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## STARLIGHT INTERNATIONAL HOLDINGS LIMITED

升岡國際有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 485)**

### **MAJOR TRANSACTION ACQUISITION OF INTEREST IN SHARES IN SINGING MACHINE COMPANY, INC. AND RESUMPTION OF TRADING**

#### **BACKGROUND**

The Board announces that the Company has through the Purchaser, a wholly-owned subsidiary of the Company, entered into the Securities Purchase Agreement with SMC to acquire and subscribe together the Sale Shares and the Warrants on 21 February 2006.

Pursuant to the Securities Purchase Agreement, the total purchase price of the Sale Shares is US\$3,000,000 (equivalent to HK\$23,400,000). In addition to the Sale Shares, SMC will issue the Warrants to the Purchaser at nil consideration. The right to exercise the Warrants will expire, as per their terms, at various dates between two and four years following the Closing.

#### **GENERAL INFORMATION**

The Acquisition constitutes a major transaction on the part of the Company under Rule 14.06 of the Listing Rules and will be subject to the approval of the Shareholders at the SGM. A circular containing, among other things, further details of the Securities Purchase Agreement, the financial information of the Group and the financial information of SMC will be despatched to the Shareholders within 21 days after the publication of this announcement.

#### **SGM**

The SGM will be convened and held to consider and, if thought fit, to approve the Acquisition and the transactions contemplated thereunder.

#### **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

Trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 22 February 2006 at the request of the Company. Application has been made for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 2 March 2006.

#### **SECURITIES PURCHASE AGREEMENT**

**Date:** 21 February 2006

**Parties:** (1) SMC  
(2) The Purchaser

On 21 February 2006, SMC, an Independent Third Party, entered into the Securities Purchase Agreement with the Purchaser, a wholly-owned subsidiary of the Company.

SMC is principally engaged in the development, production, distribution, marketing and sale of consumer karaoke audio equipment, accessories and music. SMC obtained its listing status in the United States of America in November 1994 and its issued shares are listed on the American Stock Exchange.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, SMC and their respective ultimate beneficial owners are Independent Third Parties.

#### **Assets to be acquired**

Pursuant to the Securities Purchase Agreement, SMC agrees to sell and the Purchaser agrees to buy the Sale Shares and the Warrants. The total purchase price of the Sale Shares is US\$3,000,000 (equivalent to HK\$23,400,000). In addition to the Sale Shares, SMC will issue the Warrants to the Purchaser at nil consideration. The total purchase price of the Sale Shares and the issue of the Warrants at nil consideration were arrived at after arm's length negotiation between SMC and the Group by taking into account the recent price performance of the shares of SMC as traded on the American Stock Exchange. The issue price of US\$0.233 per Sale Share represents:

- (a) a discount of approximately 16.79% to the closing price of US\$0.28 per share of SMC as quoted on the American Stock Exchange on 28 February 2006, being the last trading date of the shares of SMC on the American Stock Exchange before the date of this announcement;

\* for identification purpose only

- (b) a premium of approximately 1.30% over the closing price of US\$0.23 per share of SMC as quoted on the American Stock Exchange on 17 February 2006, being the last trading day of the shares of SMC on the American Stock Exchange before the date of the Securities Purchase Agreement;
- (c) a discount of approximately 2.92% to the average closing prices of approximately US\$0.24 per share of SMC as quoted on the American Stock Exchange for the last five consecutive trading days up to and including 17 February 2006, being the last trading day of the shares of SMC on the American Stock Exchange before the date of the Securities Purchase Agreement; and
- (d) a discount of approximately 30% to the average closing prices of approximately US\$0.333 per share of SMC as quoted on the American Stock Exchange for the last 30 consecutive trading days up to and including 17 February 2006, being the last trading day of the shares of SMC on the American Stock Exchange before the date of the Securities Purchase Agreement.

The trading volume of the shares of SMC in the past five trading days up to and including 28 February 2006 was an average of 99,700 shares per day. The trading volume of the shares of SMC in the past 10 trading days up to and including 28 February 2006 was an average of 87,340 shares per day. The trading volume of the shares of SMC in the past 30 trading days up to and including 28 February 2006 was an average of 52,560 shares per day.

