
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Privateco Offer, this Composite Document and/or the accompanying 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 Privateco Shares, you should at once hand this Composite Document together with the accompanying Form of Acceptance and Transfer to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This 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, the Stock Exchange and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying 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 Composite Document and the accompanying Form of Acceptance and Transfer.

**FAIRY KING PRAWN HOLDINGS
LIMITED**

(Incorporated in the BVI with limited liability)

SIH LIMITED

(Incorporated in the BVI with limited liability)

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO THE
UNCONDITIONAL VOLUNTARY CASH OFFER FOR ALL THE ISSUED SHARES
IN SIH LIMITED**

**(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
FAIRY KING PRAWN HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

BY



**ON BEHALF OF
FAIRY KING PRAWN HOLDINGS LIMITED**

Financial adviser to Fairy King Prawn Holdings Limited



Independent Financial Adviser to the Independent Privateco Shareholders



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

A letter from the Privateco Board is set out on pages 6 to 9 of this Composite Document. A letter from GF Securities containing, among other things, the details of the terms of the Privateco Offer is set out on pages 10 to 16 of this Composite Document. A letter from Fulbright Capital containing its advice to the Independent Privateco Shareholders in respect of the Privateco Offer is set out on pages 17 to 39 of this Composite Document.

The procedures for acceptance and settlement of the Privateco Offer and other related information are set out on pages I-1 to I-7 in Appendix I to this Composite Document and in the accompanying Form of Acceptance and Transfer. Acceptances of the Privateco Offer should be received by the Transfer Agent by no later than 4:00 p.m. on Monday, 21 July 2014 or such later time(s) and/or date(s) as Fairy King Prawn may determine and announce in accordance with the requirements of the Takeovers Code.

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the expected timetable.

2014

Privateco Offer opens for acceptance	Monday, 30 June
Latest time and date for acceptance of the Privateco Offer	4:00 p.m. on Monday, 21 July
Closing Date, if not revised or extended (<i>Note 1</i>)	Monday, 21 July
Announcement of the results of the Privateco Offer posted on the Stock Exchange's website under the Listco and the SFC's website (<i>Note 1</i>)	By 7:00 p.m. on Monday, 21 July
Announcement of the results of the Privateco Offer published in The Standard and Hong Kong Economic Journal	Tuesday, 22 July
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Privateco Offer (<i>Note 2</i>)	Wednesday, 30 July
Despatch date of the Privateco Share certificates for the Privateco Shareholders who do not accept the Privateco Offer	no later than Wednesday, 30 July

Notes:

- (1) The Privateco Offer, which is unconditional, will close on Monday, 21 July 2014 unless Fairy King Prawn revises or extends the Privateco Offer in accordance with the Takeovers Code. An announcement will be issued through the Stock Exchange's website under the Listco and the SFC's website by 7:00 p.m. on Monday, 21 July 2014 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 Fairy King Prawn 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 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) by ordinary mail at his/her/ its own risks as soon as possible but in any event within 7 Business Days of the date of receipt by the Transfer Agent of the duly completed Form of Acceptance and Transfer.
- (3) If there is a tropical cyclone warning signal number 8 above, or a "black" rainstorm warning in force in Hong Kong:
 - (a) at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Privateco Offer and the latest date for posting of remittances for the amounts due under the Privateco Offer in respect of valid acceptances, the latest time for acceptance of the Privateco Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day.

EXPECTED TIMETABLE

- (b) at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Privateco Offer and the latest date for posting of remittances for the amounts due under the Privateco Offer in respect of valid acceptances, the latest time for acceptance of the Privateco Offer and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

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

DEFINITIONS

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

“Act” or “BVI Companies Act”	the BVI Business Companies Act, 2004 of the BVI;
“acting in concert”	has the same meaning ascribed to it in the Takeovers Code;
“associate(s)”	has the same meaning ascribed to it under the Listing Rules;
“Business Day(s)”	a business day is a day on which the Stock Exchange is open for the transaction of business;
“BVI”	the British Virgin Islands;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“Circular”	the circular of the Listco dated 24 May 2014 which contains, among other things, details of the Group Restructuring, the Distribution In Specie, the Framework Purchase Agreement (i.e. a special deal under the Takeovers Code) and the respective transactions contemplated thereunder;
“Closing Date”	21 July 2014, or if the Privateco Offer is extended, the closing date of the Privateco Offer as extended by Fairy King Prawn in accordance with the Takeovers Code;
“Composite Document”	this offer and response document relating to the Privateco Offer issued by Fairy King Prawn and the Privateco in accordance with the Takeovers Code;
“Confirmation”	a confirmation made on 27 June 2014 and entered into among Fairy King Prawn and parties acting in concert with it, Mr. Lau Sak Hong, Philip, Mr. Lau Yat Sun, Kevin, Ms. Lau Jun Jun, the Privateco and the Privateco Directors which set out the respective confirmations from each party as required under the Takeovers Code for the Privateco Offer and for each party acting in concert with the Privateco Offeror that each of the party acting in concert with the Privateco Offeror will not accept the Privateco Offer;
“Distributed Businesses”	the Listco Group’s business of property investment and sale of certain existing models of electronic products to the Remaining Group in accordance with the terms of the Framework Purchase Agreement carried on by the Privateco Group upon completion of the Group Restructuring and the Distribution In Specie;

DEFINITIONS

“Distribution In Specie”	a distribution in specie of the Privateco Shares by the Listco to its shareholders as described in the section headed “Distribution In Specie Of The New Privateco Shares” of the Circular;
“Executive”	Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Fairy King Prawn”	Fairy King Prawn Holdings Limited, a company incorporated in the BVI with limited liability and is owned as to 70% by Danehill Capital Holdings Limited, a company wholly-owned by Mr. Lau Sak Hong, Philip, as to 15% by Concepts Capital Limited, a company wholly-owned by Mr. Lau Yat Sun, Kevin, son of Mr. Lau Sak Hong, Philip and as to 15% by Grandjestic Property Limited, a company wholly-owned by Ms. Lau Jun Jun, daughter of Mr. Lau Sak Hong, Philip;
“Form of Acceptance and Transfer”	the form of acceptance and transfer of Privateco Shares in respect of the Privateco Offer accompanying this Composite Document;
“Framework Purchase Agreement”	the framework purchase agreement to be entered into between the Privateco and Treasure Green Holdings Limited in respect of the supply of electronic products by the Privateco Group to the Remaining Group, pursuant to the Group Restructuring, which will constitute a special deal for the Listco under Rule 25 of the Takeovers Code;
“Fulbright Capital” or “Independent Financial Adviser”	Fulbright Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Privateco Shareholders in respect of the Privateco Offer;
“GF Capital”	GF Capital (Hong Kong) Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to Fairy King Prawn in respect of the Privateco Offer;
“GF Securities”	GF Securities (Hong Kong) Brokerage Limited, a licensed corporation to carry out types 1 (dealing in securities) and 4 (advising on securities) regulated activities under the SFO, being the agent making the Privateco Offer on behalf of Fairy King Prawn;
“Group Restructuring”	the group restructuring of the Listco Group, details of which are set out in the section headed “Proposed Group Restructuring and Deemed Very Substantial Disposal Relating To The Disposal” of the Circular;

DEFINITIONS

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Privateco Shareholders”	the Privateco Shareholders other than Fairy King Prawn and any parties acting in concert with it;
“Joint Announcement”	the joint announcement issued by Achieve Prosper Capital Limited, Fairy King Prawn and the Listco dated 21 March 2014 in relation to, among other things, the Group Restructuring, the Distribution In Specie, the Framework Purchase Agreement (i.e. a special deal under the Takeovers Code) and the Privateco Offer;
“Latest Practicable Date”	27 June 2014, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information for inclusion in this Composite Document;
“Listco”	Starlight International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock code: 485);
“Listco Board”	the board of Listco Directors;
“Listco Director(s)”	the director(s) of the Listco;
“Listco Group”	the Listco and its existing subsidiaries;
“Listco’s Shares”	shares of HK\$0.10 each in the capital of the Listco;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macau Special Administrative Region of the PRC;
“Overseas Privateco Shareholder(s)”	overseas Privateco Shareholder(s) whose address(es) is(are) outside Hong Kong;
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, excludes Hong Kong, Macau and Taiwan;

DEFINITIONS

“Privateco”	SIH Limited, a company incorporated in the BVI on 21 September 1989 with limited liability, which will operate the Distributed Businesses upon completion of the Group Restructuring and a wholly owned subsidiary of the Listco immediately prior to the Distribution In Specie;
“Privateco Board”	the board of Privateco Directors;
“Privateco Director(s)”	the director(s) of the Privateco;
“Privateco Group”	Privateco and its subsidiaries upon completion of the Group Restructuring;
“Privateco Offer”	the unconditional voluntary cash offer to be made by GF Securities on behalf of Fairy King Prawn to acquire all the Privateco Shares (other than those already owned or agreed to be acquired by Fairy King Prawn and parties acting in concert with it);
“Privateco Shares”	ordinary share(s) of HK\$0.01 each in the capital of the Privateco;
“Privateco Shareholder(s)”	holder(s) of the Privateco Shares;
“Record Date”	26 June 2014, the record date to determine entitlements to the Distribution In Specie;
“Relevant Period”	the period commencing on 21 September 2013 (being the date falling six months prior to the date of the Joint Announcement) and ending on and including the Latest Practicable Date;
“Remaining Group”	the Listco and the Remaining Subsidiaries upon completion of the Group Restructuring, the Distribution In Specie and the Creditors’ Scheme (as defined in the Circular) becoming effective;
“Remaining Subsidiaries”	the remaining subsidiaries of the Listco upon completion of the Group Restructuring and the Distribution In Specie, which include Harvest Way Holdings Limited, Treasure Green Holdings Limited, Starlight Marketing (H.K.) Limited, Starlight Marketing Limited, Starlite Consumer Electronics (USA), Inc., Starlight Electronics USA, Inc., Master Light Enterprises Limited, Cosmo Communications Corporation, Cosmo Communication USA Corp., Cosmo Communications Canada Inc., Cosmo Communications (HK) Limited, koncepts International Limited, Jensen Consumer Electronics Limited, The Singing Machine Company, Inc., SMC (Commercial Offshore de Macau) Limitada, SMC Logistics, Inc., SMC-Music, Inc. and The Singing Machine Holdings Limited;

DEFINITIONS

“RMB”	Renminbi, the lawful currency in the PRC;
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 30 January 2014 (as supplemented by two supplemental agreements dated 21 March 2014 and 19 May 2014 respectively) as described in the section headed “Sale and Purchase Agreement” of the Circular;
“Sale and Purchase Completion”	completion of the transactions contemplated under the Sale and Purchase Agreement;
“Scheme Subsidiaries”	those members of the Listco Group which will be transferred to the Creditors’ Scheme upon it becoming effective;
“SFC”	the Securities and Futures Commission;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the adjourned special general meeting of the Listco held at 3:00 p.m. on 19 June 2014;
“SIH Group”	Privateco and its subsidiaries before completion of the Group Restructuring;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers;
“Transfer Agent”	the transfer agent for the Privateco Shares in respect of the Privateco Offer, being Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong;
“U.S.”	the United States of America; and
“%”	per cent.

The English text of this Composite Document shall prevail over its Chinese text.

LETTER FROM THE PRIVATECO BOARD

SIH LIMITED

(Incorporated in the BVI with limited liability)

Privateco Directors:

Lau Sak Hong, Philip
Lau Sak Kai, Anthony
Lau Sak Yuk, Andy

Registered office:

P.O. Box 71
Craigmuir Chambers
Road Town
Tortola
BVI

Correspondence address in Hong Kong:

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

30 June 2014

To the Independent Privateco Shareholders

Dear Sir or Madam,

**UNCONDITIONAL VOLUNTARY CASH OFFER FOR ALL THE
ISSUED SHARES IN SIH LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY FAIRY KING PRAWN HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)
BY
GF SECURITIES (HONG KONG) BROKERAGE LIMITED
ON BEHALF OF
FAIRY KING PRAWN HOLDINGS LIMITED**

INTRODUCTION

On 19 June 2014, the resolution in respect of, among other things, the Distribution In Specie was approved at the SGM. On 26 June 2014, the completion of the Distribution In Specie took place. It was announced in the Joint Announcement and the Circular that the Privateco Offer will be made following the completion of the Distribution In Specie. Accordingly, GF Securities would, on behalf of Fairy King Prawn and pursuant to the Takeovers Code, make the Privateco Offer to the Independent Privateco Shareholders.

The purpose of this Composite Document is to provide you with, among other things, information on the Privateco Offer, the Privateco Group, the letter from GF Securities and the letter from Fulbright Capital containing its advice to the Independent Privateco Shareholders in respect of the Privateco Offer.

LETTER FROM THE PRIVATECO BOARD

THE PRIVATECO OFFER

GF Securities, on behalf of Fairy King Prawn and pursuant to the Takeovers Code, is making an unconditional voluntary cash offer to the Independent Privateco Shareholders to acquire all the Privateco Shares (other than those already owned or agreed to be acquired by Fairy King Prawn and parties acting in concert with it) on the following basis:

For every Privateco Share held HK\$0.061 in cash

As at the Latest Practicable Date, there were 2,033,808,485 Privateco Shares in issue. Fairy King Prawn and parties acting in concert with it were interested in a total of 1,290,385,709 Privateco Shares, representing approximately 63.4% of the issued share capital of the Privateco as at the Latest Practicable Date. Accordingly, 743,422,776 Privateco Shares (representing approximately 36.6% of the issued share capital of the Privateco as at the Latest Practicable Date) are subject to the Privateco Offer.

The price for the Privateco Offer has been determined after taking into account factors including (i) the consolidated net asset value of the Privateco Group attributable to its shareholders as at 30 November 2013 estimated based on the management accounts prepared by the Listco for the eight months ended 30 November 2013, taking into consideration the including mainly the Group Restructuring (which includes the intended settlement or assignment of, among others, certain intra-group balances between the Remaining Group, the Privateco Group and the Scheme Subsidiaries); (ii) the Share Offer Price (as defined in the Circular); (iii) contingent liabilities of the Privateco Group arising from bank borrowings of a Scheme Subsidiary which are secured by properties held by the Privateco Group and guaranteed by certain subsidiaries of the Privateco Group and (iv) the prevailing market prices of the shares of the Listco.

Save as the 2,033,808,485 Privateco Shares in issue, as at the Latest Practicable Date, the Privateco had no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Privateco Shares and the Privateco had no other relevant securities (as defined in Note 4 to the Rule 22 of the Takeovers Code).

The Privateco Shares to be acquired under the Privateco Offer shall be fully paid and free from all options, liens, charges, claims, agreements, equities, security interest and encumbrances, rights of pre-emption and any other third-party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Privateco Offer is made, being the date of posting of this Composite Document.

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.

LETTER FROM THE PRIVATECO BOARD

Further details of the Privateco Offer including, among other things, the terms and conditions of and the procedures for acceptance and settlement for the Privateco Offer are set out in the “Letter From GF Securities” in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

INFORMATION ON THE PRIVATECO

The Privateco is a company incorporated in the BVI and was a direct wholly owned subsidiary of the Listco prior to the Distribution In Specie and the Listco ceased to have any shareholding interest immediately after the Distribution In Specie.

Upon completion of the Group Restructuring and the Distribution In Specie, the Privateco Group is principally engaged in the Distributed Businesses, being the property investment and sale of television sets in the U.S., and sale of certain existing models of electronic products to the Remaining Group in accordance with the terms of the Framework Purchase Agreement. Where opportunity arises, the Privateco Group may continue with its existing business of selling of television sets in the U.S.

The financial information of the Privateco Group for the three years ended 31 March 2013 and for the eight months ended 30 November 2013 is set out in Appendix IIA to this Composite Document. The unaudited pro forma financial information of the Privateco Group is set out in Appendix III to this Composite Document.

INTENTION OF FAIRY KING PRAWN REGARDING THE PRIVATECO GROUP

Your attention is drawn to the “Letter from GF Securities” in this Composite Document which sets out the intention of Fairy King Prawn regarding the future plan of the Privateco Group and its employees. The Privateco Board is of the view that Fairy King Prawn’s future plan in respect of the Privateco Group is in the best interests of the Privateco and the Privateco Shareholders as a whole.

RECOMMENDATION

As the Privateco Board does not have any non-executive directors or any independent non-executive directors, no independent committee of the Privateco Board can be formed to give a recommendation to the Independent Privateco Shareholders in connection with the Privateco Offer. In these circumstances, Fulbright Capital 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 Fulbright Capital to the Independent Privateco Shareholders, set out on pages 17 to 39 of this Composite Document, which sets out its recommendation in relation to the Privateco Offer and the principal factors considered by it in arriving at its recommendation.

LETTER FROM THE PRIVATECO BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the section headed “Expected timetable” on page ii of this Composite Document, the accompanying Form of Acceptance and Transfer, Appendix I with respect to the procedures for acceptance and settlement, the acceptance period and the share transfer arrangement during and after the close of the Privateco Offer, and the additional information set out in the appendices which form part of this Composite Document.

