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**THIS PRIVATECO OFFER COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of the Privateco Offer, this Privateco Offer Composite Document and/or the Form of Acceptance and Transfer or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Chosen Investments Limited, you should at once hand this Privateco Offer Composite Document and the accompanying Form of Acceptance and Transfer to the purchaser(s) or the transferee(s), or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

This Privateco Offer Composite Document should be read in conjunction with the accompanying Form of Acceptance and Transfer, the provisions of which form part of the terms of the Privateco Offer contained herein.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this Privateco Offer Composite Document and the Form of Acceptance and Transfer, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Privateco Offer Composite Document and the Form of Acceptance and Transfer.

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**PEASEDOW ENTERPRISES LIMITED**

*(Incorporated in the BVI with limited liability)*

**CHOSEN INVESTMENTS LIMITED**

*(incorporated in Bermuda with limited liability)*

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO  
UNCONDITIONAL VOLUNTARY CASH OFFER BY  
ANGLO CHINESE CORPORATE FINANCE, LIMITED  
ON BEHALF OF  
PEASEDOW ENTERPRISES LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
CHOSEN INVESTMENTS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY  
PEASEDOW ENTERPRISES LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT,  
EXCLUDING ANGLO CHINESE RELATED GROUP)**

**Financial adviser to Peasedow Enterprises Limited**

**ANGLO CHINESE** 英  
CORPORATE FINANCE, LIMITED 高

**Independent Financial Adviser to the Independent Privateco Shareholders**

**Beijing**  
Securities

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Privateco Offer Composite Document.

A letter from the Privateco Board is set out on pages 8 to 10 of this Privateco Offer Composite Document.

A letter from Anglo Chinese containing, among other things, details of the terms of the Privateco Offer is set out on pages 11 to 15 of this Privateco Offer Composite Document. A letter from Beijing Securities containing its advice to the Independent Privateco Shareholders in respect of the Privateco Offer contained herein is set out on pages 16 to 26 of this Privateco Offer Composite Document.

The procedures for acceptance and settlement of the Privateco Offer contained herein and other related information are set out on pages 27 to 30 in Appendix I to this Privateco Offer Composite Document and in the accompanying Form of Acceptance and Transfer. Acceptances of the Privateco Offer contained herein should be received by the Transfer Agent (Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) by no later than 4: 00 p.m. on Friday, 17 February, 2012 or such later time/or date as Peasedow may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

27 January, 2012

\* For identification purpose only

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## EXPECTED TIMETABLE

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Privateco Offer opens for acceptance .....	Friday, 27 January, 2012
Latest time and date for acceptance of the Privateco Offer .....	4:00 p.m. on Friday, 17 February, 2012
Closing date of the Privateco Offer ( <i>Note 1</i> ) .....	Friday, 17 February, 2012
Announcement of the results of the Privateco Offer posted on the Stock Exchange's website under Decca Holdings Limited (to be renamed as Chinlink International Holdings Limited) and the SFC's website ( <i>Note 1</i> ) .....	By 7:00 p.m. on Friday, 17 February, 2012
Announcement of the results of the Privateco Offer published in the newspapers .....	Saturday, 18 February, 2012
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Privateco Offer ( <i>Note 2</i> ) .....	Monday, 27 February, 2012

*Notes:*

1. The Privateco Offer, which is unconditional, will close on Friday, 17 February, 2012 unless Peasedow revises or extends the Privateco Offer in accordance with the Takeovers Code. An announcement will be issued through the Stock Exchange's website under Decca Holdings Limited (to be renamed as Chinlink International Holdings Limited) by 7: 00 p.m. on Friday, 17 February, 2012 stating whether or not the Privateco Offer has closed, been revised or extended, and (if and to the extent revised or extended) the next closing date or that the Privateco Offer will remain open until further notice. If Peasedow decides that the Privateco Offer will remain open until further notice, at least 14 days' notice in writing will be given before the Privateco Offer is closed to those Independent Privateco Shareholders who have not accepted the Privateco Offer.
2. Acceptance of the Privateco Offer shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code. Remittances in respect of the cash consideration payable for the Privateco Shares tendered under the Privateco Offer will be posted to the accepting Privateco Shareholder(s) at his/her/its own risks as soon as possible but in any event within 10 days of the date of receipt by the Transfer Agent of the duly completed Form of Acceptance and Transfer.

**All time and date references contained in this Privateco Offer Composite Document and the Form of Acceptance and Transfer refer to Hong Kong time and date.**

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## DEFINITIONS

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*Unless the context requires otherwise, the following expressions shall have the following meanings in this Privateco Offer Composite Document and the Form of Acceptance and Transfer:*

“Acelin”	Acelin Investments Limited, a direct wholly owned subsidiary of the Company, and the immediate holding company for the Remaining Business
“acting in concert”	having the meaning defined in the Takeovers Code
“Anglo Chinese Investments”	Anglo Chinese Investment Company, Limited, the holding company of Anglo Chinese
“Anglo Chinese”	Anglo Chinese Corporate Finance, Limited, a corporation licensed to conduct type 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO and the financial adviser to Peasedow
“Anglo Chinese related group”	Anglo Chinese Investments, a retirement scheme related to Anglo Chinese, certain discretionary securities trading accounts of Anglo Chinese Securities, Limited, and an employee of Anglo Chinese
“associate(s)”	having the meaning defined in the Listing Rules
“Beijing Securities”	Beijing Securities Limited, a corporation licensed to conduct type 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Privateco Shareholders in relation to, the Privateco Offer
“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday, Sunday and any day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at an time between 9 a.m. to 5 p.m.) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular dated 20 December, 2011 issued by the Company in relation to, among other things, the Proposal, the New Tenancy Agreements, the Share Offer and the Privateco Offer

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## DEFINITIONS

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“Closing Date”	17 February, 2012, the closing date of the Privateco Offer, which is 21 days after the date on which the Privateco Offer Composite Document is posted, or if the Privateco Offer is extended, any subsequent closing date of the Privateco Offer as extended and announced by Peasedow in accordance with the Takeovers Code
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Decca Holdings Limited (to be renamed Chinlink International Holdings Limited), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Sale and Purchase Agreement
“Decca Investment”	Decca Investment Limited, a direct wholly owned subsidiary of Privateco and the immediate holding company for the Distributed Businesses after the Group Restructuring
“Director(s)”	the director(s) of the Company from time to time
“Distributed Businesses”	all businesses carried on by Privateco Group, including among others, manufacturing and sale of furniture and fixtures in the United States of America, Europe, Asia Pacific and the PRC, and provision of decoration works outside Hong Kong and Macau
“Distribution In Specie”	the distribution in specie of Privateco Shares by the Company to registered Shareholders as described in the section “Distribution in Specie” in the letter from the Board of the Circular that took place on 20 January 2012
“Emperor Capital”	Emperor Capital Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the financial adviser to the Purchaser
“Emperor Securities”	Emperor Securities Limited, a corporation licensed under the SFO to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“Existing Tenancy Agreement”	two tenancy agreements entered on 30 November, 2008 between the Company and Golden Life for the lease of certain premises in Hong Kong

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## DEFINITIONS

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“Form of Acceptance and Transfer”	the form of acceptance and transfer of the Privateco Shares in respect of the Privateco Offer accompanying this Privateco Offer Composite Document
“Golden Life”	Golden Life Investment Limited, a company incorporated in Hong Kong and the issued share capital of which is owned as to approximately 25.6 per cent, 26.9 per cent and 25.6 per cent by Mr. Tsang, Mr. Liu and Ms. Kwan respectively, all of whom are Directors
“Group”	the Company and its subsidiaries from time to time
“Group Restructuring”	the reorganisation of the Group, details of which are set out in section headed “Group Restructuring” in the Circular
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Privateco Shareholder(s)”	in respect of the Privateco Offer, Privateco Shareholder(s) other than the Vendors, the Purchaser, their respective associates and parties acting in concert with any of them, and including Anglo Chinese related group
“Joint Announcement”	the joint announcement issued by the Purchaser, the Company, and Peasedow dated 28 October, 2011 in relation to, among other things, the Proposal, the New Tenancy Agreements, the Share Offer and the Privateco Offer
“Latest Practicable Date”	20 January 2012, being the latest practicable date prior to the printing of this Privateco Offer Composite Document for ascertaining certain information referred to this Privateco Offer Composite Document
“Last Trading Day”	6 October, 2011, being the last day on which Shares were traded on the Stock Exchange prior to the suspension of trading in Shares pending the release of the Joint Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 January, 2012
“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Li”	Mr. Li Weibin, a third party independent of and not connected with the Company and its connected persons (as defined under the Listing Rules) and the sole owner of the Purchaser
“Mr. Liu”	Mr. Liu Hoo Kuen, a Director and also a Privateco Director

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## DEFINITIONS

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“Mr. Tsang”	Mr. Tsang Chi Hung, a Director and also a Privateco Director
“Ms. Kwan”	Ms. Kwan Yau Choi, a Director and also a Privateco Director
“New Tenancy Agreements”	three new tenancy agreements entered into between the Group and Golden Life, each for a term of three years commencing from 1 December, 2011, the consent of the Executive under Rule 25 of the Takeovers Code of which has been obtained
“Peasedow”	Peasedow Enterprises Limited, a company incorporated under the laws of BVI with limited liability and the issued share capital of which is ultimately and beneficially owned as to 34.8 per cent by Mr. Tsang, as to 34.7 per cent by Ms. Kwan and as to 30.5 per cent by Mr. Liu
“PRC”	The People’s Republic of China, which for the purpose of this Privateco Offer Composite Document, excludes Hong Kong, Macau and Taiwan
“Privateco”	Chosen Investments Limited, a company incorporated in Bermuda with limited liability on 10 October, 2011 pursuant to the Group Restructuring for the purpose of holding the Distributed Businesses and a wholly owned subsidiary of the Company prior to the Distribution In Specie
“Privateco Board”	the board of Privateco Directors
“Privateco Director(s)”	the director(s) of Privateco
“Privateco Group”	Privateco and its subsidiaries
“Privateco Offer”	the unconditional voluntary cash offer to be made by Anglo Chinese on behalf of Peasedow to acquire all Privateco Shares (including those held by Anglo Chinese related group and other than those owned or agreed to be acquired by Peasedow or parties acting in concert with it)
“Privateco Offer Composite Document”	this offer and response document (in either composite or separate form) to be despatched to the holders of Privateco Shares pursuant to the Privateco Offer together with the Form of Acceptance and Transfer
“Privateco Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of Privateco
“Privateco Shareholder(s)”	holder(s) of Privateco Shares

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## DEFINITIONS

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“Proposal”	the proposal approved by the Independent Shareholders at the SGM, including the Share Premium and Reserve Application and the Distribution In Specie, and the respective transactions contemplated thereunder
“Purchaser”	Wealth Keeper International Limited, a company incorporated in the BVI with limited liability and the issued share capital of which is 100 per cent ultimately beneficially owned by Mr. Li
“Remaining Business”	the Group’s business of providing interior design and renovation services and trading of furniture and fixtures in Hong Kong and Macau by the Remaining Group after the Group Restructuring and Distribution In Specie
“Relevant Period”	the period beginning six months prior to 28 October, 2011 (being the date of commencement of the offer period for the Privateco Share Offer) and ending on and including the Latest Practicable Date
“Remaining Group”	the Company, Acelin and subsidiaries of Acelin, being the Group excluding the Privateco Group upon completion of the Group Restructuring and Distribution In Specie
“Sale and Purchase Agreement”	the agreement dated 6 October, 2011 entered into amongst the Vendors and the Purchaser in respect of the conditional acquisition of the Sale Shares by the Purchaser that was completed on 20 January 2012
“Sale Share(s)”	the aggregate number of 141,060,805 Shares previously held by the Vendors and acquired from the Vendors on 20 January 2012 and now owned by the Purchaser as at the Latest Practicable Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company held at 2/F, Decca Industrial Centre, 21 Cheung Lee Street, Chai Wan, Hong Kong at 11:00 a.m. on 12 January, 2012 at which the resolution(s) in respect of the Proposal, the New Tenancy Agreements and the proposed change of name of the Company were approved
“Share Premium Account”	the share premium account of the Company
“Share Premium and Reserve Application”	the application of a sufficient amount of the credit standing to the Share Premium Account and the contributed surplus or other distributable reserve accounts of the Company for the implementation of the Distribution In Specie



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## DEFINITIONS

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“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Share Offer”	the unconditional mandatory cash offer to be made by Emperor Capital on behalf of the Purchaser to acquire all issued Shares (other than those already held or agreed to be acquired by the Purchaser and parties acting in concert with it)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases
“Transfer Agent”	the transfer agent for Privateco Shares, being Tricor Standard Limited located at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Vendors”	Peasedow, Mr. Tsang, Ms. Kwan and Mr. Liu

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## LETTER FROM THE PRIVATECO BOARD

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# CHOSEN INVESTMENTS LIMITED

*(incorporated in Bermuda with limited liability)*

*Directors:*

Mr. Tsang Chi Hung  
Mr. Liu Hoo Kuen  
Ms. Kwan Yau Choi  
Ms. Fung Sau Mui

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Correspondence address in Hong Kong:*

2/F, Decca Industrial Centre  
21 Cheung Lee Street  
Chai Wan  
Hong Kong

27 January, 2012

*To the Independent Privateco Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL VOLUNTARY CASH OFFER BY  
ANGLO CHINESE CORPORATE FINANCE LIMITED  
ON BEHALF OF  
PEASEDOW ENTERPRISES LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
CHOSEN INVESTMENTS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY  
PEASEDOW ENTERPRISES LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT,  
EXCLUDING ANGLO CHINESE RELATED GROUP)**

### INTRODUCTION

Reference is made to the Joint Announcement and the Circular.

On 12 January, 2012, the resolutions in respect of the Proposal and New Tenancy Agreements were duly approved at the SGM. On 20 January, 2012, Completion and the Distribution In Specie took place. It was announced in the Joint Announcement and the Circular that Anglo Chinese would, upon Completion and the Distribution in Specie having taken place, make the Privateco Offer, which is voluntary and unconditional, on behalf of Peasedow to acquire all Privateco Shares not already owned or agreed to be acquired by Peasedow and parties acting in concert with it.

The purpose of this Privateco Offer Composite Document is to provide you with, among other things, information relating to the Privateco Group, Peasedow and the Privateco Offer as well as setting out the letter from Beijing Securities containing its advice to the Independent Privateco Shareholders in respect of the Privateco Offer.

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## LETTER FROM THE PRIVATECO BOARD

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This Privateco Offer Composite Document provides you with, amongst other things, information on the Privateco Offer, the Privateco Group and the letter of advice from Beijing Securities containing its advice to the Independent Privateco Shareholders in respect of the Privateco Offer.

### THE PRIVATECO OFFER

In its letter contained in this Privateco Offer Composite Document, Anglo Chinese, the financial adviser to Peasdown and on behalf of Peasdown, is making the Privateco Offer to the Privateco Shareholders (other than Peasdown and parties acting in concert with it, but including Anglo Chinese related group) to acquire all the Privateco Shares held by all such Privateco Shareholders, which is unconditional in all respects and in compliance with the Takeovers Code on the following basis:

for each Privateco Share held..... HK\$0.80 in cash

As at the Latest Practicable Date, Privateco had 200,000,000 Privateco Shares in issue. Peasdown and parties acting in concert with it (including Anglo Chinese related group which held an aggregate of 11,824,000 Privateco Shares, representing approximately 5.91% of the issued share capital of Privateco) were interested in an aggregate of 152,884,805 Privateco Shares, representing approximately 76.44% of the issued share capital of Privateco as at the Latest Practicable Date. As stated above, the Privateco Offer will be extended to Anglo Chinese related group. Accordingly, a total of 58,939,195 Privateco Shares are subject to the Privateco Offer. The Privateco Shares to be acquired under the Privateco Offer must be fully paid and free from all liens, charges, claims and encumbrances and any third party rights together with all rights attaching to them as from the date of issue of the Privateco Shares, including all dividends and distributions declared, made or paid on or after the date of issue of Privateco Shares.

The offer price of HK\$0.80 per Privateco Share under the Privateco Offer represents a discount of approximately 51.95% to the unaudited net asset value per Privateco Share of approximately HK\$1.67, calculated on the basis of the unaudited pro forma net asset value of the Privateco Group of approximately HK\$333.0 million as at 30 September 2011 as set out on page 154 of the Circular.

Save for the 200,000,000 Privateco Shares in issue as at the Latest Practicable Date, Privateco did not have in issue any other Privateco Shares, or outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Privateco Shares.

The Privateco Offer is unconditional in all respects. Under the terms of the Privateco Offer, acceptance of the Privateco Offer is irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code. The Executive may require that the Independent Privateco Shareholders accepting the Privateco Offer be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

Further details of the Privateco Offer including, amongst others, the terms and conditions and the procedures for acceptance and settlement and further terms of the Privateco Offer are set out in the letter from Anglo Chinese contained in Appendix I to this Privateco Offer Composite Document and the accompanying Form of Acceptance and Transfer.

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## LETTER FROM THE PRIVATECO BOARD

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### INFORMATION ON PRIVATECO

The Privateco Group is principally engaged in manufacturing and sale of furniture and fixtures in the United States of America, Europe, Asia Pacific and the PRC, and provision of decoration works outside Hong Kong and Macau. The accountants' report and unaudited pro forma financial information of the Privateco Group for the three years ended 31 March 2011 and six months ended 30 September 2011 respectively are set out in Appendix II to this Privateco Offer Composite Document. The unaudited pro forma consolidated statement of financial position as at 30 September, 2011 is set out in note (b) of Appendix IV to the Circular.

### INTENTION OF PEASEDOW REGARDING THE PRIVATECO GROUP

Your attention is drawn to the letter from Anglo Chinese in this Privateco Offer Composite Document that sets out the intention of Peasedow regarding the future plan of Privateco Group. The Privateco Board is of the view that Peasedow's future plan in respect of the Privateco Group is in the best interest of Privateco and the Privateco Shareholders as a whole.

### RECOMMENDATION

As the Board of Privateco does not have any non-executive directors or any independent non-executive directors, no independent committee of the Board of Privateco can be formed to give recommendation to the Independent Privateco Shareholders in connection with the Privateco Offer. In these circumstances, Beijing Securities has been appointed to advise the Independent Privateco Shareholders as to whether the terms of the Privateco Offer are fair and reasonable so far as the Independent Privateco Shareholders are concerned and whether the Independent Privateco Shareholders should accept the Privateco Offer.

Your attention is drawn to the letter from Beijing Securities to the Independent Privateco Shareholders set out on pages 16 to 26 of this Privateco Offer Composite Document which sets out its recommendation in relation to the Privateco Offer and the principal factors considered by its in arriving at their recommendation.

### ADDITIONAL INFORMATION

Your attention is also drawn to the expected timetable on page 1 of this Privateco Offer Composite Document and the additional information contained in the appendices to this Privateco Offer Composite Document and the accompanying Form of Acceptance and Transfer.

Yours faithfully,  
By order of the board of  
**Chosen Investments Limited**  
**Tsang Chi Hung**  
*Director*

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## LETTER FROM ANGLO CHINESE

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**ANGLO CHINESE**  
CORPORATE FINANCE, LIMITED  
www.anglochinesegroup.com

40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

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27 January, 2012

*To the Independent Privateco Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL VOLUNTARY CASH OFFER BY  
ANGLO CHINESE CORPORATE FINANCE, LIMITED  
ON BEHALF OF  
PEASEDOW ENTERPRISES LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
CHOSEN INVESTMENTS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY  
PEASEDOW ENTERPRISES LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT,  
EXCLUDING ANGLO CHINESE RELATED GROUP)**

### INTRODUCTION

Reference is made to the Joint Announcement and the Circular.

On 12 January, 2012, the resolutions in respect of, amongst other things, the Proposal and New Tenancy Agreements were duly approved at the SGM. On 20 January, 2012, Completion and the Distribution in Specie took place. It was announced in the Joint Announcement and the Circular that Anglo Chinese would, upon Completion and the Distribution in Specie having taken place, make the Privateco Offer, which is voluntary and unconditional, on behalf of Peasedow to acquire all Privateco Shares not already owned or agreed to be acquired by the Peasedow and parties acting in concert with it.

This letter sets out, amongst other things, the terms of the Privateco Offer, information on Peasedow and the intentions of Peasedow regarding the Privateco Group. Further details of the terms of the Privateco Offer are set out in Appendix I to this Privateco Offer Composite Document and in the accompanying Form of Acceptance and Transfer.

### THE PRIVATECO OFFER

On behalf of Peasedow, Anglo Chinese is making the Privateco Offer to the Privateco Shareholders (other than Peasedow and parties acting in concert with it, but including Anglo Chinese related group) to acquire all the Privateco Shares held by all such Privateco Shareholders, which is unconditional in all respects and in compliance with the Takeovers Code on the following terms:

for each Privateco Share held..... HK\$0.80 in cash

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## LETTER FROM ANGLO CHINESE

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As at the Latest Practicable Date, Privateco had 200,000,000 Privateco Shares in issue. Peasedow and parties acting in concert with it (including Anglo Chinese related group which held an aggregate of 11,824,000 Privateco Shares, representing approximately 5.91% of the issued share capital of Privateco) were interested in an aggregate of 152,884,805 Privateco Shares, representing approximately 76.44% of the issued share capital of Privateco as at the Latest Practicable Date. As stated above, the Privateco Offer will be extended to Anglo Chinese related group. Accordingly, a total of 58,939,195 Privateco Shares are subject to the Privateco Offer. The Privateco Shares to be acquired under the Privateco Offer must be fully paid and free from all liens, charges, claims and encumbrances and any third party rights together with all rights attaching to them as from the date of issue of the Privateco Shares, including all dividends and distributions declared, made or paid on or after the date of issue of Privateco Shares.

The offer price of HK\$0.80 per Privateco Share under the Privateco Offer represents a discount of approximately 51.95% to the unaudited net asset value per Privateco Share of approximately HK\$1.67, calculated on the basis of the unaudited pro forma net asset value of the Privateco Group of approximately HK\$333.0 million as at 30 September 2011 as set out in note (b) of Appendix IV to the Circular.

Save for the 200,000,000 Privateco Shares in issue as at the Latest Practicable Date, Privateco did not have in issue any other Privateco Shares, or outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Privateco Shares.

The Privateco Offer is unconditional in all respects. Under the terms of the Privateco Offer, acceptance of the Privateco Offer is irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code. The Executive may require that the Independent Privateco Shareholders accepting the Privateco Offer be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

The procedures for acceptance and further terms of the Privateco Offer are set out in Appendix I to this Privateco Offer Composite Document and the accompanying Form of Acceptance and Transfer.

### **VALUE AND FINANCING OF THE PRIVATECO OFFER**

At the Privateco Offer price of HK\$0.80 per Privateco Share, the 58,939,195 Privateco Shares subject to the Privateco Offer are valued at approximately HK\$47 million.

As at the date of the Circular and the Latest Practicable Date, Anglo Chinese is satisfied that sufficient financial resources are available to Peasedow to satisfy the full acceptance of the Privateco Offer. Peasedow finances the amount for the full acceptance of the Privateco Offer by its internal resources.

### **EFFECT OF ACCEPTING OR NOT ACCEPTING THE PRIVATECO OFFER**

By accepting the Privateco Offer, the Privateco Shareholders will sell their Privateco Shares and all rights attached thereto to Peasedow free from all liens, charges, claims and encumbrances and any third party rights together with all rights attached to them, including the right to receive all dividends and distributions declared, paid or made at or after the date of issue of those Privateco Shares.

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## LETTER FROM ANGLO CHINESE

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**The Privateco Offer provides a cash exit to the Privateco Shareholders (at HK\$0.80 per Privateco Share) to realise all or part of their shareholdings in Privateco, which have no liquid market as there is no intention to list the Privateco Shares on any stock exchange. Moreover, the Privateco Shares may be subject to the compulsory acquisition provisions of the Companies Act 1981 of Bermuda (as may be amended from time to time) if the number of Privateco Shares acquired by Peasedow under the Privateco Offer (representing 90% of the Privateco Shares subject to the Privateco Offer and 75% in number of Independent Privateco Shareholders accepting the Privateco Offer) gives rise to a right of compulsory acquisition under such provisions.**

**In addition, Privateco cannot assure the Privateco Shareholders that it will make or declare or pay future dividends. The historical dividend payment of Privateco (if any) should not be taken as an indication of any future dividends and there can be no assurance that Privateco will declare dividends in the future. Any proposed dividends by the Privateco are discretionary and will be subject to obtaining approval of the Privateco Shareholders in general meetings. No dividend may be paid, and no distribution may be made, out of contributed surplus, if to do so would render Privateco unable to pay its liabilities as they become due or the realised value of its assets would thereby become less than an aggregate of its liabilities and its issued share capital and share premium account.**

The share certificates of Privateco will be posted by ordinary post only to the Privateco Shareholders who do not accept the Privateco Offer after the close of the Privateco Offer at their own risk.

### **HONG KONG STAMP DUTY**

Since Privateco is a company incorporated in Bermuda and its register of members is located and maintained there, no Hong Kong stamp duty is payable on any transfer of the Privateco Shares in Bermuda.

### **COMPULSORY ACQUISITION**

Peasedow intends to avail itself of the right to compulsorily acquire the remaining Privateco Shares not already acquired under the Privateco Offer. Under section 102 of the Companies Act, if, within four months of commencement of the Privateco Offer, Peasedow receives acceptances from the Privateco Shareholders representing 90% of the Privateco Shares subject to the Privateco Offer (and such acceptances must also represent 75% in number of the Independent Privateco Shareholders accepting the Privateco Offer), Peasedow can compulsorily acquire the Privateco Shares held by the remaining Privateco Shareholders. Under section 103 of the Companies Act, Peasedow can compulsorily acquire the Privateco Shares held by the remaining Independent Privateco Shareholders once it holds 95% of all the issued Privateco Shares. In addition to the aforesaid requirements, Peasedow must comply with Rule 2.11 of the Takeovers Code which requires that the right of compulsory acquisition may only be exercised if acceptances of the Privateco Offer and purchases (in each case of the disinterested Privateco Shares) made by Peasedow and parties acting in concert with it during the period of four months after posting of the Privateco Offer Composite Document total at least 90% of the disinterested Privateco Shares. Disinterested Privateco Shares mean Privateco Shares other than those which are owned by Peasedow or persons acting in concert with it. Further announcements will be made if and when Peasedow decides to exercise such right of compulsory acquisition as and when appropriate.

In the event that upon the closing of the Privateco Offer, Peasedow and parties acting in concert with it hold 95% or more of the voting rights of Privateco, pursuant to section 103 of the Companies Act, Peasedow and parties acting in concert with it intend to direct Privateco to compulsorily acquire all the Privateco Shares not already owned by Peasedow and parties acting in concert with it.