As at the date of this announcement, SMC has authorised capital stock of: (i) 100,000,000 shares of common stock with par value US\$0.01, of which 10,060,802 have been issued and fully paid; and (ii) 1,000,000 shares of preferred stock with par value of US\$0.10, of which none have been issued.

The Sale Shares represent approximately 127.98% of the existing issued share capital and approximately 56.14% of the issued share capital of SMC as enlarged by the allotment and issue of the Sale Shares. Upon Closing, the remaining 43.86% shareholding interest of SMC will be held by Mr. Joseph Bauer, the existing chairman of SMC and the public shareholders. Please refer to the paragraph headed "Changes of the shareholding structure of SMC" below for further details of the shareholding structure of SMC.

Based on the latest published unaudited results of SMC for the nine months ended 31 December 2005, the net liabilities of SMC as at 31 December 2005 were about US\$3,317,118 (equivalent to approximately HK\$25,873,520).

Based on the audited financial statements of SMC for the year ended 31 March 2004, the net loss of SMC before and after taxation and extraordinary items were approximately US\$21,924,919 (equivalent to approximately HK\$171,014,368) and US\$22,683,424 (equivalent to approximately HK\$176,930,707) respectively. Based on the audited financial statements of SMC for the year ended 31 March 2005, the net loss of SMC before and after taxation and extraordinary items were both approximately US\$3,591,975 (equivalent to approximately HK\$28,017,405).

Completion of the Acquisition will occur on the Closing Date, which is expected to be on or before 21 April 2006. Upon Closing, the purchase price for the Sale Shares shall be paid by the Purchaser in cash via wire transfer to an account designated by SMC in one lump sum.

Under the Securities Purchase Agreement, there is no restriction for the Purchaser to transfer the Sale Shares subsequent to the Acquisition.

#### **Warrants**

The right to exercise the Warrants will expire, as per their terms, at various dates between two and four years following the Closing.

The details of the Warrants are as follows:

- (i) the Purchaser has a right to purchase up to 2,500,000 shares of SMC at the price of US\$0.233 per share (being the initial price paid for the subscription of the Sale Shares) on or before the second anniversary of the Closing Date;
- (ii) the Purchaser has a right to purchase up to 1,250,000 shares of SMC on or before the third anniversary of the Closing Date at a price of US\$0.28 per share (equals to 120% of the initial price paid for the subscription of the Sale Shares); and
- (iii) the Purchaser has a right to purchase up to 1,250,000 shares of SMC on or before the fourth anniversary of the Closing Date at a price of US\$0.35 per share (equals to 150% the initial price paid for the subscription of the Sale Shares).

#### **CONDITIONS**

The Group will finance the Acquisition through its internal resources. Completion is subject to the following conditions:

- (1) Purchaser's acquisition of the Sale Shares and Warrants on the terms set forth in the Securities Purchase Agreement has been approved by the AMEX such that the Purchaser's acquisition of the Sale Shares and Warrants is completely free and clear of any voting restrictions;
- (2) upon the approval by the shareholders of SMC at the special meeting (only if required by law), which shall be held no later than 31 July 2006, for the shareholders of SMC to vote to approve the Securities Purchase Agreement and the transactions contemplated thereby;
- (3) upon the approval by the Shareholders at the SGM of the Company, to approve the Acquisition and the transactions contemplated thereby; and
- (4) SMC shall have entered into legal binding agreements to restructure the Related Party Debt and the Debentures. (Please refer to the paragraph headed "Related Party Debt and Debenture Restructuring" below for further information of such restructuring of the Related Party Debt and Debentures.)

As for the above condition (2), no SMC shareholders' approval is required pursuant to the relevant laws and regulations of United States.

## **RELATED PARTY DEBT AND DEBENTURES RESTRUCTURING**

### **Detail of the Related Party Debt**

The Related Party Debt was provided by two existing directors and a business associate of a director of SMC on 10 July 2003 with interest at 9.5% per annum. The Related Party Debt was originally scheduled to be repaid in full by October 2003 but remain outstanding as at the date of the Securities Purchase Agreement.