Yours faithfully,
On behalf of the board of
SIH Limited
Lau Sak Hong, Philip
Director

LETTER FROM GF SECURITIES



29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

30 June 2014

To the Independent Privateco Shareholders

Dear Sir or Madam,

**UNCONDITIONAL VOLUNTARY CASH OFFER
FOR ALL THE ISSUED SHARES IN SIH LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY FAIRY KING PRAWN HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT) BY
GF SECURITIES (HONG KONG) BROKERAGE LIMITED
ON BEHALF OF
FAIRY KING PRAWN HOLDINGS LIMITED**

INTRODUCTION

On 19 June 2014, the resolution in respect of, among other things, the Distribution In Specie was approved at the SGM. On 26 June 2014, the completion of the Distribution In Specie took place. It was announced in the Joint Announcement and the Circular that the Privateco Offer will be made following the completion of the Distribution In Specie. Accordingly, GF Securities would, on behalf of Fairy King Prawn and pursuant to the Takeovers Code, make the Privateco Offer to the Independent Privateco Shareholders.

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

THE PRIVATECO OFFER

GF Securities, on behalf of Fairy King Prawn and pursuant to the Takeovers Code, is making an unconditional voluntary cash offer to the Independent Privateco Shareholders to acquire all the Privateco Shares (other than those owned or agreed to be acquired by Fairy King Prawn and parties acting in concert with it) on the following basis:

For each Privateco Share held HK\$0.061 in cash

LETTER FROM GF SECURITIES

As at the Latest Practicable Date, there were 2,033,808,485 Privateco Shares in issue. Fairy King Prawn and parties acting in concert with it were interested in an aggregate of 1,290,385,709 Privateco Shares, representing approximately 63.4% of the issued share capital of the Privateco as at the Latest Practicable Date. Accordingly, 743,422,776 Privateco Shares, representing approximately 36.6% of the issued share capital of the Privateco as at the Latest Practicable Date, are subject to the Privateco Offer.

The price for the Privateco Offer has been determined after taking into account factors including (i) the consolidated net asset value of the Privateco Group attributable to its shareholders as at 30 November 2013 estimated based on the management accounts prepared by the Listco for the eight months ended 30 November 2013, taking into consideration the including mainly the Group Restructuring (which includes the intended settlement or assignment of, among others, certain intra-group balances between the Remaining Group, the Privateco Group and the Scheme Subsidiaries); (ii) the Share Offer Price (as defined in the Circular); (iii) contingent liabilities of the Privateco Group arising from bank borrowings of a Scheme Subsidiary which are secured by properties held by the Privateco Group and guaranteed by certain subsidiaries of the Privateco Group and (iv) the prevailing market prices of the shares of the Listco.

Save for the 2,033,808,485 Privateco Shares in issue, as at the Latest Practicable Date, the Privateco had no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Privateco Shares and the Privateco had no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

The Privateco Shares to be acquired under the Privateco Offer shall be fully paid and free from all options, liens, charges, claims, agreements, equities, security interest and encumbrances, rights of pre-emption and any other third-party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Privateco Offer is made, being the date of posting of this Composite Document.

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 Composite Document and the accompanying Form of Acceptance and Transfer.

Value and financing of the Privateco Offer

Based on the offer price of HK\$0.061 per Privateco Share, the Privateco is valued at approximately HK\$124.1 million. There are 743,422,776 Privateco Shares subject to the Privateco Offer. Accordingly, the Privateco Offer is valued at approximately HK\$45.3 million based on the offer price of HK\$0.061 per Privateco Share.

LETTER FROM GF SECURITIES

The amount of funds required for the full acceptance of the Privateco Offer by GF Securities will be financed by the internal resources of HK\$65 million deposited into the securities trading account of Fairy King Prawn in GF Securities. GF Capital, the financial adviser to Fairy King Prawn in respect of the Privateco Offer, is satisfied that sufficient financial resources are available to Fairy King Prawn to satisfy full acceptances of the Privateco Offer.

Effect of accepting or not accepting the Privateco Offer

By accepting the Privateco Offer, the Independent Privateco Shareholders will sell their Privateco Shares and all rights attached thereto to Fairy King Prawn free from all options, liens, charges, claims, agreements, equities, security interest and encumbrances, rights of pre-emption and any other third-party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Privateco Offer is made, being the date of posting of this Composite Document.

The Privateco Offer provides a cash exit to the Independent Privateco Shareholders (at HK\$0.061 per Privateco Share) to realise all or part of their shareholdings in the Privateco, which are unlisted securities, and have no liquid market as there is no intention to list the Privateco Shares on any stock exchange.

In addition, the Privateco has not paid any dividend for the five financial years ended 31 March 2013 and cannot assure the Independent Privateco Shareholders that it will declare future dividends. The historical dividend pattern of the Privateco should not be taken as an indication of any future dividends and there can be no assurance that the Privateco will declare dividends in the future. Any proposed dividends by the Privateco Directors are discretionary, will be subject to the recommendation of the Privateco Board and approval of the Privateco Shareholders in general meetings which will depend on various factors. No dividend may be paid, and no distribution may be made if to do so would render the Privateco unable to pay its liabilities as they become due and the value of its assets would thereby become less than its liabilities.

Unless a request for a share certificate is made by a Privateco Shareholder prior to the Closing Date, the share certificates of the Privateco will be posted after the close of the Privateco Offer by ordinary post only to the Privateco Shareholders who do not accept the Privateco Offer at their own risk. A request for a share certificate shall be made by a Privateco Shareholder in writing or in person to the Transfer Agent, i.e. Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. A share certificate will be available for collection or posted by ordinary post at the Privateco Shareholder's risk within 7 Business Days after the close of Privateco Offer or such request being made.

OVERSEAS PRIVATECO SHAREHOLDERS

The Privateco Offer will be in respect of securities of a company incorporated in BVI 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 in Hong Kong or with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident. Independent Privateco Shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should keep themselves informed about and

LETTER FROM GF SECURITIES

observe any applicable legal or regulatory requirements and where necessary seek independent professional advice. It is the responsibility of the Independent Privateco Shareholders not resident in Hong Kong or citizens or nationals of a jurisdiction outside Hong Kong 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 by the accepting Independent Privateco Shareholders in respect of such jurisdiction). Any acceptance by any person will be deemed to constitute a representation and warranty from such person to Fairy King Prawn that the local laws and requirements have been fully complied with and paid any issue, transfer or other taxes or other required payments due from him in connection with such acceptance in any territory and that such acceptance shall be valid and binding in accordance with all applicable laws and regulations. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representations and warranties.

Fairy King Prawn reserves the right to notify any matter to the Independent Privateco Shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdictions in which such persons are resident. The notice so given will be deemed to have been sufficiently given, despite any failure by such Independent Privateco Shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong to receive or see that notice.

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

Fairy King Prawn confirms that there are no other arrangements (whether by way of option, indemnity or otherwise) in relation to the Privateco Shares and which might be material to the Privateco Offer. Fairy King Prawn further confirms that there are no other agreements or arrangements to which Fairy King Prawn is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Privateco Offer.

HONG KONG STAMP DUTY

Given that Privateco is a company incorporated in the BVI and its register of members is located and maintained in Macau, no Hong Kong stamp duty is payable on any transfer of the Privateco Shares.

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COMPULSORY ACQUISITION RIGHT

Subject to sufficient Privateco Shares being acquired, Fairy King Prawn intends to direct the Privateco to redeem the Privateco Shares not already owned or agreed to be acquired by Fairy King Prawn and parties acting concert with it pursuant to section 176 of the Act after the close of the Privateco Offer.

If Fairy King Prawn and parties acting concert with it hold not less than 90% of the Privateco Shares in issue, Fairy King Prawn may, at any time, give notice (the “Request Notice”) to Privateco directing it to redeem the remaining Privateco Shares in accordance with section 176 (and subject to section 179) of the Act. Upon receipt of the Request Notice, Privateco shall send a notice of compulsory redemption to the holders of the remaining Privateco Shares containing the redemption price and all relevant information in the manner prescribed by the Act.

In addition to the aforesaid requirement, Rule 2.11 of the Takeovers Code requires that in order for Fairy King Prawn to exercise its rights under BVI law to direct Privateco to redeem all the remaining Privateco Shares, Fairy King Prawn must have received acceptances of the Privateco Offer during the period of 4 months after posting of this Composite Document amounting to not less than 90% of the disinterested Privateco Shares (i.e. Privateco Shares other than those owned or agreed to be acquired by Fairy King Prawn and parties acting in concert with it).

If the relevant thresholds are not reached for the exercise of the compulsory acquisition rights referred to above, the Independent Privateco Shareholders who do not accept the Privateco Offer will end up holding Privateco Shares which are unlisted. 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.

Further announcements will be made about the exercise of such right of compulsory acquisition.

INFORMATION ON FAIRY KING PRAWN

Fairy King Prawn is a company incorporated in the BVI with limited liability and its directors are Mr. Lau Sak Hong, Philip, Mr. Lau Yat Sun, Kevin (son of Mr. Lau Sak Hong, Philip) and Ms. Lau Jun Jun (daughter of Mr. Lau Sak Hong, Philip). Its principal activity is investment holding.

As at the Latest Practicable Date, Fairy King Prawn is owned as to 70% by Danehill Capital Holdings Limited, a company wholly-owned by Mr. Lau Sak Hong, Philip, as to 15% by Concepts Capital Limited, a company wholly-owned by Mr. Lau Yat Sun, Kevin, son of Mr. Lau Sak Hong, Philip and as to 15% by Grandjestic Property Limited, a company wholly-owned by Ms. Lau Jun Jun, daughter of Mr. Lau Sak Hong, Philip.

Mr. Lau Sak Hong Philip, aged 66, was appointed an executive director of the Listco on 26 September 1989. He has been in the Listco Group for 43 years and over 43 years of management experience in the electronics industry. He is also one of the Privateco Directors.

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Mr. Lau Yat Sun, Kevin, aged 34, is son of Mr. Lau Sak Hong, Philip. He graduated from Bentley College, Massachusetts, a business specialty college with a Bachelor of Science in Marketing in 2002. He joined the Listco Group in 2004 as Product Development President. He resigned from the Listco Group in 2009. He is now working as a recruitment consultant.

Ms. Lau Jun Jun, aged 22, is daughter of Mr. Lau Sak Hong, Philip. She graduated from Columbia University, New York with a Bachelor of Arts in East Asian Studies and Art History, Concentration in Business in 2014. She worked as an intern/trainee with various financial services organizations from 2011 to 2013.

INTENTION OF FAIRY KING PRAWN REGARDING THE PRIVATECO GROUP

Given that the Privateco Shares are not and will not be listed on the Stock Exchange or any other stock exchange, it will be difficult for Privateco Shareholders to liquidate their holdings in the Privateco Shares. Fairy King Prawn considers, in these circumstances, that it is appropriate to provide Privateco Shareholders with an opportunity to realise their holdings in the Privateco Shares by making the Privateco Offer on a voluntary basis pursuant to the Takeovers Code.

It is the intention of Fairy King Prawn that the Privateco Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses. It is also the intention of Fairy King Prawn that the Privateco Group will not hold any assets other than those relating to the Distributed Businesses, nor be injected any major assets, nor dispose of any major assets, after the close of the Privateco Offer, unless prior approval by the Privateco Shareholders been obtained. Fairy King Prawn also has no intention to redeploy or discontinue the employment of the employees of the Privateco Group other than in its ordinary course of business.

The Privateco Shares are unlisted and may be illiquid, and there is no intention to apply for listing of the Privateco Shares on the Stock Exchange or any other stock exchange. Interests of the Privateco Shareholders will, however, be safeguarded by the Takeovers Code (until the Privateco is no longer regarded as a public company for the purposes of the Takeovers Code), the memorandum and articles of association of the Privateco and BVI company law, but which are not the same as the corporate governance and minority shareholder protections set out in the Listing Rules that applied when the Independent Privateco Shareholders held in the Listco. A summary of the memorandum and articles of association of the Privateco as well as certain aspects of BVI company law is as set out in Appendix VI to this Composite Document.

Though there is no intention for the Privateco Group to conduct any fund raising activities including rights issues, the Privateco Group may require further funding from the Privateco Shareholders to maintain or develop its businesses in the future but no plan in respect of any fund raising activities has been contemplated as at the Latest Practicable Date.

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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 the Privateco, Fairy King Prawn, GF Capital, GF Securities, any of their respective directors, agents, advisers nor 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 or non-acceptance of the Privateco Offer.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

INDEPENDENCE ADVICE

Fulbright Capital has been appointed as the Independent Financial Adviser to advise the Independent Privateco Shareholders (i) as to whether the terms of the Privateco Offer are, or are not, fair and reasonable; and (ii) as to the acceptance of the Privateco Offer. Your attention is drawn to its letter of advice to the Independent Privateco Shareholders set out on pages 17 to 39 of this Composite Document.

ADDITIONAL INFORMATION

Your attention is drawn to the section headed “Expected timetable” on page ii of this Composite Document, the accompanying Form of Acceptance and Transfer, and the additional information set out in the appendices to this Composite Document.

Yours faithfully,
For and on behalf of
GF Securities (Hong Kong) Brokerage Limited
Brian Lee

LETTER FROM FULBRIGHT CAPITAL

Set out below is the full text of a letter of advice from Fulbright Capital to the Independent Privateco Shareholders in relation to the Privateco Offer, which has been prepared for the purpose of inclusion in the Composite Document.



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

30 June 2014

To the Independent Privateco Shareholders

Dear Sirs,

**UNCONDITIONAL VOLUNTARY CASH OFFER
FOR ALL THE ISSUED SHARES IN SIH LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
FAIRY KING PRAWN HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT) BY
GF SECURITIES (HONG KONG) BROKERAGE LIMITED
ON BEHALF OF
FAIRY KING PRAWN HOLDINGS LIMITED**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Privateco Shareholders in respect of the Privateco Offer. Details of the Privateco Offer, among other things, are set out in the Composite Document dated 30 June 2014, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

As at the Latest Practicable Date, there were 2,033,808,485 Privateco Shares in issue. Fairy King Prawn and parties acting in concert with it were interested in a total of 1,290,385,709 Privateco Shares, representing approximately 63.4% of the issued share capital of the Privateco as at the Latest Practicable Date. Accordingly, 743,422,776 Privateco Shares (representing approximately 36.6% of the issued share capital of the Privateco as at the Latest Practicable Date) are subject to the Privateco Offer.

GF Securities, on behalf of Fairy King Prawn and pursuant to the Takeovers Code, is making an unconditional voluntary cash offer to the Independent Privateco Shareholders to acquire all the Privateco Shares (other than those already owned or agreed to be acquired by Fairy King Prawn and parties acting in concert with it) on the following basis:

For every Privateco Share held HK\$0.061 in cash

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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, among other things, the terms and conditions of and the procedures for acceptance and settlement for the Privateco Offer are set out in the letter from GF Securities and Appendix I to the Composite Document and the accompanying Form of Acceptance and Transfer.

As the Privateco Board does not have any non-executive directors or any independent non-executive directors, no independent committee of the Privateco Board can be formed to give a recommendation to the Independent Privateco Shareholders in connection with the Privateco Offer. In these circumstances, Fulbright Capital 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.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Privateco Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Privateco Directors and the management of the Privateco. We have assumed that all information and representations contained or referred to in the Composite Document and provided to us by the Privateco Directors and the management of the Privateco, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Independent Privateco Shareholders will be notified of material change as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to 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 Privateco Directors in the Composite Document were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Composite Document, the omission of which make any such statement contained in the Composite Document misleading.

We have been advised by the Privateco Directors that no material facts have been omitted and we are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate, incomplete or misleading. We have not, however, carried out any independent verification of the information provided by the Privateco Directors and the management of the Privateco, nor have conducted any independent investigation into the business, financial conditions and affairs of the Privateco Group or its future prospect. We have no reason to suspect that any information have been withheld, doubt the truth, accuracy and completeness of the information and representations, or the reasonableness of the opinions expressed by the Privateco, its advisers and/or the Privateco Directors and the management of the Privateco, which have been provided to us.

LETTER FROM FULBRIGHT CAPITAL

The Privateco Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Privateco Offer and Fairy King Prawn, its associates, and parties acting in concert with it) and have confirmed, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by Fairy King Prawn) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement herein or the Composite Document misleading.

The directors of Fairy King Prawn jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document relating to Fairy King Prawn, its associates and parties acting in concert with it and the Privateco Offer and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document 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.

This letter is issued to the Independent Privateco Shareholders solely in connection with the Privateco Offer, and except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the Privateco Offer to the Independent Privateco Shareholders, we have considered the following principal factors and reasons:

1. Background of the Privateco Offer

On 30 January 2014, it was jointly announced by Achieve Prosper Capital Limited (“**Achieve Prosper**”), Fairy King Prawn and the Listco that Achieve Prosper had entered into the Sale and Purchase Agreement with certain shareholders of the Listco (the “**Vendors**”) pursuant to which the Vendors had conditionally agreed to sell their aggregate interests of 1,076,758,361 shares in the Listco to Achieve Prosper. The Sale and Purchase Agreement is conditional upon, among other things, the completion of the Distribution In Specie. The Group Restructuring, which reorganises the Distributed Businesses under the Privateco Group, is necessary to give effect to the Distribution In Specie. The Distribution In Specie in turn will lead to the Privateco Offer. The fulfillment of the conditions for the Distribution In Specie is a condition precedent to the Sale and Purchase Completion, and the Sale and Purchase Completion will ultimately lead to the Listco Offers.