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## LETTER FROM ANGLO CHINESE

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### INFORMATION ON PEASEDOW

Peasedow Enterprises Limited is a company incorporated under the laws of BVI with limited liability and is ultimately and beneficially owned as to 34.8 per cent by Mr. Tsang, as to 34.7 per cent by Ms. Kwan and as to 30.5 per cent by Mr. Liu. Its principal activity is investment holding.

### INTENTION OF PEASEDOW REGARDING PRIVATECO

Given that the Privateco Shares will not be listed on the Stock Exchange or any other stock exchange, there is unlikely to be any market for Privateco Shares. Peasedow therefore considers that it is appropriate to provide the Privateco Shareholders with an opportunity to realise their investments in Privateco by making the Privateco Offer on a voluntary basis pursuant to the Takeovers Code. It is the intention of Peasedow that the Privateco Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses. It is also the intention of Peasedow that the Privateco Group will not hold any assets other than those assets related to the Distributed Businesses, nor be injected any major assets, nor dispose of any major assets, after the close of the Privateco Offer. Peasedow does not intend to introduce any major changes to the existing operation or to discontinue the employment of any employees of the Privateco Group. There is no plan for Peasedow to redeploy any fixed assets of the Privateco Group other than in its ordinary course of business. Peasedow also expects that there will be no material change to the existing business of Privateco.

While Peasedow is of the view that the Privateco Offer provides itself with a good opportunity to strengthen its investment in the Distributed Businesses while providing a cash exit for the Privateco Shareholders to realise all or part of their shareholdings in the Privateco, which are unlisted and may be illiquid, there is no intention to apply for listing of the Privateco Shares on the Stock Exchange or any other stock exchange. The interests of the Privateco Shareholders will be safeguarded by the constitutional documents of Privateco, which contains largely comparable provisions required under the Listing Rules in respect of listed issuers. A summary of the key provisions of the constitutional documents of Privateco has been included in Appendix IV to this Privateco Offer Composite Document.

Notwithstanding that there is no intention for the Privateco Group to conduct any fund raising activities, the Privateco Group may require further funding from the Privateco Shareholders for the development of its business in the future but no plan in respect of funding has been contemplated as at the Latest Practicable Date.

If the relevant thresholds are not reached for the exercise of the compulsory acquisition rights referred to in the section headed "Compulsory Acquisition" above in this letter, the Independent Privateco Shareholders who do not accept the Privateco Offer will end up holding Privateco Shares which are unlisted shares. It may be difficult for the holders of Privateco Shares to dispose of the Privateco Shares as no on market trading facilities for such shares will be available.

### ACCEPTANCE AND SETTLEMENT

Appendix I to the Privateco Offer Composite Document and the Form of Acceptance and Transfer contain further details regarding the procedures for acceptance and settlement of the Privateco Offer, and further terms of the Privateco Offer.



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## LETTER FROM ANGLO CHINESE

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### TAXATION

You are recommended to consult your own professional advisers if you are in any doubt as to the taxation implications of your acceptance of the Privateco Offer. It is emphasised that none of Peasedow, Privateco, Anglo Chinese, any of their respective directors and any persons involved in the Privateco Offer accepts responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Privateco Offer.

### OVERSEAS PRIVATECO SHAREHOLDERS

The making of the Privateco Offer in, or to the Independent Privateco Shareholders in, any jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. Independent Privateco Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong should obtain their respective independent professional advice to advise themselves on, and observe, all applicable legal and regulatory requirements of the relevant jurisdictions. It is the responsibility of each Privateco Shareholder who is not a resident in Hong Kong and who wishes to accept the Privateco Offer to satisfy himself as to the full observance of all the applicable laws and regulations of any relevant jurisdiction in connection therewith, including obtaining any government or other consent which may be required, complying with any other necessary formality and paying any issue, transfer or other taxes due in respect of such jurisdiction.

### INDEPENDENT ADVICE

Beijing Securities Limited has been appointed as the Independent Financial Adviser to advise the Independent Privateco Shareholders as to (i) whether the terms of the Privateco Offer are, or are not, fair and reasonable; and (ii) the acceptance of the Privateco Offer. Your attention is drawn to its letter of advice to the Independent Privateco Shareholders set out on pages 16 to 26 of this Privateco Offer Composite Document.

### ADDITIONAL INFORMATION

Your attention is drawn to the section headed “Expected Timetable” on page 1 of this Privateco Offer Composite Document, the accompanying Form of Acceptance and Transfer and the additional information set out in the appendices which form part of the Privateco Offer Composite Document.

Yours faithfully,  
For and on behalf of  
**Anglo Chinese Corporate Finance, Limited**  
**Stephanie Wong**  
*Director*

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## LETTER FROM BEIJING SECURITIES

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### BEIJING SECURITIES LIMITED

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14th Floor, Shanghai Industrial Investment Building, 48 Hennessy Road, Wanchai, Hong Kong

27 January, 2012

*To the Independent Privateco Shareholders*

Dear Sirs,

**UNCONDITIONAL VOLUNTARY CASH OFFER BY  
ANGLO CHINESE CORPORATE FINANCE, LIMITED  
ON BEHALF OF  
PEASEDOW ENTERPRISES LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
CHOSEN INVESTMENTS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY  
PEASEDOW ENTERPRISES LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT,  
EXCLUDING ANGLO CHINESE RELATED GROUP)**

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Privateco Shareholders in respect of the Privateco Offer. The details of the Privateco Offer, among other things, are set out in the composite offer and response document of the Privateco dated 27 January, 2012 (the “**Privateco Offer Document**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Privateco Offer Document, unless the context requires otherwise.

Following Completion and the Distribution In Specie which was made on 20 January, 2012, Peasedow (hereinafter the “Offeror”) and its parties acting in concert (excluding Anglo Chinese related group, which held an aggregate of 11,824,000 Privateco Shares) are interested in 141,060,805 Privateco Shares, representing approximately 70.53% of the issued share capital of the Privateco.

Anglo Chinese, on behalf of the Offeror, is making the Privateco Offer on a voluntary and unconditional basis pursuant to the Takeovers Code to the Independent Privateco Shareholders to acquire all the Privateco Shares (including those held by Anglo Chinese related group and other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the following basis:

**for every Privateco Share held ..... HK\$0.80 in cash**  
(the “**Privateco Offer Price**”)

Further details of the terms of the Privateco Offer, including the procedures for acceptance and settlement of the Privateco Offer, are set out in the letter from the board of the Privateco and Appendix I to this Privateco Offer Document.

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## LETTER FROM BEIJING SECURITIES

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As set out in the letter from the board of the Privateco, since the board of the Privateco does not have any non-executive Directors or independent non-executive Directors, an independent committee of board cannot be formed to give recommendation to the Independent Privateco Shareholders in connection with the Privateco Offer. As such, we have been appointed as the independent financial adviser to advise the Independent Privateco Shareholders in respect of the Privateco Offer.

Beijing Securities is not connected with the directors, chief executive or substantial shareholders of the Privateco, the Offeror or any of their respective associates or respective party acting, or presumed to be acting, in concert with any of them and therefore is considered suitable to give independent advice to the Independent Privateco Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Beijing Securities will receive any fees or benefits from the Privateco or the Offeror or the directors, chief executive and substantial shareholders of the Privateco or the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them.

Our role is to provide the Independent Privateco Shareholders with an independent opinion and recommendation as to whether the terms of the Privateco Offer are fair and reasonable and whether or not the Independent Privateco Shareholders should accept the Privateco Offer.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Privateco Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in this Privateco Offer Document and the information and representations provided to us by the Privateco, the Offeror and their respective directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Privateco Offer Document (other than that relating to the Offeror, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Privateco Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Privateco Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Privateco Offer Document, the omission of which would make any statement in this Privateco Offer Document misleading.

The directors of the Offeror accept full responsibility for the accuracy of the information contained in this Privateco Offer Document relating to the Offeror, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Privateco Group and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Privateco Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Privateco Offer Document, the omission of which would make any statement in this Privateco Offer Document misleading.

We have assumed that all information and representations that have been provided by the Directors and directors of the Offeror, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to the date throughout the offer period (as defined under the Takeovers Code). We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the directors of the Offeror in this

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## LETTER FROM BEIJING SECURITIES

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Privateco Offer Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in this Privateco Offer Document, or the reasonableness of the opinions expressed by the Privateco, the Offeror and their respective directors, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in this Privateco Offer Document and those provided to us by the Privateco, the Offeror and their respective directors nor have we conducted any form of in-depth investigation into the business, affairs, financial performance and positions or future prospects of the Privateco Group, the Offeror and their respective associates.

We have not considered the tax consequences on the Independent Privateco Shareholders of their acceptance or non-acceptance of the Privateco Offer since these are particular to their own individual circumstances. In particular, the Independent Privateco Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Privateco Offer and, if in any doubt, should consult their own professional advisers.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Beijing Securities is to ensure that such information has been correctly and fairly presented and reproduced from the relevant sources.

### **PRINCIPAL FACTORS TAKEN INTO CONSIDERATION**

In formulating our opinion in respect of the Privateco Offer to the Independent Privateco Shareholders, we have considered the following principal factors and reasons:

#### **1. Background of the Privateco Offer**

Pursuant to the Proposal, the Distributed Businesses were transferred to the Privateco Group. The Distributed Businesses consist principally of the manufacturing and sale of furniture and fixture in the United States of America, Europe, Asia Pacific and the PRC, and the provision of decoration works outside Hong Kong and Macau. Pursuant to the Distribution In Specie, the Company distributed all of its Privateco Shares in specie to the Shareholders on the basis of one Privateco Share for every share of the Company held.

On 12 January, 2012, the resolution in respect of the Proposal was duly approved by the Independent Shareholders at the SGM. Following Completion and the Distribution In Specie which was made on 20 January, 2012, the Offeror and its parties acting in concert (excluding Anglo Chinese related group, which held an aggregate of 11,824,000 Privateco Shares) are interested in 141,060,805 Privateco Shares, representing approximately 70.53% of the issued share capital of the Privateco.

Anglo Chinese, on behalf of the Offeror, is making the Privateco Offer on a voluntary and unconditional basis pursuant to the Takeovers Code to the Independent Privateco Shareholders to acquire all the Privateco Shares (including those held by Anglo Chinese related group and other than those already owned or agreed to be acquired by the Offeror or parties acting in concert with it).

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## LETTER FROM BEIJING SECURITIES

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### 2. Information on the Privateco Group

Upon completion of the Proposal, the Distributed Businesses were transferred to the Privateco Group, which consist principally of the manufacturing and sale of furniture and fixture in the United States of America, Europe, Asia Pacific and the PRC, and the provision of decoration works outside Hong Kong and Macau.

(a) *Financial information of the Privateco Group*

Set out below is the unaudited financial information for the six months ended 30 September, 2011 and the audited financial information for the year ended 31 March, 2011 and 31 March, 2010 of the Privateco Group as set out in Appendix II to this Privateco Offer Document.

	<b>Six months ended 30 September, 2011</b>	<b>Year ended 31 March,</b>	
	(unaudited)	<b>2011</b>	<b>2010</b>
	HK\$'000	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000
Turnover			
— Sale of furniture and fixtures	252,268	450,390	377,713
— Service revenue from interior decoration work	111,373	184,228	215,083
	<hr/>	<hr/>	<hr/>
Total turnover	363,641	634,618	592,796
Gross profit	107,828	183,380	163,981
Profit/(loss) before taxation	16,102	(1,503)	(33,129)
Profit (loss) for the year/period attributable to the Shareholders	10,456	(11,197)	(28,637)
	<b>As at 30 September, 2011</b>	<b>As at 31 March, 2011</b>	<b>As at 31 March, 2010</b>
	(unaudited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000
Net asset	375,319	354,048	355,358
Net asset value per Privateco Share (HK\$)*	1.88	1.76	1.78

\* The net asset value per Privateco Share is calculated based on 200,000,000 ordinary shares of the Privateco in issue as at the Latest Practicable Date.

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## LETTER FROM BEIJING SECURITIES

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The Privateco Group reported an increase of consolidated revenue of HK\$41.82 million or approximately 7.06% from approximately HK\$592.80 million for the year ended 31 March, 2010 to approximately HK\$634.62 million for the year ended 31 March, 2011. The increase in revenue was a result of the robust growth in the revenue from increased furniture and fixtures sales despite of the fall in the service revenue from interior decoration work.

Sales of furniture and fixtures increased by HK\$72.68 million or 19.24% from HK\$377.71 million to HK\$450.39 million for the year ended 31 March, 2011 which was due to the strong performance in the China market and the growing showroom sales. However, for the year ended 31 March, 2011, service revenue from interior decoration work reduced by HK\$30.85 million or 14.34% from HK\$215.08 million to HK\$184.23 million. This was mainly due to the fact that the Privateco Group was not able to sustain a better sales performance for the retail store decoration business which happened during the financial year ended 31 March, 2010.

The Privateco Group's net loss attributable to Shareholders dropped to HK\$11.20 million from HK\$28.64 million for the year ended 31 March, 2011 which was contributed by the increase in gross profit margin from 27.66% to 28.90%. The improvement of profitability was mainly due to the stringent cost control.

For the six months ended 30 September, 2011, the Privateco Group recorded total revenue of HK\$363.64 million versus HK\$310.77 million for the same period in 2010, representing an increase of approximately 17.01%. The gross profit margin rose from 26.20% to 29.65% compared to the same period in 2010. Total revenue of interior decoration work and furniture sales increased by 5.36% and 23.02% to HK\$111.37 million and HK\$252.27 million respectively compared to the same period in 2010. This was mainly due to the growth in the Privateco Group's decoration business in the luxury residential sector and also a stronger growth in the furniture business in the Mainland and Asia Pacific market for the six months period ended 30 September, 2011.

(b) *Prospects of the Privateco Group*

Furniture industry has experienced rapid growth in recently years, especially due to the boom of the real estate industry and the increase of wealthy middle class in China. According to the data from China National Furniture Association, the production value of China furniture industry in 2010 was approximately RMB448.8 billion, increased 32.43% as compared to 2009. The total sales revenue for furniture industry increased by 31.87% to RMB437.8 billion in 2010.

The furniture industry in China can be described as highly fragmented and price strategy is often used by many Chinese furniture manufacturers due to the shortness of Chinese furniture manufacturers in technology and innovation. The degree of homogenization of products is increasing with many different furniture factories have similar designs. Therefore, the demand of Chinese furniture is highly price sensitive to the global and national economy and could be affected by the external economic conditions. According to the General Administration of Customs of the People's Republic of China (中華人民共和國海關總署), furniture export recorded a fall of 8.95% in 2009 when compared to 2008 which could be the result of the global financial crisis in 2009. In addition, factors

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## LETTER FROM BEIJING SECURITIES

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such as the appreciation of Renminbi and the acceleration of inflation rate in recent years also pushed up the costs of raw material and labour in China. According to the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) and the China Regional Financial Performance Report 2010 (中國區域金融運行報告) issued by the People's Bank of China, over 30 China provinces increased their regional minimum wage by the average of 22.8% in 2010 alone compared to 2009. The strength of Yuan also has an adverse impact on the export of Chinese furniture manufacturers. The Yuan has appreciated around 30 percent since the revaluation in 2005 and is likely to continue to appreciate next year as China continues to post big trade surpluses despite a slowdown in exports and amid pressure from the United States to let the yuan rise to balance bilateral trade. As a labour and resources intensive industry in China, the inability to sell a premium price and to keep the operation cost low has resulted in low profit margin for the furniture manufacturers.

Although the Privateco Group's business has improved in the six months period ended 30 September, 2011, the future prospects of the Privateco Group remains uncertain due to (i) the difficulty to significantly differentiate its products from its competitors; (ii) the uncertainty in the duration of the growth and demand for the Privateco Group's products in its target markets; (iii) the difficulty to control the rising costs, such as labour and raw material costs; (iv) the business environment of furniture industry remains highly competitive; and (v) the revaluation of Renminbi exchange rate.

Based on the above analysis, we are of the view that the outlook and the future business of the Privateco Group are still subject to a number of challenges and hence it is uncertain in the near future. As such, we consider that the Privateco Offer provides an opportunity to the Independent Privateco Shareholders to realise their investment in the Privateco at the Privateco Offer Price.

### **3. Background of the Offeror and its intention regarding the Privateco Group**

#### *(a) Information on the Offeror*

The Offeror is a company incorporated in the BVI with limited liability and beneficially owned as to 34.8 per cent by Mr. Tsang, as to 34.7 per cent by Ms. Kwan and as to 30.5 per cent by Mr. Liu. Its principal activity is investment holding.

#### *(b) Intention of the Offeror regarding the Privateco Group*

As stated in the paragraph headed "Intention of Peasedow regarding Privateco" set out in the letter from Anglo Chinese to this Privateco Offer Documents, it is the intention of the Offeror that the Privateco Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses. It is also the intention of the Offeror that the Privateco Group will not hold any assets other than those relating to the Distributed Businesses, nor be injected of any major assets, nor redeployment of any major assets, after the close of the Privateco Offer, unless prior approval by the Privateco Shareholders has been obtained. The Offeror also has no intention to redeploy or discontinue the employment of employees of the Privateco Group other than in its ordinary course of business.

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## LETTER FROM BEIJING SECURITIES

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The Offeror is of the view that the Privateco Offer provides itself with a good opportunity to strengthen its investment in the Distributed Businesses while providing a cash exit for the Independent Privateco Shareholders to realize all or part of their shareholdings in the Privateco, which are unlisted and may be illiquid. While the Privateco Shares will not be listed, the interests of the Privateco Shareholders will be safeguarded by the new by-laws of the Privateco, which contains largely comparable provisions required under the Listing Rules in respect of listed issuers. A summary of the key provisions of the new by-laws of the Privateco has been included in Appendix IV to this Privateco Offer Document.

Notwithstanding that there is no intention for the Privateco Group to conduct any fund raising activities, the Privateco Group may require further funding from the Privateco Shareholder for the development of its businesses in the future but no concrete plan in respect of funding has been contemplated as at the Latest Practicable Date.

(c) *Intention of the Offeror regarding the Privateco Offer*

As stated in the paragraph headed “Compulsory Acquisition” in the letter from Anglo Chinese set out in this Privateco Offer Document, subject to sufficient Privateco Shares being acquired, pursuant to sections 102 and 103 of the Companies Act 1981 of Bermuda, the Offeror intends to avail itself of the right to compulsorily acquire the remaining Privateco Shares not already acquired under the Privateco Offer. Under section 102 of the Companies Act 1981 of Bermuda, the relevant threshold will be the Offeror receiving acceptances from the Privateco Shareholders representing 90% of the Privateco Shares subject to the Privateco Offer provided that if the Offeror already holds over 10% of the Privateco Shares, the acceptances must also represent 75% in number of the Privateco Shareholders accepting the Privateco Offer. Under section 103 of the Companies Act 1981 of Bermuda, the Offeror can compulsorily acquire the Privateco Shares of the remaining Privateco Shareholders once it holds 95% of all issued Privateco Shares. In addition to the aforesaid requirement, Rule 2.11 of the Takeovers Code also requires that the right of compulsory acquisition may only be exercised if acceptances of the Privateco Offer and purchases (in each case of the disinterested Privateco Shares) made by the Offeror and parties acting in concert with it during the period of 4 months after posting of this Privateco Offer Document totaling 90% of the disinterested Privateco Shares.

Independent Privateco Shareholders are reminded that, in the event that the Offeror does not obtain total 90% or more of the disinterested Privateco Shares under the Privateco Offer during the period of 4 months after the posting of this Privateco Offer Document (i.e. the relevant thresholds for the exercise of the compulsory acquisition or redemption rights and pursuant to Rule 2.11 of the Takeovers Code), the Privateco will remain as an unlisted company. As such, those Independent Privateco Shareholders who do not accept the Privateco Offer will end up holding the unlisted Privateco Shares which may be difficult to dispose of such non-public shares.



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## LETTER FROM BEIJING SECURITIES

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### 4. The Privateco Offer Price

The Privateco Group is principally engaged in the manufacturing and sale of furniture and fixture in the United States of America, Europe, Asia Pacific and the PRC, and the provision of decoration works outside Hong Kong and Macau. The Distributed Businesses are relatively more labour and capital intensive in nature with more than 1,700 employees located mainly in the PRC, Thailand and the United States.

For the purpose of assessing the fairness and reasonableness of the value of the Privateco Group implied by the Privateco Offer Price, we have identified five other companies listed on the Stock Exchange (the “Comparable Companies”) principally engaged in the manufacturing and sale of furniture and fixture or other similar products/services of the Privateco Group as at the Last Trading Day. We consider the list of Comparable Companies is an exhaustive list and a fair representation of comparable companies to the business of the Privateco Group as their businesses are closely comparable to that of the Privateco Group as well as the geographical location of their customers based on their respective latest published audited financial statements.

Company (Stock code)	Principal activities	Approximate market capitalisations at the Last Trading Day (being 6 October 2011) (HK\$ million)	Closing Price as at the Last Trading Day (being 6 October 2011) (HK\$)	Net Asset value per share based on the latest audited published financial statements (HK\$)	Price to earnings multiples (approximate times) (Note 1)	Price to book multiples (approximate times) (Note 2)
Hing Lee (HK) Holdings (stock code: 396)	Design, manufacture, sale and marketing of home furniture products including mainly wood- based furniture and mattresses and licensing of its own brands and product designs	339	1.40	1.46	7.04	0.96
Kasen International Holdings Ltd (stock code: 496)	Manufacturing of upholstered furniture, Furniture leather and Automotive leather; Property development; and retail of furniture	1,394	1.20	2.37	32.26	0.51
Samon Holdings Limited (stock code: 531)	Design, production, sale and marketing of furniture	2,225	0.73	1.49	7.22	0.49
FAVA International Limited (stock code: 8108)	Manufacturing and sales of household products	125	0.07	0.18	N/A	0.39
Royale Furniture Holdings Limited (stock code: 8159)	Design, manufactures, and sells a wide range of home furniture	61	1.52	1.73	4.63	0.88
<b>Average</b>					<b>12.79</b>	<b>0.65</b>
<b>Maximum</b>					<b>32.26</b>	<b>0.96</b>
<b>Minimum</b>					<b>4.63</b>	<b>0.39</b>
The Privateco Group (Note 3)		160 based on the Privateco Offer Price (Note 4)	0.80 (being the Privateco Offer Price)	1.67	N/A	0.48 (Note 5)

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## LETTER FROM BEIJING SECURITIES

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*Notes:*

1. Price to earnings multiples of the Comparable Companies are calculated based on their respective closing prices per share as quoted on the Stock Exchange as at the Last Trading Day divided by their basic earnings per share for the latest financial year.
2. Price to book multiples of the Comparable Companies are calculated based on their respective closing prices per share as quoted on the Stock Exchange as at the Last Trading Day divided by their consolidated net asset value per share. This amount is calculated by dividing their respective consolidated net asset value as at the balance sheet date as disclosed in their latest published audited financial statements by the total number of ordinary shares in issue of the respective Comparable Companies.
3. The financial information of the Privateco Group is extracted from the unaudited interim financial information of the Privateco Group as presented in Appendix II.
4. As the Privateco Group is unlisted, its market capitalisation is calculated based on the Privateco Offer Price multiplied by the number of Privateco Shares issued as at the Latest Practicable Date.
5. The price to book multiple of the Privateco is calculated based on the Privateco Offer Price divided by its unaudited pro forma consolidated net asset value per Privateco Share of approximately HK\$1.67 as at 30 September, 2011. The unaudited pro forma consolidated net asset value per Privateco Share is derived from the unaudited pro forma net assets of the Privateco Group of approximately HK\$333 million as at 30 September, 2011 (as set out in Appendix IV of the Company's circular dated 20 December, 2011) divided by the total number of 200,000,000 Privateco Shares in issue as at the Latest Practicable Date.

As illustrated in the above table, we note that the price to earnings multiples of the Comparable Companies ranged from approximately 4.63 times to approximately 32.26 times, with an average of approximately 12.79 times. As the Privateco Group recorded a loss in the financial year ended 31 March, 2011, the analysis with respect to the price to earnings multiples therefore is not applicable.

Based on 200,000,000 number of the Privateco Shares in issue, the unaudited pro forma consolidated net asset value per Privateco Share was approximately HK\$1.67 as at 30 September, 2011. On this basis, the Privateco Offer Price of HK\$0.80 represents a price to book multiple of approximately 0.48 time and a discount of approximately 52% to the pro forma consolidated net asset value per Privateco Share. However, when taking into account of the Share Offer price of HK\$1.65, the combined offer price (the “**Combined Offer Price**”) of HK\$2.45 per Share represents a reasonable premium of approximately 39.20% to the audited consolidated net asset value of the former Group of approximately HK\$1.76 per Share as at 31 March, 2011 and a reasonable premium of approximately 30.32% to the unaudited consolidated net asset value of the former Group of approximately HK\$1.88 per Share as at 30 September, 2011. We have then compared the price to book multiple implied by the Privateco Offer Price with the price to book multiples of the Comparable Companies. We consider that the price to book multiple implied by the Privateco Offer Price of approximately 0.48 time is reasonable as although it is lower than the average of price to book multiples of approximately 0.65 times for the Comparable Companies, it is still within the upper and lower range of approximately 0.96 time and approximately 0.39 time respectively. Please note that since the Comparable Companies are listed companies, their share prices would typically be trading at a slightly higher premium than unlisted companies in respect of price to earnings and price to book multiples.

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## LETTER FROM BEIJING SECURITIES

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In light of the above analysis and having considered (i) the Privateco is not listed on any stock exchange and there is no active market for the trading of the Privateco Shares which make the Privateco Shares illiquid; (ii) the price to book multiple represented by the Privateco Offer Price is lower than the average of the Comparable Companies but it falls within the upper range and lower range of the Comparable Companies given that the Privateco is a private company and hence this price to book multiples may be lower than the Comparable Companies which are public listed companies; and (iii) the Privateco Group recorded a loss for the financial year ended 31 March, 2011 whilst the Comparable Companies have their positive price to earnings multiples ranged from approximately 4.63 times to approximately 32.26 times; we consider that the Privateco Offer Price is reasonable and acceptable.