### **Restructuring of the Related Party Debt**

As of the Closing Date and as a condition to Closing, SMC shall have entered into legal binding agreements with the Related Party to restructure the Related Party Debt. With regard to the Related Party Debt, SMC shall use US\$50,000 of the proceeds to be received from the Purchaser at Closing to retire US\$50,000 of the Related Party Debt, and shall cause the remainder of US\$250,000 of the Related Party Debt to be restructured as an unsecured promissory note. The interest accrued on the Related Party Debt and remains outstanding as at Closing will be written off upon Closing.

Interest shall accrue on such promissory note at the rate of 5.5% per annum and shall be payable in arrears on quarterly basis. Such promissory note will mature on the third anniversary of its issue where upon the principal of such promissory note shall be repayable.

### **Details of the Debentures and the warrants held by the Debentures holders**

The Debentures of US\$4,000,000 was issued in September 2003 and carried interest at 8% per annum. The Debentures entitle the holders thereof to subscribe for shares in SMC at an exercise price of US\$3.85 per share subject to anti-dilution adjustment provision. The Debentures were due for repayment on 20 February 2006. On 8 November 2004, the interest rate had been changed to 9% per annum by a letter of agreement executed by SMC with the Debentures holders.

Also, the Debentures holders had been issued with stock warrants which entitle the holders thereof to subscribe for a total of 591,040 shares comprising: (i) 561,039 shares in SMC at exercise price of US\$4.025 per share and (ii) 30,001 shares in SMC at exercise price of US\$1.52 per share, both due to expire on 7 September 2006 and subject to an anti-dilution adjustment provision. The exercise price of the Debentures was subsequently adjusted (pursuant to the anti-dilution adjustment provision) from US\$3.85 to US\$1.41 per share due to a previous transaction of SMC unrelated to the Acquisition. The warrants held by the Debentures holders were subsequently adjusted (pursuant to the anti-dilution adjustment provision) from US\$4.025 and US\$1.52 to US\$1.46 per share due to the same transaction of SMC as mention above unrelated to the Acquisition.

The anti-dilution adjustment provision states that if SMC issues shares of its common stock at an effective price less than the original exercise price (i.e. US\$3.85 per share for the Debentures and US\$4.025 and US\$1.52 per share for the warrants held by the Debenture holders), the Debentures holders or the warrants holders are entitled to convert their debentures and warrants (as the case may be) into shares at a new conversion price, which equals to the original exercise price minus 75% of the difference between the original exercise price and the new price. However, the anti-dilution adjustment provision has lapsed after 8 September 2004; no further adjustment to the original exercise prices will be made hereafter.

### **Restructuring of the Debentures**

Concurrent with the restructuring of the Related Party Debt and as of the Closing Date and as a condition to the Closing, SMC shall enter into legal binding agreements with the Debentures holders (being Independent Third Parties) to restructure the Debentures such that SMC shall (i) use up to US\$2,000,000 of the proceeds to be received from the Purchaser at Closing to retire the Debentures in full, whereupon the Debentures holders will accept such US\$2,000,000 in full and final settlement of the principal amount of the Debentures and the interest accrued thereon which remain outstanding as at the Closing Date (as such, the conversion right under the Debentures will be cancelled accordingly); and (ii) cause the exercise price of the warrants currently held by the holders of the Debentures to be lowered from US\$1.46 to US\$0.85 per share of SMC.

As at the date of this announcement, other than the Debentures, the warrants held by the Debentures holders and the employees' options convertible to approximately 1,289,560 shares after fully exercise (these employees' options have expiry dates ranging from March 2006 to January 2016 with the exercise prices ranging from US\$0.34 to US\$11.09), No directors of SMC has been granted the employees' options.), SMC does not have any outstanding options, warrants or other securities, which are convertible and exchangeable into shares of SMC.

Other than the Related Party Debt, the Debentures and a factoring agreement, which is secured by SMC's accounts receivable, (the total amount of facility granted under the factoring agreement was US\$2,500,000 (equivalent to HK\$19,500,000) being the limit of the facility. As at 31 December 2005, the outstanding amount due to the bank was approximately US\$1,306,090 (equivalent to approximately HK\$10,187,502) under the factoring agreement) SMC did not have any outstanding debts agreements, liabilities and obligations accrued to the debt agreements as at the date of this announcement.