On 19 June 2014, the resolution in respect of, among other things, the Distribution In Specie was approved at the SGM. On 26 June 2014, the completion of the Distribution In Specie took place. It was announced in the Joint Announcement and the Circular that the Privateco Offer will be made following the completion of the Distribution In Specie. Accordingly, GF Securities would, on behalf of Fairy King Prawn and pursuant to the Takeovers Code, make the Privateco Offer to the Independent Privateco Shareholders.

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As at the Latest Practicable Date, there were 2,033,808,485 Privateco Shares in issue. Fairy King Prawn and parties acting in concert with it were interested in a total of 1,290,385,709 Privateco Shares, representing approximately 63.4% of the issued share capital of the Privateco as at the Latest Practicable Date. Accordingly, 743,422,776 Privateco Shares (representing approximately 36.6% of the issued share capital of the Privateco as at the Latest Practicable Date) are subject to the Privateco Offer.

GF Securities, on behalf of Fairy King Prawn and pursuant to the Takeovers Code, is making an unconditional voluntary cash offer to the Independent Privateco Shareholders to acquire all the Privateco Shares (other than those already owned or agreed to be acquired by Fairy King Prawn and parties acting in concert with it) at the offer price HK\$0.061 for every Privateco Share.

2. Information of the Privateco Offer

2.1 Operating results of the SIH Group

Prior to the completion of the Group Restructuring, the Distribution In Specie and the Disposal, the SIH Group includes the Scheme Subsidiaries, the Remaining Subsidiaries and the Privateco Group.

Set out below is the summary of the audited consolidated financial information of the SIH Group for each of the three years ended 31 March 2013 and the unaudited consolidated financial information of the SIH Group for the eight months ended 30 November 2013 and 2012, as extracted from the financial information of the SIH Group as set out in Appendix IIA to the Composite Document:

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

	For the eight months ended 30 November		For the year ended 31 March		
	2013	2012	2013	2012	2011
	<i>HK\$ million</i> (unaudited)	<i>HK\$ million</i> (unaudited)	<i>HK\$ million</i> (audited)	<i>HK\$ million</i> (audited)	<i>HK\$ million</i> (audited)
Turnover	318.0	477.1	515.4	631.8	637.6
Gross (loss)/profit	(38.3)	49.1	50.2	60.5	104.9
(Decrease)/increase in fair value of investment properties	(17.4)	37.2	68.9	54.3	61.4
Loss before taxation	(165.7)	(46.4)	(56.9)	(184.1)	(43.1)
Loss for the period/year attributable to owners of SIH	(169.8)	(58.7)	(60.9)	(195.9)	(41.2)

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	As at 30 November 2013	As at 31 March 2013	2012	2011
	<i>HK\$ million</i> (unaudited)	<i>HK\$ million</i> (audited)	<i>HK\$ million</i> (audited)	<i>HK\$ million</i> (audited)
Bank balances and cash	44.4	35.6	90.7	60.8
Borrowings	158.6	91.1	199.4	253.3
Net (liabilities)/asset attributable to owners of SIH	(243.3)	(74.7)	(13.8)	143.8

(i) For the eight months ended 30 November 2013

Turnover of the SIH Group decreased by approximately 33.3% from approximately HK\$477.1 million for the eight months ended 30 November 2012 to approximately HK\$318.0 million for the eight months ended 30 November 2013. Such substantial decrease was mainly attributable to the decrease in orders of TV sales as resulted from the dwindling demand of TV sets in North America and the reduction in the selling price for TV due to the increasingly fierce price competition in the market of TV sales. The gross loss of approximately HK\$38.3 million for the eight months ended 30 November 2013 is mainly due to the substantial decrease in sales, higher factory overheads as resulted from the decrease in TV production levels and the fierce price competition thereby leading to the decrease in selling price of TV and the gross profit margin, as well as the recognition of provisions for obsolete and slow-moving inventories of approximately HK\$60.7 million, as compared to a gross profit of approximately HK\$49.1 million for the corresponding period in 2012. The increasing loss attributable to owners of SIH from approximately HK\$58.7 million for the eight months ended 30 November 2012 to approximately HK\$169.8 million for the eight months ended 30 November 2013 was primarily attributable to the change from gross profit from HK\$49.1 million for the eight months ended 30 November 2012 to gross loss of approximately HK\$38.3 million for the eight months ended 30 November 2013 and the change in fair value of investment properties from an increase of approximately HK\$37.2 million for the eight months ended 30 November 2012 to a decrease of approximately HK\$17.4 million for the eight months ended 30 November 2013.

As for the assets and liabilities position of the SIH Group, the net liabilities attributable to owners of SIH was approximately HK\$243.3 million as at 30 November 2013, representing a further worsening net liabilities position from approximately HK\$74.7 million as at 31 March 2013, primarily attributable to the combined results of (a) the significant decrease in total assets of approximately HK\$172.9 million from approximately HK\$870.6 million as at 31 March 2013 to approximately HK\$697.7 million as at 30 November 2013, as resulted from the decrease in inventories of approximately HK\$91.1 million and the amount due from ultimate holding company of

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approximately HK\$162.4 million; and (b) the slight decrease in the total liabilities of approximately HK\$10.0 million from approximately HK\$933.4 million as at 31 March 2013 to approximately HK\$923.4 million as at 30 November 2013.

(ii) For the year ended 31 March 2013

The SIH Group recorded a decrease in turnover of approximately 18.4% from approximately HK\$631.8 million for the year ended 31 March 2012 to approximately HK\$515.4 million for the year ended 31 March 2013. Such significant decrease was primarily as due to the withdrawal of digital imaging business line, the decrease in orders of TV and DVD sales as resulted from the dwindling demand of TV market in North America and the decrease in the selling price for TV and DVD due to the intense price competition. Loss attributable to the owners of SIH was improved from approximately HK\$195.9 million for the year ended 31 March 2012 to approximately HK\$60.9 million for the year ended 31 March 2013, which could be explained by (a) the decrease in distribution costs of approximately HK\$73.1 million; (b) the decrease in administrative expenses of approximately HK\$21.4 million; and (c) the decrease in other gains and losses of approximately HK\$34.9 million.

The net liabilities attributable to owners of SIH was approximately HK\$74.7 million as at 31 March 2013, representing a further worsening net liabilities position from approximately HK\$13.8 million as at 31 March 2012, with (a) its total assets reduced by approximately HK\$189.4 million, as attributable to the decrease in inventories of approximately HK\$59.7 million, the decrease in debtors, deposits and prepayments of approximately HK\$48.1 million and the decrease in amounts due from ultimate holding company of approximately HK\$41.0 million; and (b) its total liabilities reduced by approximately HK\$140.1 million, as resulted from the decrease in creditors and accrued charges and borrowings of approximately HK\$42.0 million and HK\$108.3 million, respectively.

(iii) For the year ended 31 March 2012

Turnover of the SIH Group recorded a slight decrease of approximately 0.9% from approximately HK\$637.6 million for the year ended 31 March 2011 to approximately HK\$631.8 million for the year ended 31 March 2012, which was primarily attributable to the reduction in selling price of the digital imaging products as resulted from the severe price competition. Loss attributable to the owners of SIH increased from approximately HK\$41.2 million for the year ended 31 March 2011 to approximately HK\$195.9 million for the year ended 31 March 2012, which could be explained by (a) the decrease in gross profit margin from approximately 16.4% for the year ended 31 March 2011 to approximately 9.6% for the year ended 31 March 2012 as a result of (i) the sale of digital camera products at near costs so as to eliminate most of the inventory holdings as resulted from the expected early termination of the digital imaging license; and (ii) the recognition of provisions for obsolete raw materials and inventories of DVD players and related products which primarily due to the change in

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consumer preferences; (b) the increase in distribution costs of approximately HK\$39.2 million; and (c) the increase in other gains and losses of approximately HK\$65.2 million.

2.2 *Operating results of the Privateco Group*

Upon completion of the Group Restructuring and the Distribution In Specie, the Scheme Subsidiaries and the Remaining Subsidiaries are deconsolidated from the SIH Group and the Privateco Group is principally engaged in the Distributed Businesses.

Set out below is the summary of the audited consolidated financial information of the Privateco Group for each of the three years ended 31 March 2013 and the unaudited consolidated financial information of the Privateco Group for the eight months ended 30 November 2013, as extracted from the notes to the accountants' report and the review report of the SIH Group as set out in Appendix IIA to the Composite Document:

Table II – Selected financial information of the Privateco Group for each of the three years ended 31 March 2013 and the eight months ended 30 November 2013

	For the eight months ended		For the year ended 31 March	
	30 November 2013	2013	2012	2011
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(audited)	(audited)	(audited)
Turnover	85.3	236.8	258.6	243.9
Gross (loss)/profit	(6.3)	23.9	13.5	3.8
Other income	4.8	6.1	12.7	11.2
Profit/(loss) before taxation	295.2	(82.7)	(143.6)	(12.7)
Profit/(loss) for the period/year	295.1	(82.9)	(143.7)	(12.7)
	As at			
	30 November 2013	2013	As at 31 March 2012	2011
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(audited)	(audited)	(audited)
Investment properties	232.7	231.9	174.9	95.3
Net current liabilities	(105.0)	(420.0)	(281.1)	(103.9)
Net assets/(liabilities)	141.7	(173.1)	(90.2)	22.0

Turnover of the Privateco Group, represents the revenue generated from the trading of electronic products, was approximately HK\$85.3 million with its other income, primarily being the rental income generated from the leasing of the investment properties, was approximately HK\$4.8 million for the eight months ended 30 November 2013.

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The Privateco Group recorded gross loss of approximately HK\$6.3 million for the eight months ended 30 November 2013. Such gross loss was mainly attributable to (a) the substantial decrease in sales, higher factory overheads as resulted from the decrease in TV production levels and the fierce price competition thereby leading to the decrease in selling price of TV and resulting in the decrease in the gross profit margin from approximately 10.1% for the year ended 31 March 2013; and (b) the recognition of provisions for obsolete and slow-moving inventories of approximately HK\$4.9 million during the period. As a result of the recognition of the reversal of provision for amounts due from fellow subsidiaries of approximately HK\$431.8 million as resulted from the Group Restructuring, the Privateco Group thus recorded net profit of approximately HK\$295.1 million for the eight months ended 30 November 2013.

As for the assets and liabilities position of the Privateco Group, the net assets was approximately HK\$141.7 million as at 30 November 2013, representing a significant improvement as compared to the net liabilities position of approximately HK\$173.1 million as at 31 March 2013, primarily attributable to (a) the significant decrease in the total liabilities of approximately HK\$969.9 million, resulted from the decrease in amount due to ultimate holding company of approximately HK\$560.6 million and the decrease in amounts due to fellow subsidiaries of approximately HK\$451.1 million; exceeds (b) the substantial decrease in the total assets of approximately HK\$655.1 million, attributed to the decrease in amounts due from fellow subsidiaries of approximately HK\$548.5 million and the decrease in the amount due from ultimate holding company of approximately HK\$103.3 million, both of which were the results of the set-off and assignment of inter-company balances arising from the Group Restructuring and the Distribution In Specie.

The properties of the Privateco Group comprised of 6 industrial properties in Hong Kong, among which, 5 properties are leased to independent third parties (the “**Investment Properties**”) and 1 property is for its own occupation (together with the Investment Properties, the “**Properties**”). The Investment Properties were valued at fair value of approximately HK\$232.7 million as at 30 November 2013, accounting for approximately 75.2% of the Privateco Group’s total assets as at 30 November 2013. The Investment Properties were later valued at HK\$228.4 million as at 28 February 2014 (excluding the fair value of the properties held for owner occupation of approximately HK\$47.0 million) based on the valuation report as at 24 May 2014 issued by Greater China Appraisal Limited (the “**Valuer**”), an independent qualified property valuer, which represents a decrease in fair value of the Investment Properties as compared to 30 November 2013. Further with reference to the letter issued by the Valuer as set out in Appendix V to the Composite Document, the Valuer confirmed that the fair value of the Properties as at 30 April 2014 would not be materially different from the valuation date as at 28 February 2014. Set out below are the reconciliation between the fair value of the Investment Properties as at 30 November 2013 and the fair value of the Investment Properties as at 30 April 2014:

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Table III – Reconciliation between the fair value of the Investment Properties as at 30 November 2013 and the fair value of the Investment Properties as at 30 April 2014

	The Privateco Group HK\$'000
Fair value of the Investment Properties as at 30 November 2013	232,700
Less: Decrease in the fair value of the Investment Properties for the period from 1 December 2013 to 30 April 2014	<u>(4,300)</u>
Fair value of the Investment Properties as at 30 April 2014	<u>228,400 (Note)</u>

Note: With reference to the letter issued by the Valuer as set out in Appendix V to the Composite Document, the Valuer confirmed that the fair value of the Properties as at 30 April 2014 would not be materially different from the valuation date as at 28 February 2014 and the fair value of the Investment Properties as at 30 April 2014 is thus considered to be identical to the fair value of the Investment Properties as at 28 February 2014. In this regard, the fair value of the Investment Properties as at 30 April 2014 was calculated based on the fair value of the properties of the Privateco Group as at 28 February 2014 of approximately HK\$275.4 million less the fair value of the properties held for owner occupation as at 28 February 2014 of approximately HK\$47.0 million, with both figures being disclosed in Appendix IV to the Composite Document.

Notwithstanding that the Privateco Group recorded net profit of approximately HK\$295.1 million as primarily resulted from the recognition of the reversal of provision for amounts due from fellow subsidiaries of approximately HK\$431.8 million (the “**Reversed Provision**”), we understood from the Privateco Directors that the recognition of the Reversed Provision is a non-recurring item and its occurrence was as a result of the proposed Group Restructuring. In this regard, by excluding the Reversed Revision, the Privateco Group shall be loss making for the eight months ended 30 November 2013.

Having considered that (i) the Privateco Group incurred net losses for the latest three financial years ended 31 March 2013; (ii) the Privateco Group, by excluding the Reversed Provision as explained in the above, shall be loss making for the eight months ended 30 November 2013; and (iii) the Privateco Group was in net current liabilities position as at 31 March 2011, 2012 and 2013 and 30 November 2013, which exposed the Privateco Group to liquidity risks and constrain the operational flexibility of the Privateco Group given that there can be no assurance that the Privateco Group will generate sufficient cash flows from operations to meet its present and future financial needs, which could in turn have a material adverse impact on the business operations, financial positions and prospects of the Privateco Group.

In addition to the above, as advised by the Privateco Directors, we noted that the Privateco Group recorded contingent liabilities arising from the bank borrowings of a Scheme Subsidiary which are secured by properties held by the Privateco Group and guaranteed by

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certain subsidiaries of the Privateco Group (the “**Contingent Liabilities**”) of approximately HK\$71.4 million and HK\$19.9 million as at 30 November 2013 and 31 March 2014, respectively. The Privateco Directors further advised that, in view of the continuous loss making position and the net liabilities position of the Scheme Subsidiaries as well as the implementation of the Creditors’ Scheme, it is highly probable that the Scheme Subsidiaries may not be able to fully repay and settle the said bank borrowings. In the event that the Contingent Liabilities become actual liabilities, the Privateco Group shall be liable to pay and settle the outstanding amounts due to the relevant creditors of the Contingent Liabilities in full.

2.3 Unaudited pro forma financial information of the Privateco Group

According to the unaudited pro forma information of the Privateco Group as set out in Appendix III to the Composite Document, on the basis as if the Group Restructuring and the Distribution In Specie had taken place on 1 April 2013, the Privateco Group would record a pro forma profit attributable to the owners of the Privateco for the eight months ended 30 November 2013 of approximately HK\$126.3 million, as compared to loss attributable to the owners of the Listco of approximately HK\$174.4 million for the eight months ended 30 November 2013. Such improvement was primarily attributable to the pro forma adjustments in respect of (a) the reversal of provision for amounts due from fellow subsidiaries of approximately HK\$431.8 million; (b) the loss on deconsolidation of the Scheme Subsidiaries and the Remaining Subsidiaries of approximately HK\$160.7 million; and (c) the losses of approximately HK\$102.9 million as resulted from the elimination of the inter-company transactions between the Remaining Group, the Privateco Group and the Scheme Subsidiaries.

According to the unaudited pro forma financial information of the Privateco Group as set out in Appendix III to the Composite Document, assuming the Group Restructuring and the Distribution In Specie were completed on 30 November 2013, the pro forma total assets of the Privateco Group would be approximately HK\$278.7 million, which primarily comprised of (a) the investment properties of approximately HK\$232.7 million; (b) the debtors, deposits and prepayments of approximately HK\$23.5 million; and (c) the property, plant and equipment of approximately HK\$14.4 million. The pro forma total liabilities of the Privateco Group would be approximately HK\$103.5 million, mainly comprised of (a) borrowings of approximately HK\$63.5 million; and (b) creditors and accrued charges of approximately HK\$39.5 million. Accordingly, the pro forma net assets attributable to the owners of the Privateco as at 30 November 2013 would be approximately HK\$173.1 million, representing a significant drop of approximately HK\$129.5 million from the net assets of attributable to the owners of the Listco of approximately HK\$302.6 million as at 30 November 2013, which was mainly attributable to the combined results of (a) the decrease in total assets of approximately HK\$396.6 million as resulted from (i) the decrease in debtors, deposits and prepayments of approximately HK\$122.1 million; (ii) the decrease in inventories of approximately HK\$91.2 million; (iii) the decrease in property, plant and equipment of approximately HK\$64.9 million; and (b) the decrease in the total liabilities of approximately HK\$251.7 million as a result of (i) the decrease in creditors and accrued charges of approximately HK\$111.1 million; (ii) the decrease in borrowings of approximately HK\$95.1 million; and (iii) the decrease in convertible notes of approximately HK\$36.1 million.