### RECOMMENDATIONS

Having considered the principal factors discussed above and, in particular the following,

- (i) the outlook and future businesses of the Privateco Group is subject to a number of challenges and hence it is uncertain whether the improvement in performance of the Distributed Businesses can be maintained over a long period of time;
- (ii) the Privateco Group recorded losses in the financial years ended 31 March, 2011 and 31 March, 2010 and it is uncertain whether the profit made during the six months ended 30 September, 2011 would be sustainable;
- (iii) the price to book multiple as represented by the Privateco Offer is within the range of the price to book multiple of the Comparable Companies;
- (iv) the Combined Offer Price represents a reasonable premium of:
  - a) approximately 39.20% to the audited consolidated net asset value of the former Group of approximately HK\$1.76 per Share as at 31 March, 2011;
  - b) approximately 30.32% to the unaudited consolidated net asset value of the former Group of approximately HK\$1.88 per Share as at 30 September, 2011; and
- (v) the Privateco Offer provides an opportunity to the Independent Privateco Shareholders to realise their investment in Privateco given that the Privateco Shares are unlisted and illiquid.

We consider that the terms of the Privateco Offer are fair and reasonable so far as the Independent Privateco Shareholders are concerned. Accordingly, we recommend the Independent Privateco Shareholders to accept the Privateco Offer.

Independent Privateco Shareholders are advised that their decision to realise or to hold their investment in the Privateco Shares depends on their own individual circumstances and investment objectives. For those Independent Privateco Shareholders who wish to retain part or all of their shareholding in the Privateco, they should note that the Privateco Group is principally engaged in the Distributed Businesses and the Privateco Shares will not be listed on the Stock Exchange or any other stock exchange, and accordingly, the Privateco Shares are illiquid and unlisted. Accordingly, those Independent Privateco Shareholders should carefully consider the future intentions of the Offeror regarding the Privateco Group after the close of the Privateco Offer, details of which are set out in the letter from Polaris set out in this Privateco Offer Document.

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## LETTER FROM BEIJING SECURITIES

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Independent Privateco Shareholders are recommended to consult their own professional advisers if they are in doubt as to the taxation implications of accepting or rejecting the Privateco Offer.

Yours faithfully,  
For and on behalf of  
**Beijing Securities Limited**  
**Charles Li**  
*Director*

**PROCEDURES FOR ACCEPTANCE**

**Your registered holding of the Privateco Shares is set out in Box B in the accompanying Form of Acceptance and Transfer.** To accept the Privateco Offer, you should duly complete the Form of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Privateco Offer.

**The completed Form of Acceptance and Transfer should then be forwarded by post or by hand to and reach the Transfer Agent (Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) marked "the Privateco Offer" on the envelope by no later than 4:00 p.m. on 17 February, 2012 (being the Closing Date).**

If your Privateco Shares are held through your licensed securities dealer/registered institution in securities/custodian bank through CCASS, you must instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Privateco Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet such deadline, you should check with your licensed securities dealer/registered institution in securities/custodian bank on the timing for the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.

If your Privateco Shares are held through your Investor Participant Account maintained with CCASS, you must authorise your instruction via the CCASS Phone System or the CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

No acknowledgement of receipt of any Form of Acceptance and Transfer will be given. Your attention is also drawn to the further details regarding the procedures for acceptance set out in the Form of Acceptance and Transfer.

**SETTLEMENT**

Provided that a valid Form of Acceptance and Transfer is complete and in good order and has been received by the Transfer Agent by no later than 4:00 p.m. on the Closing Date, a cheque for the amount representing the consideration due to you in respect of the Privateco Shares tendered by you under the Privateco Offer will be despatched to you by ordinary post at your own risk as soon as possible but in any event within 10 days of the date on which the duly completed Form of Acceptance and Transfer which renders such acceptance complete and valid is received by the Transfer Agent.

Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holder(s) should contact Peasedow for payment.

Settlement of the consideration to which any Privateco Shareholder is entitled under the Privateco Offer will be implemented in full in accordance with the terms of the Privateco Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which Peasedow may otherwise be, or claim to be, entitled against such Privateco Shareholder.

**NOMINEE REGISTRATION**

To ensure equality of treatment of all Privateco Shareholders, those Independent Privateco Shareholders who hold Privateco Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the Privateco Shares whose investments are registered in the names of nominees to accept the Privateco Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Privateco Offer.

The completed Form of Acceptance and Transfer and remittances sent by or to the Privateco Shareholders through ordinary post will be sent by or to them at their own risk. The remittances will be sent to them at their addresses as they appear in the register of members of Privateco (or in the case of joint Privateco Shareholders, to the Privateco Shareholder whose name stands first in the register of members of Privateco).

All such documents and remittances will be sent at the risk of the persons entitled thereto and none of Peasedow, Privateco, Anglo Chinese, any of their respective directors and any other persons involved in the Privateco Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

**ACCEPTANCE PERIOD, EXTENSIONS AND REVISIONS**

**Unless the Privateco Offer has previously been extended or revised, the Privateco Offer will close at 4:00p.m. on 17 February, 2012 (being the Closing Date). The latest time for acceptance of the Privateco Offer will be at 4:00 p.m. on the Closing Date.**

If the Privateco Offer is extended or revised, an announcement of such extension or revision will be published by Peasedow on the Stock Exchange's website under Decca Holdings Limited and the SFC's website by 7:00 p.m. on the Closing Date which will state either the next closing date or that the Privateco Offer will remain open until further notice. In the latter case, the Privateco Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to those Independent Privateco Shareholders who have not accepted the Privateco Offer and, unless previously extended or revised, shall be closed on the subsequent closing date. The latest time for acceptance of the Privateco Offer will be at 4:00 p.m. on the Closing Date. The benefit of any revision of the Privateco Offer will also be available to all Privateco Shareholders who have previously accepted the Privateco Offer. The execution of any Form of Acceptance and Transfer by or on behalf of any Privateco Shareholders who have previously accepted the Privateco Offer shall be deemed to constitute acceptance of any revised Privateco Offer.

If the Closing Date is extended, any reference in this Privateco Offer Composite Document and in the Form of Acceptance and Transfer shall, except where the context otherwise requires, be deemed to refer to the closing date of the Privateco Offer so extended.

**ANNOUNCEMENTS**

By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), Peasedow shall inform the Executive of its intention in relation to the extension or revision of the Privateco Offer. Peasedow shall publish an announcement on the Stock Exchange's website under Decca Holdings Limited by 7:00 p.m. on the Closing Date stating whether the Privateco Offer has been revised or extended. Such announcement shall state the total number of Privateco Shares and rights over Privateco Shares:

- (i) for which acceptances of the Privateco Offer have been received;
- (ii) held, controlled or directed by Peasedow and parties acting in concert with it (excluding Anglo Chinese related group for purposes of the Privateco Offer that is extended to Anglo Chinese related group) before 28 October, 2011 (being the commencement date of the offer period as defined in the Takeovers Code for the Privateco Offer); and
- (iii) acquired or agreed to be acquired during the offer period (as defined in the Takeovers Code) for the Privateco Offer by Peasedow and parties acting in concert with it (excluding Anglo Chinese related group for purposes of the Privateco Offer that is extended to Anglo Chinese related group).

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in Privateco which Peasedow or parties acting in concert with it (excluding Anglo Chinese related group for purposes of the Privateco Offer that is extended to Anglo Chinese related group) has borrowed or lent, save for any borrowed Privateco Shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of Privateco, and the percentages of voting rights, represented by the above number of Privateco Shares.

In computing the number of Privateco Shares in accordance with the Takeovers Code represented by acceptances, only valid acceptances that are complete and in good order and which have been received by the Transfer Agent by no later than 4:00 p.m. on the Closing Date shall be included.

As required under the Takeovers Code, all announcements in relation to the Privateco Offer in respect of which the Executive has confirmed that he has no further comments thereon must be published as a paid announcement in at least one English language newspaper and one Chinese language newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong. All documents published in respect of the Privateco Offer will be delivered to the Executive in electronic form for publication on the SFC's website.

**RIGHT OF WITHDRAWAL**

Acceptance of the Privateco Offer tendered by the Privateco Shareholders shall be irrevocable and cannot be withdrawn unless the Executive requires that a right of withdrawal is granted in the event that the requirements of Rule 19 of the Takeovers Code relating to the announcement of results of offer as described in the paragraph headed "Announcements" above have not been complied with.

The Privateco Offer will be in respect of securities of Privateco, which is a company incorporated in Bermuda and will be subject to the procedures and disclosure requirements under the relevant Hong Kong laws and regulations, which may be different from other jurisdictions. The making of the Privateco Offer or the acceptance thereof by persons not being a resident of Hong Kong or with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. Privateco Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should obtain their respective independent professional advice to advise themselves on and observe any applicable legal requirements in their own jurisdictions.

It is the responsibility of any such persons who wish to accept the Privateco Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to Peasedow and Anglo Chinese that the local laws and requirements have been fully complied with. Independent Privateco Shareholders should consult their professional adviser if in doubt.

### **GENERAL**

- (i) Acceptance of the Privateco Offer by any person will be deemed to constitute a warranty by such person to Peasedow, Privateco and Anglo Chinese that the Privateco Shares sold under the Privateco Offer are sold by such person free from all rights of pre-emption, options, liens, claim, equities, charges, encumbrances or third party rights of any nature and the relevant Privateco Shares are sold with all rights attaching or accruing thereto, including the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of those Privateco Shares.
- (ii) All communications, notices, Forms of Acceptance and Transfer and remittances to settle the consideration payable under the Privateco Offer to be delivered by or sent to or from the accepting Privateco Shareholders will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of Peasedow, Privateco, Anglo Chinese, any of their respective directors, agents and advisers accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (iii) The provisions set out in the Form of Acceptance and Transfer form part of the terms of the Privateco Offer.
- (iv) The accidental omission to despatch this Privateco Offer Composite Document and/or the Form of Acceptance and Transfer to any person to whom the Privateco Offer is made will not invalidate the Privateco Offer in any way.
- (v) The Privateco Offer, all acceptances thereof and contracts resulting therefrom will be governed by and construed in accordance with the laws of Hong Kong.
- (vi) References to the Privateco Offer in this Privateco Offer Composite Document and in the Form of Acceptance and Transfer shall include any revision or extension thereof.
- (vii) Due execution of the Form of Acceptance and Transfer will constitute an irrevocable authority to any director of Peasedow or Anglo Chinese or such person or persons as Peasedow or Anglo Chinese may direct to complete and execute, on behalf of the person accepting the Privateco Offer, any document and to do any other act that may be necessary or expedient for the purpose of vesting in Peasedow, or such other person(s) as Peasedow shall direct, all rights of the accepting Privateco Shareholders in respect of the Privateco Shares which are the subject of such acceptance.



For the purpose of this Appendix II, "Privateco Group" refers to Decca Investment and its subsidiaries ("Decca Investment Group") as at the date of the Circular (i.e. 20 December, 2011) and prior to the completion of the Group Restructuring and Distribution In Specie.

### 1. FINANCIAL SUMMARY OF THE PRIVATECO GROUP

The following table summarises the results and the assets and liabilities of the Privateco Group for each of three years ended 31 March 2011 and the six months ended 30 September 2010 and 2011:

#### Results

	Year ended 31 March			Six months ended 30 September	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000
Revenue	927,177	592,796	627,747	310,773	331,540
Cost of sales and services	(617,100)	(428,815)	(445,616)	(229,366)	(232,954)
Gross profit	310,077	163,981	182,131	81,407	98,586
Other income, gains and losses	(19,386)	(1,093)	4,075	(560)	2,710
Selling and distribution costs	(76,944)	(39,424)	(37,069)	(16,481)	(20,468)
Administrative expenses	(157,393)	(150,365)	(140,267)	(72,073)	(67,274)
Share of result of an associate	(340)	(1,361)	(7,185)	(1,146)	(438)
Share of result of a jointly controlled entity	—	—	351	—	(11)
Finance costs	(7,746)	(4,974)	(4,036)	(2,146)	(1,531)
Profit (loss) before taxation	48,268	(33,236)	(2,000)	(10,999)	11,574
Taxation (expense) credit	(8,945)	4,518	(11,180)	(2,979)	(5,898)
Profit (loss) for the year	39,323	(28,718)	(13,180)	(13,978)	5,676
Other comprehensive income (expense) for the year:					
Exchange differences arising on translation of foreign operations and to presentation currency	9,154	(3,602)	9,394	3,676	10,746
Share of translation reserve of an associate	434	(161)	493	178	69
Other comprehensive income (expense) for the year/period	9,588	(3,763)	9,887	3,854	10,815
Total comprehensive income (expense) for the year/period	48,911	(32,481)	(3,293)	(10,124)	16,491
Profit (loss) for the year attributable to:					
Owner of Decca Investment	39,679	(28,718)	(11,556)	(13,978)	5,988
Non-controlling interests	(356)	—	(1,624)	—	(312)
	39,323	(28,718)	(13,180)	(13,978)	5,676
Total comprehensive income (expense) attributable to:					
Owner of Decca Investment	49,267	(32,481)	(1,669)	(10,124)	16,803
Non-controlling interests	(356)	—	(1,624)	—	(312)
	48,911	(32,481)	(3,293)	(10,124)	16,491

**APPENDIX II**
**FINANCIAL INFORMATION  
ON THE PRIVATECO GROUP**

	Year ended 31 March			Six months ended 30 September	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dividends recognised as distribution during the Relevant Periods:					
2008 final dividend paid — HK\$2,140 per share	21,400	—	—	—	—
2011 interim dividend declared — HK\$2,200 per share	—	—	22,000	—	—
Earnings (loss) per share ( <i>Note</i> )	HK\$0.20	HK\$0.14	HK\$(0.06)	HK\$(0.07)	HK\$0.03

*Note:*

The earnings (loss) per share was calculated on a pro forma basis by dividing the profit (loss) attributable the owner of Decca Investment for the year/period by the 200,000,000 Privateco Shares in issue.

There were no extraordinary items or items which were exceptional because of its size, nature or incidence recorded on the consolidated financial statement of the Privateco Group during the three years ended 31 March, 2009, 2010, 2011 and for the six months ended 30 September 2011.

**Assets and Liabilities**

	As at 31 March			As at 30 September	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	367,588	336,462	301,640	301,640	291,404
Current assets	379,579	297,388	319,013	319,013	363,295
Current liabilities	438,459	362,555	388,159	388,159	371,631
Non-current liabilities	(58,880)	(65,167)	(69,146)	228,433	280,698
	<u>1,126,746</u>	<u>931,238</u>	<u>942,666</u>	<u>1,237,245</u>	<u>1,307,028</u>
Equity attributable to:					
Owners of the Company	288,939	256,458	230,057	230,057	282,634
Non-controlling interests	—	—	(1,624)	(1,624)	(1,936)
<b>TOTAL EQUITY</b>	<u>288,939</u>	<u>256,458</u>	<u>228,433</u>	<u>228,433</u>	<u>280,698</u>

**2. ACCOUNTANTS' REPORT OF PRIVATECO GROUP**

Set out below is the text of the accountants' report of Decca Investment and its subsidiaries ("Decca Investment Group") for each of the years ended 31 March 2009, 2010 and 2011, which was prepared by Deloitte Touche Tohmatsu for inclusion in the Circular, is reproduced below. Capitalised terms used in this section shall have the same meanings as those defined in the accountants' report of Decca Investment Group for each of the three years ended 31 March 2011.

**Deloitte.**  
**德勤**

德勤·關黃陳方會計師行  
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太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

20 December 2011

The Directors  
Decca Holdings limited  
2/F Decca Industrial Centre  
21 Cheung Lee Street  
Chai Wan  
Hong Kong

Dear Sir,

We set out below our report on the financial information (the "Financial Information") regarding Decca Investment Limited ("Decca Investment") and its subsidiaries (hereinafter referred to as "Decca Investment Group") for each of the three years ended 31 March 2011 (the "Relevant Periods"), for inclusion in the circular of Decca Holdings Limited (the "Company") dated 20 December 2011 issued in connection with the proposed group restructuring, and distribution in specie of shares in Chosen Investments Limited (the "Privateco"), a wholly owned subsidiary of the Company incorporated in Bermuda with limited liability on 10 October 2011 (the "Distribution In Specie"), the proposed application of the credit standing of the share premium and reserve accounts of the Company to permit a distribution in specie (the "Share Premium and Reserve Application") and the proposed change of name of the Company (the "Circular").

Decca Investment was incorporated in the British Virgin Islands ("BVI") on 8 June 1999 with limited liability. It is an investment holding company. The registered address and principal place of business of Decca Investment are P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI and 2/F, Decca Industrial Centre, 21 Cheung Lee Street, Chai Wan, Hong Kong, respectively.

The financial year end date of Decca Investment and its subsidiaries is 31 March. No audited consolidated financial statements have been prepared for Decca Investment since its date of incorporation as it is incorporated in a country where there is no such statutory audit requirement. The subsidiaries of Decca Investment prepared audited statutory financial statements for each of the three years ended 31 March 2011. Details of the statutory auditors of Decca Investment Group entities are set out in note 38 to the Financial Information.

For the purpose of this report, the sole director of Decca Investment prepared the consolidated management accounts of Decca Investment for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Information"). We have carried out audit procedures on the Underlying Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA and also examined the Underlying Financial Information in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of Decca Investment for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Information for the purpose of preparing our report for inclusion in the Circular. No adjustments were deemed necessary by us to the Underlying Financial Information in preparing our report for inclusion in the Circular.

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

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Decca Investment Group as at 31 March 2009, 2010 and 2011 and of the consolidated results and consolidated cash flows of Decca Investment Group for the Relevant Periods.

**(A) FINANCIAL INFORMATION****Consolidated statements of comprehensive income**

	<i>Notes</i>	<b>Year ended 31 March</b>		
		<b>2009</b>	<b>2010</b>	<b>2011</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	8	927,177	592,796	627,747
Cost of sales and services		<u>(617,100)</u>	<u>(428,815)</u>	<u>(445,616)</u>
Gross profit		310,077	163,981	182,131
Other income, gains and losses	10	(19,386)	(1,093)	4,075
Selling and distribution costs		(76,944)	(39,424)	(37,069)
Administrative expenses		(157,393)	(150,365)	(140,267)
Share of result of an associate		(340)	(1,361)	(7,185)
Share of result of a jointly controlled entity		—	—	351
Finance costs	11	<u>(7,746)</u>	<u>(4,974)</u>	<u>(4,036)</u>
Profit (loss) before taxation		48,268	(33,236)	(2,000)
Taxation (expense) credit	14	<u>(8,945)</u>	<u>4,518</u>	<u>(11,180)</u>
Profit (loss) for the year	15	<u>39,323</u>	<u>(28,718)</u>	<u>(13,180)</u>
Other comprehensive income (expense) for the year:				
Exchange differences arising on translation of foreign operations and to presentation currency		9,154	(3,602)	9,394
Share of translation reserve of an associate		<u>434</u>	<u>(161)</u>	<u>493</u>
Other comprehensive income (expense) for the year		<u>9,588</u>	<u>(3,763)</u>	<u>9,887</u>
Total comprehensive income (expense) for the year		<u>48,911</u>	<u>(32,481)</u>	<u>(3,293)</u>

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**APPENDIX II****FINANCIAL INFORMATION  
ON THE PRIVATECO GROUP**

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	<b>Year ended 31 March</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the year attributable to:			
Owner of Decca Investment	39,679	(28,718)	(11,556)
Non-controlling interests	<u>(356)</u>	<u>—</u>	<u>(1,624)</u>
	<u><b>39,323</b></u>	<u><b>(28,718)</b></u>	<u><b>(13,180)</b></u>
Total comprehensive income (expense) attributable to:			
Owner of Decca Investment	49,267	(32,481)	(1,669)
Non-controlling interests	<u>(356)</u>	<u>—</u>	<u>(1,624)</u>
	<u><b>48,911</b></u>	<u><b>(32,481)</b></u>	<u><b>(3,293)</b></u>

## Consolidated statements of financial position

	Notes	As at 31 March		
		2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment	18	337,585	311,837	287,607
Prepaid lease payments	19	7,806	7,334	7,136
Investment in an associate	20	11,313	9,791	3,099
Investment in a jointly controlled entity	21	—	—	3,098
Deferred tax assets	30	7,721	6,630	—
Deposits paid for acquisition of property, plant and equipment		2,463	170	—
Amount due from immediate holding company	24	700	700	700
		<u>367,588</u>	<u>336,462</u>	<u>301,640</u>
<b>Current assets</b>				
Inventories	22	165,541	123,339	106,840
Accrued revenue		22,084	34,850	15,410
Trade receivables	23	125,453	54,999	68,118
Other receivables, deposits and prepayments		19,076	18,882	16,098
Amount due from an associate	24	352	352	—
Amount due from a fellow subsidiary	24	—	—	14
Prepaid lease payments	19	404	401	409
Tax recoverable		4,834	12,449	3,612
Bank balances and cash	24	41,835	52,116	108,512
		<u>379,579</u>	<u>297,388</u>	<u>319,013</u>
<b>Current liabilities</b>				
Deferred revenue		3,073	5,829	4,439
Trade payables	25	67,177	48,960	55,413
Receipts in advance	26	40,092	50,862	63,580
Other payables and accruals	24	46,479	33,274	32,701
Dividend payable to immediate holding company	24	—	—	22,000
Amount due to immediate holding company	24	99,438	99,520	99,409
Amount due to a jointly controlled entity	24	—	—	3,310
Provision for warranty	27	9,942	4,143	4,123
Tax payable		20,259	16,073	21,040
Bank borrowings	28	148,644	103,894	82,144
Obligations under finance leases — due within one year	29	394	—	—
Bank overdrafts		2,961	—	—
		<u>438,459</u>	<u>362,555</u>	<u>388,159</u>

**APPENDIX II****FINANCIAL INFORMATION  
ON THE PRIVATECO GROUP**

		<b>Year ended 31 March</b>		
	<i>Notes</i>	<b>2009</b>	<b>2010</b>	<b>2011</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net current liabilities		<u>(58,880)</u>	<u>(65,167)</u>	<u>(69,146)</u>
Total assets less current liabilities		<u>308,708</u>	<u>271,295</u>	<u>232,494</u>
Non-current liabilities				
Bank borrowings	28	19,769	14,588	4,061
Deferred tax liabilities	30	<u>—</u>	<u>249</u>	<u>—</u>
		<u>19,769</u>	<u>14,837</u>	<u>4,061</u>
		<u><b>288,939</b></u>	<u><b>256,458</b></u>	<u><b>228,433</b></u>
Capital and reserves				
Share capital	31	78	78	78
Reserves		<u>288,861</u>	<u>256,380</u>	<u>229,979</u>
Equity attributable to owner of				
Decca Investment		288,939	256,458	230,057
Non-controlling interests		<u>—</u>	<u>—</u>	<u>(1,624)</u>
Total equity		<u><b>288,939</b></u>	<u><b>256,458</b></u>	<u><b>228,433</b></u>

## Consolidated statements of changes in equity

	Attributable to owner of Decca Investment						Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Deemed distribution reserve HK\$'000	Retained profits HK\$'000			
At 1 April 2008	78	19,580	8,662	28,061	—	204,691	261,072	2,720	263,792
Profit for the year	—	—	—	—	—	39,679	39,679	(356)	39,323
Exchange differences arising on translation of foreign operations and to presentation currency	—	—	—	9,154	—	—	9,154	—	9,154
Share of translation reserve of an associate	—	—	—	434	—	—	434	—	434
Other comprehensive income for the year	—	—	—	9,588	—	—	9,588	—	9,588
Total comprehensive income (expense) for the year	—	—	—	9,588	—	39,679	49,267	(356)	48,911
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(2,364)	(2,364)
Dividend paid (note 16)	—	—	—	—	—	(21,400)	(21,400)	—	(21,400)
At 31 March 2009	78	19,580	8,662	37,649	—	222,970	288,939	—	288,939
Loss for the year	—	—	—	—	—	(28,718)	(28,718)	—	(28,718)
Exchange differences arising on translation of foreign operations and to presentation currency	—	—	—	(3,602)	—	—	(3,602)	—	(3,602)
Share of translation reserve of an associate	—	—	—	(161)	—	—	(161)	—	(161)
Other comprehensive expense for the year	—	—	—	(3,763)	—	—	(3,763)	—	(3,763)
Total comprehensive expense for the year	—	—	—	(3,763)	—	(28,718)	(32,481)	—	(32,481)
Release of translation reserve on deregistration of a subsidiary	—	—	—	(3,993)	—	3,993	—	—	—
At 31 March 2010	78	19,580	8,662	29,893	—	198,245	256,458	—	256,458



**APPENDIX II**
**FINANCIAL INFORMATION  
ON THE PRIVATECO GROUP**

	Attributable to owner of Decca Investment					Retained profits	Sub-total	Non-controlling interests	Total equity
	Share capital	Contributed surplus	Capital reserve	Translation reserve	Deemed distribution reserve				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the year	—	—	—	—	—	(11,556)	(11,556)	(1,624)	(13,180)
Exchange differences arising on translation of foreign operations and to presentation currency	—	—	—	9,394	—	—	9,394	—	9,394
Share of translation reserve of an associate	—	—	—	493	—	—	493	—	493
Other comprehensive income for the year	—	—	—	9,887	—	—	9,887	—	9,887
Total comprehensive income (expense) for the year	—	—	—	9,887	—	(11,556)	(1,669)	(1,624)	(3,293)
Dividend declared ( <i>note 16</i> )	—	—	—	—	—	(22,000)	(22,000)	—	(22,000)
Disposal of an interest in a subsidiary to a fellow subsidiary	—	—	—	—	(2,732)	—	(2,732)	—	(2,732)
At 31 March 2011	<u>78</u>	<u>19,580</u>	<u>8,662</u>	<u>39,780</u>	<u>(2,732)</u>	<u>164,689</u>	<u>230,057</u>	<u>(1,624)</u>	<u>228,433</u>

The contributed surplus represents the difference between the nominal value of the shares of the subsidiaries and the nominal amount of Decca Investment's shares issued for the acquisition at the time of the reorganisation.

The capital reserve represents the statutory reserve required by The People's Republic of China (the "PRC") government for the Company's PRC subsidiaries.

Translation reserve of approximately HK\$3,993,000 was released to retained profits due to deregistration of a subsidiary of Decca Investment during the year ended 31 March 2010.

