

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

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

**If you have sold or transferred** all your shares in Starlight International Holdings Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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

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

---

***STARLITE***

**STARLIGHT INTERNATIONAL HOLDINGS LIMITED**

**升岡國際有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 485)

**CONNECTED TRANSACTION:  
ISSUE OF CONVERTIBLE NOTES**

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

**AmCap**

*Ample Capital Limited*

*豐盛融資有限公司*

**Ample Capital Limited**

---

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A notice convening a special general meeting of the Company to be held at 5/F, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong on Friday, 15 June 2012 at 10:30 a.m. is set out on pages 31 to 32 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar 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 special general meeting or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the special general meeting if you so wish.

A letter from the Board is set out on pages 4 to 12 and the letter from the Independent Board Committee is set out on page 13 of this circular. A letter of advice from Ample Capital containing its advice to the Independent Board Committee and the Independent Shareholders on the Subscription Agreement is set out on pages 14 to 25 of this circular.

1 June 2012

\* for identification purpose only

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Letter from the Independent Board Committee</b> .....	13
<b>Letter from the Independent Financial Adviser</b> .....	14
<b>Appendix – General information</b> .....	26
<b>Notice of SGM</b> .....	31

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	board of the Directors
“Company”	Starlight International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Subscription Agreement
“connected persons”	has the meaning ascribed thereto in the Listing Rules
“Conversion Price”	the initial conversion price of HK\$0.104 (subject to adjustment) per Conversion Share upon conversion of the Convertible Notes
“Conversion Shares”	the Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes
“Convertible Notes”	the 1.5% coupon convertible notes in principal amount of HK\$36,300,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the board committee comprising all the independent non-executive Directors to advise the Independent Shareholders as to fairness and reasonableness of the terms of the terms of the Subscription Agreement, the issue of the Convertible Notes, and the transactions contemplated thereunder
“Independent Financial Adviser” or “Ample Capital”	Ample Capital Limited, a corporation licensed to carry on types 4, 6 and 9 (advising on securities, advising on corporate finance and asset management respectively) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders

---

## DEFINITIONS

---

“Independent Shareholders”	Shareholders other than Mr. Lau and his respective associates
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules
“Latest Practicable Date”	31 May 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Maturity Date”	the eighteen months of issue of the Convertible Notes
“Mr. Lau” or “Subscriber”	Mr. Lau Shek Yuen, a Shareholder and the brother of Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol, the executive Directors, being the subscriber of the Convertible Notes under the Subscription Agreement
“Outstanding Sum”	an amount of HK\$36,300,000 owed by the Company to the Subscriber
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of Company to be convened to consider and, if thought fit, approve the issue of the Convertible Notes and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Notes
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

---

## DEFINITIONS

---

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Convertible Notes by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 26 April 2012 and entered into between the Company and the Subscriber in relation to the subscription and issue of the Convertible Notes
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

---

LETTER FROM THE BOARD

---

***STARLITE***

**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  
Ms. Lau Chu Lan, Carol

***Registered office:***

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

***Non-executive Directors:***

Mr. Peter Hon Sheung Tin

***Head office and principal place of business***

***in Hong Kong:***

5/F., Shing Dao Industrial Building  
232 Aberdeen Main Road  
Hong Kong

***Independent non-executive Directors:***

Mr. Ho Hau Chong, Norman  
Mr. Chan Chak Chung  
Mr. Chuck Winston Calptor

1 June 2012

*To the Shareholders and*

*for reference only, to the holders of the securities of the Company*

Dear Sir or Madam,

**CONNECTED TRANSACTION:  
ISSUE OF CONVERTIBLE NOTES**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 26 April 2012 of which the Board announced that on 26 April 2012 (after trading hours), the Company entered into the conditional Subscription Agreement with the Subscriber pursuant to which the Company has agreed to issue and the Subscriber has agreed to subscribe for the Convertible Notes.

As Mr. Lau is a connected person of the Company, the issue of the Convertible Notes constitutes a non-exempted connected transaction on the part of the Company under the Listing Rules and are subject to reporting, announcement and Independent Shareholders' approval requirements.

\* *for identification purpose only*

---

## LETTER FROM THE BOARD

---

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Subscription Agreement and the proposed issue of Convertible Notes; (ii) the letter of recommendation from the Independent Board Committee on the terms of the Subscription Agreement and the proposed issue of Convertible Notes; (iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and Independent Shareholders regarding the terms of the Subscription Agreement and the proposed issue of Convertible Notes; and (iv) the notice of SGM.

### SUBSCRIPTION AGREEMENT

#### 1) Parties and Date

Date: 26 April 2012 (after trading hours)

Issuer: the Company

Subscriber: Mr. Lau

Mr. Lau, the Subscriber, is a Shareholder and the brother of Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol, all being executive Directors. Accordingly, Mr. Lau is a connected person under the Listing Rules.

As at the Latest Practicable Date, Mr. Lau holds an aggregate of 1,756,352 Shares, representing approximately 0.12% of the total issued share capital of the Company. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquires, Mr. Lau does not hold any other securities in the Company.

#### 2) Principal terms of the Convertible Notes

The principal terms of the Convertible Notes were arrived at after arm's length negotiations between the Company and the Subscriber and are summarized as follows:

Principal amount: HK\$36,300,000 which shall be satisfied by setting off against the Outstanding Sum.

Interest rate: The Convertible Notes shall carry an interest of 1.5% per annum.

Maturity date and redemption: Unless previously redeemed, repurchased and cancelled or converted, any outstanding Convertible Notes shall be redeemed on the Maturity Date.

---

## LETTER FROM THE BOARD

---

Ranking:	The Convertible Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and at all times rank pari passu among themselves and equally with all other present and future unsecured and unsubordinated obligations of the Company.
Conversion:	Provided that the Company will maintain the public float in compliance with the Listing Rules upon conversion of the Convertible Notes, the holder of the Convertible Notes will have the right to convert the whole or part of the principal amount of the Convertible Notes into Conversion Shares.
Conversion period:	The holders of the Convertible Notes shall have the right to convert the whole or part of the principal amount of the Convertible Notes into Conversion Shares at any time and from time to time, from the date of issue of the Convertible Notes up to and including the date which is 3 days prior to the Maturity Date at the then prevailing Conversion Price.
Conversion Price:	The Conversion Price is initially HK\$0.104 per Share, subject to adjustment for, among other matters, subdivision or consolidation of Shares, rights issue, extraordinary stock or cash distribution, and other dilutive events (which are the standard anti-dilution adjustment).
Voting:	The Subscriber will not be entitled to attend or vote at any meeting of the Company by reason only of it being the holder of the Convertible Notes.
Transfer:	With the prior notification to the Company, the Convertible Notes may be transferable provided that no transfer or assignment of the Convertible Notes shall be made to any other connected person of the Company without prior written consent of the Company.