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2.4 Prospect and outlook of the Privateco Group

As stated in the Letter from the Privateco Board, upon completion of the Group Restructuring, the Privateco Group is principally engaged in the Distributed Businesses, being the property investment and sale of television sets in the U.S., and sale of certain existing models of electronic products to the Remaining Group in accordance with the terms of the Framework Purchase Agreement. We were further advised by the Privateco Directors that, in view of (i) the declining demand and keen competition in the television set market in North America; and (ii) the sale of certain existing models of electronic products to the Remaining Group under the Framework Purchase Agreement only serves as a transitional arrangement upon Group Restructuring, the Privateco Group will be principally engaged in the property investment and may continue with its existing business of selling of television sets in the U.S. only when opportunities arise.

Notwithstanding that the Privateco Group has its turnover entirely generated from the design, manufacture and sale of electronic products for the latest three financial years ended 31 March 2013 and the eight months ended 30 November 2013, having considered that (a) the future principal business of the Privateco Group will be focus on the property investment with the rental income generated from such investment properties accounted for less than 5.0% of the Privateco Group's total revenue (being aggregate of the total turnover and other income) for the financial year ended 31 March 2013 and the eight months ended 30 November 2013; and (b) the outlook and prospects of the consumer electronics market continuous to be uncertain in the near future as discussed in the paragraph headed "(iii) Outlook of the consumer electronics products industry" below, we have reviewed both the trends and outlook of the property market for industrial buildings in Hong Kong and the general outlook of the consumer electronic products industry in the U.S. and Canada as set out below:

(i) Overview of the global economy

Recent global market and economic conditions, including the ongoing European sovereign debt crisis, the sluggish economic recovery in the U.S., the slowdown of economic growth in emerging economies and the heightened market volatility in major stock markets, have been unprecedented and challenging. Besides, the interest rate and current yield of U.S. bonds are in well low level due to the implementation of several quantitative easing measures by the U.S. Federal Reserve.

According to the report of "World Economic Outlook" (the "**World Economic Outlook Report**") issued by the International Monetary Fund ("**IMF**") in April 2014, the global economy showed signs of recovery and is expected to be positive in the short run. The global gross domestic product ("**GDP**") is projected to grow from approximately 3.0% in 2013 to approximately 3.9% in 2015, with the forecasted GDP growth rate in the U.S. of approximately 1.9% in 2013 to approximately 3.0% in 2015 and the forecasted GDP growth rate in Canada of approximately 2.0% in 2013 to approximately 2.4% in 2015.

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Notwithstanding that the world's economy grew in 2013 generally, its growth continued to be at low level and its recovery experienced a significant slowdown, with the presence of uncertainties surrounding the world economy and the downside risks.

(ii) *Outlook of Hong Kong's economy and property market for industrial buildings*

The local economy continued to be steady for the past year despite uncertain global economic environment. With the continued surge in property prices in Hong Kong, the Hong Kong government has established measures, including the policy of double stamp duty on all property transactions, the Hong Kong government has signaled that it is determined to suppress market demand on property investments, at least until physical supply catches up with demand. Due to Hong Kong's currency peg to the U.S. dollar, it is expected that interest rate in the territory will continue to be low in the near future, but the fear is that the U.S. interest rate cycle will rise at the same time as new supply of properties hit the Hong Kong market. The government actions are creating uncertainties for property market in Hong Kong.

With a relatively high return and a shortage of new buildings, the industrial properties fared well in recent years with increased prices and rents as illustrated in Chart I below. Buying sentiment of the industrial properties revived in since 2012 and turned bullish when the Hong Kong government introduced further measures to address the overheated residential sector.

As a result of Hong Kong's economic restructuring and relocation of traditional manufacturing facilities to the PRC, the industrial buildings in the territory face challenges brought by vacancy and under-utilization. The 2014 Policy Address has discussed the ongoing plan of Hong Kong government's revitalisation of older industrial buildings through the redevelopment and wholesale conversion of vacant or under-utilised industrial buildings until 31 March 2016 to provide more floor space for suitable uses such as commercial and business uses, in order to meet Hong Kong's changing social and economic needs.

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Table IV – Hong Kong Industrial Property (Flatted Factories) Market Review

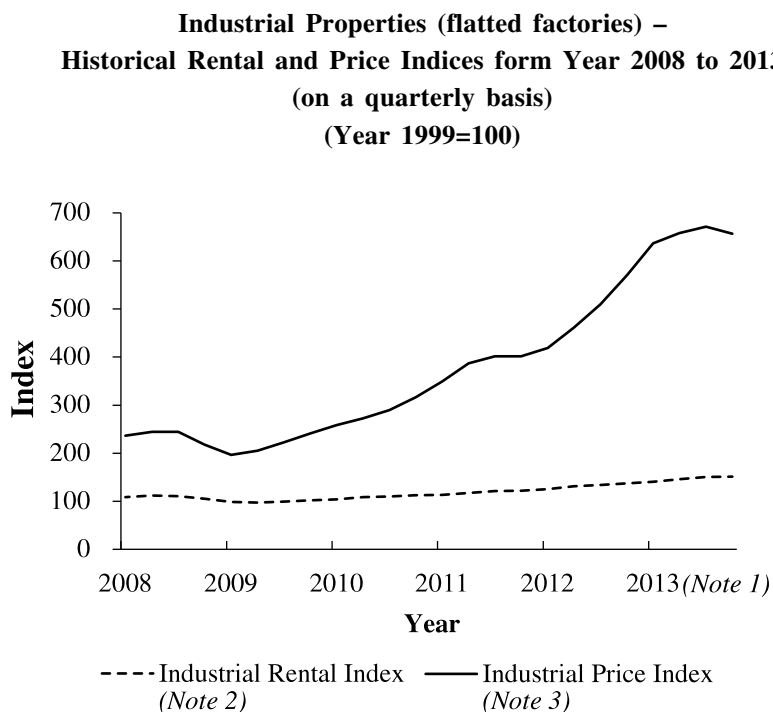
	2008	2009	2010	2011	2012	2013
New completions for the year (thousand sq. ft.)	6.5	0.3	1.9	3.0	4.3	7.9
Stock at year end (thousand sq. ft.)	1,611	1,606	1,601	1,596	1,592	1,594
Vacancy at year end (thousand sq. ft.)	105	129	106	96	80	92
Vacancy (expressed as a % of the stock at the year)	6.5%	8.0%	6.7%	6.0%	5.0%	5.8%

Source: Statistical data published by the Rating and Valuation Department of the Government of Hong Kong (the “**Rating and Valuation Department**”).

According to the Hong Kong Property Review 2014 published by the Rating and Valuation Department, new industrial property completions of flatted factories in 2013 amounted to approximately 7,900 sq. ft., of which over 80% came from Tsuen Wan, the New Territories. Vacancy increased to approximately 92,000 sq. ft., representing approximately 5.8% of stock, of which approximately 64% of the vacant space was found in Kwun Tong, Kwai Tsing and Tsuen Wan. Meanwhile, future completions are forecasted to reduce sharply to approximately 3,300 sq. ft. for the year of 2014, of which over 75% will be located in Kwai Tsing.

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Chart I – Rental and Price Indices for Industrial Properties from Year 2008 to 2013



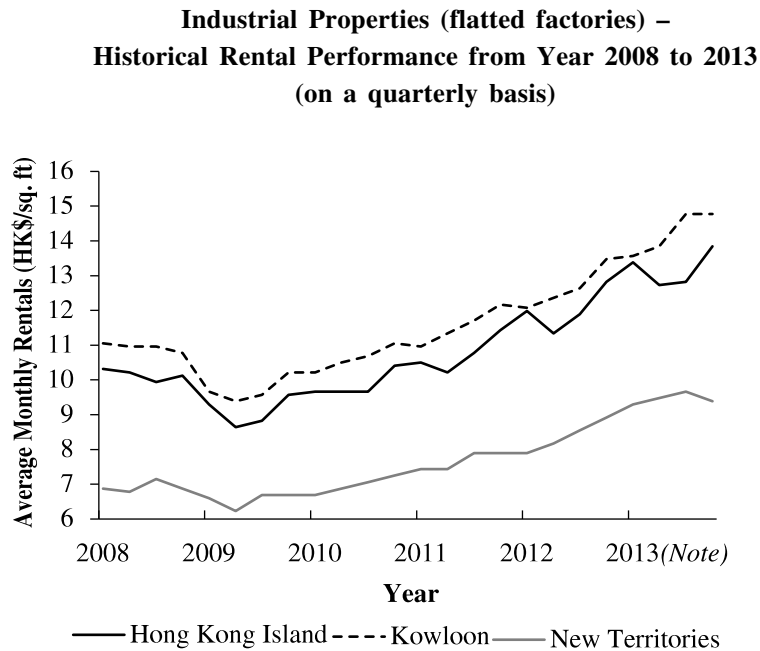
Source: Statistical data published by the Rating and Valuation Department.

Notes:

- (1) The Industrial Rental Index and the Industrial Price Index for the fourth quarter of 2013 are provisional figures.
- (2) The Industrial Rental Index represents the rental index for the industrial properties in Hong Kong as published by the Rating and Valuation Department, which is designated to measure the changes in average rents of this group of properties based on an analysis of rental information recorded by the Rating and Valuation Department for the new tenancy agreements entered into between the landlords and tenants effective in the month being analysed.
- (3) The Industrial Price Index represents the price index for the industrial properties in Hong Kong as published by the Rating and Valuation Department, which is designated to measure the changes in average transaction prices of this group of properties based on an analysis of transactions reviewed by the Rating and Valuation Department for stamp duty purposes.

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Chart II – Historical Rental Performance of Industrial Properties from Year 2008 to 2013



Source: Statistical data published by the Rating and Valuation Department.

Note: The historical rental performance for the fourth quarter of 2013 is provisional figures.

According to the Industrial Price Index in Chart I above, the overall industrial property prices experienced strong growth across 2012 and early 2013 but saw a slight decline in the fourth quarter of 2013. The Industrial Price Index recorded a compound annual growth rate (“CAGR”) of approximately 31.9% from 2009 to 2013 with its recent annual growth rate of approximately 33.8% for the year 2013, whereas the Industrial Rental Index recorded a CAGR of approximately 10.3% from 2009 to 2013 with its recent annual growth rate of approximately 11.7% for the year 2013. As illustrated in Chart II above, the average monthly rental for the industrial properties on Hong Kong Island, in Kowloon and the New Territories in December 2013 was approximately HK\$13.4, HK\$15.5 and HK\$10.0 per sq. ft, respectively, representing a change of approximately -2.7%, +12.8% and +12.5% as compared with December 2012, respectively. As noted from Chart I above, the Industrial Price Index relative to the Industrial Rental Index indicates that the rise in the average transaction prices of the industrial properties in Hong Kong have recorded a relatively stronger growth momentum than the moderate rise in the average rents of the industrial properties in Hong Kong. Accordingly, the Industrial Price Index and the Industrial Rental Index in Chart I demonstrated low degree of correlation. Despite the recent implementation of the cooling measures by the Hong Kong government to tackle with the overheating of the property market in Hong Kong, it is noted from Charts I and II above that there is a general upward trend for both the industrial property prices and the rentals of the industrial properties in Hong Kong with a slow down on such rising trend in year 2013.

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However, there is no assurance that the property market in Hong Kong will remain an upward trend in the future, which brings uncertainty to the operating environment and the financial performance of the Privateco Group in the future.

(iii) *Outlook of the consumer electronic products industry*

Outlook of the consumer electronic products industry in the U.S.

According to the report of “Investing in the United State of America” issued by the Economist Intelligence Unit in 2013, a global provider of country, industry and management analysis, on the demand of household audio and video equipment, the demand in the U.S. has increased steadily from approximately US\$33 billion in 2009 to approximately US\$36 billion in 2012 and is projected to approximately US\$37 billion in 2013. Such upward trend was mainly attributable to the increasing demand of the digital music, digital book and digital film, which will also lead to a phasing-out of legacy products.

According to the statistics from U.S. Census Bureau, the domestic supply of audio and video equipment has recorded severe decline since 2009, which represented a drop of approximately 35.5% in 2009/08 and approximately 37.3% in 2010/09. Notwithstanding the domestic supply has restored since the year of 2012, the domestic supply for the year of 2013 is forecasted to increase by approximately 11.9% to approximately US\$3,384 million. However, the domestic supply in 2013 performs significantly below the domestic supply of approximately US\$7,671 million in 2008, which may indicate the possible recession in the audio and video equipment manufacturing sector in the U.S. market.

Outlook of the consumer electronic products industry in Canada

According to the World Economic Outlook Report issued by IMF, the unemployment rate drop to approximately 7.1% in 2013 from approximately 8.3% in 2009, indicating a possible rise in consumer consumption. Despite consumer expenditure increased due to a better economic situation, the demand of audio and video equipment in Canada is experiencing a declining trend. According to the Canada Census Bureau, the PRC is the largest import country of audio and video equipment in Canada, the value of import is accounted for approximately US\$2,009 million in 2012 and approximately US\$1,772 million in 2013, representing a decline of approximately 7.2% in 2012/11 and approximately 11.8% in 2013/12, demonstrated a potential drop in demand of such electronic products in Canada. Despite the overall economic situation is moderately improving, the audio and video equipment in Canada is not optimistic, as partially reflected by the continuous decline in the import value which potentially indicates there is a decreasing demand for consumer electronic goods (including audio and video equipment) and such sector is facing challenges in the near future.

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(iv) *Outlook of the electronic products manufacturing in the PRC*

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

According to the National Bureau of Statistic of China, the nationwide average per capita staff cost for manufacturing increased from approximately RMB21,144 in 2007 to approximately RMB46,431 in 2013, representing a CAGR of approximately 17.0% from 2007 to 2013, with the recent annual growth rate of staff cost for 2011-12 and 2012-13 of approximately 13.6% and 11.5%, respectively. In addition, with reference to the “Notice on Adjusting Minimum Wage Levels for Enterprise Workers in Guangdong Province” 《關於調整我省企業職工最低工資標準的通知》 issued by the Guangdong Provincial People’s Government, effective on 1 May 2013, the statutory monthly minimum wage in Panyu District has been increased by approximately 40.91%, from RMB1,100 to RMB1,550. In this regard, it is believed that the labour cost in the PRC shows a general upward trend in the near future.

According to IC Insights, a market research company founded in 1997 focusing on the semiconductor industry headquartered in the U.S., (i) the CAGR of the average selling price of integrated circuit chips is expected to be 1% from the year of 2011 to 2021, and (ii) the CAGR of the integrated circuit industry’s production value is expected to reach 8% from the year of 2011 to 2021, higher than 5.2% recorded from the year of 1996 to 2011.

Besides, according to the report issued by the State Council Information Office of the PRC in December 2013, the exchange rate of RMB has reached the highest level over the last 20 years. Rate of RMB to U.S. dollar has appreciated by approximately 36% accumulatively since the 2005 reform of RMB exchange rate. As a result of the appreciation of RMB, the PRC manufactured goods will be more expensive and thus less competitive in the international markets. In addition, with reference to the World Economic Outlook Report, the consumer prices of the PRC increased by approximately 2.6% in 2013 and is projected to be a growth of approximately 3.0% and 3.0% in 2014 and 2015 respectively, indicating the inflation pressure for the material cost in the PRC.

Notwithstanding that the National Bureau of Statistics of China showed that the total retail sales of home appliance and music and video equipment recorded a growth rate of approximately 14.5% in 2013, which double the growth rate of approximately 7.2% in 2012, as advised by the Privateco Directors, the statutory minimum wage adjustment resulted in the rising labour costs in the PRC, the inflation pressure for the

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material costs in the PRC and the RMB appreciation has exerted pressure on the operating cost for the Privateco Group which might affect the competitiveness and profitability of the Privateco Group.

(v) *Outlook for the Privateco Group*

As state in the Letter from the Privateco Board, upon completion of the Group Restructuring, the Privateco Group is principally engaged in the property investment and sale of television sets in the U.S., and sale of certain existing models of electronic products to the Remaining Group in accordance with the terms of the Framework Purchase Agreement. It is the intention of Fairy King Prawn that the Privateco Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses and there is no plan for Fairy King Prawn to redeploy any fixed assets of the Privateco Group, unless prior approval by the Privateco Shareholders been obtained. Despite that there is no intention for the Privateco Group to conduct any fund raising activities, the Privateco Group might require additional funding for the development of its existing businesses.