## **BOARD OF DIRECTORS**

Within five days of the Closing Date, the board of directors of SMC will take such actions as are legally required to allow the Purchaser to appoint such number of individuals designated by the Purchaser to SMC's board of directors to fill such number of either vacant or newly created seats as is required to grant the Purchaser representation on the board which is pro rata with their shareholding in SMC as of Closing. SMC currently has six directors. It is currently intended that the Purchaser will nominate seven additional directors to the board of SMC upon Closing. The chairman of the board of SMC will be appointed by the Purchaser.

## CHANGES OF SHAREHOLDING STRUCTURE OF SMC

The following table depicts the changes in the shareholding structure of SMC as a result of: (i) Closing; (ii) full exercise of the conversion rights attaching to the Warrants before exercise of the warrants held by the Debentures holders; (iii) full exercise of the conversion rights attaching to the warrants of the Debentures holders before exercise of the Warrants; and (iv) full exercise of the conversion rights attaching to the warrants of the Debentures holders and the Warrants:

Shareholders	At the date of this announcement and immediately before Closing and before full exercise of the subscription rights attaching to the warrants of the Debentures holders		Immediately after Closing and before full exercise of the subscription rights attaching to the warrants of the Debentures holders, and the Warrants		After Closing and assuming full exercise of the subscription rights attaching to the Warrants but before exercise of the warrants of the Debentures holders		After Closing and assuming full exercise of the subscription rights attaching to the warrants of the Debentures holders, but before exercise of the Warrants		After Closing and assuming full exercise of the subscription rights attaching to the warrants of the Debentures holders, and the Warrants	
	No. of shares	Approx. %	No. of shares	Approx. %	No. of shares	Approx. %	No. of shares	Approx. %	No. of shares	Approx. %
The Debentures holders							591,040	2.51	591,040	2.07
The Purchaser			12,875,536	56.14	17,875,536	63.99	12,875,536	54.72	17,875,536	62.66
Mr. Joseph Bauer	1,226,983	12.20	1,226,983	5.35	1,226,983	4.39	1,226,983	5.22	1,226,983	4.30
Public (Note)	8,833,819	87.80	8,833,819	38.51	8,833,819	31.62	8,833,819	37.55	8,833,819	30.97
Total	10,060,802	100.00	22,936,338	100.00	27,936,338	100.00	23,527,378	100.00	28,527,378	100.00

Note: Other than Mr. Joseph Bauer, the existing chairman of SMC, no existing SMC shareholders hold more than 10% of the shares of SMC.

Following Closing, SMC will be accounted for as a subsidiary of the Company in the financial statements of the Group.

## REASONS FOR ACQUISITION OF INTERESTS IN SHARES IN SMC

The Group is principally engaged in manufacturing, marketing and distribution of consumer electronic products worldwide. The Group's products are marketed through its own-label and also through OEM channels. The Group's major products include inter alia, MP3s, televisions, CD players and other audio visual equipment (including karaoke audio equipment and accessories).

SMC was incorporated in 1982 with limited liability and is principally engaged in the development, production, distribution, marketing and sale of consumer karaoke audio equipment, accessories and music. SMC obtained its listing status in the United States of America in November 1994 and its issued shares are listed on the American Stock Exchange. SMC develops and distributes a full line of consumer-oriented karaoke machines and music as well as other products under The Singing Machine™, Motown™, MTV™, Nickelodeon™, Hi-5™ and other brand name. SMC is the first to provide karaoke systems for home entertainment in the United States of America. SMC sells its products in North America, Europe and Asia.

Based on the latest published unaudited financial statements of SMC for the nine months ended 31 December 2005, SMC recorded a gross profit of approximated by US\$6,840,705 (equivalent to approximately HK\$53,357,499) and a net loss of approximately US\$1,541,262 (equivalent to approximately HK\$12,021,844). The net liabilities of SMC as at 31 December 2005 were approximately US\$3,317,118 (equivalent to approximately HK\$25,873,520).

