai, Mr. Andy Lau Sak Yuk, Ms. Carol Lau Chu Lan, Mr. Eric Lau Shek Hung and Mr. Jacky Lau Sek Hoi who are executive directors and senior management of the Company.

Mr. Anthony Lau Sak Kai, aged 60, was appointed director of the Company since 26th September, 1989. He is an Executive Director of the Company. Mr. Lau has been in the Group for 38 years and is responsible for the Group's overall production management in China and also in charge of the research & development of the Group. Mr. Lau did not hold any directorship in other listed public companies in the last three years. Mr. Lau is also a director of a number of subsidiaries of the Group of the Company. He is the brother of Mr. Philip Lau Sak Hong, Mr. Andy Lau Sak Yuk, Ms. Carol Lau Chu Lan, Mr. Eric Lau Shek Hung and Mr. Jacky Lau Sek Hoi who are executive directors and senior management of the Company.

Mr. Andy Lau Sak Yuk, aged 60, was appointed executive director of the Company since 26th September, 1989. He is in charge of the research and development of the Group and has been in the Group for 38 years. Mr. Lau did not hold any directorship in other listed public companies in the last three years. Mr. Lau is also a director in a number of subsidiaries of the Group of the Company. He is the brother of Mr. Philip Lau Sak Hong, Mr. Anthony Lau Sak Kai, Ms. Carol Lau Chu Lan, Mr. Eric Lau Shek Hung and Mr. Jacky Lau Sek Hoi who are executive directors and senior management of the Company.

Non-executive Directors

Mr. Hon Sheung Tin, Peter, aged 69, had been an independent non-executive director of the Company since 1988 and re-designated as non-executive director of the Company on 28th September, 2004. He has been practising as a solicitor in Hong Kong for over 40 years. He retired as Senior Partner of Messrs. Hon & Co., Solicitors & Notaries since 1st April, 2008 and remains as consultant. He is also an independent non-executive director of Automated Systems Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited. He is also a director of Starlight Industrial Holdings Limited and The Singing Machine Company, Inc. where both are subsidiaries of the Company. He is a member of audit committee and remuneration committee of the Company.

Independent Non-executive Directors

Mr. Norman Ho Hau Chong, aged 54, was appointed independent non-executive director of the Company since 1st October, 1998. He is a member of audit committee of the Company. He holds a Bachelor of Arts degree from the University of Exeter, and is a member of the Institute of Chartered Accounts in England and Wales, a Fellow of the Hong Kong Institute of Certified Public Accountants. He has over 23 years of experience in management and property development. He is a director in CITIC Pacific Limited, Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited, Miramar Hotel & Investment Company Limited, Shun Tak Holdings Limited and New World Mobile Holdings Limited all of which are listed on the Stock Exchange. Mr. Ho resigned as director of Taifook Securities Group Limited, a company listed on the Stock Exchange, on 1st July, 2009.

Company Secretary

Mr. Lo Tai On joined as company secretary of the Company in September 2009. Mr. Lo is a Member of the Hong Kong Institution of Certified Public Accountants. He has over 20 years of experience in the company secretarial field.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours on any weekday (except for public holidays) 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 and at www.starlight.com.hk, from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the years ended 31 March 2008 and 2009 respectively;

(c) the material contracts as referred to in the paragraph headed "Material contracts" in this appendix.

(d) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix;

(e) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma statement of consolidated net tangible assets of the Group, the text of which is set out on page 116 to 119 of this circular;

(f) the letter from the Independent Board Committee, the text of which is set out on page 27 of this circular;

(g) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 28 to 44 of this circular; and

(h) a copy of each of the circulars issued pursuant to the requirements set out in Chapter 14 ad/or Chapter 14A of the Listing Rules which have been issued by the Company since 31 March 2009 (the date to which the latest published audited consolidated financial statements of the Group were made up).