Taking into account (i) the unsteady pace of global economic recovery; (ii) the property market in Hong Kong remain uncertain in the near future; (iii) the operating environment of the consumer electronics industry remains competitive and challenging given there are signs of shrinking demand and the estimated increasing labour costs and inflation pressure for the material costs in the PRC which pose an adverse impact on the production costs of the Privateco Group; and (iv) no plan for the development or future expansion of the Privateco Group has been contemplated or deployed by the management of the Privateco Group as at the Latest Practicable Date, we consider that there is no guarantee that the prospects of the Privateco Group will have a significant improvement in the near future and are subject to a number of challenges and hence it remains uncertain whether the Distributed Businesses will be able to maintain and improve its revenue and profitability in the near future. In addition, the Privateco Group is not listed on any stock market with uncertainty on its future dividend stream and there is no active market for the trading of the Privateco Shares which make the Privateco Shares illiquid. Hence, the Privateco Offer provides a cash exit opportunity for the Independent Privateco Shareholders to realise their investment in the Privateco.

3. Background of Fairy King Prawn and its intention regarding the Privateco Group

3.1 Background of Fairy King Prawn

As stated in letter from GF Securities, Fairy King Prawn and parties acting in concert with it are interested in an aggregate of 1,290,385,709 Privateco Shares, representing approximately 63.4% of the issued share capital of the Privateco as at the Latest Practicable Date.

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Fairy King Prawn is a company incorporated in the BVI with limited liability and its directors are Mr. Lau Sak Hong, Philip, Mr. Lau Yat Sun, Kevin (the son of Mr. Lau Sak Hong, Philip) and Ms. Lau Jun Jun (the daughter of Mr. Lau Sak Hong, Philip). Its principal activity is investment holding.

3.2 Intention of Fairy King Prawn regarding the Privateco Group

As stated in the paragraph headed “Intention of Fairy King Prawn regarding the Privateco Group” as set out in the letter from GF Securities in the Composite Document, it is the intention of Fairy King Prawn that the Privateco Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses. It is also the intention of Fairy King Prawn that the Privateco Group will not hold any assets other than those relating to the Distributed Businesses, nor be injected any major assets, nor dispose of any major assets, after the close of the Privateco Offer, unless prior approval by the Privateco Shareholders been obtained. Fairy King Prawn also has no intention to redeploy or discontinue the employment of the employees of the Privateco Group other than in its ordinary course of business.

Given that the Privateco Shares will not be listed on the Stock Exchange or any other stock exchange, it will be difficult, for the Privateco Shareholders to liquidate their holdings in the Privateco Shares. Fairy King Prawn is of the view that, in these circumstance, the Privateco Offer is appropriate to provide the Independent Privateco Shareholders with an opportunity to realise their holdings in the Privateco Shares by making the Privateco Offer on a voluntary basis pursuant to the Takeovers Code. Interests of the Privateco Shareholders will, however, be safeguarded by the Takeovers Code (until the Privateco is no longer regarded as a public company for the purposes of the Takeovers Code) the memorandum and articles of association of the Privateco and BVI company law, but which are not the same as the corporate governance and minority shareholder protections set out in the Listing Rules that applied when the Independent Privateco Shareholders held in the Listco. A summary of the memorandum and articles of association of the Privateco as well as certain aspects of BVI company law is as set out in Appendix VI to the Composite Document.

Though there is no intention for the Privateco Group to conduct any fund raising activities including rights issues, the Privateco Group may require further funding from the Privateco Shareholders to maintain or develop its businesses in the future but no plan in respect of any fund raising activities has been contemplated as at the Latest Practicable Date.

3.3 Intention of the Fairy King Prawn regarding the Privateco Offer

As stated in the paragraph headed “Compulsory Acquisition Right” in the letter from GF Securities as set out in the Composite Document, subject to sufficient Privateco Shares being acquired, Fairy King Prawn intends to direct the Privateco to redeem the Privateco Shares not already owned or agreed to be acquired by Fairy King Prawn pursuant to section 176 of the Act after the close of the Privateco Offer. If Fairy King Prawn, hold not less than 90% of the Privateco Shares in issue, Fairy King Prawn may, at any time, give notice (the “**Request Notice**”) to Privateco directing it to redeem the remaining Privateco Shares in

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accordance with section 176 (and subject to section 179) of the Act. Upon receipt of the Request Notice, the Privateco shall send a notice of compulsory redemption to the holders of the remaining Privateco Shares containing the redemption price and all relevant information in the manner prescribed by the Act. In addition to the aforesaid requirement, Rule 2.11 of the Takeovers Code requires that in order for Fairy King Prawn to exercise its rights under BVI law to direct Privateco to redeem all the remaining Privateco Shares, Fairy King Prawn must have received acceptances of the Privateco Offer during the period of four months after posting of this Composite Document amounting to not less than 90% of the disinterested Privateco Shares (i.e. Privateco Shares other than those owned or agreed to be acquired by Fairy King Prawn and parties acting in concert with it).

Independent Privateco Shareholders are reminded that, in the event that the relevant thresholds are not reached for the exercise of the compulsory acquisition rights referred to the above, the 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 due to the lack of an active market for such shares.

4. The offer price of the Privateco Offer (the “Privateco Offer Price”)

The Privateco Offer Price has been determined after taking into account factors including (i) the consolidated net asset value of the Privateco Group attributable to its shareholders as at 30 November 2013 estimated based on the management accounts prepared by the Listco for the eight months ended 30 November 2013, taking into consideration the including mainly the Group Restructuring (which includes the intended settlement or assignment of, among others, certain intra-group balances between the Remaining Group, the Privateco Group and the Scheme Subsidiaries); (ii) the Share Offer Price (as defined in the Circular); (iii) the contingent liabilities of the Privateco Group arising from bank borrowings of a Scheme Subsidiary which are secured by properties held by the Privateco Group and guaranteed by certain subsidiaries of the Privateco Group; and (iv) the prevailing market prices of the shares of the Listco.

The offer price of HK\$0.061 per Privateco Share under the Privateco Offer represents a discount of approximately 28.2% over the unaudited pro forma net asset value of approximately HK\$0.085 per Privateco Share, calculated on the basis of the unaudited pro forma net assets attributable to the owners of the Privateco of approximately HK\$173.1 million as at 30 November 2013 as set out in Appendix III to the Composite Document and assuming that the Group Restructuring and the Distribution In Specie were completed on 30 November 2013 and a total of 2,033,808,485 Privateco Shares were in issue as at Latest Practicable Date. We were further advised by the Privateco Directors that the determination of the Privateco Offer Price has also taken into account of the Contingent Liabilities of approximately HK\$71.4 million as at 30 November 2013 arising from the bank borrowings of a Scheme Subsidiary that are secured by properties held by the Privateco Group and guaranteed by certain subsidiaries of the Privateco Group, which the Privateco Directors estimated it is highly probable for the Contingent Liabilities becoming actual liabilities in the future having considered that the continuous loss making position and the net liabilities position of the Scheme Subsidiaries as well as the implementation of the Creditors’ Scheme. As at 31 March 2014, the Privateco Group recorded Contingent Liabilities of approximately HK\$19.9 million.

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In assessing the fairness and reasonableness of the Privateco Offer Price, we have conducted searches from the public domain based on the following selection criteria of companies which: (i) are listed on the Stock Exchange; and (ii) are principally engaged in the property investment in Hong Kong and the sale of television sets and other electronic products in the U.S. and Canada. However, we cannot identify any comparable company that is principally engaged in the same business in the same geographical area as that of the Privateco Group based on the aforesaid criteria.

Alternatively, we have considered searches for companies which: (i) are listed on the Stock Exchange; and (ii) are principally engaged in the sale of television sets and other electronic products. Despite that the turnover of the Privateco Group for the latest three financial years ended 31 March 2013 and the eight months ended 30 November 2013 are entirely derived from the design, manufacture and sale of electronic products, having considered the advice from the Privateco Directors that: (i) the future principal business of the Privateco Group will be focus on the property investment; (ii) the Privateco Group will continue to be engaged in the sale of certain existing models of electronic products to the Remaining Group under the Framework Purchase Agreement until 31 March 2015; and (iii) the Privateco Group may continue with its existing business of selling of television sets in the U.S. only when opportunities arise, we are thus of the view that the inclusion of the comparable companies on the above-mentioned criteria might not be a fair and representative sample for evaluating the Privateco Offer Price given that the Privateco Group will be principally engaged in the property investment in Hong Kong in the long term and the sale of television sets and other electronic products only remains as a short-term business of the Privateco Group until the first quarter of 2015.

On the other hand, in view of the future principal business of the Privateco Group will be property investment in Hong Kong, we have conducted searches for companies which: (i) are listed on the Stock Exchange; and (ii) are principally engaged in the property investment in Hong Kong. However, having considered that (i) the rental income generated from the leasing of the investment properties shall remain stable, accounting for less than 5.0% of the Privateco Group's total revenue (being aggregate of the total turnover and other income) for the financial year ended 31 March 2013 and the eight months ended 30 November 2013; (ii) the market value of the investment properties held by the comparable companies which are engaged in the property investment in Hong Kong are substantially higher than the market value of the investment properties held by the Privateco Group, in particular, the market value of the investment properties are highly correlated to the sizes, types and locations of such properties, we thus considered that by solely comparing the principal business (i.e. property investment in Hong Kong) might not be a fair and representative sample for accessing the valuation of the Privateco Offer Price. In conclusion, we are of the view that limiting the sample of comparables using the aforesaid criteria would not be meaningful within the scope of our analysis on the valuation of the Privateco Group.

We noted that, the Privateco Offer Price represents (i) a discount of approximately 28.2% over the unaudited pro forma net asset value of approximately HK\$0.085 per Privateco Share, calculated on the basis of the unaudited pro forma net assets attributable to the owners of the Privateco of approximately HK\$173.1 million as at 30 November 2013 and a total of 2,033,808,485 Privateco Shares were in issue as at Latest Practicable Date; and (ii) a discount of approximately 26.5% to the adjusted pro forma net asset value of approximately HK\$0.083 per Privateco Share (the “**Adjusted NAV per Privateco Share**”), calculated on the basis of the unaudited pro forma net assets

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attributable to the owners of the Privateco of approximately HK\$173.1 million as at 30 November 2013 less the decrease in fair value of the Investment Properties of approximately HK\$4.3 million as illustrated in Table III set out under the paragraph headed “2.2 Operating results of the Privateco Group” above and a total of 2,033,808,485 Privateco Shares were in issue as at Latest Practicable Date. By judging from the prospective of the unaudited pro forma net asset value of the Privateco Group as at 30 November 2013 and the Adjusted NAV per Privateco Share alone, we consider that the Privateco Offer Price might be unattractive to the Independent Privateco Shareholders. However, we would like to emphasis that the premium/discount to net asset value is merely one of the factors taken into consideration in accessing the fairness and reasonableness of the Privateco Offer Price and analysis shall be made on an overall basis having considered various principal factors as discussed below.

Despite that the Privateco Offer Price represents a discount of approximately 28.2% to the unaudited pro forma net asset value of approximately HK\$0.085 per Privateco Share and a discount of approximately 26.5% to the Adjusted NAV per Privateco Share of approximately HK\$0.083 as discussed above, however, taking into account that (i) the loss making position of the Privateco Group for the latest three financial years ended 31 March 2013 and the net current liabilities position of the Privateco Group for the latest three financial years ended 31 March 2013 and the eight months 30 November 2013, which exposed the Privateco Group to liquidity risks and cast significant doubt regarding the abilities of the Privateco Group to generate sufficient cash flows from operations to meet its present and future financial needs; (iii) the outlook and the business of the Privateco Group is and will remain challenging and competitive in the near future and hence it remains uncertain whether the Distributed Business will be able to maintain and improve its revenue and profitability in the near future; and (iv) the Privateco Group 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 and the Privateco Offer provides a cash exit to the Independent Privateco Shareholders to realise their investment in the Privateco, we are of the view that the Privateco Offer Price is fair and reasonable.

RECOMMENDATION

Notwithstanding that the offer price of HK\$0.061 per Privateco Share under the Privateco Offer represents (a) a discount of approximately 28.2% over the unaudited pro forma net asset value of approximately HK\$0.085 per Privateco Share and (b) a discount of approximately 26.5% to the Adjusted NAV per Privateco Share of approximately HK\$0.083, after having taken into consideration of the abovementioned principal reasons and factors, in particular, the following:

- (a) the loss making position of the Privateco Group for the latest three financial years ended 31 March 2013 and the net current liabilities position of the Privateco Group for the latest three financial years ended 31 March 2013 and the eight months ended 30 November 2013, which exposed the Privateco Group to liquidity risks and cast significant doubt regarding the abilities of the Privateco Group to generate sufficient cash flows from operations to meet its present and future financial needs;

LETTER FROM FULBRIGHT CAPITAL

- (b) the outlook and business of the Privateco Group is and will remain challenging and competitive in the near future and hence it remains uncertain whether the Distributed Businesses will be able to maintain and improve its revenue and profitability in near future; and
- (c) the Privateco Offer provides a cash exit to the Independent Privateco Shareholders to realise their investment in the Privateco Group, given that the Privateco Group is not listed on any stock market and there is no active market for the trading of the Privateco Shares which make the Privateco Shares illiquid,

we are of the view 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 should consider accepting the Privateco Offer.

The 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 Group, they should note that the Privateco Group is principally engaged in the Distributed Businesses and the Privateco Shares will not listed on the Stock Exchange or any other stock exchange and accordingly, which may be difficult for them to liquidate their holdings in the Privateco Shares. Accordingly, those Independent Privateco Shareholders should carefully consider the future intentions of the Fairy King Prawn regarding the Privateco Group after the close of the Privateco Offer, details of which are set out in the letter from GF Securities to the Composite Document.

The 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. In any event, the Privateco Shareholders should read carefully the procedures for accepting the Privateco Offer as detailed in the Composite Document and are strongly advised that the decision to realize or to hold their investment in the Privateco Shares is subject to individual circumstances and investment objectives.

The Independent Privateco Shareholders who wish to accept the Privateco Offer are recommended to read carefully the procedures for accepting the Privateco Offer as detailed in paragraph headed "Procedures for acceptance" in Appendix I to the Composite Document, and also the accompanying Form of Acceptance and Transfer.

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

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 and signed Form of Acceptance and Transfer should then be forwarded by post or by hand to and reach the Transfer Agent (namely Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong), with "SIH Limited" be marked on the envelope, by no later than 4:00 p.m. on Monday, 21 July 2014.

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 in all respects 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 for acceptance 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 7 Business Days of receipt by the Transfer Agent of the duly completed Form of Acceptance and Transfer.

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

Settlement of the consideration to which any Independent 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 Fairy King Prawn may otherwise be, or claim to be, entitled against such Independent Privateco Shareholder.

NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Privateco Shareholders who hold Privateco Shares as nominee for more than one beneficial owner, those Independent Privateco Shareholders 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 nominee names 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 Independent 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 the Privateco (or in the case of joint Independent Privateco Shareholders, to the Independent Privateco Shareholder whose name stands first in the register of members of the Privateco).

All such documents and remittances will be sent at the risk of the persons entitled thereto and none of Fairy King Prawn, the Privateco, GF Capital, GF Securities, any of their respective directors, agents, advisers nor any 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 on Monday, 21 July 2014 (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 Fairy King Prawn on the Stock Exchange's website under the Listco (Stock Code: 485) 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 Independent Privateco Shareholders who have previously accepted the Privateco Offer. The execution of any Form of Acceptance and Transfer by or on behalf of any Independent 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 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.

ANNOUNCEMENT

As required by Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time as the Executive may in exceptional circumstances permit), Fairy King Prawn shall inform the Executive and the Stock Exchange of its intention in relation to the extension, expiry or revision of the Privateco Offer. Fairy King Prawn shall publish an announcement on the Stock Exchange's website under the Listco and the SFC's website by 7:00 p.m. on the Closing Date stating whether the Privateco Offer has been revised or extended or has expired. 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 Fairy King Prawn and parties acting in concert with it before 21 March 2014 (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 Note 4 to Rule 22 of the Takeovers Code) for the Privateco Offer by Fairy King Prawn and parties acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Privateco which Fairy King Prawn or parties acting in concert with it 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 the 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 will be delivered to the Executive in electronic form for publication on the SFC's website.

The announcement of the results of the Privateco Offer will be published in The Standard and Hong Kong Economic Journal on the Business Day after the Closing Date.

RIGHT OF WITHDRAWAL

Acceptance of the Privateco Offer tendered by the Independent 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 “Announcement” above have not been complied with.

OVERSEAS PRIVATECO SHAREHOLDERS

The Privateco Offer will be in respect of securities of a company incorporated in BVI 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 in Hong Kong or citizens or nationals of a jurisdiction outside Hong Kong or with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. Independent Privateco Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions and where necessary seek independent professional advice.

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 by the accepting Independent Privateco Shareholders in respect of such jurisdiction. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to Fairy King Prawn that the local laws and requirements have been fully complied with and paid any issue, transfer or other taxes or other required payments due from him in connection with such acceptance in any territory and that such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Independent Privateco Shareholders should consult their professional adviser if in doubt. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representations and warranties.

WITHDRAWAL FROM CCASS

The Privateco Shares will not be listed on the Stock Exchange (or any other stock exchange). Accordingly, the Privateco Shares will not be accepted as eligible securities by HKSCC for deposit, clearance or settlement in CCASS. The Privateco Shares received by any persons through Distribution In Specie holding their Privateco Shares through CCASS will initially be held in the name of HKSCC Nominees. HKSCC will not however provide any transfer services in respect of any Privateco Shares. Any person holding any Privateco Shares through HKSCC Nominees wishing to transfer Privateco Shares must first arrange for withdrawal of such Privateco Shares from CCASS and the registration of the Privateco Shares in his/her/its own name.