Based on the initial Conversion Price of HK\$0.104 per Conversion Share, a maximum number of approximately 349,038,461 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes in full, which represent: (i) approximately 23.33% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 18.92% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Notes in full.

The Conversion Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares.



---

## LETTER FROM THE BOARD

---

No application will be made for listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The Company will seek a specific mandate from the Independent Shareholders for the allotment and issue of the Conversion Shares.

The initial Conversion Price of HK\$0.104 per Conversion Share was arrived at after arm's length negotiation between the Company and the Subscriber and represents:

- (i) a premium of approximately 4% over the closing price of HK\$0.100 per Share as quoted on the Stock Exchange on 26 April 2012, being the last trading day immediately before the entering into of the Subscription Agreement; and
- (ii) a premium of approximately 1.96% over the average of the closing prices per Share of HK\$0.102 for the last five trading days up to and including 26 April 2012, being the last trading day immediately before the entering into of the Subscription Agreement.

### **3) Conditions precedent**

Completion is conditional upon the fulfillment of the following conditions precedent:

- (i) if necessary, the passing by the Independent Shareholders at a special general meeting of the Company to be convened and held, of the necessary resolutions to approve the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Conversion Shares to the holder(s) of the Convertible Notes);
- (ii) all necessary consents and approvals required to be obtained on the part of the Company and the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (iii) the Listing Committee granting listing of and permission to deal in the Conversion Shares;
- (iv) the compliance of any other requirements under all applicable rules and regulations which requires compliance in relation to the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Conversion Shares to the holder(s) of the Convertible Notes); and
- (v) none of the warranties given by the Company under the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect.

---

## **LETTER FROM THE BOARD**

---

If any of the above conditions are not fulfilled on or before 30 June 2012 or such other date as the Company and the Subscriber may agree, the Subscription Agreement will cease and determine and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Subscription Agreement, save in respect of any antecedent breach of any obligation thereof.

#### **4) Completion**

Completion shall take place on or before the third business day following the date on which the above conditions are fulfilled (or such other date as the parties to the Subscription Agreement may agree).

#### **REASON FOR THE ISSUE OF CONVERTIBLE NOTES**

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

All the funds raised by the issue of the Convertible Notes will be used for repayment of the loan owed by the Company to the Subscriber and there will be no proceeds of funds. The loan is unsecured and interest free. There is no fixed repayment term and it would be repayable on demand by the Subscriber. The purpose of the loan was for the Company's daily operational needs and used as general working capital of the Company.

The Subscriber has requested repayment of the loan. After weighing the pros and cons of several repayment solutions, including issue of the Convertible Notes, obtaining a term loan from financial institutions, issue of preference shares of the Company, repayment by cash installments and etc., the Board is of the view that the Company will enjoy the lowest interest rate (i.e. 1.5% per annum) by issue of the Convertible Notes to repay the loan in comparison with the aforementioned repayment solutions.

The Directors also consider that the issue of the Convertible Notes is an appropriate means since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

As such, the Directors consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

### SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after the full conversion of the Convertible Notes is as follows (assuming there being no other change in the share capital of the Company:

Shareholder	At the Latest Practicable Date		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes	
	<i>No. of Shares</i>	<i>Approximate percentage</i>	<i>No. of Shares</i>	<i>Approximate percentage</i>
<b>Lau's family members</b>				
Philip Lau Holding Corporation ( <i>Note 1</i> )	304,324,576	20.35%	304,324,576	16.49%
K.K. Nominees Limited ( <i>Note 2</i> )	5,697,497	0.38%	5,697,497	0.31%
Wincard Management Services Limited ( <i>Note 3</i> )	18,180,747	1.22%	18,180,747	0.99%
Mr. Lau Sak Hong Philip ( <i>Notes 1,2 and 3</i> )	184,681,452	12.35%	184,681,452	10.01%
Mr. Lau Sak Kai, Anthony ( <i>Notes 2 and 3</i> )	69,648,904	4.66%	69,648,904	3.78%
Mr. Lau Sak Yuk, Andy ( <i>Notes 2 and 3</i> )	67,513,401	4.51%	67,513,401	3.66%
Subscriber	1,756,352	0.12%	350,794,813	19.02%
Other family members of Lau's family ( <i>Note 4</i> )	98,703,303	6.60%	98,703,303	5.34%
<b>Other Directors</b>				
Mr. Hon Sheung Tin, Peter	372,181	0.02%	372,181	0.02%
Mr. Chuck Winston Calptor	1,386,000	0.09%	1,386,000	0.08%
<b>Public Shareholders</b>				
Other public Shareholders	<u>743,451,877</u>	<u>49.70%</u>	<u>743,451,877</u>	<u>40.30%</u>
Total	<u><u>1,495,716,290</u></u>	<u><u>100%</u></u>	<u><u>1,844,754,751</u></u>	<u><u>100%</u></u>