The Directors consider that the net loss and net liabilities of SMC were mainly attributed to the high selling, administration and other costs and expenses of SMC, and the interests expenses payable under the Debentures. As stated in the paragraph headed "Related Party Debt and Debentures restructuring" above, as a condition to Closing, the outstanding Debentures will be restructured and repaid in full whereby the holders of the Debentures will accept the payment of US\$2,000,000 in full and final settlement of the principal amount of the Debentures and the interest accrued thereon which remain outstanding as at the Closing Date. The principal amount of the Debentures and the interest accrued thereon which remain outstanding as at the Closing Date amounted to approximately US\$4,316,521. As a result, SMC will no longer suffer the high interest expenses under the Debentures from Closing and thereafter. Also, as stated in the paragraph headed "Related Party Debt and Debentures restructuring", as a condition to Closing, the Related Party Debt due to the Related Party will be restructured such that a significant portion of the Related Party Debts will only be repayable on the third anniversary of the Closing. The Directors consider that the financial position of SMC will be improved following the implementation of such restructuring.

Besides, the Directors intend to conduct further regular reviews on the costs, expenses and liabilities of SMC from time to time after Closing and further measures to control and contain costs and expenses of SMC, and to streamline the operations of SMC, will be implemented based on the findings of such review. With a view to streamlining the operations of SMC and better utilising the resources available to SMC, the Directors intend to, following Closing, merge and consolidate the office maintained by SMC in Hong Kong with that of the Group and to absorb into the Group the manpower of SMC in Hong Kong in a cost efficient manner.

With the economy of scale brought by the above synergy, the Directors believe that further costs and expenses can be saved in the operation of SMC which will help SMC to turn around its financial position at a faster pace.

On the business front, the Directors consider that the Acquisition offers the Group a good business opportunity to further diversify its product range whilst at the same time allows the Group to extend its existing distribution network. The addition of the products of SMC and new distribution network will have a synergic effect to the Group's existing product lines and distribution network for enhanced economy of scales and efficiency when both the new and existing product lines are channeled for distribution in the integrated and extended distribution network of the Group.

The Directors recognise that with an operating history of over two decades, SMC is an established market player in the distribution of karaoke audio equipment and accessories in the United States. At present, SMC mainly distributes to the second tier retail chain stores in the United States while the Group mainly focuses its distribution to the first tier retail chain stores in the United States. The Directors consider that by leveraging on the established distribution network of SMC in the United States, the Acquisition will provide the Group with an excellent opportunity to tap in to the second tier retail chain stores in the United States which remain unexplored by the Group in the past. The Directors consider that further sales will be boosted as a result.

The Directors recognise that SMC has been operating in a difficult business environment in the past few years with a reduced turnover and profit margin, tightened credit terms offered by its business partners and shrinking of its customer base and clientele (in particular, its customer base for the first tier retail chain stores in the United States). The Directors consider that with the support of the Group, enhanced resources following Closing and by leveraging on the Group's established distribution network for first tier retail chain stores in the United States, SMC will be able, following Closing, to re-gain its momentum in securing orders from the first tier retail chain stores in the United States where the Group has a secured foothold.

Prior to entering into the Securities Purchase Agreement, the Group has been supplying its products to SMC for sale. Following the Acquisition, with an improved financial position, SMC's bargaining power with its suppliers will be enhanced which will thereby secure a steady supply of products for SMC alongside with the supply from the Group.

Based on the synergy effect between the Group and SMC as explained above, the Directors believe that the operating results of SMC will be improved significantly following Closing.

The Directors also consider that the sales offices of SMC in the United States can supplement the Group's sales and marketing functions in the United States by providing a direct liaison between the Group and its clients in the United States and further improving the Group's response time to clients' enquiries, particularly at times when the sales office of the Group in Hong Kong are closed. The warehouse facilities of SMC in the United States can be shared with the Group and further enhance the efficiency and flexibility of the Group's distribution logistics in North America.

In the medium term and to fully realize the potential of the sales offices of SMC in the United States and its distribution network, the Directors intend to explore the sales of the Group's products in Europe by leveraging on the distribution network of SMC in Europe.