A fee will be charged by HKSCC on CCASS Participants upon withdrawal as described in the CCASS Operational Procedures.

PROCEDURES FOR TRANSFER OF THE PRIVATECO SHARES AFTER THE CLOSE OF THE PRIVATECO OFFER

The register of members of the Privateco is maintained in Macau and the Transfer Agent is appointed as the transfer agent to handle the splitting and registration of transfer of the Privateco Shares.

A transfer of the Privateco Shares shall be effected by completing and signing an instrument of transfer and, if applicable, bought and sold notes and/or any other documents of title (together with any satisfactory indemnities and/or such other documents as may be required) by both the transferor and transferee under their hand, or their respective officers duly authorised in writing or otherwise by persons duly authorised by them respectively (in such case, duly executed power of attorney and such other documents may be required). The instrument of transfer and, if applicable, bought and sold notes can be obtained at the office of the Transfer Agent at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, and the signed instruments of transfer must be delivered at the aforesaid office of the Transfer Agent from 9:00 a.m. to 4:30 p.m. on any Business Day for arrangement of registration in the register of members of the Privateco in Macau.

The Privateco Board may decline to recognise any instrument of transfer and, if applicable, bought and sold notes unless:

- (i) a fee of HK\$2.50 per share certificate or such lesser sum as the Privateco Directors may from time to time determine is paid to the Transfer Agent in respect thereof;
- (ii) the instrument of transfer and, if applicable, bought and sold notes are accompanied by the share certificate of the Privateco Shares to which it relates, and such other evidence as the Privateco Board may reasonably require to show the right of the transferor to make the transfer;
- (iii) any other agreements or documents, if required, by statutory laws and regulations; and
- (iv) any additional information as might be reasonably requested by the Privateco Board or the Transfer Agent.

Each new share certificate to be issued upon a transfer of the Privateco Shares will be made available for personal collection by the holder entitled thereto during normal business hours (from 9:00 a.m. to 4:30 p.m.) on any Business Day at the aforesaid office of the Transfer Agent from the tenth business day onwards following receipt of the documents specified above by the Transfer Agent and upon production of such identification papers as may be reasonably requested by the Privateco or the Transfer Agent.

Where some but not all of the Privateco Shares in respect of which a share certificate is issued are to be transferred, a new share certificate in respect of the balance of the Privateco Shares not so transferred will be made available for personal collection by the holder entitled thereto during normal business hours (from 9:00 a.m. to 4:30 p.m.) on any Business Day at the aforesaid office of the Transfer Agent from the tenth business day onwards following receipt of the documents specified above by the Transfer Agent and upon presentation of such identification papers as may be reasonably requested by the Privateco or the Transfer Agent.

Any Privateco Shareholder wishing to split his holding of Privateco Shares into two or more share certificates must lodge his request with the Transfer Agent. A fee will be charged by the Transfer Agent for the splitting of the Privateco Share certificate, currently being HK\$2.50 per certificate cancelled or issued, whichever is higher, using the 10 Business Days' service. New share certificate(s) issued in respect of the splitting of the Privateco Share certificate will be made available for personal collection by the holder entitled thereto during normal business hours (from 9:00 a.m. to 4:30 p.m.) on any Business Day at the aforesaid office of the Transfer Agent from the tenth business day onwards following receipt of such request together with the original share certificate by the Transfer Agent and upon presentation of such identification papers as may be reasonably requested by the Privateco or the Transfer Agent.

GENERAL

- (i) 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 Independent Privateco Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of Fairy King Prawn, the Privateco, GF Capital, GF Securities, any of their respective directors, agents, advisers nor other parties involved in the Privateco Offer accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (ii) The provisions set out in the Form of Acceptance and Transfer form part of the terms of the Privateco Offer.
- (iii) The accidental omission to despatch this Composite Document and/or the Form of Acceptance and Transfer or any of them to any person to whom the Privateco Offer is made will not invalidate the Privateco Offer in any way.
- (iv) The Privateco Offer and all acceptances thereof will be governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance and Transfer by or on behalf of a Privateco Shareholder will constitute such shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Privateco Offer.
- (v) References to the Privateco Offer in this Composite Document and in the Form of Acceptance and Transfer shall include any revision or extension thereof.
- (vi) Acceptance of the Privateco Offer by any person will be deemed to constitute a warranty by such person to Fairy King Prawn, the Privateco, GF Capital and GF Securities that the Privateco Shares sold under the Privateco Offer are sold by such person free from all options, liens, charges, claims, agreements, equities, security interest and encumbrances, rights of pre-emption and any other third-party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Privateco Offer is made, being the date of posting of this Composite Document. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representations and warranties.

- (vii) Due execution of the Form of Acceptance and Transfer will constitute an irrevocable authority to any director of Fairy King Prawn or GF Securities or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Privateco Offer and to do any other act that may be necessary or expedient for the purpose of vesting in Fairy King Prawn, or such other person(s) as it may direct, all rights of the accepting Independent Privateco Shareholders in respect of the Privateco Shares which are the subject of such acceptance.

- (viii) Acceptance to the Privateco Offer by any nominee will be deemed to constitute a warranty by such nominee to Fairy King Prawn that the number of the Privateco Shares in respect of which it is indicated in the Form of Acceptance and Transfer is the aggregate number of the Privateco Shares held by such nominee for such beneficial owners who are accepting the Privateco Offer and for which authorization has been received by such nominee. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representations and warranties.

- (ix) The English text of this Composite Document and the Form of Acceptance and Transfer shall prevail over their Chinese text for the purpose of interpretation.

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

1. FINANCIAL SUMMARY OF THE PRIVATECO GROUP

Set out below is a financial summary of the Privateco Group for each of the three years ended 31 March 2013 and the eight months ended 30 November 2013 as extracted from the notes to the accountants' report of the SIH Group for the three years ended 31 March 2013 and the review report of the SIH Group for the eight months ended 30 November 2013 contained in Appendix IIA to this Composite Document:

	Year ended 31 March			Eight months ended
	2011	2012	2013	30 November 2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)
Turnover	<u>243,931</u>	<u>258,606</u>	<u>236,822</u>	<u>85,327</u>
Loss before taxation	(12,730)	(143,557)	(82,737)	295,246
Income tax (expenses)/credit	<u>21</u>	<u>(163)</u>	<u>(115)</u>	<u>(195)</u>
Loss for the year/period	<u>(12,709)</u>	<u>(143,720)</u>	<u>(82,852)</u>	<u>295,051</u>
Basic loss per share (HK\$)				
<i>Note (iii)</i>	<u>(12,709)</u>	<u>(143,720)</u>	<u>(82,852)</u>	<u>295,051</u>

Notes:

- (i) An unqualified opinion in respect of the audit of the consolidated financial statements of the SIH Group has been issued by Deloitte Touche Tohmatsu for each of the three years ended 31 March 2013 and an unmodified opinion in respect of the review of the consolidated financial statements of the SIH Group has been issued by Deloitte Touche Tohmatsu for the eight months ended 30 November 2013.
- (ii) There were no extraordinary items or items which were exceptional because of its size, nature or incidence for the SIH Group during each of the three years ended 31 March 2013 and for the eight months ended 30 November 2013.
- (iii) Basic loss per share is calculated by dividing the loss attributable to owners of the Privateco for the year/period by 1 share of the Privateco.
- (iv) No dividend was declared by the Privateco and each of the subsidiaries of the Privateco Group for the three years ended 31 March 2013 and for the eight months ended 30 November 2013.

2. AUDITED FINANCIAL INFORMATION OF THE SIH GROUP

The audited financial information of the SIH Group contained in Appendix IIIA to the Circular is reproduced below. Capitalised terms used in this section shall have the same meanings as those defined in the accountants' report contained in Appendix IIIA to the Circular.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

The Directors
SIH Limited

24 May 2014

Dear Sirs,

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

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

¹ Directly held by SIH.

² These subsidiaries are PRC wholly foreign owned enterprises.

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

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

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

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

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

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

- ¹ Statutory financial statements prepared in accordance with relevant accounting principles and regulations in the PRC.
- ² Statutory financial statements prepared in accordance with accounting principles generally accepted in the USA.
- ³ Statutory financial statements prepared in accordance with HKFRS.
- ⁴ Statutory financial statements prepared in accordance with accounting principles generally accepted in Canada.
- ⁵ Statutory financial statements prepared in accordance with Financial Reporting Standard of Special Administrative Region of Macau.
- ⁶ These auditors are certified public accountants registered in Hong Kong, the PRC, Canada and USA, as appropriate.

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

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

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

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Consolidated Statements of Comprehensive Income

For the years ended 31 March 2011, 2012 and 2013

	NOTES	Year ended 31 March		
		2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Turnover	6	637,633	631,830	515,408
Cost of sales		<u>(532,743)</u>	<u>(571,348)</u>	<u>(465,183)</u>
Gross profit		104,890	60,482	50,225
Other income	7	14,627	18,342	9,918
Distribution costs		(100,046)	(139,213)	(66,110)
Administrative expenses		(115,404)	(104,614)	(83,172)
Other gains and losses	8	(767)	(66,000)	(31,138)
Increase in fair value of investment properties	13	61,381	54,346	68,904
Interest expenses		(8,081)	(7,369)	(5,271)
Share of profit (loss) of an associate		<u>303</u>	<u>(55)</u>	<u>(225)</u>
Loss before taxation	9	(43,097)	(184,081)	(56,869)
Taxation	11	<u>(840)</u>	<u>(10,434)</u>	<u>7,389</u>
Loss for the year		<u>(43,937)</u>	<u>(194,515)</u>	<u>(49,480)</u>

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

	Year ended 31 March		
	2011	2012	2013
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations	288	(495)	75
Revaluation of leasehold properties for own use upon transfer to investment properties	1,321	40,979	–
Deferred tax liability on revaluation of leasehold properties for own use upon transfer to investment properties	–	(2,357)	–
	<u>1,609</u>	<u>38,127</u>	<u>75</u>
Other comprehensive income for the year			
Total comprehensive expense for the year	<u>(42,328)</u>	<u>(156,388)</u>	<u>(49,405)</u>
Loss for the year attributable to:			
Owners of SIH	(41,239)	(195,858)	(60,922)
Non-controlling interests	(2,698)	1,343	11,442
	<u>(43,937)</u>	<u>(194,515)</u>	<u>(49,480)</u>
Total comprehensive (expense) income for the year attributable to:			
Owners of SIH	(39,648)	(157,699)	(60,852)
Non-controlling interests	(2,680)	1,311	11,447
	<u>(42,328)</u>	<u>(156,388)</u>	<u>(49,405)</u>

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Consolidated Statements of Financial Position

At 31 March 2011, 2012 and 2013

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Statements of Financial Position of SIH

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Consolidated Statements of Changes in Equity
For the years ended 31 March 2011, 2012 and 2013

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Consolidated Statements of Cash Flows

For the years ended 31 March 2011, 2012 and 2013

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

NOTES TO THE AUDITED FINANCIAL INFORMATION**1. GENERAL**

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

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

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

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

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

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle ⁶
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle ⁵
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ²
HKFRS 9	Financial instruments ³
HKFRS 10	Consolidated financial statements ¹
HKFRS 11	Joint arrangements ¹
HKFRS 12	Disclosure of interests in other entities ¹
HKFRS 13	Fair value measurement ¹
HKAS 19 (Revised 2011)	Employee benefits ¹
HKAS 27 (Revised 2011)	Separate financial statements ¹
HKAS 28 (Revised 2011)	Investments in associates and joint ventures ¹
Amendments to HKAS 1	Presentation of items of other comprehensive income ⁴
Amendments to HKAS 19	Defined benefit plans: Employee contributions ⁵
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ²
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ²
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting ²
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine ¹
HK(IFRIC) – INT 21	Levies ²

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 January 2014.

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1 July 2012.

⁵ Effective for annual periods beginning on or after 1 July 2014.

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

HKFRS 9 “Financial instruments”

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

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments

of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

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

HKFRS 13 "Fair value measurement"

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

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

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

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

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

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

Goodwill

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

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

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

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

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

Investments in associates

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

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

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

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

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

value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Revenue recognition

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

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

Commission income is recognised when services are rendered.

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

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

Property, plant and equipment

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

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

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

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

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

Investment properties

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

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

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

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

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

Financial liabilities

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

Derivative financial instruments that do not qualify for hedge accounting

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

Derecognition

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

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

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

Share-based payment transactions*Equity-settled share-based payment transactions**Share options granted to employees*

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

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

Research and development expenditure

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

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

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

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

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

Inventories

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

Impairment (other than goodwill)

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

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

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

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

Taxation

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

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

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

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

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

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

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

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

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

Leases

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

The SIH Group as lessor

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

The SIH Group as lessee

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

Leasehold land and building

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

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

and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Borrowing costs

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

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

Foreign currencies

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

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

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

Retirement benefits costs

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

5. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

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

Allowances for inventories

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

Impairment of goodwill

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

Impairment of property, plant and equipment

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

Income taxes

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

6. SEGMENT INFORMATION

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Segment revenue and results

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

	Design, manufacture and sale of electronic products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Year ended 31 March 2011				
TURNOVER	<u>637,633</u>	<u>–</u>	<u>–</u>	<u>637,633</u>
SEGMENT RESULTS	<u>(96,142)</u>	<u>66,210</u>	<u>117</u>	(29,815)
Interest income				81
Unallocated expenses				(5,585)
Share of profit of an associate				303
Interest expenses				<u>(8,081)</u>
Loss before taxation				<u>(43,097)</u>
	Design, manufacture and sale of electronic products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Year ended 31 March 2012				
TURNOVER	<u>631,830</u>	<u>–</u>	<u>–</u>	<u>631,830</u>
SEGMENT RESULTS	<u>(213,646)</u>	<u>60,928</u>	<u>(448)</u>	(153,166)
Interest income				63
Unallocated income				78
Unallocated expenses				(23,632)
Share of loss of an associate				(55)
Interest expenses				<u>(7,369)</u>
Loss before taxation				<u>(184,081)</u>

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Segment assets and liabilities

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Other segment information

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Geographical segments

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

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

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

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

Information about major customers

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

	Year ended 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A ¹	157,738	236,667	206,974
Customer B ¹	<u>168,782</u>	<u>109,379</u>	<u>87,430</u>

¹ Revenue from sales of electronic products.

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

7. OTHER INCOME

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

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

8. OTHER GAINS AND LOSSES

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

9. LOSS BEFORE TAXATION

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

Notes:

- (a) The research and development costs included staff costs of HK\$5,628,000, HK\$4,290,000 and HK\$2,935,000, for the three years ended 31 March 2011, 2012 and 2013, respectively.
- (b) The staff costs included retirement benefits scheme contributions of HK\$4,788,000, HK\$4,529,000 and HK\$3,460,000 and share-based payments of HK\$98,000, HK\$144,000 and HK\$57,000 for the three years ended 31 March 2011, 2012 and 2013, respectively.

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

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

For the year ended 31 March 2011

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

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For the year ended 31 March 2012

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

For the year ended 31 March 2013

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

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

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

Employees

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Emoluments of these employees were within the following bands:

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

11. TAXATION

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

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

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

12. DIVIDEND

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

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13. INVESTMENT PROPERTIES

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

14. PROPERTY, PLANT AND EQUIPMENT

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

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

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

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

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

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

15. PREPAID LEASE PAYMENTS

The SIH Group's prepaid lease payments comprise:

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

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16. PRODUCT DEVELOPMENT COSTS*HK\$'000***THE SIH GROUP**

COST

At 1 April 2010, 31 March 2011, 31 March 2012 and 31 March 2013

1,732

AMORTISATION

At 1 April 2010, 31 March 2011, 31 March 2012 and 31 March 2013

1,732

CARRYING VALUE

At 31 March 2011, 31 March 2012 and 31 March 2013

-

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

17. GOODWILL*HK\$'000***THE SIH GROUP**

COST

At 1 April 2010, 31 March 2011, 31 March 2012 and 31 March 2013

28,053

IMPAIRMENT

At 1 April 2010 and 31 March 2011

1,569

Impairment loss recognised in profit or loss

8,819

At 31 March 2012 and 31 March 2013

10,388

CARRYING VALUE

At 31 March 2012 and 31 March 2013

17,665

At 31 March 2011

26,484

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

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

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

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

18. INVESTMENTS IN SUBSIDIARIES

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

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19. INTEREST IN AN ASSOCIATE

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

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

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

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

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20. AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

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

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

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

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

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

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

THE SIH GROUP AND SIH

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

23. INVENTORIES

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

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

24. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

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

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

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

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

Movements in the allowance for doubtful debts

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

25. INVESTMENTS HELD FOR TRADING

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

26. BANK BALANCES AND CASH

THE SIH GROUP

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

27. CREDITORS AND ACCRUED CHARGES

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

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

28. BORROWINGS

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

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

29. DEFERRED TAXATION

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

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

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

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

30. SHARE CAPITAL

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

31. RESERVES OF SIH

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

32. SHARE OPTION SCHEME OF SMC

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

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

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

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

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

For the year ended 31 March 2011

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

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For the year ended 31 March 2012

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

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For the year ended 31 March 2013

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

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

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

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Fair value of share options and assumptions:

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

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

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

33. CAPITAL RISK MANAGEMENT

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

Financial risk management objectives and policies

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

Currency risk

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

Sensitivity analysis

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

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

	At 31 March		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong dollars	(14,372)	(9,193)	(3,971)
Renminbi	<u>792</u>	<u>1,901</u>	<u>1,684</u>

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

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

Interest rate risk

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

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

Sensitivity analysis

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

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

Price risk

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

Sensitivity analysis

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

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

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

Credit risk

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

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

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

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

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Liquidity risk

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

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

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

Liquidity and interest risk tables

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

Fair value

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments and financial assets designated at fair value through profit or loss) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair values of derivative instruments and financial assets designated at fair value through profit or loss are determined by securities brokers using valuation models based on inputs such as share price, volatility, dividend yield of the underlying equity securities.