---

## LETTER FROM THE BOARD

---

*Notes:*

1. Philip Lau Holding Corporation is a company incorporated in Republic of Nauru beneficially owned by a discretionary trust under which Mr. Lau Sak Hong Philip is the beneficiary. Mr. Lau Sak Hong Philip therefore deems to be interested in 304,324,576 Shares.
2. K.K. Nominees Limited is a company incorporated in Hong Kong and is beneficial owned as to 90% by Mr. Lau Sak Hong Philip, Mr. Lau Sak Kai, Anthony and Mr. Lau Sak Yuk, Andy. Mr. Lau Sak Hong Philip, Mr. Lau Sak Kai, Anthony and Mr. Lau Sak Yuk, Andy therefore deem to be interested in 5,694,497 Shares.
3. Wincard Management Services Limited is a company incorporated in Hong Kong and is beneficial owned as to 51.7% by Mr. Lau Sak Hong Philip, Mr. Lau Sak Kai, Anthony and Mr. Lau Sak Yuk, Andy. Mr. Lau Sak Hong Philip, Mr. Lau Sak Kai, Anthony and Mr. Lau Sak Yuk, Andy therefore deem to be interested in 18,180,747 Shares.
4. Other family members of Lau's family includes Ms. Lau Chu Lan, Carol, Mr. Lau Yat Tung, Mr. Lau Yat Sun, Ms. Lau Jun Jun, Mrs. Lau Yip Miu Ling, Mr. Lau Shek Hung, Ms. Lau Chui Wan, Mr. Lau Shek Hoi and Ms. Lai Wai Bing, who is interested in 384,483 Shares, 7,000,000 Shares, 41,051,362 Shares, 13,200,654 Shares, 9,046,100 Shares, 11,750,289 Shares, 3,000,000 Shares, 12,828,505 Shares jointly with Mr. Lau Yat Sun and 441,910 Shares respectively.

### FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any other fund raising activities in the past twelve months before the Latest Practicable Date.

### SGM

The SGM will be convened at which resolution(s) will be proposed to seek approval of the issue of the Convertible Notes and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Notes. Mr. Lau and his respective associates, including Mr. Lau Sak Hong Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy, Ms. Lau Chu Lan, Carol, Mr. Lau Shek Hung, Mr. Lau Shek Hoi, Ms. Lau Chui Wan, Mrs. Lau Yip Miu Ling, Mr. Lau Yat Tung, Mr. Lau Yat Sun, Ms. Lau Jun Jun and Ms. Lai Wai Bing, are required to abstain from voting at the SGM. To the best of the Directors' information, belief and knowledge, save for Mr. Lau and his respective associates, no parties have material interest in relation to the issue of Convertible Notes.

A notice convening the SGM is set out on pages 31 to 32 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

---

## LETTER FROM THE BOARD

---

The resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM will be taken by poll and an announcement will be made by the Company after the SGM on the results of the SGM.

### LISTING RULES IMPLICATIONS

As Mr. Lau is a connected person of the Company, the issue of the Convertible Notes constitutes a non-exempted connected transaction on the part of the Company under the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### GENERAL

As at the Latest Practicable Date, Mr. Lau holds an aggregate of 1,756,352 Shares, representing approximately 0.12% of the entire issued share capital of the Company. Pursuant to Chapter 14A of the Listing Rules, Mr. Lau and his respective associates, including Mr. Lau Sak Hong Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy, Ms. Lau Chu Lan, Carol, Mr. Lau Shek Hung, Mr. Lau Shek Hoi, Ms. Lau Chui Wan, Mrs. Lau Yip Miu Ling, Mr. Lau Yat Tung, Mr. Lau Yat Sun, Ms. Lau Jun Jun and Ms. Lai Wai Bing, are required to abstain from voting on the resolution(s) at the general meeting of the Company to approve the issue of the Convertible Notes.

The Independent Board Committee comprising all the independent non-executive Directors, will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the issue of the Convertible Notes. An independent financial adviser has been appointed to advise the Independent Board Committee in this regard.

### RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement and the issue of the Convertible Notes are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the letter from the Independent Board Committee set out on page 13 of this circular which contains its views in relation to the Subscription Agreement and the transactions contemplated thereunder. The Independent Board Committee, having taken into account of the advice of the Independent Financial Adviser, the text of which is set out on pages 14 to 25 of this circular, considers that the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends that the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Notes.

---

## LETTER FROM THE BOARD

---

### ADDITIONAL INFORMATION

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

Yours faithfully  
For and on behalf of the Board  
**Starlight International Holdings Limited**  
**Lau Sak Hong, Philip**  
*Executive Director*

# ***STARLITE***

## **STARLIGHT INTERNATIONAL HOLDINGS LIMITED**

**升岡國際有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 485)

1 June 2012

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONNECTED TRANSACTION: ISSUE OF CONVERTIBLE NOTES**

We refer to the circular of the Company dated 1 June 2012 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall bear the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Subscription Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription Agreement, and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Notes, and to recommend how the Independent Shareholders should vote at the SGM. Ample Capital has been appointed as the independent financial advisers to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 12 of the Circular, and the letter from Ample Capital to the Independent Board Committee and the Independent Shareholders which contains its advice in respect of the Subscription Agreement and the transactions contemplated thereunder, as set out on pages 14 to 25 of this Circular.

Having taken into account the advice of Ample Capital, we consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Ho Hau Chong, Norman**  
*Independent non-executive  
Director*

**Mr. Chan Chak Chung**  
*Independent non-executive  
Director*

**Mr. Chuck Winston Calptor**  
*Independent non-executive  
Director*

\* *for identification purpose only*

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

*The following is the full text of the letter from Ample Capital Limited setting out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.*



Ample Capital Limited  
Unit A, 14th Floor  
Two Chinachem Plaza  
135 Des Voeux Road Central  
Hong Kong

1 June 2012

*To: the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

### **CONNECTED TRANSACTION: ISSUE OF CONVERTIBLE NOTES**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement, details of which are set out in the “Letter from the Board” in the circular dated 1 June 2012 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

Pursuant to the Subscription Agreement, HK\$36,300,000 in principal amount of the Convertible Notes shall be issued by the Company to Mr. Lau, subject to, among other conditions precedent, the Independent Shareholders’ approval. Mr. Lau is (i) a Shareholder holding an aggregate of 1,756,352 Shares, representing approximately 0.12% of the total issued share capital of the Company as at the Latest Practicable Date and (ii) the brother of Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol, all being executive Directors. As Mr. Lau is a connected person of the Company. As such, the issue of the Convertible Notes is a non-exempted connected transaction of the Company pursuant to Chapter 14A of the Listing Rules and is therefore subject to the approval by the Independent Shareholders at the SGM. Mr Lau and his associates will abstain from voting at the SGM.

The Independent Board Committee is established for the purpose of advising the Independent Shareholders as to the fairness and reasonable of the issue of the Convertible Notes and the transactions contemplated thereunder. It comprises all the independent non-executive Directors.