Based on the above reasons, the Directors believe that SMC will be able to turn around its financial position after the Acquisition.

Furthermore, the Board believes that the Acquisition will enhance the shareholders' value of the Group by allowing the Group to indirectly access the United States equity capital markets, which may provide for higher equity valuation and liquidity.

The Board considers the Acquisition represents a good opportunity to progressively vertically integrate further into the consumer electronic retail markets in both the United States and Canada, where the Group has demonstrated a proven amount of success in its supply to certain major retailers.

The total purchase price of the Sale Shares and issue of the Warrants in nil consideration were arrived at after arm's length negotiations between SMC and the Group by taking into account the recent price performance of the shares of SMC as traded on the American Stock Exchange. The Directors consider that the terms and conditions of the Securities Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **GENERAL INFORMATION**

The Acquisition constitutes a major transaction on the part of the Company under Rule 14.06 of the Listing Rules and will be subject to the approval of the Shareholders at the SGM. A circular containing, among other things, further details of the Securities Purchase Agreement, the financial information of the Group and financial information of SMC will be despatched to the Shareholders within 21 days after the publication of this announcement.

#### **SGM**

The SGM will be convened and held to consider and, if thought fit, to approve the Acquisition and the transactions contemplated thereunder.

#### **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

Trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 22 February 2006 at the request of the Company. Application has been made for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 2 March 2006.

#### **DEFINITIONS**

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

"Acquisition"	the acquisition and subscription of the Sale Shares and the Warrants under the Securities Purchase Agreement
"AMEX"	the American Stock Exchange and any other applicable regulatory bodies (i.e. any governmental body such as the Securities and Exchange Commission or the Federal Trade Commission)
"Board"	the board of Directors
"Company"	Starlight International Holdings Limited, a company incorporated in the Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
"Closing"	the closing of the transactions contemplated under the Securities Purchase Agreement
"Closing Date"	such a day that all the conditions of the Securities Purchase Agreement have been satisfied

“Debentures”	outstanding debentures owed by SMC to the Debentures holders in the principal amount of US\$4,000,000
“Directors”	directors (including the independent non-executive directors) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party (Parties)”	(an) independent third party(ies) not being connected person (as defined in the Listing Rules) of the Company and not connected with the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	koncepts International Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company
“Related Party”	Mr. Yi Ping Chan and Mr. Joseph A. Bauer, being existing directors of SMC, and Ms. Maureen LaRoche, being the business associate of Mr. Joseph A. Bauer
“Related Party Debt”	an outstanding debt owed by SMC to the Related Party with the principal amount of US\$300,000
“Sale Shares”	the 12,875,536 new shares of SMC at the price of US\$0.233 per share to be issued to the Purchaser upon Closing
“Shareholder(s)”	shareholder(s) of the Company
“Securities Purchase Agreement”	the Securities Purchase Agreement dated 21 February 2006 and entered into between SMC and the Purchaser
“SGM”	the special general meeting of the Company to be convened and held to approve the Securities Purchase Agreement and the transactions contemplated thereby
“SMC”	The Singing Machine Company, Inc., a Delaware corporation, a company listed in the American Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrants”	warrants to be issued to the Purchaser containing rights to purchase up to 5,000,000 additional shares of SMC common stock at prices of US\$0.233 per share (the initial price paid on a per share basis), US\$0.28 per share (equals to 120% of the initial price) and US\$0.35 per share (equals to 150% of the initial price) on the second, third and forth anniversary of the Closing Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*Translations of US\$ into HK\$ are for illustration purpose only, at the rate of US\$1.00 to HK\$7.80. No representation is made that any amounts in US\$ or HK\$ could have been or could be converted at that rate or at any other rate or at all.*

By order of the Board  
**Lau Sak Hong, Philip**  
*Director*

Hong Kong, 1 March 2006

*As at the date of this announcement, Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony and Mr. Lau Sak Yuk, Andy are executive Directors. Mr. Hon Sheung Tin, Peter is the non-executive Director and Mr. Ho Hau Chong, Norman, Mr. Chan Chak Chung and Mr. Chuck Winston Calptor are independent non-executive Directors.*

“Please also refer to the published version of this announcement in The Standard.”