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

Fair value measurements recognised in the consolidated statements of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

	At 31 March 2012		
	Level 1	Level 2	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investments held for trading	1,594	–	1,594
Financial assets designated at fair value through profit or loss	–	18	18
	<u>1,594</u>	<u>18</u>	<u>1,612</u>

Derivative financial liabilities	<u>17</u>	<u>–</u>	<u>17</u>
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	At 31 March 2013		
	Level 1	Level 2	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investments held for trading	1,043	–	1,043
Financial assets designated at fair value through profit or loss	–	25	25
	<u>1,043</u>	<u>25</u>	<u>1,068</u>

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

35. CAPITAL COMMITMENTS

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

36. OPERATING LEASE COMMITMENTS

As lessee

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

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

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

As lessor

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

37. PLEDGE OF ASSETS

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

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

38. MAJOR NON-CASH TRANSACTION

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

39. RETIREMENT BENEFITS SCHEME

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

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

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

40. RELATED PARTY TRANSACTIONS

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

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

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

B. DIRECTORS' REMUNERATION

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

C. EVENTS AFTER THE REPORTING PERIOD

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

Assets and liabilities

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Profit or loss and other comprehensive income

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Cash flows

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

Assets and liabilities

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Profit or loss and other comprehensive income

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Cash flows

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

D. SUBSEQUENT FINANCIAL STATEMENTS

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

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong”

3. UNAUDITED FINANCIAL INFORMATION OF THE SIH GROUP

The unaudited financial information of the SIH Group contained in Appendix IIIB to the Circular is reproduced below. Capitalised terms used in this section shall have the same meanings as those defined in the review report contained in Appendix IIIB to the Circular.

“Deloitte.
德勤

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Hong Kong

REPORT ON REVIEW OF UNAUDITED FINANCIAL INFORMATION**TO THE BOARD OF DIRECTORS OF STARLIGHT INTERNATIONAL HOLDINGS LIMITED****Introduction**

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

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

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 May 2014

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the eight months ended 30 November 2013

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

	For the eight months ended 30	
	November	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to:		
Owners of SIH	(169,804)	(58,676)
Non-controlling interests	<u>5,353</u>	<u>10,560</u>
	<u>(164,451)</u>	<u>(48,116)</u>
Total comprehensive expense for the period attributable to:		
Owners of SIH	(168,637)	(58,739)
Non-controlling interests	<u>5,599</u>	<u>10,557</u>
	<u>(163,038)</u>	<u>(48,182)</u>

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Unaudited Consolidated Statement of Financial Position

As at 30 November 2013

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Unaudited Consolidated Statement of Changes in Equity
For the eight months ended 30 November 2013

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Unaudited Consolidated Statement of Cash Flows

For the eight months ended 30 November 2013

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

NOTES TO THE UNAUDITED FINANCIAL INFORMATION:**1. GENERAL**

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

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

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

2. BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

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

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

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

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

In preparing the Unaudited Consolidated Financial Information, the directors of SIH have given careful consideration to the future liquidity of the SIH Group in light of the fact that its current liabilities exceeded its current assets by approximately HK\$607,050,000 as at 30 November 2013, and its total liabilities exceeded its total assets by approximately HK\$225,709,000 as at 30 November 2013 and the SIH Group incurred losses of approximately HK\$164,451,000 for the eight months ended 30 November 2013. Taking into account that the Company has agreed to provide financial support to the SIH Group prior to the distribution in specie and Mr. Lau Sak Hong has agreed to provide financial support to the SIH Group upon completion of the distribution in specie, accordingly, the Unaudited Financial Information has been prepared on a going concern basis.

3. FINANCIAL INFORMATION OF THE REMAINING SUBSIDIARIES

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

Assets and liabilities

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Profit or loss and other comprehensive income

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Cash flows

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

4. FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

Assets and liabilities

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Profit or loss and other comprehensive income

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

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Cash flows

HK\$'000

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

4. STATEMENT OF INDEBTEDNESS

At the close of business on 31 March 2014, the Privateco Group had outstanding (i) borrowings of approximately HK\$50,871,000 including trust receipts and import loans, and short term bank loans secured by fixed charges on certain of the Privateco Group's assets, including investment properties and leasehold properties; (ii) amount due to the Remaining Group of approximately HK\$66,098,000; and (iii) amount due to the Scheme Subsidiaries of approximately HK\$4,584,000.

The Privateco Group had also guaranteed bank borrowings of the Scheme Subsidiaries which were also secured by investment properties and leasehold properties of the Privateco Group. The bank borrowings amounted to approximately HK\$19,902,000 as at 31 March 2014.

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

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

5. MATERIAL CHANGE

The Privateco Directors confirm that, save and except for the following, there has been no material change in the financial or trading position or outlook of the Privateco Group since 31 March 2013, being the date to which the audited consolidated financial statements of the Privateco Group as disclosed in the notes to the accountants' report of the SIH Group for the three years ended 31 March 2013 as set out in Appendix IIA to this Composite Document were made up, up to and including the Latest Practicable Date:

- (i) the Privateco Group ceased to be a wholly-owned subsidiary of the Listco and is only engaged in the Distributed Business pursuant to the Group Restructuring and the completion of the Distribution In Specie which took place on 26 June 2014;
- (ii) the capitalization of an amount of approximately HK\$20.3 million in reserve accounts for the allotment and issue of 2,033,808,385 Privateco Shares of HK\$0.01 each under the Distribution in Specie;
- (iii) the expected significant decrease in turnover of the Privateco Group for the twelve months ended 31 March 2014 mainly due to the continued decline in sale of TV sets in the U.S. and the intense price competition;
- (iv) the expected changes in the Privateco Group's financial results for the twelve months ended 31 March 2014 primarily attributable to the recognition of the reversal of provision for amounts due from fellow subsidiaries; and

APPENDIX IIA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

- (v) the expected improvement of the Privateco Group from its net liabilities position as at 31 March 2013 to net assets position as at 31 March 2014 mainly due to the substantial changes in due to/from fellow subsidiaries and ultimate holding company, resulted from the set-off and assignment of inter-company balances arising from the Group Restructuring and the Distribution In Specie.

The report from Deloitte Touche Tohmatsu on unaudited profit estimate of the SIH Group contained in Appendix IIID to the Circular is reproduced below.

“I. OVERALL

The estimate of the consolidated loss attributable to owners of SIH Limited (“SIH”) for the eight months ended 30 November 2013 (the “Profit Estimate”) is set out in Appendix IIB in this circular.

II. BASES AND ASSUMPTION

The estimate of the consolidated loss attributable to owners of SIH for the eight months ended 30 November 2013 prepared by the directors of SIH is based on the unaudited consolidated financial statements of SIH and its subsidiaries (hereafter collectively referred to as the “SIH Group”) for the eight months ended 30 November 2013. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the SIH Group as set out in the accountants’ report on the financial information of the SIH Group for the three years ended 31 March 2011, 2012 and 2013 as set out in Appendix IIIA to the Circular.

The directors of SIH have made the following principal assumption in the preparation of the Profit Estimate:

- There will be no events subsequent to 30 November 2013 which require adjustments to the Profit Estimate.

III. REPORT FROM REPORTING ACCOUNTANTS

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

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

24 May 2014

The Directors
Starlight International Holdings Limited
5/F, Shing Dao Industrial Building
232 Aberdeen Main Road
Hong Kong

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the estimate of the consolidated loss of SIH Limited ("SIH") and its subsidiaries (hereinafter collectively referred to as the "SIH Group") for the eight-month period ended 30 November 2013 attributable to owners of SIH (the "Estimate"), for which the directors of SIH are solely responsible, as set out in the circular dated 24 May 2014 issued by Starlight International Holdings Limited (the "Circular"). The Estimate is prepared based on the results shown in the unaudited consolidated management accounts of the SIH Group for the eight months ended 30 November 2013.

In our opinion the Estimate, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of SIH as set out in part II of Appendix IIID to the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the SIH Group as set out in our accountants' report on the financial information of the SIH Group for the three years ended 31 March 2011, 2012 and 2013 as set out in Appendix IIIA to the Circular.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong"

The report from Fulbright Capital on unaudited profit estimate of the SIH Group contained in Appendix III E to the Circular is reproduced below.



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

24 May 2014

The Board of Directors
Starlight International Holdings Limited
5/F Shing Dao Industrial Bldg
232 Aberdeen Main Road
Hong Kong

Dear Sirs,

We refer to the estimate of the consolidated loss of the SIH Limited (“**SIH**”) and its subsidiaries (hereinafter collectively referred to as the “**SIH Group**”) for the eight months ended 30 November 2013 (the “**Estimate**”) prepared by SIH and reviewed by Deloitte Touche Tohmatsu as published in Appendix IIIB to this circular. We note that the Estimate is regarded as a profit forecast under Rule 10 of the Takeovers Code. The Estimate is set out in the section headed “Financial information of the SIH Group” in the letter from the Board and the review report of the SIH Group for the eight months ended 30 November 2013 as published in the Appendix IIIB to this circular, of which this letter form part. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

We have discussed with the directors of SIH the bases upon which the Estimate was prepared. We have also considered the “Report from Deloitte Touche Tohmatsu on unaudited profit estimate of the SIH Group” dated 24 May 2014 issued to you, the text, of which is set out in Appendix IIID of this circular, regarding the accounting policies and calculations upon which the Estimate are prepared and relied upon.

On the basis of the foregoing, we are of the opinion that the Estimate, for which the directors of SIH are solely responsible, has been prepared after due care and consideration.

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

The unaudited pro forma financial information of the Privateco Group contained in Appendix IIIC to the Circular is reproduced below.

“UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE PRIVATECO GROUP**Introduction**

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

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

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

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

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

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

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

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE PRIVATECO GROUP**
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION**
AS AT 30 NOVEMBER 2013

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

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE PRIVATECO GROUP**

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

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE PRIVATECO GROUP**
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

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

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE PRIVATECO GROUP**

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

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

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

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (1) Figures are extracted from the unaudited condensed consolidated financial statements of the Group as set out in the results announcement of the Company for the eight months ended 30 November 2013.
- (2) The adjustment reflects (a) the exclusion of the assets and liabilities of the Scheme Subsidiaries; and (b) the pro forma gain on deconsolidation of the Scheme Subsidiaries, assuming the Creditors' Scheme had become effective and the Scheme Subsidiaries were transferred to the Administrators Vehicle on 30 November 2013. Pro forma gain on deconsolidation of Scheme Subsidiaries amounting HK\$407,395,000 being the disposal of net liabilities of the Scheme Subsidiaries on 30 November 2013 was resulted. Figures are extracted from the condensed combined statement of financial position of the Scheme Subsidiaries as at 30 November 2013 included in Appendix IVB to the Circular.
- (3) The adjustment reflects (a) the exclusion of the assets and liabilities of the Remaining Group and share capital and reserves of the Company; and (b) the pro forma gain on deconsolidation of the Remaining Subsidiaries, assuming the Remaining Subsidiaries were transferred to the Company on 30 November 2013. Pro forma gain on deconsolidation of Remaining Subsidiaries amounting HK\$50,370,000 being the disposal of net liabilities of Remaining Subsidiaries on 30 November 2013 was resulted.

HK\$'000

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

- (4) The adjustment reflects the elimination of inter-company balances between the Remaining Group, Privateco Group and Scheme Subsidiaries, assuming the transactions had taken place on 30 November 2013. Figures are extracted from the unaudited management accounts of respective companies within the Remaining Group, Privateco Group and Scheme Subsidiaries for the eight months ended 30 November 2013.
- (5) The adjustment reflects the waiver of certain receivables by the Remaining Group and the Scheme Subsidiaries to facilitate the Distribution In Specie and the implementation of the Creditors' Scheme through the assignment by the Scheme Subsidiaries of the receivables from the Remaining Group to the Administrators Vehicle and the assignment by the Remaining Group of receivables from the companies within the Privateco Group to Privateco, assuming the transactions had taken place on 30 November 2013. The effect of the waiver of receivables by the Remaining Group and the Scheme Subsidiaries is summarised and reconciled as follows:

HK\$'000

Waiver of receivables by the Remaining Group (recognised in equity as part of the Distribution in Specie)	34,196
Waiver of receivables by the Scheme Subsidiaries (recognised in profit or loss)	<u>7,454</u>
	<u><u>41,650</u></u>

HK\$'000

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

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

- (6) The adjustment reflects the reinstatement of the balances among the Privateco Group, Remaining Group and Scheme Subsidiaries as at 30 November 2013, assuming the transfer of Remaining Subsidiaries from the SIH Group to the Company and the implementation of the Creditors' Scheme had taken place on 30 November 2013.
- (7) The adjustment reflects the estimated restructuring costs for the Privateco Group of approximately HK\$8,000,000, which will be recognised in profit or loss, assuming the estimated restructuring costs were paid on 30 November 2013. The estimated amounts are subject to changes.

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

- (8) The adjustment reflects the exclusion of the income and expenses and cash flows of the Scheme Subsidiaries, assuming the Creditors' Scheme had become effective and the Scheme Subsidiaries were transferred to the Administrators Vehicle on 1 April 2013. Figures are extracted from the condensed combined statement of profit or loss and other comprehensive income and statement of cash flows of the Scheme Subsidiaries for the eight months ended 30 November 2013 included in Appendix IVB to the Circular.
- (9) The adjustment reflects the exclusion of the income and expenses and cash flows of the Remaining Group, assuming the transfer of Remaining Subsidiaries from the SIH Group to the Company had taken place on 1 April 2013. Figures are based on the financial information of the Remaining Subsidiaries for the eight months ended 30 November 2013 as extracted from note 3 to the review report of the SIH Group for the eight months ended 30 November 2013 included in Appendix IIIB to the Circular and the financial information of the Company as extracted from the unaudited management accounts of the Company for the eight months ended 30 November 2013.
- (10) The adjustment reflects the elimination of inter-company transactions between the Remaining Group, Privateco Group and Scheme Subsidiaries, assuming the transactions had taken place on 1 April 2013. Figures are extracted from the unaudited management accounts of respective companies within the Remaining Group, Privateco Group and Scheme Subsidiaries for the eight months ended 30 November 2013.

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE PRIVATECO GROUP**

- (11) The adjustment reflects the pro forma loss on deconsolidation of the Scheme Subsidiaries and Remaining Subsidiaries, assuming the Creditors' Scheme had become effective and the Scheme Subsidiaries and Remaining Subsidiaries were transferred to the Administrators Vehicle and the Company, respectively on 1 April 2013. Pro forma loss on deconsolidation of Scheme Subsidiaries and Remaining Subsidiaries is calculated as follows:

	<i>HK\$'000</i>
Disposal of net liabilities of the Scheme Subsidiaries (as extracted from the combined statement of financial position of the Scheme subsidiaries as at 31 March 2013 included in Appendix IVA to the Circular)	231,540
Disposal of net liabilities of the Remaining Subsidiaries (base on the financial information of the Remaining Subsidiaries for the year ended 31 March 2013 as extracted from section C to the Accountant's Report of the SIH Group in Appendix IIA to the Circular)	87,870
Assignment of receivables from the Scheme Subsidiaries (see (i) below)	<u>(480,133)</u>
Pro forma loss on deconsolidation of the Scheme Subsidiaries and Remaining Subsidiaries	<u><u>(160,723)</u></u>

- (i) The below reflects the waiver of certain receivables by the Remaining Group and the Privateco Group to facilitate the Distribution In Specie and the implementation of the Creditors' Scheme through the assignment of receivables by the Remaining Group from the companies within the Privateco Group to Privateco and the assignment of receivables by the Privateco Group From the Scheme Subsidiaries to the Administrators Vehicle, assuming the transactions had taken place on 1 April 2013. The effect of the waiver of receivables by the Remaining Group and the Privateco Group is summarised and reconciled as follows:

	<i>HK\$'000</i>
Assignment of receivables by the Remaining Group (recognised in equity)	451,879
Assignment of receivables by the Privateco Group (see above) (recognised in profit or loss)	<u>(480,133)</u>
	<u><u>(28,254)</u></u>

	<i>HK\$'000</i>
Amounts due from the Remaining Group and Scheme Subsidiaries to the Privateco Group before assignment (as extracted from the unaudited management accounts of the Privateco Group)	1,122,482
Amounts due to the Remaining Group and Scheme Subsidiaries by the Privateco Group before assignment (as extracted from the unaudited management accounts of the Privateco Group)	(1,079,730)
Less: Amounts due from the Remaining Group and Scheme Subsidiaries to the Privateco Group after assignment (as extracted from the unaudited pro forma financial information of the Privateco Group on page IIIC-3 in Appendix IIIC to the Circular)	(18,300)
Less: Amounts due to the Remaining Group and Scheme Subsidiaries by the Privateco Group after assignment (as extracted from the unaudited pro forma financial information of the Privateco Group on page IIIC-4 in Appendix IIIC to the Circular)	<u>3,802</u>
Assignment of receivables from the Remaining Group and the Scheme Subsidiaries	<u><u>28,254</u></u>

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

- (12) Except for the Group Restructuring, transfer of Scheme Subsidiaries to the Creditors' Scheme and provision of restructuring costs, no adjustment has been made to reflect any trading result or other transaction of the Privateco Group entered into subsequent to 30 November 2013.