## Consolidated statements of cash flows

	Year ended 31 March		
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
Operating activities			
Profit (loss) before taxation	48,268	(33,236)	(2,000)
Adjustments for:			
Interest income	(254)	(85)	(393)
Interest expense	7,746	4,974	4,036
Depreciation of property, plant and equipment	39,551	40,728	38,361
Amortisation of prepaid lease payments	404	401	409
Share of result of an associate	340	1,361	7,185
Share of result of a jointly controlled entity	—	—	(351)
Allowance (reversal of allowance) for bad and doubtful debts, net	21,186	(2,753)	3,268
Bad debts directly written back	—	—	(2,943)
Impairment loss recognised on accrued revenue	1,300	2,618	233
Allowance for slow moving inventories	3,820	5,078	2,876
Loss on disposal of property, plant and equipment	935	1,802	389
Reversal of impairment on amount due from an associate	—	—	(769)
Provision for warranty recognised	11,152	696	3,413
Operating cash flow before movements in working capital	134,448	21,584	53,714
(Increase) decrease in inventories	(11,238)	36,289	15,097
(Increase) decrease in accrued revenue	(1,585)	(15,384)	18,611
Decrease (increase) in trade receivables	3,028	72,997	(14,638)
Decrease (increase) in other receivables, deposits and prepayments	15,594	(4)	2,930
(Decrease) increase in deferred revenue	(3,200)	2,756	(1,390)
(Decrease) increase in trade payables	(36,218)	(16,704)	7,894
(Decrease) increase in receipts in advance	(39,646)	10,770	12,718
Increase (decrease) in other payable and accruals	9,763	(12,968)	(1,256)
Utilisation of provision for warranty	(13,232)	(6,495)	(3,433)
Net cash from operation	57,714	92,841	90,247
Hong Kong Profits Tax (paid) refunded	(4,478)	(1,518)	1,557
Overseas Profits Tax (paid) refunded	(5,538)	(4,253)	6,858
Net cash from operating activities	47,698	87,070	98,662

**APPENDIX II****FINANCIAL INFORMATION  
ON THE PRIVATECO GROUP**

	Year ended 31 March		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Investing activities			
Purchase of property, plant and equipment	(68,671)	(21,876)	(4,902)
Prepaid lease payments paid	(460)	—	—
Deposits paid for acquisition of property, plant and equipment	(2,463)	(170)	—
Interest received	254	85	393
Proceeds from disposal of property, plant and equipment	2,395	2,411	69
Repayment from an associate	23	—	1,121
Purchase of additional interest in a subsidiary	(1,750)	—	—
Disposal of an interest in a subsidiary	—	—	(60)
Net cash used in investing activities	<u>(70,672)</u>	<u>(19,550)</u>	<u>(3,379)</u>
Financing activities			
Repayment of bank borrowings	(80,864)	(106,097)	(194,381)
Interest on bank borrowings	(7,724)	(4,930)	(4,036)
Repayment of finance leases	(742)	(394)	—
Interest on obligations under finance lease	(22)	(44)	—
New bank borrowing raised	120,862	57,302	161,165
Dividends paid	(21,400)	—	—
Advances from immediate holding company	13,108	15,082	14,947
Repayment to immediate holding company	(13,062)	(15,000)	(15,058)
Advance from a jointly controlled entity	—	—	679
Repayment to a jointly controlled entity	—	—	(2,676)

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**APPENDIX II****FINANCIAL INFORMATION  
ON THE PRIVATECO GROUP**

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	<b>Year ended 31 March</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from (used in) financing activities	<u>10,156</u>	<u>(54,081)</u>	<u>(39,360)</u>
Net (decrease) increase in cash and cash equivalents	(12,818)	13,439	55,923
Cash and cash equivalents at the beginning of the year	49,145	38,874	52,116
Effect on foreign exchange rate changes	<u>2,547</u>	<u>(197)</u>	<u>473</u>
Cash and cash equivalents at the end of the year	<u><u>38,874</u></u>	<u><u>52,116</u></u>	<u><u>108,512</u></u>
Analysis of the balances of cash and cash equivalents			
bank balances and cash	41,835	52,116	108,512
bank overdrafts	<u>(2,961)</u>	<u>—</u>	<u>—</u>
	<u><u>38,874</u></u>	<u><u>52,116</u></u>	<u><u>108,512</u></u>

**1. GENERAL**

Decca Investment is a limited company incorporated in the BVI. The principal activities of Decca Investment Group are manufacturing and trading of furniture and fixtures and provision of interior decoration works. The immediate holding company and ultimate holding company are Decca Holdings Limited (the “Company”), a company incorporated in Bermuda as an exempted limited liability with its share listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and Peasedow Enterprises Limited (“Peasedow”), a company incorporated in the BVI, respectively.

The functional currency of Decca Investment is Renminbi (“RMB”), the currency of the primary economic environment in which Decca Investment operates. The presentation currency of the Financial Information is Hong Kong dollars (“HK\$”). For the convenience of the financial statement users, the financial information of Decca Investment Group is presented in HK\$ to align with the presentation currency adopted by the Company.

**2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION**

In preparing the Underlying Financial Information, the sole director of Decca Investment has given due and careful consideration to the future liquidity of Decca Investment Group in light of the net current liabilities position of approximately HK\$69,146,000 as at 31 March 2011. Upon the completion of the Distribution In Specie, in the opinion of the sole director of Decca Investment, based on the current level of unutilised long-term banking facilities available to Decca Investment Group, Decca Investment Group will have adequate unutilised long-term banking facilities to finance its daily operation.

If the Distribution In Specie is not completed, in addition to the unutilised long-term banking facilities, Decca Investment Group has also obtained a confirmation from the immediate holding company that the immediate holding company will not demand repayment from Decca Investment Group until Decca Investment Group has sufficient or excess cash to repay. On this basis, the sole director of Decca Investment has prepared the Underlying Financial Information on a going concern basis.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, Decca Investment Group consistently applied HKFRSs that are effective for annual accounting periods beginning on 1 April 2010 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new or revised standards, interpretations and amendments which are not yet effective and not early applied by Decca Investment Group.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures — Transfers of financial assets <sup>3</sup>
HKFRS 9	Financial instruments <sup>4</sup>
HKFRS 10	Consolidated financial statements <sup>4</sup>
HKFRS 11	Joint arrangements <sup>4</sup>
HKFRS 12	Disclosure of interests in other entities <sup>4</sup>
HKFRS 13	Fair value measurement <sup>4</sup>
HKAS 1 (Amendments)	Presentation of items of other comprehensive income <sup>5</sup>
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets <sup>6</sup>
HKAS 19 (Revised 2011)	Employee benefits <sup>4</sup>
HKAS 24 (Revised 2009)	Related party disclosures <sup>7</sup>
HKAS 27 (Revised 2011)	Separate financial statements <sup>4</sup>
HKAS 28 (Revised 2011)	Investments in associates and joint ventures <sup>4</sup>
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a minimum funding requirement <sup>7</sup>
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instruments <sup>2</sup>
HK(IFRIC) — INT 20	Stripping costs in the production phase of a surface mine <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2011

The sole director of Decca Investment anticipates that the application of these new or revised standards, interpretations and amendments will have no material impact on the consolidated financial statements of Decca Investment Group.

**4. SIGNIFICANT ACCOUNTING POLICIES**

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

The Financial Information has been prepared on the historical cost basis, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

**Basis of consolidation**

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of Decca Investment Group.

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

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

***Allocation of total comprehensive income to non-controlling interests***

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

***Changes in Decca Investment Group's ownership interests in existing subsidiaries***

Changes in Decca Investment Group's ownership interests in subsidiaries that do not result in Decca Investment Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of Decca Investment Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owner of Decca Investment.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Basis of consolidation** *(Continued)****Changes in Decca Investment Group's ownership interests in existing subsidiaries*** *(Continued)*

When Decca Investment Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When the profit or loss of such disposal, in the substance, represents contribution form or distribution to equity participant, such profit or loss is recognised in equity. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if Decca Investment had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

**Investment in an associate**

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

The results and assets and liabilities of the associate are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise Decca Investment Group's share of the profit or loss and other comprehensive income of the associate. When Decca Investment Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of Decca Investment Group's net investment in the associate), Decca Investment Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that Decca Investment Group has incurred legal or constructive obligations or made payments on behalf of that associate.



**4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Investment in an associate** *(Continued)*

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

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

**Jointly controlled entities**

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise Decca Investment Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When Decca Investment Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of Decca Investment Group's net investment in the jointly controlled entity), Decca Investment Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that Decca Investment Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Financial Information only to the extent of interests in the jointly controlled entity that are not related to Decca Investment Group.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Revenue recognition**

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

Revenue from contract that includes both interior decoration services as well as sales of furniture is recognised based on the substance of each separately identifiable component. Revenue from sale of furniture is recognised when goods are delivered. Revenue from interior decoration services is recognised on the percentage of completion method involved by reference to the value of work certified during the year. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to Decca Investment Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Decoration contracts**

When the revenue recognised exceeds progress billing based on milestones as set out in the services agreement, the costs incurred but not yet billed, plus recognised profit, is recognised and shown as accrued revenue in the consolidated statement of financial position. For contracts where progress billings exceed revenue recognised, the amount is shown as deferred revenue.

**Property, plant and equipment**

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress and freehold land, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with Decca Investment Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Property, plant and equipment** *(Continued)*

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Freehold land is carried at cost less any recognised impairment loss. Freehold land is not depreciated.

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

**Leasing**

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

***Decca Investment Group as lessee***

Assets held under finance leases are recognised as assets of Decca Investment Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

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

***Leasehold land and building***

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Borrowing cost**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

**Foreign currencies**

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

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

For the purposes of presenting the Financial Information, the assets and liabilities of group entity with functional currency of RMB or Decca Investment Group's foreign operations are translated into the presentation currency of Decca Investment Group (i.e. HK\$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Exchange differences arising from translating Decca Investment Group's entities with the same functional currency of Decca Investment to the presentation currency of Decca Investment Group which were accumulated in the translation reserve arising from assets and liabilities of those entities translating into the presentation currency of Decca Investment Group, will be transferred directly to retained profits upon derecognition of those Decca Investment Group's entities.

Exchange differences arising from translating Decca Investment Group's foreign operations will be reclassified from equity to profit or loss on disposal of the foreign operations.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Taxation**

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

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

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

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Decca Investment Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**Receipts in advance**

Receipts in advance are amounts received from customers prior to delivery of goods and will be recognised as revenue upon delivery of goods.

**Retirement benefits costs**

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefit scheme are charged as an expense when employees have rendered service entitling them to the contributions.

**Financial instruments**

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

***Financial assets***

Decca Investment Group's financial assets are mainly loans and receivables.

***Effective interest method***

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

Interest income is recognised on an effective interest basis for debt instruments.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Financial instruments** *(Continued)***Financial assets** *(Continued)*

## Loans and receivables

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

**Impairment of loans and receivables**

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

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

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Decca Investment Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

**4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Financial instruments** *(Continued)****Impairment of loans and receivables*** *(Continued)*

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

***Financial liabilities and equity instruments***

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

An equity instrument is any contract that evidences a residual interest in the assets of Decca Investment Group after deducting all of its liabilities.

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

***Financial liabilities***

Financial liabilities including trade payables, other payables and accruals, dividend payable to immediate holding company, amounts due to immediate holding company and a jointly controlled entity, bank overdrafts and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

***Equity instruments***

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



**4. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Financial instruments** *(Continued)****Derecognition***

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Decca Investment Group has transferred substantially all the risks and rewards of ownership of the financial assets.

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Provisions**

Provisions are recognised when Decca Investment Group has a present obligation as a result of a past event, and it is probable that Decca Investment Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

**Impairment losses on non-current assets (excluding deferred tax assets and financial assets)**

At the end of the reporting period, Decca Investment Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**5. KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

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

**Allowance for bad and doubtful debts on trade receivables**

When there is objective evidence of an impairment loss, Decca Investment Group takes into consideration the estimation of future cash flows to determine the impairment loss. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

**Allowances for slow moving inventories**

The management of Decca Investment Group estimates the net realisable value for finished goods, work in progress and raw materials based primarily on the latest invoice prices and current market conditions. Decca Investment Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. Where the actual net realisable value are less than expected, a material allowance may arise.

**Provision for warranty**

Decca Investment Group generally provides one year's warranties to its customers on certain of its products under which faulty products are repaired and replaced. The amount of provision of warranty is estimated based on sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate. Where the actual request for repairment and replacement of faculty products is more than expected, a material provision may arise.

**6. CAPITAL RISK MANAGEMENT**

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

The capital structure of Decca Investment Group consists of the bank borrowings disclosed in note 28, net of cash and cash equivalents and equity attributable to owner of Decca Investment, comprising issued share capital, reserves and retained profits. The sole director of Decca Investment reviews the capital structure on a continuous basis. As part of this review, the sole director considers the cost of capital and the risks associated with capital. Based on recommendations of the sole director, Decca Investment Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as the addition to new borrowings and the repayment of existing borrowings.

**7. FINANCIAL INSTRUMENTS****Categories of financial instruments**

	<b>As at 31 March</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets			
Loans and receivables (including cash and cash equivalents)	<u>173,456</u>	<u>109,101</u>	<u>177,383</u>
Financial liabilities			
Amortised cost	<u>384,468</u>	<u>300,236</u>	<u>299,038</u>

**Financial risk management objectives and policies**

Decca Investment Group's major financial instruments include trade receivables, other receivables, bank balances and cash, amount due from an associate, a fellow subsidiary, and immediate holding company, trade payables, other payables and accruals, dividend payable to immediate holding company, amounts due to immediate holding company and a jointly controlled entity, bank overdrafts and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## 7. FINANCIAL INSTRUMENTS (Continued)

## Financial risk management objectives and policies (Continued)

## Market risk

## Currency risk

Several subsidiaries of Decca Investment have foreign currency sales, which expose Decca Investment Group to foreign currency risk. In addition, certain trade receivables, bank balances, bank borrowings and trade payables are denominated in foreign currencies other than the functional currency of the respective Decca Investment Group's entities.

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

The carrying amounts of Decca Investment Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets			Liabilities		
	As at 31 March			As at 31 March		
	2009	2010	2011	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States dollars ("US\$")	9,023	7,429	6,446	5,495	665	1,616
HK\$	9,655	3,358	7,751	33,835	33,426	28,906
Euro	2,533	1,853	3,575	736	288	326
Pound Sterling ("GBP")	5,311	4,327	7,176	402	325	297
RMB	12	145	7	1,342	403	979
Danish Krone ("DKK")	1,262	1,035	417	37	335	512
	<u>27,796</u>	<u>18,147</u>	<u>25,372</u>	<u>41,847</u>	<u>35,442</u>	<u>32,636</u>

## Sensitivity analysis

For certain group entities whose functional currency is either HK\$ or US\$, the change in exchange rate of its functional currency against US\$ or HK\$ respectively has not been considered in the sensitivity analysis below as HK\$ is pegged to US\$. In the opinion of the sole director, Decca Investment Group does not expect any significant movements between the exchange rate of US\$ against HK\$.

## 7. FINANCIAL INSTRUMENTS (Continued)

## Financial risk management objectives and policies (Continued)

## Market risk (Continued)

## Currency risk (Continued)

## Sensitivity analysis

The following table details Decca Investment Group's sensitivity to a 5% increase and decrease in the functional currency of each group entity against relevant foreign currencies and all other variables were held constant. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency exchange rates. A positive number below indicates increase/decrease in post-tax profit/loss for the year where the relevant foreign currencies strengthen 5% against the functional currency of each group entity. For a 5% weakening of the relevant foreign currencies against the functional currency of each group entity, there would be an equal and opposite impact on the post-tax profit/loss for the year.

	As at 31 March		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Increase (decrease) in post-tax profit for the year (for years ended 31 March 2010 and 2011, positive number represents a decrease in post-tax loss for the year)			
US\$ impact	<u>303</u>	<u>288</u>	<u>160</u>
HK\$ impact	<u>300</u>	<u>10</u>	<u>16</u>
Euro impact	<u>90</u>	<u>78</u>	<u>165</u>
GBP impact	<u>246</u>	<u>200</u>	<u>346</u>
RMB impact	<u>(67)</u>	<u>(13)</u>	<u>(17)</u>
DKK impact	<u>61</u>	<u>35</u>	<u>(13)</u>

## 7. FINANCIAL INSTRUMENTS (Continued)

**Financial risk management objectives and policies (Continued)***Market risk (Continued)**Interest rate risk*

Decca Investment Group's fair value interest rate risk relates primarily to fixed rate bank loans. Decca Investment Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and financial liabilities at variable rate. Interest bearing financial assets are mainly deposits with banks. Interest bearing financial liabilities are mainly variable rate bank loans. It is Decca Investment Group's policy to keep most of its borrowings at floating rate of interest so as to minimise the fair value interest rate risk. Decca Investment Group has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest cash flows.

Decca Investment Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The sole director considers Decca Investment Group's exposure to interest rate risk of bank deposits is not significant as interest bearing bank deposits are within short maturity periods so no sensitivity analysis is presented.

*Sensitivity analysis*

The sensitivity analysis below was determined based on the exposure to interest rates for the variable rate financial instruments including bank loans at the end of the reporting period, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, Decca Investment Group's post-tax profit for the year would decrease/increase by approximately HK\$423,000 for the year ended 31 March 2009 and Decca Investment Group's post-tax loss for the year would increase/decrease by approximately HK\$296,000 and HK\$207,000 for the years ended 31 March 2010 and 2011 respectively. This is mainly attributable to Decca Investment Group's exposure to interest rates on its variable rate bank loans.

*Credit risk*

Decca Investment Group's maximum exposure to credit risk which will cause a financial loss to Decca Investment Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at 31 March 2009, 2010 and 2011. In order to minimise the credit risk, the management of Decca Investment Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, Decca Investment Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the sole director of Decca Investment considers that Decca Investment Group's credit risk is significantly reduced.

**7. FINANCIAL INSTRUMENTS** *(Continued)***Financial risk management objectives and policies** *(Continued)***Market risk** *(Continued)***Credit risk** *(Continued)*

Decca Investment Group's bank balances are deposited with banks of high credit rating and Decca Investment Group has limited exposure to any single financial institution.

Decca Investment Group's concentration of credit risk by geographical location is mainly in United States of America, which accounted for 69%, 37% and 34% of the total trade receivables as at 31 March 2009, 2010 and 2011 respectively.

In addition, Decca Investment Group has concentration of credit risk as 23.5% and 22.6% of the total receivables is due from Decca Investment Group's largest customer at 31 March 2010 and 2011 respectively. Continuous subsequent settlements are received and there is no historical default of payments by this customer. In addition, the management of Decca Investment assigned a team to closely follow up the debts due from this customer. Accordingly, the sole director of Decca Investment considers the risk has been properly addressed.

Other than that, Decca Investment Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

**Liquidity risk**

In the management of the liquidity risk, Decca Investment Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Decca Investment Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings. Decca Investment Group monitors and reviews periodically the conditions of loan covenants of the existing banking facilities and tries all efforts to comply with the loan covenants. In case of any breach of the loan covenants noted, Decca Investment Group will communicate with the respective bank to discuss the possibility of revising the relevant loan covenants and arranging for waiver of immediate repayment.

At 31 March 2011, Decca Investment Group had net current liabilities of approximately HK\$69,146,000. Upon the completion of the Distribution In Specie, in the opinion of the sole director of Decca Investment, based on the current level of unutilised long-term banking facilities available to Decca Investment Group, Decca Investment Group will have adequate unutilised long-term banking facilities to finance its daily operation. If the Distribution In Specie is not completed, in addition to the unutilised long-term banking facilities, Decca Investment has also obtained a confirmation from the immediate holding company that the immediate holding company will not demand repayment from Decca Investment Group until Decca Investment Group has sufficient or excess cash to repay. On this basis, the sole director of Decca Investment has prepared the Underlying Financial Information on a going concern basis.

Decca Investment Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2009, 2010 and 2011, Decca Investment Group has available unutilised overdrafts and short-term bank loan facilities of approximately HK\$100,360,000, HK\$84,019,000 and HK\$85,465,000 respectively. All the undrawn banking facilities are in floating rate without specific expiry terms. Details of Decca Investment Group's bank borrowings are set out in note 28.

## 7. FINANCIAL INSTRUMENTS (Continued)

## Financial risk management objectives and policies (Continued)

## Liquidity risk (Continued)

The following table details Decca Investment Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Decca Investment Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

## Liquidity tables

	Weighted average effective interest rate % per annum	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 - 2 years HK\$'000	2 - 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts at 31.3.2009 HK\$'000
31.3.2009								
<b>Non-derivative financial liabilities</b>								
Trade payables	—	51,864	15,313	—	—	—	67,177	67,177
Other payables and accruals	—	46,479	—	—	—	—	46,479	46,479
Amount due to immediate holding company	—	99,438	—	—	—	—	99,438	99,438
Bank borrowings	5.25%	141,311	9,341	5,493	15,722	1,356	173,223	168,413
Obligations under finance lease	7.38%	110	330	—	—	—	440	394
Bank overdrafts	4.25%	2,961	—	—	—	—	2,961	2,961
		<u>342,163</u>	<u>24,984</u>	<u>5,493</u>	<u>15,722</u>	<u>1,356</u>	<u>389,718</u>	<u>384,862</u>

	Weighted average effective interest rate % per annum	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 - 2 years HK\$'000	2 - 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts at 31.3.2010 HK\$'000
31.3.2010								
<b>Non-derivative financial liabilities</b>								
Trade payables	—	38,322	10,638	—	—	—	48,960	48,960
Other payables and accruals	—	33,274	—	—	—	—	33,274	33,274
Amount due to immediate holding company	—	99,520	—	—	—	—	99,520	99,520
Bank borrowings	4.38%	85,846	20,508	5,411	10,863	—	122,628	118,482
		<u>256,962</u>	<u>31,146</u>	<u>5,411</u>	<u>10,863</u>	<u>—</u>	<u>304,382</u>	<u>300,236</u>



## 7. FINANCIAL INSTRUMENTS (Continued)

## Financial risk management objectives and policies (Continued)

## Liquidity risk (Continued)

	Weighted average effective interest rate % per annum	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 - 2 years HK\$'000	2 - 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts at 31.3.2011 HK\$'000
31.3.2011								
<b>Non-derivative financial liabilities</b>								
Trade payables	—	44,193	11,220	—	—	—	55,413	55,413
Other payables and accruals	—	32,701	—	—	—	—	32,701	32,701
Amount due to immediate holding company	—	99,409	—	—	—	—	99,409	99,409
Amount due to a jointly controlled entity	—	3,310	—	—	—	—	3,310	3,310
Dividend payable to immediate holding company	—	22,000	—	—	—	—	22,000	22,000
Bank borrowings	4.50%	80,288	2,861	3,289	925	—	87,363	86,205
		<u>281,901</u>	<u>14,081</u>	<u>3,289</u>	<u>925</u>	<u>—</u>	<u>300,196</u>	<u>299,038</u>

Bank loans with a repayment on demand clause are included in the “on demand or less than 3 month” time band in the above maturity analysis. As at 31 March 2009, 2010 and 2011, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK\$41,410,000, HK\$16,926,000 and HK\$18,205,000 respectively. Taking into account Decca Investment Group’s financial position, the sole director does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The sole director believes that such bank loans will be repaid one to five years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$46,401,000, HK\$17,628,000 and HK\$19,896,000 in respect of bank loans as at 31 March 2009, 2010 and 2011 respectively.

**Fair values**

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The sole director considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values.

## 8. REVENUE

Revenue, which is also the turnover of Decca Investment Group, represents the sales value of goods supplied to customers and service revenue from interior building work, and is analysed as follows:

	Year ended 31 March		
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
Sales of furniture and fixtures	777,656	377,713	450,390
Service revenue from interior decoration work	149,521	215,083	177,357
	<u>927,177</u>	<u>592,796</u>	<u>627,747</u>

## 9. SEGMENT INFORMATION

Information reported to the sole director of Decca Investment, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focus on the types of goods supplied and services provided by Decca Investment Group.

No segment assets or segment liabilities is presented as the CODM does not review segment assets and segment liabilities.

Specifically, Decca Investment Group’s operating segments under HKFRS 8 are sales of furniture and fixtures and interior decoration work. These revenue streams are the basis of the internal reports about components of Decca Investment Group that are regularly reviewed by the CODM in order to allocate resources to segments and to assess their performance.

**Segment revenues and results**

The following is an analysis of Decca Investment Group’s revenue and results by operating and reportable segments:

	Year ended 31 March					
	2009		2010		2011	
	Segment revenue <i>HK\$'000</i>	Segment profit for the year <i>HK\$'000</i>	Segment revenue <i>HK\$'000</i>	Segment profit for the year <i>HK\$'000</i>	Segment revenue <i>HK\$'000</i>	Segment profit for the year <i>HK\$'000</i>
Sales of furniture and fixtures	777,656	118,076	377,713	16,761	450,390	70,820
Interior decoration work	149,521	32,835	215,083	43,019	177,357	25,885
<b>Total</b>	<b><u>927,177</u></b>	<b>150,911</b>	<b><u>592,796</u></b>	<b>59,780</b>	<b><u>627,747</u></b>	<b>96,705</b>
Unallocated income, gains and losses		4,035		574		4,632
Unallocated corporate expenses		(98,592)		(87,255)		(92,467)
Share of result of an associate		(340)		(1,361)		(7,185)
Share of result of a jointly controlled entity		—		—		351
Finance costs		<u>(7,746)</u>		<u>(4,974)</u>		<u>(4,036)</u>
<b>Profit (loss) before taxation</b>		<b><u>48,268</u></b>		<b><u>(33,236)</u></b>		<b><u>(2,000)</u></b>

## 9. SEGMENT INFORMATION (Continued)

## Segment revenues and results (Continued)

The accounting policies of the operating segments are the same as Decca Investment Group's accounting policies as described in note 4. Segment profit represents the profit earned by each segment without allocation of other income, gains and losses (except for loss on disposal of property, plant and equipment, part of net foreign exchange gain/loss, allowance/reversal of allowance for bad and doubtful debts, net bad debts directly written back, impairment loss recognised on accrued revenue and part of sundry income), general administration costs, sole director's emoluments, share of result of an associate and a jointly controlled entity and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

This is no inter-segment revenue during the Relevant Periods.

## Other segment information

Amounts included in the measure of segment profit or loss:

	Year ended 31 March								
	2009			2010			2011		
	Sales of furniture and fixtures	Interior decoration work	Total	Sales of furniture and fixtures	Interior decoration work	Total	Sales of furniture and fixtures	Interior decoration work	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	35,018	4,533	39,551	31,895	8,833	40,728	31,240	7,121	38,361
Allowance (reversal of allowance) for bad and doubtful debts, net	22,809	(1,623)	21,186	(2,951)	198	(2,753)	2,990	278	3,268
Bad debt directly written back	—	—	—	—	—	—	(2,187)	(756)	(2,943)
Allowance for slow moving inventories	3,820	—	3,820	5,078	—	5,078	2,876	—	2,876
Loss on disposal of property, plant and equipment	924	11	935	1,802	—	1,802	389	—	389
Impairment loss recognised on accrued revenue	—	1,300	1,300	—	2,618	2,618	—	233	233

*Note:* During the year ended 31 March 2010, allowance for slow moving inventories and loss on disposal of property, plant and equipment of approximately HK\$1,334,000 and HK\$1,667,000 respectively were recognised due to the cease of operation of a subsidiary of Decca Investment, Decca Classic Upholstery, LLC.

## 9. SEGMENT INFORMATION (Continued)

**Geographical information**

Decca Investment Group's operations are located in United States of America, Hong Kong SAR and Macau SAR, Europe, Mainland China and other countries in Asia.