---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

We, Ample Capital Limited, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Convertible Notes are fair and reasonable so far as the Independent Shareholders are concerned and as to how the Independent Shareholders should vote at the SGM.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information, facts and opinions are true and accurate and will remain true up to the time of the SGM. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, or to doubt the truth or accuracy of the information provided. We have however not conducted an independent investigation into the business and affairs of the Group nor have we carried out any independent verification of the information supplied.

### BACKGROUND AND REASON FOR THE SUBSCRIPTION AGREEMENT

The Group is principally engaged in the design, manufacture and sale of a wide range of electronic products and securities trading. The table and graphs below set out the financial information of the Group for the five financial years ended 31 March 2011 and 6 months ended 30 September 2010 and 30 September 2011.

In HK\$million	Year ended 31 March				2011	Six months ended 30 September	
	2007	2008	2009	2010 (restated)		2010 (unaudited)	2011 (unaudited)
Revenue	2,434	2,199	1,281	738	638	272	349
Profit/(loss) after tax	110	45	(120)	(76)	(44)	(53)	(28)

*Note:* The financial information for the year ended 31 March 2010 has been restated to reflect the effect of early adoption of Amendments to HKAS 12 titled “Deferred tax: Recovery of underlying assets” issued by the Hong Kong Institute of Certified Public Accountants.

The Group’s operations are mainly located in North America, Europe, Hong Kong, Mainland China, Japan and Korea. Over 95% of the Group’s revenue for the financial year ended 31 March 2011 was attributable to the sale of electronic products in North America and Europe. Given the poor export conditions resulted from the global economic downturn, especially in the US and European markets, the Group experienced losses since the financial year 2009.

The Group is required to repay an amount of HK\$36,300,000 owed by the Company to Mr Lau. The loan is unsecured and interest free. There is no fixed repayment term and it would be repayable on demand by Mr. Lau. Mr Lau is neither a substantial shareholder nor a director of the Company. He does not have the obligation to provide interest free loan to the Company perpetually. Therefore, we believe that it is not unreasonable for Mr. Lau to request for repayment of the interest free debt.

Given the fact that the prolonged uncertain economic conditions in North America and Europe have hampered the Group’s sales expectation, the cash inflow from the sales of electronic products is required to meet the needs of working capital of the Group. The Directors consider that the issue of

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

the Convertible Notes is an appropriate means of repayment of the Outstanding Sum since it will not have an immediate dilution effect on the shareholding of the existing Shareholders and the Convertible Notes bear a relatively low interest rate in comparison with external borrowings.

The Directors consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

#### 1. Parties and Date

Date: 26 April 2012 (after trading hours)

Issuer: the Company

Subscriber: Mr. Lau

On 26 April 2012, the Company and Mr. Lau entered into the Subscription Agreement whereby the Company agreed to issue and Mr. Lau agreed to subscribe the 1.5% coupon Convertible Notes in principal amount of HK\$36,300,000 due eighteen months from the issue of the Convertible Notes.

#### 2. Principal Terms of the Convertible Notes

The details of the principal terms of the Convertible Notes are summarised under the paragraph headed "Principal Terms of the Convertible Notes" in the "Letter from the Board" of the Circular. Extract of the principal terms are stated as follow:

Principal amount: HK\$36,300,000 which shall be satisfied by setting off against the Outstanding Sum.

Interest: The Convertible Notes shall carry an interest of 1.5% per annum.

Maturity date: eighteen months of issue of the Convertible Notes.

Redemption: Unless previously redeemed, repurchased and cancelled or converted, any outstanding Convertible Notes shall be redeemed on the Maturity Date.

Conversion period: The holders of the Convertible Notes shall have the right to convert the whole or part of the principal amount of the Convertible Notes into Conversion Shares at any time and from time to time, from the date of issue of the Convertible Notes up to and including the date which is 3 days prior to the Maturity Date at the then prevailing Conversion Price.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

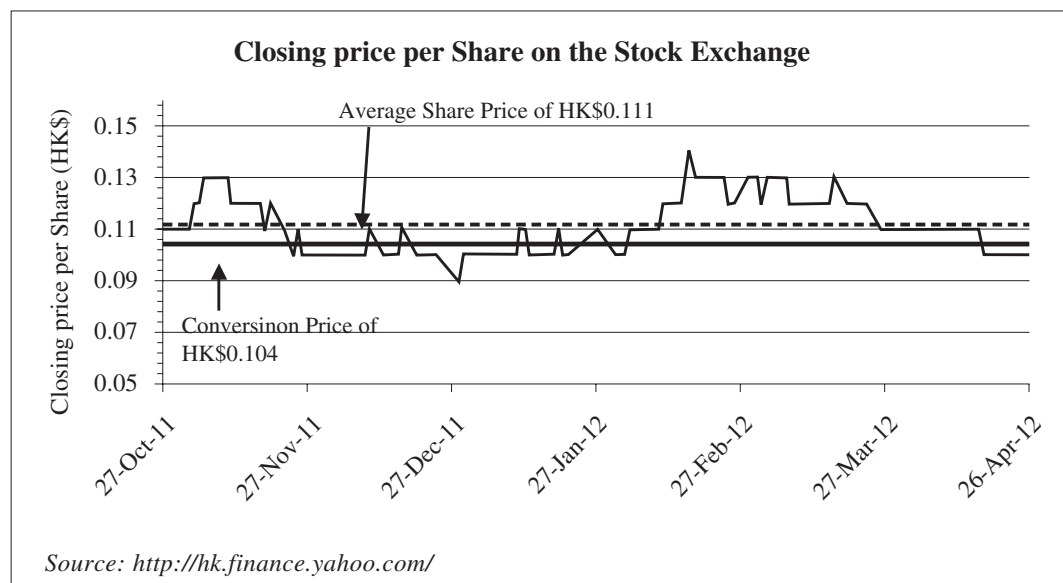
Conversion price: The initial Conversion Price is HK\$0.104 per Share, subject to adjustment for, among other matters, subdivision or consolidation of Shares, rights issue, extraordinary stock or cash distribution, and other dilutive events (which are the standard anti-dilution adjustment).