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

(incorporated in Bermuda with limited liability)

(Stock Code: 485)

NOTICE IS HEREBY GIVEN THAT an special general meeting (the "**SGM**") of Starlight International Holdings Limited (the "**Company**") will be held at 10:00 a.m. on Wednesday, 23 June 2010 at 5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road Hong Kong for the following purpose of considering and, if thought fit, passing with or without amendments, the following resolutions:

SPECIAL RESOLUTION

1. "**THAT**, conditional upon (i) the Listing Committee of The Stock Exchange and Hong Kong Limited (the "**Stock Exchange**") granting the listing of, and permission to deal in, the Adjusted Shares (as defined below); and (ii) the compliance with the requirements of section 46(2) of the Companies Act 1981 of Bermuda (as amended), with effect from 5:00 p.m. on the business day (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) on which this resolution is passed by the shareholders of the Company (the "**Shareholders**"):

    (a) the reduction of issued share capital whereby the par value of each issued Share will be reduced from HK$0.40 to HK$0.10 by cancelling HK$0.30 of the paid-up capital on each issued Share ("**Capital Reduction**");

    (b) the subdivision of each authorised but unissued Share of HK$0.40 each into four (4) shares of HK$0.10 each (the "**Adjusted Shares**") ("**Share Subdivision**");

    (c) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company (together with the Capital Reduction and the Share Subdivision, the "**Capital Reorganisation**"); and

    (d) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to any of the foregoing or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to any of the foregoing and the transactions contemplated thereunder."

* *for identification purpose only*

ORDINARY RESOLUTION

2. "**THAT**

(a) subject to the passing of the resolution 1 and conditional upon fulfilment of the conditions of the Underwriting Agreement (as defined below), the Open Offer (as defined below) and the transaction contemplated thereunder be and are hereby approved:

For the purpose of this resolutions, "**Open Offer**" means the proposed issue by way of open offer of not less than 628,071,062 Offer Shares and not more than 642,675,862 Offer Shares at the subscription price of HK$0.12 per Offer Share, (each a "**Share**") of HK$0.10 each in the share capital of the Company (the "**Offer Shares**") at a subscription price of HK$0.12 per Offer Share to the qualifying shareholders ("**Qualifying Shareholders**") of the Company whose names appear on the date by reference to which entitlement under the Open Offer will be determined (other than those shareholders (the "**Excluded Shareholders**") with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Open Offer to be necessary or expedient 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) in the proportion of four (4) Offer Shares for every five (5) Adjusted Shares subject to the fulfilment or waiver of the conditions and terms set out in the underwriting agreement dated 7 May 2010 (the "**Underwriting Agreement**", including, if any, all supplemental agreements or deeds relating thereto) entered into among, the Company, Mr. Lau Sak Hong, Philip ("**Mr. Philip Lau**"), Mr. Chu Tai On ("**Underwriter A**"), Mr. Yu Kam Ching, Peter ("**Underwriter B**"), Mr. Cho, Stephen Wing Cheung ("**Underwriter C**"), Mr. Fan Shi Hoo ("**Underwriter D**"), Mr. Ng Kam Ching ("**Underwriter E**", together with Underwriter A, Underwriter B, Underwriter C and Underwriter D, the "**Underwriters**"), (a copy of the Underwriting Agreement having been produced to the meeting marked "A" and initialled by the chairman of the SGM for the purpose of identification)."

(b) the Directors be and are hereby authorized to allot and issue the Offer Shares pursuant to the Open Offer notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Excluded Shareholders as they may deem necessary, desirable or expedient to having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong;

(c) the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of the unsubscribed Offer Shares, if any, by the Underwriters) be and are hereby approved, confirmed and ratified;

(d) the absence of arrangements for application for the Offer Shares by the Qualifying Shareholders in excess of their entitlements under the Open Offer be and are hereby approved, confirmed and ratified; and

(e) any Directors be and are hereby authorized to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Offer Shares, the implementation of the Open Offer and the Underwriting Agreement, the exercise or enforcement of any of the Company's rights under the Underwriting Agreement and to make and agree to make such variations of the terms of the Underwriting Agreement as they may in their discretion consider to be appropriate, necessary or desirable and in the interests of the Company and its shareholders.".

By the order of the Board
Starlight International Holdings Limited
Lau Sak Hong, Philip
Chairman

Hong Kong, 31 May 2010

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

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

Notes:

1. A member of the Company ("**Shareholder**") entitled to attend and vote at the SGM convened by the above notice is entitled to appoint one or, if such Shareholder is a holder of more than one share, more proxies to attend and vote in his stead. A proxy need not be a Shareholder.

2. In order to be valid, the form of proxy must be deposited with the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

3. Where there are joint registered holders of any shares of the Company, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such holders be present at the SGM personally or by proxy, that one of such holders 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.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

5. Completion and delivery of the form of proxy will not preclude a Shareholder from attending and voting in person at the SGM if the Shareholder so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.