Decca Investment Group's revenue from external customers by geographical location of customers irrespective of the origin of the goods, and information about its non-current assets by geographical location of the assets are detailed below. Revenue and non-current assets presented below are attributed to the group entities' country of domicile:

	Revenue from external customers		
	Year ended 31 March		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
United States of America	479,163	218,095	132,845
Hong Kong SAR and Macau SAR	139,814	174,901	137,656
Europe	70,300	35,707	80,020
Mainland China	166,064	110,799	216,176
Other countries in Asia	71,836	53,294	61,050
	<u>927,177</u>	<u>592,796</u>	<u>627,747</u>
	Non-current assets		
	As at 31 March		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
United States of America	31,717	26,480	24,193
Hong Kong SAR and Macau SAR	2,785	1,789	1,419
Europe	934	663	508
Mainland China	251,265	240,576	223,875
Thailand	58,690	49,663	44,748
	<u>345,391</u>	<u>319,171</u>	<u>294,743</u>

*Note:* Non-current assets excluded deferred tax assets, investment in an associate and investment in a jointly controlled entity and other financial assets.

## 9. SEGMENT INFORMATION (Continued)

## Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of Decca Investment Group are as follows:

	Year ended 31 March		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Customer A <sup>1</sup>	—	95,168	107,980
Customer A <sup>2</sup>	—	23,536	72,308
	— <sup>3</sup>	118,704	180,288

<sup>1</sup> Revenue from interior decoration work

<sup>2</sup> Revenue from sales of furniture and fixtures

<sup>3</sup> The corresponding revenue did not contribute over 10% of the total revenue of Decca Investment Group for the year ended 31 March 2009

## 10. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 March		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Interest income	254	85	393
Loss on disposal of property, plant and equipment	(935)	(1,802)	(389)
Net foreign exchange gain (loss)	779	(923)	2,771
Reversal of impairment on amount due from an associate	—	—	769
(Allowance) reversal of allowance for bad and doubtful debts, net	(21,186)	2,753	(3,268)
Bad debts directly written back	—	—	2,943
Impairment loss recognised on accrued revenue	(1,300)	(2,618)	(233)
Sundry income	3,002	1,412	1,089
	(19,386)	(1,093)	4,075

**11. FINANCE COSTS**

	Year ended 31 March		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Interest on:			
Bank loans wholly repayable within five years	6,961	4,930	4,036
Bank loans not wholly repayable within five years	763	—	—
Finance leases wholly repayable within five years	22	44	—
	<u>7,746</u>	<u>4,974</u>	<u>4,036</u>

**12. DIRECTOR'S EMOLUMENTS**

The emoluments paid or payable, representing benefits in kind, to the sole director, Mr. Tsang Chi Hung, were approximately HK\$80,000, HK\$353,000 and HK\$354,000 for the years ended 31 March 2009, 2010 and 2011 respectively.

During the Relevant Periods, no emoluments were paid by Decca Investment Group to the sole director as compensation for loss of office or an inducement to join or upon joining Decca Investment Group. The sole director did not waive any emoluments in the Relevant Periods.

**13. EMPLOYEES' EMOLUMENTS**

No emolument information for the five highest paid employee is presented as its inclusion, for the purpose of this report, is not considered meaningful.

## 14. TAXATION (EXPENSE) CREDIT

	Year ended 31 March		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Current tax:			
Hong Kong Profits Tax	(5,163)	(976)	(3,392)
PRC Enterprise Income Tax	(7,251)	(1,065)	(4,022)
Other jurisdictions ( <i>Note</i> )	(4,261)	7,392	2,615
	<u>(16,675)</u>	<u>5,351</u>	<u>(4,799)</u>
(Under)overprovision in prior years:			
Hong Kong Profits Tax	(95)	507	—
Deferred tax ( <i>note 30</i> )	<u>7,825</u>	<u>(1,340)</u>	<u>(6,381)</u>
	<u>(8,945)</u>	<u>4,518</u>	<u>(11,180)</u>

*Note:* The tax loss generated by subsidiaries in The United States of America is carried back and offset against prior years' tax charge (with five years and two years carry back period for the tax loss generated in the years ended 31 March 2010 and 2011 respectively) and thus resulting in significant tax credit for the years ended 31 March 2010 and 2011.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Relevant Periods.

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

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

## 14. TAXATION (EXPENSE) CREDIT (Continued)

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

	Year ended 31 March		
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
Profit (loss) before taxation	<u>48,268</u>	<u>(33,236)</u>	<u>(2,000)</u>
Taxation at the PRC Enterprise			
Income Tax rate of 25%	12,067	(8,309)	(500)
Tax effect of expenses not deductible for tax purposes	3,376	1,463	2,941
Tax effect of income not taxable for tax purposes	(1,775)	(675)	(547)
Under (over) provision in respect of prior years	95	(507)	—
Tax effect of tax losses not recognised	1,503	4,875	2,087
Tax effect of temporary difference not recognised	—	428	1,973
Utilisation of tax losses previously not recognised	(4,083)	(2,860)	(3,511)
Reversal of deferred tax asset arising from tax losses previously recognised	—	—	2,753
Reversal of other deferred tax assets	—	—	3,628
Tax effect of share of result of an associate and a jointly controlled entity	85	340	1,708
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,057)	706	528
Others	<u>(266)</u>	<u>21</u>	<u>120</u>
Taxation expense (credit)	<u>8,945</u>	<u>(4,518)</u>	<u>11,180</u>



## 15. PROFIT (LOSS) FOR THE YEAR

	Year ended 31 March		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Profit (loss) for the year has been arrived at after charging:			
Auditor's remuneration:			
— current year	1,703	2,139	2,058
— underprovision in prior years	735	552	—
Amortisation of prepaid lease payments (included in administrative expenses)	404	401	409
Depreciation of property, plant and equipment			
Owned assets	39,101	40,540	38,361
Assets held under finance leases	450	188	—
Provision for warranty (included in cost of sales)	11,152	696	3,413
Staff costs:			
Sole director's emoluments ( <i>note 12</i> )	80	353	354
Salaries and allowances	160,622	117,183	127,501
Retirement benefits scheme contributions	7,096	6,871	8,349
	167,798	124,407	136,204
Cost of inventories recognised as expenses ( <i>Note</i> )	582,764	240,667	295,048
Operating lease rentals paid in respect of rented properties	7,470	6,533	6,345

*Note:* Cost of inventories recognised as expenses includes allowance for slow moving inventories for the years ended 31 March 2009, 2010 and 2011 were approximately HK\$3,820,000, HK\$5,078,000 and HK\$2,876,000 respectively.

**16. DIVIDENDS**

	Year ended 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the Relevant Periods:			
2008 final dividend paid — HK\$2,140 per share	21,400	—	—
2011 interim dividend declared — HK\$2,200 per share	—	—	22,000
	<u>21,400</u>	<u>—</u>	<u>22,000</u>

No final dividend was proposed by the sole director for the year ended 31 March 2011.

**17. EARNINGS (LOSS) PER SHARE**

No earnings (loss) per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

## 18. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Computer equipment HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>COST</b>									
At 1 April 2008	7,096	129,219	79,676	215,597	10,191	32,347	8,816	37,957	520,899
Additions	—	4,350	3,088	20,437	1,550	4,604	229	38,523	72,781
Disposals	—	(288)	(1,262)	(5,232)	(88)	(3,089)	—	—	(9,959)
Exchange realignment	—	2,670	1,047	3,480	176	139	115	769	8,396
Reclassification	—	45,083	6,041	17,155	—	497	—	(68,776)	—
At 31 March 2009	7,096	181,034	88,590	251,437	11,829	34,498	9,160	8,473	592,117
Additions	—	4,053	1,841	6,244	791	147	242	11,021	24,339
Disposals	—	—	(233)	(2,160)	(457)	(1,345)	(783)	(1,523)	(6,501)
Exchange realignment	—	(2,855)	(695)	(2,585)	(80)	(33)	(83)	(144)	(6,475)
Reclassification	—	14,269	271	2,700	—	90	—	(17,330)	—
At 31 March 2010	7,096	196,501	89,774	255,636	12,083	33,357	8,536	497	603,480
Additions	—	—	3,149	718	195	395	318	297	5,072
Disposals	—	—	—	(888)	(10)	(333)	(775)	—	(2,006)
Exchange realignment	—	5,982	1,643	5,762	235	357	143	59	14,181
Reclassification	—	—	177	—	—	—	—	(177)	—
At 31 March 2011	7,096	202,483	94,743	261,228	12,503	33,776	8,222	676	620,727
<b>ACCUMULATED DEPRECIATION</b>									
At 1 April 2008	—	21,707	55,493	114,151	6,563	15,831	5,199	—	218,944
Charge for the year	—	5,462	6,810	21,308	1,669	3,220	1,082	—	39,551
Eliminated on disposals	—	(5)	(1,252)	(4,672)	(66)	(634)	—	—	(6,629)
Exchange realignment	—	535	681	1,105	116	152	77	—	2,666
At 31 March 2009	—	27,699	61,732	131,892	8,282	18,569	6,358	—	254,532
Charge for the year	—	7,238	5,631	22,206	1,601	3,037	1,015	—	40,728
Eliminated on disposals	—	—	(78)	(957)	(417)	(551)	(285)	—	(2,288)
Exchange realignment	—	(265)	(291)	(675)	(49)	(7)	(42)	—	(1,329)
At 31 March 2010	—	34,672	66,994	152,466	9,417	21,048	7,046	—	291,643
Charge for the year	—	6,776	5,202	21,781	1,314	2,618	670	—	38,361
Eliminated on disposals	—	—	—	(561)	(6)	(206)	(775)	—	(1,548)
Exchange realignment	—	927	960	2,295	192	176	114	—	4,664
At 31 March 2011	—	42,375	73,156	175,981	10,917	23,636	7,055	—	333,120
<b>CARRYING VALUES</b>									
At 31 March 2009	7,096	153,335	26,858	119,545	3,547	15,929	2,802	8,473	337,585
At 31 March 2010	7,096	161,829	22,780	103,170	2,666	12,309	1,490	497	311,837
At 31 March 2011	7,096	160,108	21,587	85,247	1,586	10,140	1,167	676	287,607

**18. PROPERTY, PLANT AND EQUIPMENT** *(Continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Freehold land	Nil
Buildings	Over the unexpired lease terms of the land use rights on which the buildings are located
Leasehold improvements	10%
Plant and machinery	10%
Computer equipment	20%
Furniture, fixtures and office equipment	10%
Motor vehicles	20%

At 31 March 2009, 2010 and 2011, the freehold land with carrying value of HK\$7,096,000, HK\$7,096,000 and HK\$7,096,000 respectively is situated outside Hong Kong.

The carrying values of buildings of Decca Investment Group comprise:

	As at 31 March		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Buildings located in Thailand and the The United States of America under medium-term lease	<u>43,900</u>	<u>39,811</u>	<u>39,042</u>
Buildings located in the PRC			
— medium-term lease	96,332	110,525	110,680
— short-term lease	<u>13,103</u>	<u>11,493</u>	<u>10,386</u>
	<u>109,435</u>	<u>122,018</u>	<u>121,066</u>

The carrying values of pledge of property, plant and equipment comprise:

	As at 31 March		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Buildings	55,676	26,620	26,712
Plant and machinery	16,039	11,189	8,623
Motor vehicles	276	136	—
Furniture, fixtures and office equipment	<u>8,985</u>	<u>4,159</u>	<u>3,762</u>
	<u>80,976</u>	<u>42,104</u>	<u>39,097</u>

**18. PROPERTY, PLANT AND EQUIPMENT** *(Continued)*

The above property, plant and equipment were pledged with banks to secure loans granted to Decca Investment Group.

At 31 March 2009, the carrying values of motor vehicles of Decca Investment Group includes amounts of approximately HK\$582,000, in respect of assets held under finance leases.

**19. PREPAID LEASE PAYMENTS**

	<b>As at 31 March</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Decca Investment Group's prepaid lease payments comprise:			
Leasehold land outside Hong Kong			
— Medium-term lease	5,718	5,457	5,481
— Short-term lease	2,492	2,278	2,064
	<u>8,210</u>	<u>7,735</u>	<u>7,545</u>
Analysed for reporting purposes as:			
Non-current asset	7,806	7,334	7,136
Current asset	404	401	409
	<u>8,210</u>	<u>7,735</u>	<u>7,545</u>

**20. INVESTMENT IN AN ASSOCIATE**

	<b>As at 31 March</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of investment in an associate, unlisted	10,000	10,000	10,000
Share of post-acquisition losses	(911)	(2,272)	(9,457)
Share of other comprehensive income			
— exchange reserve	2,224	2,063	2,556
	<u>11,313</u>	<u>9,791</u>	<u>3,099</u>

## 20. INVESTMENT IN AN ASSOCIATE (Continued)

At 31 March 2009, 2010 and 2011, Decca Investment Group had an interest in the following associate:

Name of entity	Form of business structure	Place of incorporation	Class of share held	Proportion of nominal value of issued capital held by the Group %	Nature of business
Vielie Flooring Limited	Incorporated	Hong Kong SAR	Ordinary	50	Manufacturing of wooden flooring

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

	As at 31 March		
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
Total assets	41,328	37,439	20,351
Total liabilities	(18,702)	(17,857)	(14,153)
Net assets	<u>22,626</u>	<u>19,582</u>	<u>6,198</u>
Decca Investment Group's share of net assets of the associate	<u>11,313</u>	<u>9,791</u>	<u>3,099</u>
Revenue	<u>45,354</u>	<u>22,208</u>	<u>25,688</u>
Loss for the year	<u>(680)</u>	<u>(2,722)</u>	<u>(14,370)</u>
Other comprehensive income (expense)	<u>868</u>	<u>(322)</u>	<u>986</u>
Decca Investment Group's share of loss and other comprehensive income (expense) of the associate for the year	<u>94</u>	<u>(1,522)</u>	<u>(6,692)</u>

## 21. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	As at 31 March		
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
Cost of investment in a jointly controlled entity, unlisted	—	—	2,747
Share of post-acquisition profits	—	—	351
	<u>—</u>	<u>—</u>	<u>3,098</u>

During the year ended 31 March 2011, Decca Investment Group disposed of 50% equity interest of Decca (Macau) Company Limited (“DMCL”) to its fellow subsidiary, Acelin Investments Limited (“Acelin”). DMCL has since then become a jointly controlled entity of Decca Investment.

At 31 March 2011, Decca Investment Group had an interest in the following jointly controlled entity:

Name of entity	Form of business structure	Place of incorporation	Class of share held	Proportion of nominal value of issued capital held by the Group %	Nature of business
DMCL	Incorporated	Macau	Ordinary	50	Interior decoration work

The summarised financial information in respect of Decca Investment Group’s share of interests in the jointly controlled entity is set out below:

	As at 31 March		
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
Total assets	—	—	4,388
Total liabilities	—	—	(1,290)
Net assets	<u>—</u>	<u>—</u>	<u>3,098</u>
Revenue	<u>—</u>	<u>—</u>	<u>1,525</u>
Expenses	<u>—</u>	<u>—</u>	<u>(1,174)</u>
Decca Investment Group’s share of profit and total comprehensive income of the jointly controlled entity for the period after acquisition	<u>—</u>	<u>—</u>	<u>351</u>

## 22. INVENTORIES

	As at 31 March		
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Raw materials	69,303	49,580	43,652
Work in progress	76,182	58,304	47,507
Finished goods	20,056	15,455	15,681
	<u>165,541</u>	<u>123,339</u>	<u>106,840</u>

Included in inventories are raw materials of HK\$9,021,000, HK\$8,765,000 and HK\$1,565,000 carried at net realisable value at 31 March 2009, 2010 and 2011.

## 23. TRADE RECEIVABLES

	As at 31 March		
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade receivables	155,117	64,537	74,411
Less: Allowances for bad and doubtful debts	(29,664)	(9,538)	(6,293)
	<u>125,453</u>	<u>54,999</u>	<u>68,118</u>

The following is an aged analysis of trade receivables (net of allowance for bad and doubtful debts) presented based on the invoice date at the end of the reporting period:

	As at 31 March		
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0 - 30 days	47,938	20,137	35,841
31 - 90 days	44,413	17,020	11,634
> 90 days	33,102	17,842	20,643
	<u>125,453</u>	<u>54,999</u>	<u>68,118</u>

Decca Investment Group's credit terms for its contracting business are negotiated with its customers and are usually 6 months to 1 year. The credit terms granted by Decca Investment Group to other trade debtors are normally 30 days.



**23. TRADE RECEIVABLES (Continued)**

Before accepting any new customers, Decca Investment Group assesses the potential customer's credit quality by assessing their historical credit record and defines credit limits by customers on geographical basis. Recoverability and credit limit of the existing customers are reviewed by Decca Investment Group regularly. Included in Decca Investment Group's trade receivable balances are receivables with aggregate carrying amount of HK\$59,232,000, HK\$26,485,000 and HK\$36,730,000 as at 31 March 2009, 2010 and 2011 respectively, which are neither past due nor impaired. The sole director considered that trade receivables which are neither past nor yet impaired are of good credit quality and there are continuous subsequent settlements from these customers.

At 31 March 2009, 2010 and 2011, included in Decca Investment Group's trade receivable balance are debtors with aggregate carrying amount of HK\$66,221,000, HK\$28,514,000 and HK\$31,388,000 respectively which are past due at the reporting date for which Decca Investment Group has not provided for impairment loss. Decca Investment Group does not hold any collateral over these balances. The average age of the receivables for each of the reporting period is 113 days, 93 days and 70 days respectively.

**Ageing of trade receivables which are past due but not impaired**

	<b>As at 31 March</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31 - 90 days	39,235	13,123	11,598
91 - 365 days	25,400	14,054	19,787
>365 days	1,586	1,337	3
	<u>66,221</u>	<u>28,514</u>	<u>31,388</u>
Total	<u>66,221</u>	<u>28,514</u>	<u>31,388</u>

In the opinion of the sole director, in respect of the above past due but not impaired debts, Decca Investment Group has maintained long term relationships with existing customers who have a strong financial position with continuous subsequent settlements and there have been no historical default of payments by the respective customers. Decca Investment Group has assessed the recoverability of these customers and considers that there has not been a significant change in their credit quality. The sole director believes that the amounts are still recoverable.

## 23. TRADE RECEIVABLES (Continued)

## Movement in the allowance for bad and doubtful debts

	As at 31 March		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Balance at beginning of the year	18,395	29,664	9,538
Impairment losses recognised			
on trade receivables	27,008	3,151	3,758
Amounts recovered during the year	(5,822)	(5,904)	(490)
Amounts written off as uncollectible	(9,917)	(17,373)	(6,513)
Balance at end of the year	<u>29,664</u>	<u>9,538</u>	<u>6,293</u>

At 31 March 2009, 2010 and 2011, allowance for bad and doubtful debts included individually impaired trade receivables with an aggregate balance of HK\$29,664,000, HK\$9,538,000 and HK\$6,293,000 respectively which had been in severe financial difficulties. The sole director makes impairment losses with reference to the present value of the estimated future cash flows that are expected to be recovered from these customers and considers adequate impairment losses has been made at the end of the reporting period. Decca Investment Group does not hold any collateral over these balances.

At 31 March 2009, the carrying amount of the trade receivables, which had been pledged as security for the bank borrowings, was approximately HK\$72,846,000.

Trade receivables that are denominated in currencies other than functional currency of the relevant group entities are set out below:

	As at 31 March		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
US\$	2,638	1,237	2,598
HK\$	4,453	1,475	2,424
Euro	1,920	908	681
GBP	<u>1,216</u>	<u>716</u>	<u>3,082</u>

**24. OTHER FINANCIAL ASSETS AND LIABILITIES**

Amounts due from an associate and a fellow subsidiary, amounts due to immediate holding company and a jointly controlled entity and dividend payable to immediate holding company were unsecured, non-interest bearing and repayable on demand.

Amount due from immediate holding company was unsecured and non-interest bearing. The sole director of Decca Investment expects such receivable from immediate holding company would not be settled within 12 months from the end of the reporting period.

For each of the three years ended 31 March 2009, 2010 and 2011, bank balances held by Decca Investment Group comprised of bank deposits which carry interest at an average rate of 0.48%, 0.16% and 0.26% per annum respectively.

Balances that are denominated in currencies other than functional currency of the relevant group entities as set out below:

	<b>As at 31 March</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank balances and cash			
US\$	6,385	6,192	3,848
HK\$	5,037	1,883	5,327
Euro	613	945	2,894
DKK	1,262	1,035	417
GBP	4,095	3,611	4,094
RMB	<u>12</u>	<u>145</u>	<u>7</u>
Other payables and accruals			
US\$	4,038	—	—
HK\$	2,198	340	353
RMB	<u>460</u>	<u>—</u>	<u>—</u>

At 31 March 2009, 2010 and 2011, bank balances and cash of approximately HK\$10,869,000, HK\$14,036,000 and HK\$36,225,000 respectively were denominated in RMB (functional currency of the relevant group entities) which may not be freely convertible into other currencies.

**25. TRADE PAYABLES**

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	28,586	22,158	22,440
31 - 90 days	14,970	9,234	7,798
> 90 days	23,621	17,568	25,175
	<u>67,177</u>	<u>48,960</u>	<u>55,413</u>

The credit periods on purchases of goods are usually from 1 month to 3 months.

Trade payables that are denominated in currencies other than functional currency of the relevant group entities are set out below:

	As at 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	201	217	1,168
HK\$	3,619	523	1,514
Euro	736	288	326
DKK	37	335	512
GBP	402	325	297
RMB	882	403	979
	<u>882</u>	<u>403</u>	<u>979</u>

**26. RECEIPTS IN ADVANCE**

Receipts in advance represent deposits received from customers for sales of furniture and fixtures prior to delivery.

**27. PROVISION FOR WARRANTY**

	As at 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the year	12,022	9,942	4,143
Additional provision in the year	11,152	696	3,413
Utilisation of provision	(13,232)	(6,495)	(3,433)
Balance at end of the year	<u>9,942</u>	<u>4,143</u>	<u>4,123</u>

The warranty provision represents management's best estimate of Decca Investment Group's liability under warranty granted for defects of furniture and fixtures. The warranty is usually for one year and is estimated based on prior experience and industry norm.

## 28. BANK BORROWINGS

	As at 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured	113,349	25,816	15,913
Unsecured	55,064	92,666	70,292
	<u>168,413</u>	<u>118,482</u>	<u>86,205</u>
Carrying amount repayable*:			
Within one year	88,673	57,357	28,149
More than one year, but not exceeding two years	4,349	4,448	3,154
More than two years, but not exceeding five years	14,083	10,140	907
More than five years	1,337	—	—
	<u>108,442</u>	<u>71,945</u>	<u>32,210</u>
Carrying amount of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities)	18,561	29,611	35,790
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayable on demand clause (shown under current liabilities)	41,410	16,926	18,205
	<u>168,413</u>	<u>118,482</u>	<u>86,205</u>
Less: Amounts due within one year shown under current liabilities	<u>(148,644)</u>	<u>(103,894)</u>	<u>(82,144)</u>
Amounts shown under non-current liabilities	<u>19,769</u>	<u>14,588</u>	<u>4,061</u>

\* The amounts due are based on scheduled repayable dates set out in loan agreements.

**28. BANK BORROWINGS (Continued)**

The exposure of Decca Investment Group's fixed-rate bank borrowings and the contractual maturity is as follows:

	As at 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed-rate bank borrowings:			
Within one year	<u>6,000</u>	<u>5,521</u>	<u>3,570</u>

As at 31 March 2009, 2010 and 2011, Decca Investment Group has a significant secured variable-rate bank borrowing, which is denominated in Thailand Baht, carries interests at Minimum Lending Rate (Thailand) plus 0.25% to 0.5% per annum and is repriced every six months. The bank borrowing is secured by certain buildings of a subsidiary of Decca Investment with a maturity profile as follows:

	As at 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,752	2,817	—
More than one year, but not exceeding two years	2,936	3,002	—
More than two years, but not exceeding five years	10,043	7,779	—
More than five years	1,337	—	—
Carrying amount of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities)	—	—	11,345
	<u>17,068</u>	<u>13,598</u>	<u>11,345</u>

**28. BANK BORROWINGS (Continued)**

The remaining variable-rate bank borrowings carry interest rates which are repriced every six months are as follows:

	As at 31 March		
	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000
Hong Kong Interbank Offered Rate plus			
1.7% to 3.5%	83,985	79,032	48,006
Prime Lending Rate (Hong Kong) plus 1.5%	1,183	6,000	4,000
Prime Lending Rate (Hong Kong) minus 1%	2,673	9,159	15,277
Prime Lending Rate (Hong Kong) minus			
0.25% to 1%	32,163	—	—
Wall Street Journal LIBOR plus 2.5% to 2.75%	18,561	—	—
Minimum Lending Rate (Thailand) plus			
0.25% to 0.5%	6,780	5,172	4,007
	<u>145,345</u>	<u>99,363</u>	<u>71,290</u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on Decca Investment Group's bank borrowings are as follows:

	As at 31 March		
	2009	2010	2011
Effective interest rate:			
Fixed-rate bank borrowings	3.5% to 3.6%	3.25%	3.25%
Variable-rate bank borrowings	2.7% to 7.6%	1.77% to 7.5%	1.83% to 7.5%

At 31 March 2009, 2010 and 2011, certain bank loans were secured by Decca Investment Group's property, plant and equipment with carrying values of approximately HK\$80,976,000, HK\$42,104,000 and HK\$39,097,000 respectively. In addition, at 31 March 2009, certain bank loans were secured by trade receivables with carrying amount of approximately HK\$72,846,000.

**28. BANK BORROWINGS (Continued)**

Bank borrowings that are denominated in currencies other than functional currency of the relevant group entities are set out below:

	As at 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	1,256	448	448
HK\$	<u>28,018</u>	<u>32,563</u>	<u>27,039</u>

During the year ended 31 March 2009, a subsidiary of Decca Investment breached certain terms of the bank loans borrowed in The United States of America, which are primarily related to the minimum tangible net worth, debt service coverage ratio and minimum funded debt to EBITDA ratio of that subsidiary. On discovery of the breach, the sole director of Decca Investment informed the lender and commenced a negotiation of the terms of the loans with the relevant lender. At 31 March 2009, the negotiation had not been concluded. Since the lender had not agreed to waive its rights to demand immediate payment as at the end of reporting period, the loans with aggregate carrying amount of approximately HK\$18,561,000 has been classified as a current liability at 31 March 2009. On 23 June 2009, the lender has agreed to waive its rights to demand for immediate payment of the loans due to the breach of the borrowing terms at 31 March 2009. The bank loans were repaid in 2010.