### 3. Completion

Completion shall take place on or before the third business day following the date on which the conditions precedent is fulfilled (or such other date as the parties to the Subscription Agreement may agree). Please refer to paragraph 3) under the heading “Subscription Agreement” of the Circular for details of the conditions precedent.

### CONVERSION PRICE

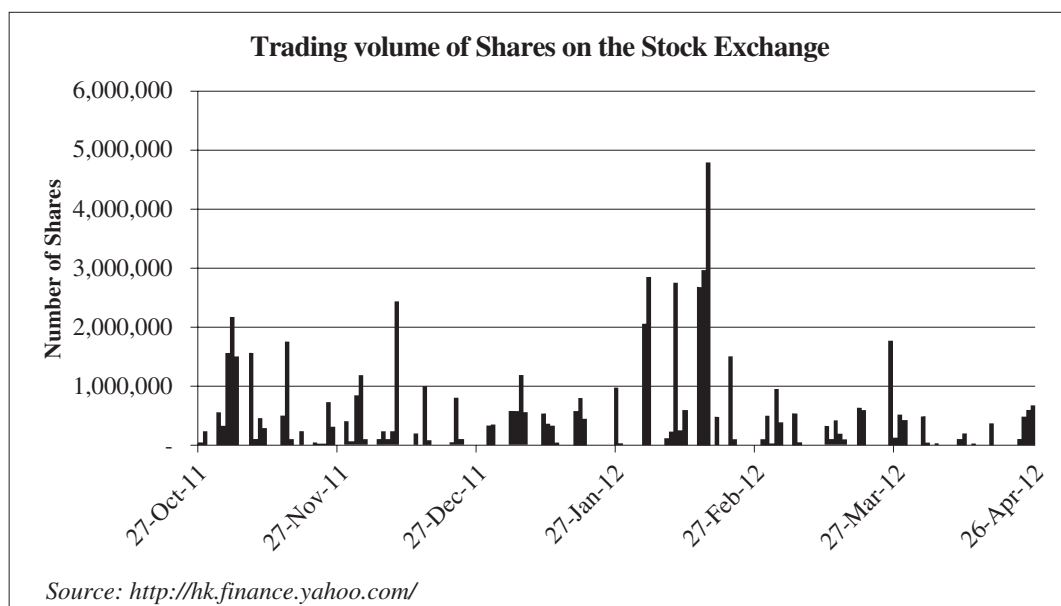
Set out below are charts showing the closing price and daily trading volume of the Shares on the Hong Kong Stock Exchange for the six months period ended 26 April 2012 (the “**Review Period**”), being the last trading day immediately before the entering into of the Subscription Agreement (the “**Last Trading Day**”).



---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---



The initial Conversion Price of HK\$0.104 per Conversion Share was arrived at after arm's length negotiation between the Company and the Subscriber and represents:

- (i) a discount of approximately 6% over the average closing price of HK\$0.111 per Share for the Review Period respectively;
- (ii) a premium of approximately 1.96% over the average of the closing prices per Share of HK\$0.102 for the last five trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 4% over the closing price of HK\$0.100 per Share as quoted on the Stock Exchange on the Last Trading Day.

The Conversion Price was determined after arm's length negotiations between the Company and the Subscriber. Although the Conversion Price represents a discount of approximately 6% over the average closing price of HK\$0.111 per Share for the Review Period, it represents a premium of approximately 4% over the closing price of HK\$0.100 per Share as quoted on the Stock Exchange on the Last Trading Day.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

To assess the fairness and reasonableness of the Conversion Price, we have also identified a number of Main Board listed companies (“**Comparable Companies**”) which have made announcement to issue convertible instruments during the three months ended the Last Trading Day. We believe that these Main Board listed companies are more comparable with the Company in terms of size than companies listed in the Growth Enterprise Market of the Stock Exchange.

Name of company (stock code)	Date of announcement	Premium/ (discount) to closing price on last trading day %
China Billion Resources Limited (274)	12 April 2012	14.94
Tse Sui Luen Jewellery (International) Limited (417)	31 March 2012	4.23
China Hongqiao Group Limited (1378)	21 March 2012	25.00
361 Degrees international Limited (1361)	13 March 2012	27.40
China Overseas Grand Oceans Group Ltd. (81)	14 March 2012	30.00
Wah Nam International Holdings Limited (159)	06 March 2012	15.40
Pacific Century Premium Developments Limited (432)	02 March 2012	19.70
Smart Union Group (Holdings) Limited (2700)	23 February 2012	42.86
China Ocean Shipbuilding Industry Group Limited (651)	30 January 2012	30.43
China Properties Group Limited (1838)	27 January 2012	1.26
OPES Asia Development Ltd. (810)	26 January 2012	1.41
	<b>Minimum:</b>	<b>1.26</b>
	<b>Maximum:</b>	<b>42.86</b>
	<b>Average:</b>	<b>19.33</b>
<b>The Company (485)</b>	<b>26 April 2012</b>	<b>4.00</b>

Source: <http://www.hkex.com.hk/>

The Conversion Price represents a premium of 4% over the Share price of the Last Trading Day which is within the range of a premium of about 1.26% to about 42.86% of conversion price to the last closing price prior to the release of their respective announcements.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

### INTEREST RATE COMPARISON

The table below shows the interest rate of the convertible instruments issued by the Comparable Companies.

<b>Name of company (stock code)</b>	<b>Date of announcement</b>	<b>Interest rate % p.a.</b>
China Billion Resources Limited (274)	12 April 2012	0.00
Tse Sui Luen Jewellery (International) Limited (417)	31 March 2012	5.00
China Hongqiao Group Limited (1378)	21 March 2012	6.50
361 Degrees international Limited (1361)	13 March 2012	4.50
China Overseas Grand Oceans Group Ltd. (81)	14 March 2012	2.00
Wah Nam International Holdings Limited (159)	06 March 2012	5.00
Pacific Century Premium Developments Limited (432)	02 March 2012	5.50
Smart Union Group (Holdings) Limited (2700)	23 February 2012	0.00
China Ocean Shipbuilding Industry Group Limited (651)	30 January 2012	3.00
China Properties Group Limited (1838)	27 January 2012	5.00
OPES Asia Development Ltd. (810)	26 January 2012	3.00
	<b>Minimum:</b>	<b>0.00</b>
	<b>Maximum:</b>	<b>6.50</b>
	<b>Average:</b>	<b>3.59</b>
<b>The Company (485)</b>	<b>26 April 2012</b>	<b>1.50</b>

Source: <http://www.hkex.com.hk/>

Mr Lau is neither a substantial shareholder nor a director of the Company. He does not have the obligation to provide interest free loan to the Company perpetually. Although the 1.5% interest rate of the Convertible Notes is higher than that of the interest free debt, it falls within the range of convertible instruments interest rates of 0% to 6.5% issued by the Comparable Companies. It is also below the average interest rate of 3.59% issued by the Comparable Companies. Therefore, we concur the view of the Directors that the Conversion Price and the interest rate are fair and reasonable as far as the Independent Shareholders are concerned.