During the year ended 31 March 2010 and 2011, subsidiaries of Decca Investment breached certain terms of the bank facilities obtained in Hong Kong, which are primarily related to the minimum interest coverage ratio of Decca Investment Group (defined as profit before interest and taxes divided by total interest costs). On discovery of the breach, the sole director of Decca Investment informed the bank and commenced a negotiation of the terms of the loans with the relevant banker. At 31 March 2010 and 2011, the negotiation had not been concluded. Accordingly, the loan of total aggregate carrying amount of approximately HK\$29,611,000 and HK\$24,445,000 with non-current portion of approximately HK\$9,444,000 and HK\$2,778,000 respectively has been reclassified as a current liability at 31 March 2010 and 2011 respectively. Subsequently on 29 June 2010 and 24 May 2011, the banker has agreed to waive its rights to demand for immediate payment of the loans due to the breach of the borrowing terms at 31 March 2010 and 2011 respectively.

During the year ended 31 March 2011, a subsidiary of Decca Investment breached certain terms of the bank facilities obtained in Thailand, which are primarily related to the debt to equity ratio of the subsidiary (defined as total debt divided by total equity). On discovery of the breach, the sole director of Decca Investment informed the bank and commenced a negotiation of the terms of the loans with the relevant banker. At 31 March 2011, the negotiation had not been concluded. Since the banker has not agreed to waive its right to demand immediate payment as at the end of the reporting period, the loan of total aggregate carrying amount of approximately HK\$11,345,000 (which is repayable after one year in accordance with the loan agreement) has been reclassified as a current liability as at 31 March 2011. Up to the date the Underlying Financial Information is authorised for issuance, the banker has verbally agreed to waive its rights to demand for immediate payment of the loans due to the breach of the borrowing terms as at 31 March 2011. The sole director of Decca Investment is confident that the lender will not demand immediate payment due to the breach of the borrowing terms. In any event, should the banker calls for immediate repayment of the loan, the sole director of Decca Investment believes that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of Decca Investment Group.



## 29. OBLIGATION UNDER FINANCE LEASES

	<b>Minimum lease payments at 31 March 2009 <i>HK\$'000</i></b>	<b>Present value of minimum lease payments at 31 March 2009 <i>HK\$'000</i></b>
Amounts payable under finance leases		
due within one year	440	394
Less: Future finance charges	<u>(46)</u>	<u>—</u>
Present value of lease obligations		
due within one year classified as current liabilities	<u>394</u>	<u>394</u>

It is Decca Investment Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term was 3 years. At 31 March 2009, the average effective borrowing rate was 7.38% per annum. Interest rates were fixed at the contracts date.

All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

## 30. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the Relevant Periods:

	<b>Bad and doubtful debts</b>	<b>Tax loss</b>	<b>Accelerated tax depreciation</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2008	(1,061)	(2,293)	3,458	104
(Credit) charge to profit or loss	<u>(6,334)</u>	<u>78</u>	<u>(1,569)</u>	<u>(7,825)</u>
At 31 March 2009	(7,395)	(2,215)	1,889	(7,721)
Charge (credit) to profit or loss	<u>3,892</u>	<u>(538)</u>	<u>(2,014)</u>	<u>1,340</u>
At 31 March 2010	(3,503)	(2,753)	(125)	(6,381)
Charge to profit or loss	<u>3,503</u>	<u>2,753</u>	<u>125</u>	<u>6,381</u>
At 31 March 2011	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<b>As at 31 March</b>		
		<b>2009</b>	<b>2010</b>	<b>2011</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed for reporting purposes as:				
Deferred tax assets		7,721	6,630	—
Deferred tax liabilities		<u>—</u>	<u>(249)</u>	<u>—</u>
		<u>7,721</u>	<u>6,381</u>	<u>—</u>

Decca Investment Group had unused tax losses of approximately HK\$94,605,000, HK\$104,249,000 and HK\$101,467,000 at 31 March 2009, 2010 and 2011 respectively, available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$6,514,000, HK\$8,098,000 and HK\$nil of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$88,091,000, HK\$96,151,000 and HK\$101,467,000 at 31 March 2009, 2010 and 2011 respectively, due to unpredictability of future profit streams. The tax losses generated by subsidiaries in United States of America may be carried forward for twenty years. Other tax losses may be carried forward indefinitely.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the Financial Information in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK\$49,438,000, HK\$48,098,000 and HK\$46,147,000 at 31 March 2009, 2010 and 2011 respectively, as Decca Investment Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

**31. SHARE CAPITAL**

	At 31 March 2009, 2010 and 2011	
	Number of shares	Nominal value <i>HK\$'000</i>
Ordinary shares of US\$1.00 each:		
Authorised	<u>50,000</u>	<u>390</u>
Issued and fully paid	<u>10,000</u>	<u>78</u>

There was no movement in Decca Investment's share capital during the Relevant Periods.

**32. OPERATING LEASE COMMITMENTS**

At the end of the reporting period, Decca Investment Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March		
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within one year	3,656	3,214	4,094
In the second to fifth year inclusive	<u>1,734</u>	<u>5,277</u>	<u>6,987</u>
	<u>5,390</u>	<u>8,491</u>	<u>11,081</u>

Operating lease payments represent rental payable by Decca Investment Group for its factory and office premises.

Leases are negotiated for an average term of three years and rentals are fixed for the lease period.

**33. CAPITAL COMMITMENTS**

	As at 31 March		
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Financial Information	<u>10,907</u>	<u>193</u>	<u>—</u>

**34. RETIREMENT BENEFITS SCHEMES**

Decca Investment Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of Decca Investment Group, in funds under the control of trustees. Decca Investment Group contributes 5% of the relevant payroll costs or capped at HK\$1,000 (based on the choice of employees) to the Mandatory Provident Fund Scheme in Hong Kong, which contribution is matched by employees.

The employees of Decca Investment's subsidiaries in the PRC are members of retirement benefits schemes operated by the PRC government. The relevant PRC subsidiaries are required to contribute certain percentages of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to the retired staff.

Subsidiaries in Thailand also contribute certain percentages of the monthly salaries of the employees who have indicated their willingness to join the social security fund in Thailand. The employees of Decca Investment's subsidiaries in Singapore participate in the national pension scheme. The relevant subsidiaries are required to contribute certain percentages of the monthly salaries of their current employees to the central provident fund to fund the benefits. The only obligation of Decca Investment Group with respect to the retirement benefit scheme is to make the specified contributions.

The employer's contributions to the retirement benefits scheme charged to profit or loss in the consolidated statements of comprehensive income and the forfeited voluntary contributions credited to profit or loss amounted to approximately HK\$7,127,000, HK\$6,876,000 and HK\$8,390,000 and HK\$31,000, HK\$5,000 and HK\$41,000 for the years ended 31 March 2009, 2010 and 2011 respectively.

**35. RELATED PARTY TRANSACTIONS**

Apart from the amount due from/to immediate holding company, a fellow subsidiary, a jointly controlled entity and an associate and dividend payable to immediate holding company as disclosed in note 24, during the Relevant Periods Decca Investment Group paid rentals and building management fees of approximately HK\$2,437,000, HK\$2,618,000 and HK\$2,618,000 for the years ended 31 March 2009, 2010 and 2011 respectively in respect of Decca Investment Group's office premises, showrooms and warehouses to a company in which the sole director of Decca Investment has beneficial interests and significant influence over that company. At 31 March 2009, 2010 and 2011, the future minimum lease payment within one year is approximately HK\$2,337,000, HK\$2,337,000 and HK\$1,558,000 respectively and the future minimum lease payment in the second to fifth year inclusive is approximately HK\$3,894,000, HK\$1,558,000 and HK\$nil respectively. Such commitment is included in note 32.

During the years ended 31 March 2009, 2010 and 2011, the Group paid management fee of approximately HK\$15,160,000, HK\$15,083,000 and HK\$14,947,000 respectively to immediate holding company.

During the year ended 31 March 2011, Decca Investment Group disposal of 50% equity interest of DMCL at a consideration of approximately HK\$15,000 to Acelin, a fellow subsidiary of Decca Investment.

**35. RELATED PARTY TRANSACTIONS (Continued)****Compensation of key management personnel**

The remuneration of key management of Decca Investment Group during the Relevant Periods are as follows:

	Year ended 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other short-term benefits	<u>2,281</u>	<u>1,153</u>	<u>1,051</u>

The remuneration of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

**36. MAJOR NON-CASH TRANSACTIONS**

During the year ended 31 March 2009, Decca Investment Group capitalised the amount due from an associate of HK\$5,000,000 as additional paid-up capital of the associate.

During the three years ended 31 March 2009, 2010 and 2011, Decca Investment Group utilised approximately HK\$4,110,000, HK\$2,463,000 and HK\$170,000 of deposit paid for the acquisition of property, plant and equipment.

During the year ended 31 March 2011, the proceeds on disposal of 50% equity interest in DMCL to Acelin of approximately HK\$15,000 was settled through current account with Acelin, a fellow subsidiary of Decca Investment.

**37. EVENTS AFTER THE REPORTING PERIOD**

On 30 May 2011 and 20 September 2011, Decca Investment disposed of Decca (HK) Limited (“Decca HK”) and Decca Limited (the “Disposed Subsidiaries”) to Acelin, a fellow subsidiary, at an aggregate cash consideration of approximately HK\$33,717,000, which is higher than the fair values of the Disposed Subsidiaries at their respective dates of disposal. The difference between the fair value of the Disposed Subsidiaries and the consideration was recognised as a deemed contribution from the shareholder in the financial year ending 31 March 2012. The principal activities of Decca HK and Decca Limited are trading of furniture and fixture and provision of interior design and renovation service.

On 28 October 2011, Wealth Keeper International Limited, an independent third party, the Company and Peasedow, jointly announced the proposed Group Restructuring and the Distribution In Specie, the proposed Share Premium and Reserve Application and the proposed change of name of the Company.

**37. EVENTS AFTER THE REPORTING PERIOD (Continued)**

As a part of the Group Restructuring, the Company will transfer its entire interests in Decca Investment to the Privateco, whereby the Privateco will allot and issue such number of new shares of Privateco (“Privateco Shares”) to the Company such that the then total number of issued Privateco Shares will equal to the number of issued shares of the Company at the date of transfer. Upon the completion of the Group Restructuring, the Privateco will be the immediate holding company of Decca Investment. Upon the approval of the Share Premium and Reserve Application and the Distribution In Specie by the independent shareholders of the Company, the Privateco Shares will be distributed in specie to the shareholders of the Company upon which the Privateco and its subsidiaries will then cease to be the subsidiaries of the Company.

**38. PARTICULARS OF SUBSIDIARIES**

Details of Decca Investment’s subsidiaries at 31 March 2009, 2010 and 2011 are as follows:

Name of company	Place of incorporation/ establishment and operations	Nominal value of issued/ registered capital	Proportion of nominal value of issued capital/ registered capital held by Decca Investment			Principal activity
			2009	2010	2011	
Decca (Mgt) Limited (“DML”) (Note d)	Hong Kong SAR	10 ordinary shares of HK\$100 each 145,600 non-voting deferred shares of HK\$100 each (Note a)	100%	100%	100%	Management services to group entities
Decca Limited (Note d)	Hong Kong SAR	2 ordinary shares of HK\$1 each	100%	100%	100%	Interior decoration works
Decca (HK) Limited (Note d)	Hong Kong SAR	2 ordinary shares of HK\$1 each	100%	100%	100%	Trading of furniture
Decca (China) Limited (Note d)	Hong Kong SAR	100,000 ordinary shares of HK\$1 each	100%	100%	100%	Investment holding and provision of subcontracting services to group companies
Decca Furniture Limited (Note d)	Hong Kong SAR	100,000 ordinary shares of HK\$1 each	100%	100%	100%	Trading of furniture and investment holding
HBF (HK) Limited (Note d)	Hong Kong SAR	10,000 ordinary shares of HK\$1 each	100%	100%	100%	Trading of furniture
Decca Overseas (S) Pte. Ltd. (Note g)	Republic of Singapore	2 shares of SG\$1 each	100%	100%	100%	Trading of furniture
HBF Showroom Pte. Ltd. (Note g)	Republic of Singapore	750,000 shares of SG\$1	100%	100%	100%	Trading of furniture
Decca Furniture (USA) Inc. (Note f)	United States of America	10,000 shares of US\$0.01 each	100%	100%	100%	Investment holding

## 38. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ establishment and operations	Nominal value of issued/ registered capital	Proportion of nominal value of issued capital/ registered capital held by Decca Investment			Principal activity
			2009	2010	2011	
Decca Hospitality Furnishings, LLC (Note f)	United States of America	Capital contribution of US\$154,286	100%	100%	100%	Trading of furniture
Decca Contract Furniture, LLC (Note f)	United States of America	Capital contribution of US\$1,000	100%	100%	100%	Trading of furniture
Bolier & Company, LLC (Note f)	United States of America	Capital contribution of US\$1,000	55%	55%	55%	Trading of furniture
Decca Classic Upholstery, LLC (note f)	United States of America	Capital contribution of US\$1,000	100%	100%	100%	Trading of furniture
東莞達藝家私有限公司 (Note b and e)	PRC	RMB50,000,000	100%	100%	100%	Manufacture of furniture and decoration materials
東莞益新家私裝飾 有限公司 (Note c and e)	PRC	RMB3,600,000	100%	100%	100%	Manufacture of furniture, provision of after-sale services to group entities and interior decoration works
Decca Furniture (Thailand) Limited (Note h)	Thailand	2,450 ordinary shares of Thailand Baht 100 each	100%	100%	100%	Trading of furniture
DMTL (Note h)	Thailand	600,000 common shares of Thailand Baht 100 each	100%	100%	100%	Manufacture and trading of furniture
Decca Furniture Europe Aps (Note i)	Denmark	125,000 shares of Denmark Kroner 1 each	100%	100%	100%	Trading of furniture
DMCL (Note j)	Macau SAR	2 ordinary shares of Macau Pataca 15,000 each	100%	100%	50%	Interior decoration works
東莞港際貿易有限公司 (Note b and e)	PRC	HK\$1,000,000	100%	100%	100%	Trading of raw materials with group entities

**38. PARTICULARS OF SUBSIDIARIES** *(Continued)**Notes:*

- (a) The holders of the non-voting deferred shares are only entitled to dividends when the total dividends declared by DML for any financial year exceed HK\$1 trillion and, in the case of winding up of DML, are only entitled to receive a return of assets when the total value of assets of DML for distribution exceeds HK\$5 billion.
- (b) A wholly foreign owned enterprise established under the laws of the PRC.
- (c) A co-operative joint venture established under the laws of the PRC.
- (d) We have acted as auditors of these companies for during the Relevant Periods. Audited financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards for these companies for each of the Relevant Periods.
- (e) The statutory financial statements of these companies for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and audited by 東莞市匯川會計師事務所, certified public accountants in the PRC.
- (f) The statutory financial statements of these companies during the Relevant Periods were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in United States of America and audited by Smith Leonard PLLC, certified public accountants in The United States of America.
- (g) The statutory financial statements of these companies during the Relevant Periods were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in Singapore and audited by Singapore Assurance PAC, certified public accountants in The Republic of Singapore.
- (h) The statutory financial statements of these companies during the Relevant Periods were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in Thailand and audited by Thana-Ake Advisory Limited, certified public accountants in Thailand.
- (i) The statutory financial statements of this company for each of the three years ended 31 March 2009, 2010 and 2011 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprise in Denmark and audited by Deloitte Statsautoriseret Revisionsaktieselskab, certified public accountants in Denmark.
- (j) The statutory financial statements of this company during the Relevant Periods were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in Macao and audited by Keng On CPAs, certified public accountants in Macao.

None of the subsidiaries had issued any debt securities during the Relevant Periods or at 31 March 2009, 2010 and 2011.



**(B) SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of Decca Investment Group have been prepared in respect of any period subsequent to 31 March 2011.

Yours faithfully,

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

**3. UNAUDITED INTERIM FINANCIAL INFORMATION OF PRIVATECO GROUP**

Set out below are the unaudited interim financial information of Decca Investment and its subsidiaries (“Decca Investment Group”) (the “Interim Financial Information of Decca Investment Group”) for the six months ended 30 September 2011, which have been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules and the basis set out in note 2 to the Interim Financial Information of Decca Investment Group. Deloitte Touche Tohmatsu, the auditor of the Company, has reviewed the Interim Financial Information of Decca Investment Group in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and concluded that nothing has come to their attention that causes them to believe that the Interim Financial Information of Decca Investment Group is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the interim financial information of the Group for the six months ended 30 September 2011 and the basis set out in note 2 to Interim Financial Information of Decca Investment Group.

For the purpose of preparation of the Interim Financial Information of the Decca Investment Group to be included in the Circular, the Directors prepare such unaudited interim financial information in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules which requires the financial information must contain at least a statement of financial position, a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the six months ended 30 September 2011. However, Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” requires a complete set of interim financial report comprises a condensed statement of financial position, a condensed statement of comprehensive income, a condensed statement of changes in equity, and a condensed statement of cash flows for the period together with the notes, comprising a summary of a change in any significant accounting policies and other explanatory information, and the disclosure comparative information in respect of the previous period for all amounts reported in the interim financial information. Thus, the Interim Financial Information of Decca Investment Group does not contain sufficient information to constitute an interim financial report as defined in HKAS 34 “Interim Financial Reporting”.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Six months ended 30 September	
	2010 HK\$'000	2011 HK\$'000
Revenue	310,773	331,540
Cost of sales and services	(229,366)	(232,954)
Gross profit	81,407	98,586
Other income, gains and losses	(560)	2,710
Selling and distribution costs	(16,481)	(20,468)
Administrative expenses	(72,073)	(67,274)
Share of result of an associate	(1,146)	(438)
Share of result of a jointly controlled entity	—	(11)
Finance costs	(2,146)	(1,531)
(Loss) profit before taxation	(10,999)	11,574
Taxation expense	(2,979)	(5,898)
(Loss) profit for the period	(13,978)	5,676
Other comprehensive income for the period:		
Exchange differences arising on translation of foreign operations and to presentation currency	3,676	10,746
Share of translation reserve of an associate	178	69
Other comprehensive income for the period	3,854	10,815
Total comprehensive (expense) income for the period	<u>(10,124)</u>	<u>16,491</u>
(Loss) profit for the period attributable to:		
Owner of Decca Investment	(13,978)	5,988
Non-controlling interests	—	(312)
	<u>(13,978)</u>	<u>5,676</u>
Total comprehensive (expense) income attributable to:		
Owner of Decca Investment	(10,124)	16,803
Non-controlling interests	—	(312)
	<u>(10,124)</u>	<u>16,491</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2011

	As at 31 March 2011 <i>HK\$'000</i>	As at 30 September 2011 <i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	287,607	280,821
Prepaid lease payments	7,136	7,153
Investment in an associate	3,099	2,730
Investment in a jointly controlled entity	3,098	—
Amount due from immediate holding company	700	700
	<u>301,640</u>	<u>291,404</u>
Current assets		
Inventories	106,840	99,159
Accrued revenue	15,410	25,811
Trade receivables	68,118	86,711
Other receivables, deposits and prepayments	16,098	14,875
Amount due from a fellow subsidiary	14	33,717
Prepaid lease payments	409	409
Tax recoverable	3,612	4,077
Bank balances and cash	108,512	98,536
	<u>319,013</u>	<u>363,295</u>
Current liabilities		
Deferred revenue	4,439	1,237
Trade payables	55,413	50,870
Receipts in advance	63,580	51,631
Other payables and accruals	32,701	50,180
Dividend payable to immediate holding company	22,000	22,000
Amount due to immediate holding company	99,409	89,934
Amounts due to fellow subsidiaries	—	18,974
Amount due to an associate	—	6,484
Amount due to a jointly controlled entity	3,310	—
Provision for warranty	4,123	2,818
Tax payable	21,040	24,320
Bank borrowings	82,144	53,183
	<u>388,159</u>	<u>371,631</u>
Net current liabilities	<u>(69,146)</u>	<u>(8,336)</u>
Total assets less current liabilities	<u>232,494</u>	<u>283,068</u>
Non-current liabilities		
Bank borrowings	4,061	2,370
	<u>228,433</u>	<u>280,698</u>

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**APPENDIX II****FINANCIAL INFORMATION  
ON THE PRIVATECO GROUP**

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	<b>As at 31 March 2011 <i>HK\$'000</i></b>	<b>As at 30 September 2011 <i>HK\$'000</i></b>
Capital and reserves		
Share capital	78	78
Reserves	229,979	282,556
	<hr/>	<hr/>
Equity attributable to owner of Decca Investment	230,057	282,634
Non-controlling interests	(1,624)	(1,936)
	<hr/>	<hr/>
Total equity	<u>228,433</u>	<u>280,698</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Attributable to owner of Decca Investment							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Deemed contribution reserve HK\$'000 (Note)	Deemed distribution reserve HK\$'000	Retained profits HK\$'000			
At 1 April 2010	78	19,580	8,662	29,893	—	—	198,245	256,458	—	256,458
Loss for the period	—	—	—	—	—	—	(13,978)	(13,978)	—	(13,978)
Exchange differences arising on translation of foreign operations and to presentation currency	—	—	—	3,676	—	—	—	3,676	—	3,676
Share of translation reserve of an associate	—	—	—	178	—	—	—	178	—	178
Other comprehensive income for the period	—	—	—	3,854	—	—	—	3,854	—	3,854
Total comprehensive income (expense) for the period	—	—	—	3,854	—	—	(13,978)	(10,124)	—	(10,124)
At 30 September 2010	<u>78</u>	<u>19,580</u>	<u>8,662</u>	<u>33,747</u>	<u>—</u>	<u>—</u>	<u>184,267</u>	<u>246,334</u>	<u>—</u>	<u>246,334</u>
At 1 April 2011	78	19,580	8,662	39,780	—	(2,732)	164,689	230,057	(1,624)	228,433
Profit for the period	—	—	—	—	—	—	5,988	5,988	(312)	5,676
Exchange differences arising on translation of foreign operations and to presentation currency	—	—	—	10,746	—	—	—	10,746	—	10,746
Share of translation reserve of an associate	—	—	—	69	—	—	—	69	—	69
Other comprehensive income for the period	—	—	—	10,815	—	—	—	10,815	—	10,815
Total comprehensive income for the period	—	—	—	10,815	—	—	5,988	16,803	(312)	16,491
Disposal of subsidiaries to a fellow subsidiary	—	—	—	—	35,774	—	—	35,774	—	35,774
At 30 September 2011	<u>78</u>	<u>19,580</u>	<u>8,662</u>	<u>50,595</u>	<u>35,774</u>	<u>(2,732)</u>	<u>170,677</u>	<u>282,634</u>	<u>(1,936)</u>	<u>280,698</u>

*Note:*

During the six months ended 30 September 2011, Decca Investment disposed of two of its subsidiaries (the “Disposed Subsidiaries”) to a fellow subsidiary at an aggregate cash consideration of approximately HK\$33,717,000, which is higher than the fair values of the Disposed Subsidiaries at their respective dates of disposal. The difference between the fair value of the Disposed Subsidiaries and the consideration of approximately HK\$35,774,000 was deemed as a contribution from the shareholder and has credited to the equity as a deemed contribution reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Six months ended 30 September	
	2010 HK\$'000	2011 HK\$'000
Operating activities		
(Loss) profit before taxation	(10,999)	11,574
Adjustments for:		
Interest income	(98)	(87)
Interest expense	2,146	1,531
Depreciation of property, plant and equipment	19,035	17,763
Amortisation of prepaid lease payments	202	209
Share of result of an associate	1,146	438
Share of result of a jointly controlled entity	—	11
Allowance for bad and doubtful debts, net	2,365	2,777
Allowance for slow moving inventories	2,811	5,353
Loss on disposal of property, plant and equipment	101	35
Provision for warranty recognised	993	848
Operating cash flow before movements in working capital	17,702	40,452
Decrease (increase) in inventories	6,672	(69)
Decrease (increase) in accrued revenue	11,058	(20,696)
Increase in trade receivables	(38,589)	(23,641)
(Increase) decrease in other receivables, deposits and prepayments	(1,528)	197
Increase in deferred revenue	9,074	13
Increase in trade payables	22,104	10,476
(Increase) decrease in receipts in advance	9,634	(8,133)
Increase in other payable and accruals	836	19,029
Utilisation of provision for warranty	(2,616)	(2,106)
Net cash from operation	34,347	15,522
Hong Kong Profits Tax refunded	167	—
Overseas Profits Tax paid	(1,361)	(961)
Net cash from operating activities	33,153	14,561
Investing activities		
Purchase of property, plant and equipment	(1,239)	(1,382)
Interest received	98	87
Proceeds from disposal of property, plant and equipment	5	—
Repayments from fellow subsidiaries	—	10,897
Net cash outflow from disposal of subsidiaries	—	(8,473)
Net cash (used in) from investing activities	(1,136)	1,129

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**APPENDIX II****FINANCIAL INFORMATION  
ON THE PRIVATECO GROUP**

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	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financing activities		
New bank borrowings raised	13,500	—
Repayment of bank borrowings	(10,647)	(16,591)
Interest on bank borrowings	(2,146)	(1,531)
Repayment to immediate holding company	(314)	(8,847)
Advance from an associate	—	6,484
Repayment to fellow subsidiaries	—	(6,159)
	<hr/>	<hr/>
Net cash from (used in) financing activities	393	(26,644)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	32,410	(10,954)
Cash and cash equivalents at the beginning of the period	52,116	108,512
Effect on foreign exchange rate changes	(198)	978
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>84,328</u>	<u>98,536</u>
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
bank balances and cash	84,536	98,536
bank overdrafts	(208)	—
	<hr/>	<hr/>
	<u>84,328</u>	<u>98,536</u>
	<hr/>	<hr/>



**NOTES TO THE INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010 AND 2011****1. GENERAL**

Decca Investment is a limited company incorporated in the British Virgin Islands (“BVI”). The principal activities of Decca Investment Group are manufacturing and trading of furniture and fixtures and provision of interior decoration works. The immediate holding company and ultimate holding company are Decca Holdings Limited (the “Company”), a company incorporated in Bermuda as an exempted limited liability with its share listed on The Stock Exchange of Hong Kong Limited, and Peasedow Enterprises Limited (“Peasedow”), a company incorporated in the BVI, respectively.

On 30 May 2011 and 20 September 2011, Decca Investment disposed of the Disposed Subsidiaries, namely, Decca (HK) Limited (“Decca HK”) and Decca Limited, respectively to Acelin Investments Limited (“Acelin”), a fellow subsidiary. Accordingly, the results of Decca HK and Decca Limited for the period from 1 April 2011 up to the respective disposal dates have been consolidated into this financial information (“Interim Financial Information”). The principal activities of Decca HK and Decca Limited are trading of furniture and fixture and provision of interior design and renovation services respectively.