### OTHER FINANCING ALTERNATIVES

We understand that the Directors have considered other financing alternatives including, inter alia, application of term loan from financial institutions, issue of preference shares, repayment by cash installments.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

The management has considered repayment by term loan. According to the Group's management, the current interest rates obtained by the Group are at the range from HIBOR + 2% to HIBOR + 4.5% or about 2.4% to 4.9% (According to Bloomberg, 3-month HIBOR is as at 26 April 2012 at about 0.4) for different operational bank loans such as trust receipt loans and import loan. Therefore, the best interest rate can get from the bank is at least 2.4%, which is higher than the interest rate of the Convertible Notes. Furthermore, the principal amount of any bank financing would require repayment at the end of its term. The Convertible Notes would not create any financial burden on the Company if it is converted in full.

For equity financing such as issuance of preference shares, the Group's management is of the view that many uncertainties exist in global financial market and the Group's management has not identified any suitable prospective investors as at the Latest Practicable Date. In the year ended 31 March 2011 and the six months ended 30 September 2011, the Group had net loss attributable to owners of the Company of approximately HK\$41.2 million and HK\$31.1 million (unaudited) respectively. Besides, the Group has been making net loss after tax for three consecutive financial years since the year ended 31 March 2009. Against this background, we believe it is unlikely that the Group can raise sufficient equity financing through issuance of preference shares on terms that are favourable to the Group.

According to the Group's annual report for the year ended 31 March 2011, the Group had net cash used in operating activities of approximately HK\$128.2 million and net decrease in cash and cash equivalents of approximately HK\$12.3 million. Furthermore, according to the Group's latest interim report for the six months ended 30 September 2011, the Group had (unaudited) net cash used in operating activities of approximately HK\$113.9 million and net decrease in cash and cash equivalents of approximately HK\$45.3 million. With such persistent net cash outflow, we believe that the rigid obligation of making repayment of the amount owed to Mr. Lau by cash installments within a term of 18 months would further worsen the Group's liquidity position and may have an adverse impact on the Group's operation.

### POTENTIAL DILUTION TO THE SHAREHOLDINGS OF THE SHAREHOLDERS

Based on the initial Conversion Price of HK\$0.104 per Conversion Share, a maximum number of approximately 349,038,461 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes in full, which represent: (i) approximately 23.33% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 18.92% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Notes in full.

The Conversion Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

The shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after the full conversion of the Convertible Notes is as follows (assuming there being no other change in the share capital of the Company):

Shareholder	At the Latest Practicable Date		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes	
	<i>No. of Shares</i>	<i>Approximate percentage</i>	<i>No. of Shares</i>	<i>Approximate percentage</i>
<b>Lau's family members</b>				
Philip Lau Holding Corporation <i>(Note 1)</i>	304,324,576	20.35%	304,324,576	16.49%
K.K. Nominees Limited <i>(Note 2)</i>	5,697,497	0.38%	5,697,497	0.31%
Wincard Management Services Limited <i>(Note 3)</i>	18,180,747	1.22%	18,180,747	0.99%
Mr. Lau Sak Hong Philip <i>(Notes 1,2 and 3)</i>	184,681,452	12.35%	184,681,452	10.01%
Mr. Lau Sak Kai, Anthony <i>(Notes 2 and 3)</i>	69,648,904	4.66%	69,648,904	3.78%
Mr. Lau Sak Yuk, Andy <i>(Notes 2 and 3)</i>	67,513,401	4.51%	67,513,401	3.66%
Subscriber	1,756,352	0.12%	350,794,813	19.02%
Other family members of Lau's family <i>(Note 4)</i>	98,703,303	6.60%	98,703,303	5.34%
<b>Other Directors</b>				
Mr. Hon Sheung Tin, Peter	372,181	0.02%	372,181	0.02%
Mr. Chuck Winston Calptor	1,386,000	0.09%	1,386,000	0.08%
<b>Public Shareholders</b>				
Other public Shareholders	743,451,877	49.70%	743,451,877	40.30%
Total	1,495,716,290	100%	1,844,754,751	100%

*Notes:*

- Philip Lau Holding Corporation is a company incorporated in Republic of Nauru beneficially owned by a discretionary trust under which Mr. Lau Sak Hong Philip is the beneficiary. Mr. Lau Sak Hong Philip therefore deems to be interested in 304,324,576 Shares.
- K.K. Nominees Limited is a company incorporated in Hong Kong and is beneficial owned as to 90% by Mr. Lau Sak Hong Philip, Mr. Lau Sak Kai, Anthony and Mr. Lau Sak Yuk, Andy. Mr. Lau Sak Hong Philip, Mr. Lau Sak Kai, Anthony and Mr. Lau Sak Yuk, Andy therefore deem to be interested in 5,694,497 Shares.



---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

3. Wincard Management Services Limited is a company incorporated in Hong Kong and is beneficial owned as to 51.7% by Mr. Lau Sak Hong Philip, Mr. Lau Sak Kai, Anthony and Mr. Lau Sak Yuk, Andy. Mr. Lau Sak Hong Philip, Mr. Lau Sak Kai, Anthony and Mr. Lau Sak Yuk, Andy therefore deem to be interested in 18,180,747 Shares.
4. Other family members of Lau's family includes Ms. Lau Chu Lan, Carol, Mr. Lau Yat Tung, Mr. Lau Yat Sun, Ms. Lau Jun Jun, Mrs. Lau Yip Miu Ling, Mr. Lau Shek Hung, Ms. Lau Chui Wan, Mr. Lau Shek Hoi and Ms. Lai Wai Bing, who is interested in 384,483 Shares, 7,000,000 Shares, 41,051,362 Shares, 13,200,654 Shares, 9,046,100 Shares, 11,750,289 Shares, 3,000,000 Shares, 12,828,505 Shares jointly with Mr. Lau Yat Sun and 441,910 Shares respectively.