On 28 October 2011, Wealth Keeper International Limited, an independent third party, the Company and Peasedow, jointly announced a proposed group restructuring (the “Group Restructuring”) and distribution in specie of shares in Chosen Investments Limited (the “Privateco”), a wholly owned subsidiary of the Company incorporated in Bermuda on 10 October 2011 with limited liability (the “Distribution In Specie”), the proposed application of the credit standing to the share premium and reserve accounts of the Company to permit a distribution in specie (the “Share Premium and Reserve Application”) and the proposed change of name of the Company.

As a part of the Group Restructuring, the Company will transfer its entire interests in Decca Investment to the Privateco, whereby the Privateco will allot and issue such number of new shares of Privateco (“Privateco Shares”) to the Company such that the then total number of issued Privateco Shares will equal to the number of issued shares of the Company at the date of transfer. Upon the completion of the Group Restructuring, Privateco will be the immediate holding company of Decca Investment. Upon the approval of the Share Premium and Reserve Application and the Distribution In Specie by the independent shareholders of the Company, the Privateco Shares will be distributed in specie to the shareholders of the Company upon which the Privateco and its subsidiaries will then cease to be the subsidiaries of the Company.

**2. BASIS OF PREPARATION OF THE INTERIM FINANCIAL INFORMATION**

The interim financial information of Decca Investment Group for the six months ended 30 September 2011 (the “Interim Financial Information”) has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Group Restructuring and the Distribution In Specie, the Share Premium and Reserve Application and the proposed change of name of the Company.

The amounts included in the Interim Financial Information have been recognised and measured in accordance with the relevant accounting policies of the Company and its subsidiaries (the “Group”) adopted in the preparation of its interim financial information of the Company for the six months ended 30 September 2011, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The Interim Financial Information does not contain sufficient information to constitute an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**2. BASIS OF PREPARATION OF THE INTERIM FINANCIAL INFORMATION (Continued)**

In preparing the Interim Financial Information, the sole director of Decca Investment has given due and careful consideration to the future liquidity of Decca Investment Group in light of the net current liabilities position of approximately HK\$8,336,000 as at 30 September 2011. Upon the completion of the Distribution In Specie, in the opinion of the sole director of Decca Investment, based on the current level of unutilised long-term banking facilities available to Decca Investment Group, Decca Investment Group will have adequate unutilised long-term banking facilities to finance its daily operation. If the Distribution In Specie is not completed, in addition to the unutilised long-term banking facilities already in place, Decca Investment has also obtained a confirmation from the immediate holding company that the immediate holding company will not demand repayment from Decca Investment Group until Decca Investment Group has sufficient or excess cash to repay. On this basis, the sole director of Decca Investment has prepared the Interim Financial Information on a going concern basis.

**3. FINANCIAL INFORMATION OF DECCA HK AND DECCA LIMITED**

The following are selected summarised financial information of the Disposed Subsidiaries:

**(i) Unaudited financial information of Decca HK***Unaudited statement of comprehensive income*

	<b>1.4.2011</b> <b>to</b> <b>30.5.2011</b> <i>HK\$'000</i>
Revenue	9,570
Cost of sales	(5,910)
Gross profit	3,660
Other income, gains and losses	1,303
Administrative expenses	(4,285)
Profit before taxation	678
Taxation expense	(112)
Profit and total comprehensive income for the period attributable to the owner of Decca HK	<u>566</u>

*Unaudited statement of changes in equity*

	<b>Share capital</b> <i>HK\$'000</i> <i>(Note)</i>	<b>Deemed distribution reserve</b> <i>HK\$'000</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total equity</b> <i>HK\$'000</i>
At 1 April 2011	—	(2,732)	37,204	34,472
Profit and total comprehensive income for the period	—	—	566	566
At 30 May 2011	<u>—</u>	<u>(2,732)</u>	<u>37,770</u>	<u>35,038</u>

*Note:*

The share capital of Decca HK is HK\$2 from 1 April 2011 to 30 May 2011.

## 3. FINANCIAL INFORMATION OF DECCA HK AND DECCA LIMITED (Continued)

## (i) Unaudited financial information of Decca HK (Continued)

*Unaudited statement of cash flows*

	1.4.2011 to 30.5.2011 HK\$'000
Operating activities	
Profit before taxation	678
Adjustments for:	
Depreciation of plant and equipment	4
Provision for warranty reversed, net	(89)
	<hr/>
Operating cash flow before	
movements in working capital	593
Increase in inventories	(520)
Decrease in trade receivables	3,624
Increase in other receivables, deposits and prepayments	(180)
Decrease in trade payables	(324)
Increase in receipts in advance	2,579
Increase in other payable and accruals	291
Utilisation of provision for warranty	(141)
Decrease in amounts due to fellow subsidiaries	(220)
	<hr/>
Net cash from operating activities	5,702
	<hr/>
Investing activities	
Purchase of plant and equipment	(2)
Repayments from fellow subsidiaries	8,885
Advances to fellow subsidiaries	(12,802)
	<hr/>
Net cash used in investing activities	(3,919)
	<hr/>

## 3. FINANCIAL INFORMATION OF DECCA HK AND DECCA LIMITED (Continued)

## (i) Unaudited financial information of Decca HK (Continued)

*Unaudited statement of cash flows*

	1.4.2011 to 30.5.2011 HK\$'000
Cash from financing activity	
Advances from fellow subsidiaries	27
Net increase in cash and cash equivalents	1,810
Cash and cash equivalents at the beginning of the period	1,730
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u>3,540</u>

## (ii) Unaudited financial information of Decca Limited

*Unaudited statement of comprehensive income*

	1.4.2011 to 20.9.2011 HK\$'000
Revenue	5,999
Cost of sales and services	<u>(5,014)</u>
Gross profit	985
Other income, gains and losses	136
Selling and distribution costs	(23)
Administrative expenses	(1,682)
Finance costs	(141)
Share of result of a jointly controlled entity	<u>(11)</u>
Loss before taxation	(736)
Taxation	<u>—</u>
Loss and total comprehensive expense for the period attributable to the owner of Decca Limited	<u>(736)</u>

3. FINANCIAL INFORMATION OF DECCA HK AND DECCA LIMITED *(Continued)*(ii) Unaudited financial information of Decca Limited *(Continued)**Unaudited statement of changes in equity*

	<b>Share capital</b> <i>HK\$'000</i> <i>(Note)</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2011	—	(36,389)	(36,389)
Loss and total comprehensive expense for the period	—	(736)	(736)
At 20 September 2011	<u>—</u>	<u>(37,125)</u>	<u>(37,125)</u>

*Note:* The share capital of Decca Limited is HK\$2 from 1 April 2011 to 20 September 2011.

## 3. FINANCIAL INFORMATION OF DECCA HK AND DECCA LIMITED (Continued)

## (ii) Unaudited financial information of Decca Limited (Continued)

*Unaudited statement of cash flows*

	1.4.2011 to 20.9.2011 HK\$'000
Operating activities	
Loss before taxation	(736)
Adjustments for:	
Interest income	(141)
Interest expense	141
Share of result of a jointly controlled entity	11
Provision for warranty reversed, net	(94)
Operating cash flow before movements in working capital	(819)
Increase in accrued revenue	(3,499)
Decrease in trade receivables	18,137
Decrease in amounts due from fellow subsidiaries	3,172
Increase in other receivables, deposits and prepayments	(460)
Increase in deferred revenue	1,407
Decrease in trade payables	(1,541)
Increase in amount due to fellow subsidiaries	523
Decrease in other payable and accruals	(1,220)
Utilisation of provision for warranty	(56)
Net cash from operating activities	15,644
Cash used in investing activity	
Advances to fellow subsidiaries	(2,007)
Financing activities	
Advances from fellow subsidiaries	10,795
Repayments to fellow subsidiaries	(21,872)
Repayment to a jointly controlled entity	(30)
Interest paid	(141)
Net cash used in financing activities	(11,248)
Net increase in cash and cash equivalents	2,389
Cash and cash equivalents at the beginning of the period	2,544
Cash and cash equivalents at the end of the period, represented by bank balances and cash	4,933

**4. INDEBTEDNESS STATEMENT**

At the close of business on 31 October 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Privateco Offer Composite Document, the Privateco Group had outstanding bank borrowings of approximately HK\$53,890,000, an unsecured dividend payable to the Company of approximately HK\$21,300,000, an unsecured amount due to the Company of approximately HK\$89,875,000, unsecured amounts due to subsidiaries of Acelin of approximately HK\$16,885,000 and an unsecured amount due to an associate of approximately HK\$6,484,000. As at 31 October 2011, bank borrowings amounting to approximately HK\$13,432,000 were secured over buildings, plant and machinery and office equipment belonging to the Privateco Group with an aggregate carrying value of approximately HK\$30,927,000.

Save as disclosed above and apart from intra-group liabilities, at the close of business on 31 October 2011, the Privateco Group did not have any other outstanding liabilities or any mortgages, charges, debentures, loan capital, bank overdrafts or loans, liabilities under acceptance or other similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Privateco Group since 31 October 2011 up to the Latest Practicable Date.

**5. MATERIAL CHANGE**

Save for the effects of the Group Restructuring and the Distribution In Specie as set out in the Circular and that the Privateco Group is only engaged in the Distributed Businesses pursuant to the completion of the Group Restructuring and Distribution In Specie, the Privateco Directors were not aware of any material changes in the financial or trading position or outlook of the Privateco Group subsequent to 31 March, 2011, being the date to which the audited financial information of Privateco Group set out in Appendix II to this Privateco Offer Composite Document was made up.

*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in the Circular and this Privateco Offer Composite Document received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 31 October 2011 of the property interests held by the Group located in the People's Republic of China, the United States of America and Thailand.*

## **BMI APPRAISALS**

BMI Appraisals Limited 中和邦盟評估有限公司

33<sup>rd</sup> Floor, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong

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20 December 2011

The Directors

**Decca Holdings Limited**

2<sup>nd</sup> Floor

Decca Industrial Centre

21 Cheung Lee Street

Chai Wan

Hong Kong

Dear Sirs,

### **INSTRUCTIONS**

We refer to the instructions from Decca Holdings Limited (the “Company”) for us to value the properties in which the Company and/or its subsidiaries (together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”), the United States of America (the “USA”) and Thailand. We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 October 2011 (the “date of valuation”).

### **BASIS OF VALUATION**

Our valuations of the concerned property interests have been based on the Market Value, which is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.



**PROPERTY CATEGORISATIONS**

In the course of our valuations, the portfolio of the property interests are categorised into the following groups:-

- Group I — Property interest held and occupied by the Group in the PRC
- Group II — Property interests partly held and partly leased by the Group in the PRC
- Group III — Property interests held and occupied by the Group in the USA
- Group IV — Property interest held and occupied by the Group in Thailand

**VALUATION METHODOLOGIES**

We have valued the property interests in Groups I and III on market basis by the Comparison Approach assuming sale in the properties' existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the market. Appropriate adjustments have been made to account for the differences between the properties and the comparables in terms of time, floor level, size and other relevant factors.

In valuing the property interests in Group II, we have adopted the Investment Approach by capitalising the potential rents of the property interests (with reference to current market rent) of which the Group is entitled to receive for the residual term of the lease of the property interests. We have not considered any profit forecasts in the valuations.

In valuing the property interest in Group IV, we have adopted the Depreciated Replacement Cost Approach. Depreciated replacement cost is defined as “the aggregate amount of the value of the land for the existing use or a notional replacement site in the same locality and the new replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for the age, condition, economic or functional obsolescence and environmental factors, etc.; all of these might result in the existing property being worth less to the undertaking in occupation than would a new replacement”. This basis has been used due to the lack of an established market upon which to base comparable transactions, which generally furnishes the most reliable indication of values for assets without a known used market. This opinion of value does not necessarily represent the amount that might be realized from the disposition of the subject asset in the market and is subject to adequate profitability of the business compared to the value of the total assets employed.

**TITLE INVESTIGATION**

We have been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Group's PRC legal advisor — Guangxin Lawyers (廣信律師事務所) and the Group's Thailand legal advisor — Mayer Brown JSM (Thailand) Limited regarding the title of the property interests located in the PRC and Thailand. All documents have been used for reference only.

**VALUATION ASSUMPTIONS**

Our valuations have been made on the assumption that the property interests are sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the values of the property interests.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interests and no forced sale situation in any manner is assumed in our valuations.

**VALUATION CONSIDERATIONS**

We have inspected the properties externally and where possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, completion dates of the buildings, identification of the properties and other relevant information.

Except otherwise stated, dimensions, measurements and site/floor areas included in the valuation certificates are based on information contained in the leases and other documents provided to us and are therefore only approximations.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature, which could affect their values.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Group, the potential tax liabilities which may arise from the sale of the properties include:

- Business tax at a rate of 5% of consideration for the properties in the PRC;
- Stamp duty at a rate of 0.05% of consideration for properties in the PRC;
- Additional tax (including education and city planning, etc.) at a rate of 0.5% of consideration for the properties in Group II in the PRC;

- Profits tax on the profit from the sale at a rate of 25% for the properties in Group II in the PRC;
- Profits tax on the profit from the sale at a rate of 41% for the properties in the USA;
- Transfer fee at a rate of 2% of government appraised value of the property in Thailand;
- Stamp duty at a rate of 0.5% of consideration for the property in Thailand; and
- Special Business tax at a rate of 3.3% of consideration for the property in Thailand.

As advised by the Group, the likelihood of any potential tax liability for the property interests being crystallised is remote as the Group has no intention to sell these property interests.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The Code on Takeovers and Mergers and Share Repurchases issued by The Securities and Futures Commission.

## **REMARKS**

Unless otherwise stated, all monetary amounts stated herein are in Hong Kong Dollars (HK\$). Where necessary, the exchange rates adopted in our valuations are approximately HK\$1 = Renminbi (RMB) 0.82, HK\$1 = US\$0.13 and HK\$1 = THB3.97, being the prevailing exchange rates as at the date of valuation.

Our summary of values and the valuation certificates are attached herewith.

Yours faithfully,  
For and on behalf of  
**BMI APPRAISALS LIMITED**

**Dr. Tony C.H. Cheng**

*BSc., MUD, MBA(Finance), MSc.(Eng), PhD(Econ),  
SIFM, FCIM, CPA UK, MHKIS, MCI Arb,  
MASCE, MIET, MIEEE, MASME, MIIE  
Managing Director*

**Joannau W.F. Chan**

*BSc., MSc., MRICS, MHKIS, RPS(GP)  
Senior Director*

### *Notes:*

Dr. Tony C. H. Cheng is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 18 years' experience in valuations of properties in Hong Kong and the People's Republic of China, the USA and Thailand.

Ms. Joannau W.F. Chan is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 18 years' experience in valuations of properties in Hong Kong, over 12 years' experience in valuations of properties in the People's Republic of China and over 5 years experience in valuations of properties in the USA.

## SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 31 October 2011 HK\$
<b>Group I — Property interest held and occupied by the Group in the PRC</b>		
1.	Unit Nos. 1401 - 1403, Level 14, R&F Yingfeng Mansion, No. 2 Hua Qiang Road, Tianhe District, Guangzhou City, Guangdong Province, The PRC  中國廣東省 廣州市天河區 華強路2號 富力盈豐大廈14層1401至1403室	5,040,000
<b>Sub-total:</b>		5,040,000
<b>Group II — Property interests partly held and partly leased by the Group in the PRC</b>		
2.	A land parcel and various buildings located at Nan Chu Industrial Park, Dalingshan Town, Dongguan City, Guangdong Province, The PRC  位於中國廣東省 東莞市大嶺山鎮 南區工業村之 一塊土地及若干房屋	118,500,000
3.	A land parcel and a warehouse situated at The Third Industrial District, Dalingshan Town, Dongguan City, Guangdong Province, The PRC  位於中國廣東省 東莞市大嶺山鎮 第三工業區之 一塊土地及一個倉庫	1,840,000

No.	Property	Market Value in existing state as at 31 October 2011 <i>HK\$</i>
4.	A land parcel and an industrial building situated at The Third Industrial District, Dalingshan Town, Dongguan City, Guangdong Province, The PRC  位於中國廣東省 東莞市大嶺山鎮 第三工業區之 一塊土地及一個工業大樓	30,200,000
5.	A land parcel and a dormitory building situated at The Third Industrial District, Dalingshan Town, Dongguan City, Guangdong Province, The PRC  位於中國廣東省 東莞市大嶺山鎮 第三工業區之 一塊土地及一個宿舍	9,220,000
<b>Sub-total:</b>		159,760,000
<b>Group III — Property interests held and occupied by the Group in the USA</b>		
6.	311 U3 N. Hamilton Street, High Point, Guilford County, North Carolina 27260, The USA	6,600,000
7.	A land parcel, 3 buildings and various structures located at Nos. 2007-2009 Fulton Place, High Point, Guilford County, North Carolina 27263, The USA	18,500,000
<b>Sub-total:</b>		25,100,000

No.	Property	Market Value in existing state as at 31 October 2011 <i>HK\$</i>
<b>Group IV — Property interest held and occupied by the Group in Thailand</b>		
8.	20/2 Phanomsarakam- Sattahip Road (Land Parcel No. 45289), T.Tabun-mee, A.Koh-Chan, Chonburi 20240, Thailand	27,900,000
	<b>Sub-total:</b>	<u>27,900,000</u>
	<b>Grand-total:</b>	<u><u>217,800,000</u></u>

## VALUATION CERTIFICATE

## Group I — Property interest held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2011 <i>HK\$</i>
1.	Unit Nos. 1401 - 1403, Level 14, R&F Yingfeng Mansion, No. 2 Hua Qiang Road, Tianhe District, Guangzhou City, Guangdong Province, The PRC  中國廣東省 廣州市天河 區華強路2號 富力盈豐大廈14層 1401至1403室	The property comprises 3 office units on Level 14 of a 29-storey commercial/residential building erected on a 3-storey basement completed in about 2009.  The total gross floor area ("GFA") of the property is approximately 206.46 sq.m.  The land use rights of the property have been granted for a term of 50 years commencing on 22 May 2007.	The property is occupied by the Group for office purpose.	5,040,000

*Notes:*

1. Pursuant to 3 Commodity House Sale and Purchase Agreements entered into between Guangzhou R&F Jiasheng Property Development Company Limited (廣州富力嘉盛置業發展有限公司), an independent third party, and Dongguan Yixin Furniture & Decoration Company Limited (東莞益新家私裝飾有限公司) ("Donnguan Yixin") all dated 18 January 2009, the property was contracted to be transferred to Dongguan Yixin at a total consideration of RMB3,541,286. The consideration was inclusive of relevant furniture and decoration.
2. Pursuant to 3 Real Estate Title Registration Search Records, the land use rights of the property have been granted for 50 years commencing on 22 May 2007 and the building ownership rights of the property with a total GFA of approximately 206.46 sq.m. is legally vested in Dongguan Yixin.
3. The opinion given by the PRC legal advisor to the Group contains, inter alia, the following:
  - a. The building ownership rights of the property are legally vested in Dongguan Yixin and Dongguan Yixin has the rights to use, transfer and lease the property; and
  - b. The property is not subject to any material encumbrances.
4. Donnguan Yixin is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

## Group II — Property interests partly held and partly leased by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2011 HK\$
2.	A land parcel and various buildings located at Nan Chu Industrial Park, Dalingshan Town, Dongguan City, Guangdong Province, The PRC  位於中國廣東省東莞市大嶺山鎮南區工業村之一塊土地及若干房屋	The property comprises a land parcel with a site area of approximately 49,109.60 sq.m. and 15 buildings completed in various stages between 1991 and 2008 erected thereon.  The total gross floor area (“GFA”) of the buildings of the property is approximately 110,120.25 sq.m.  The land use rights of the property have been leased to the Group for a term expiring on 30 November 2054.	The property is occupied by the Group for workshop, storage, office, dormitory and ancillary purposes.	118,500,000

*Notes:*

- Pursuant to a Land Use Certificate No. (1988) 2009 issued by Dongguan State Land Bureau dated 10 June 1988, the land use rights of a land parcel with a site area of 60,000 sq.m. (including the land parcel of the property) situated at Nan Chu Industrial Park, Dalingshan Town, Dongguan City for industrial use have been granted to Hong Kong Nan Chu Industrial Park Development Limited for a term expiring on 27 June 2018.
- Pursuant to various Deeds in respect of the Transfer of Debentures and the Transfer of Irredeemable Debentures, and a Preliminary Agreement of Sale and Purchase, dated 10 April 1990, 2 June 1994, 11 April 1996, 24 June 1997 and 19 April 2000 respectively, the land use rights of portions of the land parcel of the property with a total site area of 23,625 sq.m. were leased to Decca (China) Limited (“Decca China”).
- Pursuant to a Contract entered into between Dongguan Dalingshan Town Heyi Holdings Limited (東莞大嶺山鎮合益股份有限公司) dated 18 March 1999, the land use rights of a portion of the land parcel of the property and a portion of the building erected thereon were leased to Decca China at a total consideration of RMB1,350,000. As advised by the Group, the GFA of the building portion is approximately 2,760 sq.m.
- Pursuant to an Agreement entered into between Yuen Wing Sang (袁永生) and Decca China dated 23 December 2003, the land use rights of a portion of the land parcel of the property and the building erected thereon were leased to Decca China at a total consideration of RMB1,200,000. As advised by the Group, the GFA of the building is approximately 38,560 sq.m.
- Pursuant to an Agreement and a Supplemental Agreement entered into between Haotian Corporate Limited (浩天企業有限公司), Dongguan City Dalingshan Drawing Board Processing Plant (東莞市大嶺山木圖板飾加工廠) and Decca China, dated 25 August 2004 and 23 September 2004 respectively, the land use rights of portions of the land parcel of the property with a total site area of 2,500 sq.m. and a portion of the building erected thereon (the remaining portion of the building stated in Note 3) with a GFA of 2,500 sq.m. were leased to Decca China at a total consideration of RMB1,300,000.



6. Pursuant to a Preliminary Agreement entered into between Marcostar Limited and Decca China dated 14 December 2006, the land use rights of a portion of the land parcel of the property and the building erected thereon were leased to Decca China at a total consideration of HK\$3,600,000. As advised by the Group, the GFA of the building is approximately 12,560 sq.m.
7. Pursuant to a Land Compensation Demand Note (土地補償繳款書) issued by Dalingshan Town Economic Development Company dated 18 May 2007, the land use rights of the property with a site area of approximately 49,109.60 sq.m. have been extended for a term commencing on 1 December 2004 and expiring on 30 November 2054 at a consideration of RMB736,600.
8. According to a Construction Land Planning Permit, No. 2005-15-00009, issued by Urban and Town Construction Planning Office of Dongguan City, dated 21 April 2005, the land use planning of portions of the land parcel of the property (stated in Notes 4 and 5) with a total site area of 17,380.85 sq.m. was approved.
9. Pursuant to 15 Real Estate Title Certificates, Yue Fang De Zheng Zi Di Nos. 1692605 to 1692617, 2494197 and 2494198, all issued by Dongguan City Real Estate Administration Bureau (東莞市房產管理局), dated 31 December 1998 and 29 July 2000, 12 buildings of the property with a total GFA of approximately 53,740.25 sq.m. are legally owned by Dongguan Decca Furniture Company Limited (東莞達藝家私有限公司) (“Dongguan Decca”).
10. For the remaining 3 buildings of the property with a total GFA of approximately 56,380 sq.m., the title certificates have not been obtained.
11. The opinion given by the PRC legal advisor to the Group contains, inter alia, the following:
  - a. The contracts and agreements are legally valid and enforceable under the PRC laws; and
  - b. Dongguan Decca has the right to sub-lease the property and is entitled to receive rental income in accordance with the contracts and agreements.
12. Decca China is a wholly-owned subsidiary of the Company.
13. Dongguan Decca is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2011 HK\$
3.	A land parcel and a warehouse situated at The Third Industrial District, Dalingshan Town, Dongguan City, Guangdong Province, The PRC  位於中國廣東省東莞市大嶺山鎮第三工業區之一塊土地及一個倉庫	The property comprises a land parcel with a site area of approximately 1,810.5 sq.m. and a warehouse completed in 2004 erected thereon.  As advised by the Group, the gross floor area (“GFA”) of the warehouse is approximately 1,810.0 sq.m.	The property is occupied by the Group for warehouse purpose.	1,840,000

*Notes:*

1. Pursuant to a Land Use Agreement (土地使用協議書) entered into between Dongguan Yixin Furniture & Decoration Company Limited (東莞益新家私裝飾有限公司) (“Donnguan Yixin”) and Dongguan City Dalingshan Town International Economic Development Company (東莞市大嶺山鎮對外經濟發展總公司), an independent third party, dated 12 July 2002, the land use rights of the land parcel of the property with a site area of 1,810.5 sq.m. were leased to Donnguan Yixin for a term expiring in 2052. As advised by the Group, the GFA of the warehouse erected thereon is approximately 1,810 sq.m.
2. The opinion given by the PRC legal advisor to the Group contains, inter alia, the following:
  - a. The agreement is legally valid and enforceable under the PRC laws; and
  - b. Donnguan Yixin has the right to sub-lease the property and is entitled to receive rental income in accordance with the agreement.
3. Dongguan Yixin is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2011 HK\$
4.	A land parcel and an industrial building situated at The Third Industrial District, Dalingshan Town, Dongguan City, Guangdong Province, The PRC	The property comprises a land parcel with a site area of approximately 11,332.0 sq.m. and an industrial building completed in 2009 erected thereon.  As advised by the Group, the gross floor area (“GFA”) of the industrial building is approximately 29,558 sq.m.	The property is occupied by the Group for industrial purpose.	30,200,000
	位於中國廣東省 東莞市大嶺山鎮 第三工業區之 一塊土地及 一個工業大樓			

*Notes:*

1. Pursuant to an Agreement entered into between Dongguan Decca Furniture Company Limited (東莞達藝家私有限公司) (“Dongguan Decca”) and Dalingshan Town Industrial Development Company (大嶺山鎮工業發展總公司), an independent third party, dated 5 March 2007, the land use rights of the land parcel of the property with a site area of 11,332 sq.m. were leased to Dongguan Decca for a term commencing on 5 March 2007 and expiring on 4 March 2057 at a consideration of RMB2,200,000. As advised by the Group, the GFA of the industrial building erected thereon is approximately 29,558 sq.m.
2. The opinion given by the PRC legal advisor to the Group contains, inter alia, the following:
  - a. The agreement is legally valid and enforceable under the PRC laws; and
  - b. Dongguan Decca has the right to sub-lease the property and is entitled to receive rental income in accordance with the agreement.
3. Dongguan Decca is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2011 HK\$
5.	A land parcel and a dormitory building situated at The Third Industrial District, Dalingshan Town, Dongguan City, Guangdong Province, The PRC	The property comprises a land parcel with a site area of approximately 2,467.3 sq.m. and a dormitory building completed in 2010 erected thereon.  As advised by the Group, the gross floor area (“GFA”) of the dormitory building is approximately 9,044.0 sq.m.	The property is occupied by the Group for dormitory purpose.	9,220,000
	位於中國廣東省 東莞市大嶺山鎮 第三工業區之 一塊土地及 一個宿舍			

*Notes:*

1. Pursuant to a Contract entered into between Dongguan Decca Furniture Company Limited (東莞達藝家私有限公司) (“Dongguan Decca”) and Dongguan City Dalingshan Development Limited (東莞市大嶺山實業發展總公司), an independent third party, dated 1 June 2008, the land use rights of the land parcel of the property with a site area of 2,467.3 sq.m. were leased to Dongguan Decca for a term commencing on 1 June 2008 and expiring on 30 November 2054 at a consideration of RMB400,000. As advised by the Group, the GFA of the dormitory building erected thereon is approximately 9,044.0 sq.m.
2. The opinion given by the PRC legal advisor to the Group contains, inter alia, the following:
  - a. The contract is legally valid and enforceable under the PRC laws; and
  - b. Dongguan Decca has the right to sub-lease the property and is entitled to receive rental income in accordance with the contract.
3. Dongguan Decca is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

## Group III — Property interests held and occupied by the Group in the USA

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2011 <i>HK\$</i>
6.	311 U3 N. Hamilton Street, High Point, Guilford County, North Carolina 27260, The USA	The property comprises the whole of the 3rd floor of a 3-storey commercial building completed in about 1988.  The gross building area of the property is approximately 13,100 sq.ft. (or about 1,217 sq.m.).  The property is held under fee simple interest.	The property is occupied by the Group as a furniture show room.	6,600,000

*Notes:*

1. The registered owner of the property is Decca Furniture (USA) Inc.
2. Decca Furniture (USA) Inc. is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2011 HK\$
7. A land parcel, 3 buildings and various structures located at Nos. 2007-2009 Fulton Place, High Point, Guilford County, North Carolina 27263, The USA	The property comprises a land parcel with a site area of approximately 4.724 acres (or about 19,117 sq.m.) and 3 single-storey buildings and various structures erected thereon.  The buildings were completed in various stages between 1965 and 1971.	The property is occupied by the Group for workshop, warehouse, office and ancillary purposes.	18,500,000
	The total gross building area of the buildings of the property is approximately 77,500 sq.ft. (or about 7,200 sq.m.).		
	The property is held under fee simple interest.		