Although issue of the Convertible Notes does not have the immediate dilution effect on the shareholding of the public Shareholders, it will still dilute the shareholding of the public Shareholders upon conversion of Convertible Notes into Conversion Shares. If we assume the Subscriber exercises his right to convert the Convertible Notes into the Shares, upon full conversion of the Convertible Notes, the shareholding of the public Shareholders will be diluted from 49.70% to 40.15%. The dilution impact on the public shareholding is about 19%. However, taking into consideration that the Convertible Notes bear a relatively low interest rate in comparison with external borrowings (the current interest rates obtained by the Group are at the range from HIBOR + 2% to HIBOR + 4.5% or about 2.4% to 4.9%), we are of the view that the dilution effect is acceptable.

### FINANCIAL IMPACT OF THE CONVERTIBLE NOTES

All the funds raised by the issue of the Convertible Notes will be used for repayment of the debt owed by the Company to the Subscriber. Hence, there will be no proceeds of funds. The issuance of Convertible Notes will result in:

- (i) a reduction of the current liabilities by HK\$36,300,000;
- (ii) an increase in non-current liabilities caused by the Convertible Note;
- (iii) an increase in convertible note equity reserve ("ER"), the calculation of which is subject to various factors such as an interest rate that cannot be ascertained as at the Latest Practicable Date; and
- (iv) a reduction of current assets by about HK\$400,000 being the amount of the cost of the issuance of the Convertible Notes.

### Accounting Treatment of the Issuance of Convertible Notes

HK\$36,300,000 Convertible Notes	
Liability component of the Convertible Note (non-current liabilities)	Equity component of the Convertible Notes (convertible note equity reserve)
HK\$36,300,000 – ER	ER

---

**LETTER FROM INDEPENDENT FINANCIAL ADVISER**

---

**Accounting Impact of the Issuance of Convertible Notes**

<p><b><i>Current Assets</i></b></p> <p>– reduce by HK\$400,000 (cost of issuance of the Convertible Notes)</p>	<p><b><i>Current Liabilities</i></b></p> <p>– reduce by HK\$36,300,000 (repayment of Outstanding Sum)</p>
	<p><b><i>Non-Current Liabilities</i></b></p> <p>– increase by (HK\$36,300,000 – ER) (liability component of the Convertible Notes)</p>
	<p><b><i>Equity</i></b></p> <p>– increase by ER less HK\$400,000 (equity component of the Convertible Notes less cost of issuance of the Convertible Notes)</p>

**1) *Net assets***

The issuance of the Convertible Notes will result in a decrease in current liabilities (borrowings) by HK\$36,300,000 while an increase in non-current liabilities (Convertible Notes) by (HK\$36,300,000 – ER). Therefore, there will be a reduction of total liabilities by the amount of ER. After taking into account of the cost of the issuance of the Convertible Notes of about HK\$400,000, the impact on the net assets of the Group will be ER – HK\$400,000. Net assets will decrease only if ER is less than HK\$400,000. In other words, if ER is greater than HK\$400,000, then net assets will increase. In the worst scenario, if ER = 0, then the net assets will decrease by HK\$400,000. Therefore, it is expected that the issue of the Convertible Notes will not have any negative material impact on the Group's net asset value.

**2) *Liquidity***

Although there will be a decrease in current assets by HK\$400,000, the issue of the Convertible Notes will reduce the Company's current liabilities by HK\$36,300,000. Therefore, the Group's liquidity will be improved.

**3) *Gearing***

There will be a reduction of total liabilities by the amount of ER and reduction of total assets by HK\$400,000. Therefore, the Group's gearing (total debts/total assets) will increase only if ER is less than HK\$400,000. In other words, if ER is greater than HK\$400,000, the gearing ratio will be improved. In the worst scenario, if ER=0, total debts will remain unchanged while the total assets will decrease by HK\$400,000. Therefore, it is expected that the issue of the Convertible Notes will not have any negative material impact on the Group's gearing ratio.

---

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

---

### 4) *Earnings*

The annual interest payment of about HK\$0.54 million will be incurred on the Convertible Notes, which only represents approximately 1% of the net loss of the Group for the financial year ended 31 March 2011.

### RECOMMENDATION

Having considered the aforesaid principal factors, we are of the view that the terms of the Subscription Agreement and the transactions contemplated are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the proposed resolution to approve the issuance of the Convertible Notes in the upcoming SGM.

Yours faithfully,

For and on behalf of

**Ample Capital Limited**

**Jenny Chan**

*President*

*Investment Banking*

**H. W. Tang**

*President*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DIRECTORS' INTERESTS

### (a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) 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) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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, were as follows:

#### (i) Long position in the Shares

Name of Director	Number of attributable number of Shares held or short positions	Nature of interests	Approximate percentage of issued share capital as at Latest Practicable Date (%)
Philip Lau Holding Corporation (Note 1)	304,324,576 (L)	Beneficial owner	20.35(%)
K.K. Nominees Limited (Note 2)	5,697,497 (L)	Beneficial owner	0.38(%)
Wincard Management Services Limited (Note 3)	18,180,747 (L)	Beneficial owner	1.22(%)
Mr. Lau Sak Hong Philip (Notes 1,2 and 3)	512,884,272 (L)	Beneficial owner, interest of controlled corporation and held by trust	34.29(%)
Mr. Lau Sak Kai, Anthony (Notes 2 and 3)	93,527,148 (L)	Beneficial owner and interest of controlled corporation	6.25(%)
Mr. Lau Sak Yuk, Andy (Notes 2 and 3)	91,391,645 (L)	Beneficial owner and interest of controlled corporation	6.11(%)
Ms. Lau Chu Lan, Carol	384,483 (L)	Beneficial owner	0.03(%)
Gather Profit Corporate Services Limited	616,000 (L)	Beneficial owner	0.04(%)
Mr. Chuck Winston Calptor (Note 4)	1,386,000 (L)	Beneficial owner and interest of controlled corporation	0.09(%)
Mr. Hon Peter, Sheung Tin	372,181 (L)	Beneficial owner	0.02(%)