*Notes:*

1. The registered owner of the property is Decca Furniture (USA) Inc.
2. Decca Furniture (USA) Inc. is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

## Group IV — Property interest held and occupied by the Group in Thailand

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2011 <i>HK\$</i>
8.	20/2 Phanomsarakam-Sattahip Road (Land Parcel No. 45289), T.Tabun-mee, A.Koh-Chan, Chonburi 20240, Thailand	The property comprises a land parcel with a site area of approximately 46,140 sq.m. and 19 buildings and various structures completed in various stages between 1991 and 2011 erected thereon.	The property is occupied by the Group for industrial purpose.	27,900,000
		The total gross floor area (“GFA”) of the buildings of the property is approximately 22,526.95 sq.m.		
		The property is held under freehold interest.		

*Notes:*

1. The land parcel of the property is vested in Decca MFG (Thailand) Limited.
2. The property is subject to a mortgage in favour of Kasikombank Public Company Limited.
3. The opinion given by the Thailand legal advisor to the Group contains, inter alia, the following:
  - a. The ownership over the land parcel of the property is legally registered in Decca MFG (Thailand) Limited; and
  - b. Subject to obligations contemplated under the above mortgage, Decca MFG (Thailand) Limited has the rights and full title to use, transfer and lease out the land parcel of the property.
4. Decca MFG (Thailand) Limited is a wholly-owned subsidiary of the Company.

*Set out below is a summary of certain provisions of the memorandum of association (the “Memorandum of Association”) and bye-laws (the “Bye-laws”) of Privateco which has been adopted on 19 January, 2012.*

## **1. MEMORANDUM OF ASSOCIATION**

The Memorandum of Association states, inter alia, that the liability of members of Privateco is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that Privateco is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which Privateco was formed which are unrestricted and that Privateco has the capacity, rights, powers and privileges of a natural person. As an exempted company, Privateco will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers Privateco to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the “board”) upon such terms and subject to such conditions as it thinks fit.

## **2. BYE-LAWS**

The Bye-laws were adopted on 19 January, 2012. The following is a summary of certain provisions of the Bye-laws:

### **(a) Directors**

#### *(i) Power to allot and issue shares and warrants*

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as Privateco may by ordinary resolution determine (or, in the absence of any such determination or so far as the same shall not make specific provision, as the board may determine). Subject to the Companies Act, and to any special rights conferred on the holders of any shares or attaching to any class of shares, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of Privateco or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as Privateco before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of Privateco on such terms as it may from time to time determine.



Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by Privateco in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in Privateco shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither Privateco nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of Privateco or any of its subsidiaries*

There are no specific provisions in the Bye-laws relating to the disposal of the assets of Privateco or any of its subsidiaries.

*Note:* The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by Privateco and which are not required by the Bye-laws or the Companies Act to be exercised or done by Privateco in general meeting.

(iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by Privateco in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “Bermuda Company Law” in this Appendix.

(v) *Financial assistance to purchase shares of Privateco*

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Bye-laws) and any other relevant regulatory authority, and subject to the Companies Act the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(vi) *Disclosure of interests in contracts with Privateco or any of its subsidiaries*

A Director may hold any other office or place of profit with Privateco (except that of auditor of Privateco) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by Privateco or any other company in which Privateco may be interested, and shall not be liable to account to Privateco or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by Privateco to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with Privateco, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to Privateco or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with Privateco shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of Privateco or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of Privateco or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by Privateco or any other company which Privateco may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of Privateco by virtue only of his/their interest in shares or debentures or other securities of Privateco; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of Privateco or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by Privateco in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of Privateco or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of Privateco or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of Privateco or companies with which it is associated in business) in establishing and making contributions out of Privateco's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with Privateco or any of its subsidiaries) and ex-employees of Privateco and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(viii) Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

*Note:* There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the board as an addition to the existing board shall hold office only until the next following annual general meeting of Privateco and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in Privateco by way of qualification.

A Director may be removed by an ordinary resolution of Privateco before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and Privateco) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by Privateco in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of Privateco.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with Privateco for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against Privateco or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) *Borrowing powers*

The board may from time to time at its discretion exercise all the powers of Privateco to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of Privateco and, subject to the Companies Act, to issue debentures, bonds and other securities of Privateco, whether outright or as collateral security for any debt, liability or obligation of Privateco or of any third party.

*Note:* These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of Privateco.

**(b) Alterations to constitutional documents**

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of Privateco in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of Privateco.

**(c) Alteration of capital**

Privateco may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Privateco may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

**(e) Special resolution-majority required**

A special resolution of Privateco must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. In the case of a meeting other than an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and not less than ten (10) clear business days has been given.

**(f) Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of Privateco it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of Privateco or at any meeting of any class of members of Privateco provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands..

Where Privateco has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of Privateco or restricted to voting only for or only against any particular resolution of Privateco, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of Privateco must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

**(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by Privateco, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of Privateco and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of Privateco's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of Privateco except as conferred by law or authorised by the board or Privateco in general meeting.



Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of Privateco under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before Privateco at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address Privateco is not aware of or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), Privateco may send to such persons summarised financial statements derived from Privateco's annual accounts and the directors' report instead provided that any such person may by notice in writing served on Privateco, demand that Privateco sends to him, in addition to summarised financial statements, a complete printed copy of Privateco's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of Privateco and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of Privateco shall, during his continuance in office, be eligible to act as an auditor of Privateco. The remuneration of the auditor shall be fixed by Privateco in general meeting or in such manner as the members may determine.

The financial statements of Privateco shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in subparagraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other special general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

**(j) Transfer of shares**

All transfers of shares may be effected in any manner permitted by and in accordance with the rules of the Designated Stock Exchange or by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which Privateco has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to Privateco in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for Privateco to purchase its own shares**

The Bye-laws supplement Privateco's Memorandum of Association (which gives Privateco the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

**(l) Power for any subsidiary of Privateco to own shares in Privateco**

There are no provisions in the Bye-laws relating to ownership of shares in Privateco by a subsidiary.

**(m) Dividends and other methods of distribution**

Subject to the Companies Act, Privateco in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. Privateco in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render Privateco unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by Privateco on or in respect of any shares all sums of money (if any) presently payable by him to Privateco on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

**(o) Call on shares and forfeiture of shares**

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(p) Inspection of register of members**

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

**(q) Quorum for meetings and separate class meetings**

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(u) Other provisions**

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

**3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS**

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' and not less than ten (10) clear business days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

**4. BERMUDA COMPANY LAW**

Privateco is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Share capital**

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account was paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
  - (aa) the preliminary expenses of the company; or
  - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

**(b) Financial assistance to purchase shares of a company or its holding company**

There is no longer any statutory restriction in Bermuda on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in accordance with their fiduciary duties to the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(c) Purchase of shares and warrants by a company and its subsidiaries**

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised



but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the Company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) shall be made to the Company in respect of shares held by the company as treasury shares. Any shares allotted by the Company as fully paid bonus shares in respect of shares held by the Company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the Company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

**(d) Dividends and distributions**

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than its liabilities. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

**(e) Protection of minorities**

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the Company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

**(f) Management**

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

**(g) Accounting and auditing requirements**

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the Company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the Company to ascertain with reasonable accuracy the financial position of the Company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the Company must, at least once a year, lay before the Company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

**(h) Auditors**

Unless the requirement to appoint-an auditor is waived by all of the shareholders and all of the directors, either in writing or at the general meeting, any auditor appointed shall hold office until a seccessor is appointed by the members or, if the members fail to do so, until the director appoint a successor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at a general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

**(i) Exchange control**

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

**(j) Taxation**

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the Company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 31 March, 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

**(k) Stamp duty**

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

**(l) Loans to directors**

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting or in the case of a company that has made an election to dispense with annual general meetings in accordance with the Companies Act, at or before the next following general meeting which shall be convened within 12 months of the authorisation of the making of the loan, if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

**(m) Inspection of corporate records**

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

**(n) Winding up**

a company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the Company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

## **5. GENERAL**

Conyers Dill & Pearman, Privateco's legal advisers on Bermuda law, have sent to Privateco a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

## 1. RESPONSIBILITY STATEMENTS

The Privateco Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Privateco Offer Composite Document (other than information relating to Peasedow) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Privateco Offer Composite Document (other than opinions expressed by Peasedow) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The directors of Peasedow jointly and severally accept full responsibility for the accuracy of the information contained in this Privateco Offer Composite Document (other than information relating to the Privateco Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Privateco Offer Composite Document (other than opinions expressed by the Privateco Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Privateco Offer Composite Document, the omission of which would make any statement in this Privateco Offer Composite Document misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Privateco as at the Latest Practicable Date were as follows:

<i>Authorised</i>	<i>HK\$</i>
400,000,000 Privateco Shares of HK\$0.1 each as at the Latest Practicable Date	40,000,000
<i>Issued and fully paid or credited as fully paid:</i>	
1 Privateco Share allotted and issued on 21 October, 2011	0.10
199,999,999 Privateco Shares allotted and issued on 13 January, 2012	19,999,999.90
<u>200,000,000</u> Privateco Shares as at the Latest Practicable Date	<u>20,000,000.00</u>

Save for (i) the initial allotment of 1 Privateco Share to the Listco on 21 October, 2011 after the incorporation of the Privateco and (ii) the 199,999,999 Privateco Shares allotted and issued on 13 January, 2012 pursuant to the Group Restructuring, the Privateco has not issued any Privateco Shares since 21 October, 2011.

All Privateco Shares in issue rank pari passu in all respects with each other including all rights as regards rights to dividends, voting and return of capital.

As at the Latest Practicable Date, the Privateco Group did not have any outstanding options, warrants, derivatives or other securities carrying rights of conversion into or exchange or subscription for the Privateco Shares.



### 3. MARKET PRICES

As the Privateco Shares are not listed on the Stock Exchange or any other stock exchanges, there is no information in relation to the prices of the Privateco Shares quoted on the Stock Exchange or any other stock exchanges.

### 4. SHAREHOLDINGS AND DEALINGS

#### Shareholdings in Privateco

As at the Latest Practicable Date, the shareholdings in the Privateco in which the Privateco Directors were interested (as defined in Note 3 of paragraph 2 of Schedule 2 of the Takeover Code) are as follows:

Name of Privateco Director	Type of interest	Number of Privateco Shares of HK\$0.10 each	
		Shareholdings	Percentage of the issued share capital of the Privateco
Mr. Tsang Chi Hung	Beneficial owner, interest in controlled corporation and family interest (note 1)	132,353,324	66.18% (note 1)
Ms. Kwan Yau Choi	Beneficial owner, interest in controlled corporation and family interest (note 1)	132,353,324	66.18% (note 1)
Mr. Liu Hoo Kuen	Beneficial owner	8,707,481	4.35%
Ms. Fung Sau Mui	Beneficial owner	750,000	0.38%

Notes:

- Mr. Tsang Chi Hung and his wife Ms. Kwan Yau Choi own 348 shares and 347 shares of US\$1 each respectively of Peasedow, each representing approximately 35% of the issued share capital of Peasedow, which in turn owns 112,511,670 shares of Privateco. As such, Mr. Tsang Chi Hung is deemed to be interested in the Privateco Shares held by his wife, Ms. Kwan Yau Choi, and Peasedow, and Ms. Kwan Yau Choi is deemed to be interested in the Privateco Shares held by her husband, Mr. Tsang Chi Hung, and Peasedow, all pursuant to Part XV of the SFO. Mr. Tsang Chi Hung, Ms. Kwan Yau Choi and Mr. Liu Hoo Kuen in their names and through Peasedow own 141,060,805 shares of Privateco in aggregate, representing 70.53% of the issued share capital of Privateco.

As at the Latest Practicable Date, the shareholdings in Privateco in which Peasedow, its ultimate beneficial owners, any persons acting in concert with any of them and its directors are interested (as defined in Note 3 of paragraph 4 of Schedule 1 of the Takeovers Code) were as follows:

Name	Type of interest	Number of Privateco Shares	Percentage of the issued share capital of Privateco
Peasedow	Beneficial owner	112,511,670	56.26%
Mr. Tsang	Beneficial owner, interest in controlled corporation and family interest ( <i>note 1</i> )	132,353,324	66.18% ( <i>Note 1</i> )
Ms. Kwan	Beneficial owner, interest in controlled corporation and family interest ( <i>note 1</i> )	132,353,324	66.18% ( <i>Note 1</i> )
Mr. Liu	Beneficial owner	8,707,481	4.35%

*Notes:*

1. Mr. Tsang Chi Hung and his wife Ms. Kwan Yau Choi own 348 shares and 347 shares of US\$1 each respectively of Peasedow, representing approximately 35% each of the issued share capital of Peasedow, which in turn owns 112,511,670 shares of the Privateco. As such, Mr. Tsang Chi Hung is deemed to be interested in the Privateco Shares held by his wife, Ms. Kwan Yau Choi, and Peasedow, and Ms. Kwan Yau Choi is deemed to be interested in the Privateco Shares held by her husband, Mr. Tsang Chi Hung, and Peasedow, all pursuant to Part XV of the SFO. Mr. Tsang Chi Hung, Ms. Kwan Yau Choi and Mr. Liu Hoo Kuen in their names and through Peasedow own 141,060,805 shares of Privateco in aggregate, representing 70.53% of the issued share capital of Privateco.

### Interests in Peasedow

As at the Latest Practicable Date, Privateco did not have any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of Peasedow and had not dealt for value in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of Peasedow during the Relevant Period.

As at the Latest Practicable Date, the Shareholdings in Peasedow in which the Privateco Directors were interested (as defined in Note 3 of paragraph 2 of Schedule 2 of the Takeovers Code) are as follows:

Name of Privateco Director	Type of interest	Number of Shares of HK\$0.10 each in Peasedow	
		Shareholdings	Percentage of the issued share capital of Peasedow
Mr. Tsang Chi Hung	Beneficial owner and family interest (note 1)	695	69.5%
Ms. Kwan Yau Choi	Beneficial owner and family interest (note 1)	695	69.5%
Mr. Liu Hoo Kuen	Beneficial owner	305	30.5%

Notes:

1. Mr. Tsang Chi Hung and his wife Ms. Kwan Yau Choi own 348 shares and 347 shares of US\$1 each in the share capital of Peasedow respectively and pursuant to Part XV of the SFO, each of Mr. Tsang Chi Hung and his wife Ms. Kwan Yau Choi is deemed to be interested in the shares of Peasedow held by the other.

Save as disclosed above, as at the Latest Practicable Date, none of the Privateco Directors had any other interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of Peasedow.

#### Dealings in securities of Privateco

During the Relevant Period, save for the Distribution In Specie under which an aggregate of 141,060,805 Privateco Shares were issued to the Privateco Directors and parties acting in concert with them, none of the Privateco Directors had dealt for value in Privateco Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Privateco Shares.

During the Relevant Period, save for the Distribution In Specie under which an aggregate of 152,884,805 Privateco Shares were issued to Peasedow and parties acting in concert with it (for clarity includes the 11,824,000 Privateco Shares issued to Anglo Chinese related group), none of Peasedow, its director or parties acting in concert with any of them had dealt in the Privateco Shares, warrants, options, derivatives and securities carrying conversion or subscription rights in the Privateco Shares.

During the Relevant Period, none of Peasedow, its directors and ultimate beneficial owners and parties acting in concert with any of them, have borrowed or lent any Privateco Shares or other securities of Privateco carrying voting rights, or convertible securities, warrants, options or derivatives of Privateco.

Furthermore, during the Relevant Period,

- (a) none of the subsidiaries of Privateco, pension funds of the Privateco Group or advisers to Privateco as specified in class (2) of the definition of associate under the Takeovers Code, including Beijing Securities, had any shareholdings or dealings in any Privateco Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Privateco Shares;
- (b) no fund managers connected with Privateco had any dealings in any Privateco Shares, warrants, options, derivatives or securities carrying conversion or subscription rights into Privateco Shares.

#### **Dealings in securities of Peasedow**

During the Relevant Period, none of the Privateco Directors had any dealings in shares of Peasedow, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of Peasedow.

#### **Miscellaneous**

As at the Latest Practicable Date,

- (a) no shareholding in Privateco was owned or controlled by a subsidiary of Privateco or by a pension fund of any member of the Privateco Group or by an adviser to Privateco as specified in class (2) of the definition of associate under the Takeovers Code or by Beijing Securities and their associates (as defined in the Listing Rules);
- (b) save for the Distribution In Specie, no person had any arrangement of the kind described in note 8 to Rule 22 of the Takeovers Code with Privateco or any person who is an associate of Privateco by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code and no such person had dealt in any Privateco Shares, warrants, options, derivatives or securities carrying conversion or subscription rights into Privateco Shares during the Relevant Period;
- (c) none of Peasedow, its associates, its ultimate beneficial owner or any person acting in concert with any of them had any arrangement or indemnity of the kind described in note 8 to Rule 22 of the Takeovers Code with any person;
- (d) no shareholding in Privateco was managed on a discretionary basis by fund managers connected with Privateco;
- (e) No person had irrevocably committed themselves to accept or reject the Privateco Offer.
- (f) Mr. Tsang, Ms. Kwan and Mr. Liu who are Privateco Directors and also directors of Peasedow will not be subject to the Privateco Offer, Ms. Fung Sau Mui, a Privateco Director, intends to accept the Privateco Offer in respect of 750,000 Privateco Shares held by her.
- (g) no benefit (other than statutory compensation) would be given to any Privateco Director as compensation for loss of office or otherwise in connection with the Privateco Offer;

- (h) there was no agreement, arrangement or understanding (including any compensation arrangement) between Peasedow, its ultimate beneficial owner or any person acting in concert with any of them and any director, recent director, shareholder or recent shareholder of Privateco which had any connection with or dependence upon the Privateco Offer;
- (i) there was no material contracts entered into by Peasedow or its ultimate beneficial owner in which any Privateco Director has any material personal interest;
- (j) there is no service contract with Privateco or any of its subsidiaries or associated companies in force for the Privateco Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months before 28 October, 2011; (ii) which is continuous contract with a notice period of 12 months or more; or (iii) which is fixed term contract with more than 12 months to run irrespective of the notice period;
- (k) save for the completion of the Sale and Purchase Agreement and the Distribution In Specie, there was no agreement or arrangement to which Peasedow or its ultimate beneficial owners are a party which relate to circumstances in which it may or may not invoke or seek to invoke a condition to the Privateco Offer;
- (l) none of Privateco nor any of the Privateco Directors had borrowed or lent any Privateco Shares; and
- (m) there was no agreement or arrangement between any Privateco Director and any other person which is conditional on or dependent upon the outcome of the Privateco Offer or otherwise connected with the Privateco Offer.

## 5. MATERIAL CONTRACTS

No material contracts, not being contracts entered into in the ordinary course of business of the Privateco Group, were entered into by the Privateco Group within two years immediately preceding the commencement of the offer period, being 28 October, 2011.

## 6. LITIGATION

As at the Latest Practicable Date, save as disclosed below, none of the members of the Privateco Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Privateco Group:

- (a) a claim made by Winmost Enterprises Limited against the Company, Decca (HK) Ltd. (a subsidiary of the Company) and Mr. Wong Kam Hong, the executive Director, for, inter alia, damages for defamation and an injunction in relation to the publishing, printing, circulating, distributing, repeating or otherwise an article published by Oriental Daily News in September 2005. As confirmed by the Company, although there were discussions between the parties to the defamation claim for settlement of the claim, no agreement has been reached. The amount of damages for defamation (if any) is to be determined by court;

- (b) a dispute between Decca Ltd. (a subsidiary of the Company) and Hophin Design Limited in relation to the payment of an outstanding retention amount of HK\$2 million owed by Hophin Design Limited to Decca Ltd. in an interior fitting out works at 7 Black's Link, Hong Kong which may lead to arbitration or claims against Decca Ltd.;
- (c) a claim made on 24 June, 2003 by Pacific Marble & Granite (H.K.) Limited ("Pacific Marble") against the Company for a sum of about HK\$1,020,112.15 being outstanding retention money allegedly owed under a contract dated 1 March 2000 and a contract dated 14 March 2000; and
- (d) a claim made on 19 July, 2003 by the Company against Pacific Marble for a sum of HK\$1,976,464.50 being damages for breach of contract dated 21 March, 2000.

## 7. EXPERTS AND CONSENTS

- (a) The following is the qualification of the experts who have given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
BMI Appraisals Limited	Independent property valuer
Anglo Chinese	a corporation licensed under the SFO to carry out Type 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) and 9 (asset management) regulated activities
Conyers Dill & Pearman	Bermuda legal advisers
Deloitte Touche Tohmatsu	Certified public accountants
Beijing Securities	a corporation licensed under the SFO to carry out type 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities

- (b) Each of BMI Appraisals Limited, Beijing Securities, Conyers Dill & Pearman, Deloitte Touche Tohmatsu and Anglo Chinese has given and has not withdrawn its written consent to the issue of this Privateco Offer Composite Document with the inclusion of its letter and references to its name in the form and context in which they appear respectively.

## 8. GENERAL

- a) Peasedow is ultimately and beneficially owned as to 34.8 per cent by Mr. Tsang, as to 34.7 per cent by Ms. Kwan and as to 30.5 per cent by Mr. Liu. The registered office of Peasedow is P.O. Box 957, Offshore Incorporation Centre, Road Town, the British Virgin Islands and the correspondence address is 2/F, Decca Industrial Centre, 21 Cheung Lee Street, Chai Wan, Hong Kong. The directors of Peasedow are Mr. Tsang, Ms. Kwan and Mr. Liu. The correspondence address of Mr. Tsang, Ms. Kwan and Mr. Liu is 2/F, Decca Industrial Centre, 21 Cheung Lee Street, Chai Wan, Hong Kong.
- b) The registered address of Privateco is Claredon House, 2 Church Street, Hamilton, HM 11 Bermuda and its correspondence address in Hong Kong is 2/F, Decca Industrial Centre, 21 Cheung Lee Street, Chai Wan, Hong Kong.

- c) The registered address of Anglo Chinese is at 40th Floor, Two Exchange Square, Connaught Place, Central, Hong Kong.
- d) The registered address of Beijing Securities is at Suite 5128, 51/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.
- e) The securities to be acquired in pursuance to the Privateco Offer will not be transferred, charged or pledged to any other persons.
- f) The English text of each of this Privateco Offer Composite Document and the accompanying Form of Acceptance and Transfer shall prevail over the Chinese text.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the principal place of business of the Company in Hong Kong during normal business hours on any weekday other than public holidays; (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); and (iii) on the website of Decca Holdings Limited (to be renamed Chinlink International Holdings Limited) ([www.decca.com.hk](http://www.decca.com.hk)) from the date of this Privateco Offer Composite Document up to and including the close of the Privateco Offer:

- (a) the Memorandum of Association and Bye-laws of Privateco;
- (b) the Memorandum and Articles of Association of Peasedow;
- (c) the letter from the Privateco Board, the text of which is set out on pages 8 to 10 of this Privateco Offer Composite Document
- (d) the letter from Anglo Chinese, the text of which is set out on pages 11 to 15 of this Privateco Offer Composite Document
- (e) the letter of advice from Beijing Securities, the text of which is set out on pages 16 to 26 of this Privateco Offer Composite Document;
- (f) the accountants' report on the audited financial information of the Privateco Group for the three financial years ended 31 March 2009, 2010 and 2011 from Deloitte Touche Tohmatsu contained in the Circular, part of which is extracted/reproduced in Appendix II to this Privateco Offer Composite Document;
- (g) the unaudited interim financial information of the Privateco Group for the six months ended 30 September 2011 contained in the Circular, the text of each of which is reproduced in Appendix II to this Privateco Offer Composite Document;
- (h) the property valuation report from BMI Appraisals Limited contained in the Circular the text of which is reproduced in Appendix III to this Privateco Offer Composite Document;
- (i) the letter from Conyers Dill & Pearman dated 27 January, 2012 as referred to in Appendix IV to this Privateco Offer Composite Document summarising certain provisions of the memorandum of association and Bye-laws of Privateco and certain aspects of Bermuda company law, together with a copy of The Companies Act 1981 of Bermuda;
- (j) the Circular; and
- (k) the written consents referred to in the section headed "Experts and consents" in this appendix.