L: Long Position

*Note:*

1. Philip Lau Holding Corporation is a company incorporated in Republic of Nauru beneficially owned by a discretionary trust under which Mr. Lau Sak Hong Philip is the beneficiary. Mr. Lau Sak Hong Philip therefore deems to be interested in 304,324,576 Shares.
2. K.K. Nominees Limited is a company incorporated in Hong Kong and is beneficial owned as to 90% by Mr. Lau Sak Hong Philip, Mr. Lau Sak Kai, Anthony and Mr. Lau Sak Yuk, Andy. Mr. Lau Sak Hong Philip, Mr. Lau Sak Kai, Anthony and Mr. Lau Sak Yuk, Andy therefore deem to be interested in 5,694,497 Shares.
3. Wincard Management Services Limited is a company incorporated in Hong Kong and is beneficial owned as to 51.7% by Mr. Lau Sak Hong Philip, Mr. Lau Sak Kai, Anthony and Mr. Lau Sak Yuk, Andy. Mr. Lau Sak Hong Philip, Mr. Lau Sak Kai, Anthony and Mr. Lau Sak Yuk, Andy therefore deem to be interested in 18,180,747 Shares.
4. Gather Profit Corporate Services Limited is a company incorporated in the British Virgin Islands and is wholly beneficially owned by Ms. Kung King Man, Inna, being the wife of Mr. Chuck Winston Calptor. Mr. Chuck Winston Calptor therefore deems to be interested in 1,386,000 Shares.

*(ii) Long position in the underlying Shares*

Name of Director	Number of underlying Shares held and nature of interests Equity derivatives <i>(Note)</i>	Position	Approximate percentage of issued share capital as at Latest Practicable Date <i>(%)</i>
Lau Sak Hong, Philip	14,950,000 (L)	Executive Director	1.00%
Lau Sak Kai, Anthony	2,000,000 (L)	Executive Director	0.13%
Lau Sak Yuk, Andy	2,000,000 (L)	Executive Director	0.13%
Lau Chu Lan, Carol	14,950,000 (L)	Executive Director	1.00%
Wong Lai See	14,950,000 (L)	Executive secretary, an associate of a Director	1.00%

*L: Long Position**Note:*

1. These represent the interest in share options granted to the Directors as beneficial owner under a share option scheme of the Company adopted on 15 January 2008.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company or their respective concert parties or their associates 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)

which were required (i) 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) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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) Director's interests in assets, contracts or arrangement of the Group**

There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date of which any Director is materially interested and which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors or proposed Directors had, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2011, the date of which the latest published and audited consolidated financial statements of the Company were made up.

**(c) Service contract**

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)).

**3. OTHER DISCLOSURES UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions 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 was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

As at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had, or was deemed 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.

#### 4. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who have given its opinions or advice which are included in this circular:

<b>Name</b>	<b>Qualifications</b>
Ample Capital	A corporation licensed to carry on types 4, 6 and 9 (advising on securities, advising on corporate finance and asset management respectively) regulated activities under the SFO

As at the Latest Practicable Date, Ample Capital did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Ample Capital did not have any interests, either direct or indirect, in any assets which have been 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 since 31 March 2011, the date to which the latest published audited consolidated financial statements of the Group were made up.

Ample Capital has given and has not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

#### 5. MATERIAL ADVERSE CHANGE

The Company issued a profit warning announcement dated 23 April 2012 in respect of a decline in the Group's gross profit margin caused by the rising production costs due to the worldwide inflation, the consolidated financial results of the Group for the year ended 31 March 2012 are expected to record an increase in loss as compared to the year ended 31 March 2011.

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2011, being the date to which the latest published audited financial statements of the Group was made up.

#### 6. COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors nor their respective associates had any interests in businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses which the Directors were appointed as directors to represent the interests of the Group.

#### 7. MISCELLANEOUS

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday except public holidays at the principal place of business of the Company in Hong Kong at 5/F, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- (b) the letter of advice from Ample Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 14 to 25 in this circular;
- (c) the Subscription Agreement; and
- (d) this circular.



---

NOTICE OF SGM

---

***STARLITE***

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

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 485)

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of Starlight International Holdings Limited (the “Company”) to be held at 5/F, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong on Friday, 15 June 2012 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution:

**ORDINARY RESOLUTION**

**“THAT:**

- (a) the subscription agreement dated 26 April 2012 (the “**Subscription Agreement**”) entered into between the Company and Mr. Lau (the “**Subscriber**”), a connected person of the Company, in relation to the subscription of convertible notes (the “**Convertible Notes**”) in the principal amount of HK\$363,300,000, a copy of the Subscription Agreement having been produced to the SGM marked “A” and signed by the chairman of the SGM for identification purpose, and the transactions contemplated thereby be and is hereby approved, confirmed and ratified;
- (b) the allotment and issue of the shares of the Company upon the exercise of the conversion rights attaching to the Convertible Notes (the “**Conversion Shares**”) be and is hereby approved and the directors (the “**Directors**”) of the Company be and are hereby authorised to allot and issue the Conversion Shares pursuant to and in accordance with the instrument to be executed by the Company by way of a deed poll constituting the Convertible Notes; and
- (c) the Directors be and are hereby authorised to do all such acts and things as they consider necessary, desirable or expedient for the implementation of and giving effect to the Subscription Agreement, the issue of the Convertible Notes to the Subscriber, the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Notes and the transactions contemplated thereunder.”

By order of the Board  
**Starlight International Holdings Limited**  
**Lau Sak Hong, Philip**  
*Executive Director*

Hong Kong, 1 June 2012

\* *for identification purpose only*

---

## NOTICE OF SGM

---

***Registered office:***

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

***Head office and principal place of  
business in Hong Kong:***

5/F., Shing Dao Industrial Building  
232 Aberdeen Main Road  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may 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 joint holder are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.