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



**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

TO THE BOARD OF DIRECTORS OF STARLIGHT INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Starlight International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consisted of the unaudited pro forma condensed consolidated statement of financial position as at 30 November 2013, the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma condensed consolidated statement of cash flows for the eight months ended 30 November 2013 and related notes as set out on pages IIC-3 to IIC-11 of the circular issued by the Company dated 24 May 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IIC-1 to IIC-2 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed deemed very substantial disposal relating to transfer of the entire equity interest in the share capital of Dual Success Holdings Limited ("Dual Success") under a creditors' scheme, transfer of certain subsidiaries to Dual Success and transfer of certain subsidiaries from SIH Limited, a wholly owned subsidiary of the Company, to the Company on the Group's financial position as at 30 November 2013 and the Group's financial performance and cash flows for the eight months ended 30 November 2013 as if the transactions had taken place at 30 November 2013 and 1 April 2013, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's condensed consolidated financial statements for the eight months ended 30 November 2013, on which no audit or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 November 2013 or 1 April 2013 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 May 2014”

The valuation report for properties held by the Privateco Group from Greater China Appraisal Limited, an independent valuer, contained in Appendix VIII A to the Circular is reproduced below.

“ GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

24 May 2014

Starlight International Holdings Limited
5/F, Shing Dao Industrial Limited
232 Aberdeen Main Road
Aberdeen
Hong Kong

Dear Sirs,

**Re: Various Units And Car Parking Spaces On Various Floors, Shing Dao Industrial Building,
No.232 Aberdeen Main Road, Hong Kong**

In accordance with the instructions from Starlight International Holdings Limited (the “Company”) to value certain real properties (the “Properties”) which are held by the Company or its subsidiaries (these companies referred to as the “Group”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such real property interests as at 28 February 2014 (referred to as the “valuation date”).

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the real properties and the limiting conditions.

BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY

The real property interests are valued by the comparison method where comparison based on prices realised or market prices of comparable real properties is made. Comparable real properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each real property. Adjustments in the prices of the comparable real properties are then made to account for the identified differences between the real property in the relevant factors.

For those tenanted real properties, the rentals receivable during the term of the tenancies are capitalized at appropriate yield with due allowance for the reversionary value upon expiry of tenancies.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the real property interests in their existing states without the benefit of any deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the real property interests.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report. Moreover, it is assumed that the utilization of the land and improvements is within the boundaries of the site held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the report.

Other specific assumptions of the Properties, if any, have been stated out in the footnotes of the valuation certificate.

TITLESHP INVESTIGATION

We have caused searches made at the Land Registry in Hong Kong in respect of the real property interests. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copy handed to us.

All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the Properties set out in this report.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the Properties. However, no structural survey has been made and we are therefore unable to report as to whether the Properties are free from rot, infestation or any other structural defects. Also, no tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the areas in respect of the Properties but have assumed that the areas shown on the relevant documents provided to us are correct. Based on our experience of valuation of similar real properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us by it on such matters as planning approvals, statutory notices, easements, tenure, occupation, rentals, site and floor areas and in the identification of the Properties. We were also advised by the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the real property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the real property interest is free of encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

OPINION OF VALUE

Valuation figures of the Properties are set out in the attached summary of values and valuation certificates.

REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In valuing the real property interests, we have complied with the requirements contained in the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

Site inspection of the Properties was conducted on 24 March 2014 by Mr. Jonathan Ho (AsSc). The Properties were maintained in a reasonable condition commensurate with their ages and uses and equipped with normal building services.

For the purpose of compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Share Buy-backs and as advised by the Company, the potential tax liabilities which may arise from the sale of the Properties may include stamp duty on the amount or value of the consideration (maximum 8.5%) and profit tax (16.5% on the profit amount). As advised by the Company, the likelihood of any potential tax liability being crystallised is remote as the Company has no intention to sell the Properties.

All amounts are denominated in Hong Kong Dollars (HK\$).

We enclose herewith a summary of values and our valuation certificates.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
Mr. Gary Man
Registered Professional Surveyor (G.P.)
FHKIoD, FRICS, MHKIS, MCIREA
Director

Note: Mr. Gary Man is a Chartered Surveyor who has more than 26 years of valuation experience in countries such as The PRC, Hong Kong, Singapore, Vietnam, Philippines and the Asia Pacific region.

SUMMARY OF VALUES

GROUP I - REAL PROPERTIES HELD FOR INVESTMENT

No.	Real Properties	Market Value in existing state as at 28 February 2014 (HK\$)
1.	18th Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong	40,700,000
2.	16th Floor Including The Flat Roof and Car Parking Space No.9 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong	41,800,000
3	14th Floor and Car Parking Space No.10 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong	48,800,000
4	12th Floor and Car Parking Space No.12 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong	48,600,000
5	6th Floor and Car Parking Space No.1 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong	48,500,000

GROUP II - REAL PROPERTY HELD FOR OWNER OCCUPATION

6	5th Floor and Car Parking Space No.7 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong	47,000,000
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Total: 275,400,000

VALUATION CERTIFICATES

GROUP I - REAL PROPERTIES HELD FOR INVESTMENT

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014
1.	18th Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong 20/529th shares of and in Aberdeen Inland Lot No. 303	<p>The subject development, namely Shing Dao Industrial Building which was completed in 1978, comprises a 20-storey industrial building with carparking facilities.</p> <p>The real property is located at the western side of Aberdeen Main Road, next to the Aberdeen Centre. The vicinity mainly comprises residential and industrial buildings.</p> <p>The real property comprises the 18th Floor of Shing Dao Industrial Building. The gross floor area of the real property is approximately 12,079 square feet.</p> <p>The real property is held under a Conditions of Exchange No. 10512 for a term of 999 years commencing on 1 June 1857. The government rent payable for the lot is HK\$38 per annum.</p>	<p>As advised by the Company, the real property is leased to Gucci Group (Hong Kong) Limited at a monthly rent of approximately HK\$78,513.5 exclusive of management fee, government rates and other charges for a term of 2 years commencing from 1 September 2013 and expiring on 31 August 2015.</p>	<p>HK\$40,700,000 (Hong Kong Dollar Forty Million and Seven Hundred Thousand Only)</p>

Notes:

- (i) The registered owner of the real property is Noble Win Limited, 100% interest owned by the Company, via memorial no. UB6300134 dated 2 May 1995.
- (ii) The real property is subject to a mortgage in favour of Chong Hing Bank Limited via memorial no. 11052400830016 dated 5 May 2011.
- (iii) The real property is subject to a second mortgage in favour of Chong Hing Bank Limited via memorial no. 12051600880042 dated 26 April 2012.
- (iv) As advised by the Company, the real property together with Real Property No.4 (12th Floor and Car Parking Space No.12 on Ground Floor, Shing Dao Industrial Building) are subject to mortgage with a facilities amount of HK\$72,500,000.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014
2.	16th Floor Including The Flat Roof and Car Parking Space No.9 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong 21/529st shares of and in Aberdeen Inland Lot No. 303	<p>The subject development, namely Shing Dao Industrial Building which was completed in 1978, comprises a 20-storey industrial building with carparking facilities.</p> <p>The real property is located at the western side of Aberdeen Main Road, next to the Aberdeen Centre. The vicinity mainly comprises residential and industrial buildings.</p> <p>The real property comprises the 16th Floor and a car parking space No.9 on Ground Floor of Shing Dao Industrial Building. The gross floor area of the real property is approximately 12,079 square feet.</p> <p>The real property is held under a Conditions of Exchange No. 10512 for a term of 999 years commencing on 1 June 1857. The government rent payable for the lot is HK\$38 per annum.</p>	<p>As advised by the Company, the real property (excluding the car parking space No.9) is leased to Target Hong Kong Group Limited at a monthly rent of approximately HK\$68,250 inclusive of management fee and government rates for a term of 5 years commencing from 1 September 2011 and expiring on 31 August 2016.</p> <p>The car parking space No.9 is currently occupied for car park use.</p>	<p>HK\$41,800,000</p> <p>(Hong Kong Dollar Forty One Million and Eight Hundred Thousand Only)</p>

Notes:

- (i) The registered owner of the real property is Star Light Electronics Company Limited, 100% interest owned by the Company, via memorial no. UB2162607 dated 5 October 1981.
- (ii) The real property is subject to a mortgage in favour of The HongKong And Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities via memorial no. 11081903000218 dated 1 August 2011.
- (iii) The real property is subject to a rent assignment in favour of The HongKong And Shanghai Banking Corporation Limited via memorial no. 11081903000222 dated 1 August 2011.
- (iv) As advised by the Company, the real property together with Real Property No.3 (14th Floor and Car Parking Space No.10 on Ground Floor, Shing Dao Industrial Building) are subject to mortgage with a facilities amount of HK\$65,000,000.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014
3.	14th Floor and Car Parking Space No.10 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong 26/529th shares of and in Aberdeen Inland Lot No. 303	<p>The subject development, namely Shing Dao Industrial Building which was completed in 1978, comprises a 20-storey industrial building with carparking facilities.</p> <p>The real property is located at the western side of Aberdeen Main Road, next to the Aberdeen Centre. The vicinity mainly comprises residential and industrial buildings.</p> <p>The real property comprises the 14th Floor and a car parking space No.10 on Ground Floor of Shing Dao Industrial Building. The gross floor area of the real property is approximately 13,974 square feet.</p> <p>The real property is held under a Conditions of Exchange No. 10512 for a term of 999 years commencing on 1 June 1857. The government rent payable for the lot is HK\$38 per annum.</p>	<p>As advised by the Company, the real property (excluding car parking space no.10) is leased to Gucci Group (Hong Kong) Limited at a monthly rent of approximately HK\$90,831 exclusive of management fee, government rates and other charges for a term of 2 years commencing from 1 September 2013 and expiring on 31 August 2015.</p> <p>The car parking space No.10 is currently occupied for car park use.</p>	<p>HK\$48,800,000</p> <p>(Hong Kong Dollar Forty Eight Million and Eight Hundred Thousand Only)</p>

Notes:

- (i) The registered owner of the real property is Noble Win Limited, 100% interest owned by the Company, via memorial no. UB5975708 dated 23 November 1993.
- (ii) The real property is subject to a mortgage in favour of The HongKong And Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities via memorial no. 11081903000218 dated 1 August 2011.
- (iii) The real property is subject to a rent assignment in favour of The HongKong And Shanghai Banking Corporation Limited via memorial no. 11081903000222 dated 1 August 2011.
- (iv) As advised by the Company, the real property together with Real Property No.2 (16th Floor including the Flat Roof and Car Parking Space No.9 on Ground Floor, Shing Dao Industrial Building) are subject to mortgage with a facilities amount of HK\$65,000,000.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014
4.	12th Floor and Car Parking Space No.12 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong 26/529th shares of and in Aberdeen Inland Lot No. 303	<p>The subject development, namely Shing Dao Industrial Building which was completed in 1978, comprises a 20-storey industrial building with carparking facilities.</p> <p>The real property is located at the western side of Aberdeen Main Road, next to the Aberdeen Centre. The vicinity mainly comprises residential and industrial buildings.</p> <p>The real property comprises the 12th Floor and a car parking space No.12 on Ground Floor of Shing Dao Industrial Building. The gross floor area of the real property is approximately 13,974 square feet.</p> <p>The real property is held under a Conditions of Exchange No. 10512 for a term of 999 years commencing on 1 June 1857. The government rent payable for the lot is HK\$38 per annum.</p>	<p>As advised by the Company, the real property (excluding car parking space No.12) is leased to Gucci Group (Hong Kong) Limited at a monthly rent of approximately HK\$90,831 exclusive of management fee, government rates and other charges for a term of 2 years commencing from 1 September 2013 and expiring on 31 August 2015.</p> <p>The car parking space No.12 is currently occupied for car park use.</p>	<p>HK\$48,600,000</p> <p>(Hong Kong Dollar Forty Eight Million and Six Hundred Thousand Only)</p>

Notes:

- (i) The registered owner of the real property is Merrygain Holding Company Limited, 96% interest owned by the Company, via memorial no. UB2155073 dated 27 August 1981.
- (ii) The 12th floor of the real property is subject to a mortgage in favour of Chong Hing Bank Limited via memorial no. 12051600880024 dated 26 April 2012.
- (iii) The 12th floor of the real property is subject to an assignment of rentals in favour of Chong Hing Bank Limited via memorial no. 12051600880037 dated 26 April 2012.
- (iv) As advised by the Company, the real property together with Real Property No.1 (18th Floor, Shing Dao Industrial Building) are subject to mortgage with a facilities amount of HK\$72,500,000.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014
5.	6th Floor and Car Parking Space No.1 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong 26/529th shares of and in Aberdeen Inland Lot No. 303	<p>The subject development, namely Shing Dao Industrial Building which was completed in 1978, comprises a 20-storey industrial building with carparking facilities.</p> <p>The real property is located at the western side of Aberdeen Main Road, next to the Aberdeen Centre. The vicinity mainly comprises residential and industrial buildings.</p> <p>The real property comprises the 6th Floor and a car parking space No.1 on Ground Floor of Shing Dao Industrial Building. The gross floor area of the real property is approximately 13,974 square feet.</p> <p>The real property is held under a Conditions of Exchange No. 10512 for a term of 999 years commencing on 1 June 1857. The government rent payable for the lot is HK\$38 per annum.</p>	<p>As advised by the Company, the real property (excluding car parking space No.1) is leased to Chi Sun Company Limited at a monthly rent of approximately HK\$97,818 exclusive of management fee, government rates and other charges for a term of 3 years commencing from 16 August 2012 and expiring on 15 August 2015.</p> <p>The car parking space No.1 is currently occupied for car park use.</p>	<p>HK\$48,500,000</p> <p>(Hong Kong Dollar Forty Eight Million and Five Hundred Thousand Only)</p>

Notes:

- (i) The registered owner of the real property is Nice States Investment Limited, 100% interest owned by the Company, via memorial no. UB4913622 dated 1 July 1991.
- (ii) The real property is subject to a tripartite legal charge/mortgage in favour of Standard Chartered Bank (Hong Kong) Limited as trustee for the secured parties via memorial no. 11060102640160 dated 27 May 2011.
- (iii) As advised by the Company, the real property is subject to mortgage with a facilities amount of HK\$35,000,000.

GROUP II - REAL PROPERTY HELD FOR OWNER OCCUPATION

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 28 February 2014
6.	5th Floor and Car Parking Space No.7 On Ground Floor, Shing Dao Industrial Building, No.232 Aberdeen Main Road, Hong Kong 26/529th shares of and in Aberdeen Inland Lot No. 303	<p>The subject development, namely Shing Dao Industrial Building which was completed in 1978, comprises a 20-storey industrial building with carparking facilities.</p> <p>The real property is located at the western side of Aberdeen Main Road, next to the Aberdeen Centre. The vicinity mainly comprises residential and industrial buildings.</p> <p>The real property comprises the 5th Floor and a car parking space No.7 on Ground Floor of Shing Dao Industrial Building. The gross floor area of the real property is approximately 13,974 square feet.</p> <p>The real property is held under a Conditions of Exchange No. 10512 for a term of 999 years commencing on 1 June 1857. The government rent payable for the lot is HK\$38 per annum.</p>	The real property is occupied as office and warehouse.	HK\$47,000,000 (Hong Kong Dollar Forty Seven Million Only))

Notes:

- (i) The registered owner of the real property is Nice States Investment Limited, 100% interest owned by the Company, via memorial no. UB4913622 dated 1 July 1991.
- (ii) The 5th floor of the real property is subject to a mortgage in favour of Hang Seng Bank Limited to secure all moneys in respect of general banking facilities via memorial no.11092702610211 dated 8 September 2011.
- (iii) As advised by the Company, the real property is subject to mortgage with a facilities amount of HK\$61,600,000.”

**APPENDIX V LETTER FROM GREATER CHINA APPRAISAL LIMITED
ON PROPERTY VALUATION OF PROPERTIES
HELD BY THE PRIVATECO GROUP**

The following is the text of a letter received from Greater China Appraisal Limited in connection with the property valuation of properties held by the Privateco Group, prepared for the purpose of incorporation into this Composite Document.

GREATER CHINA APPRAISAL LIMITED
漢華評值有限公司

Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

30 June 2014

The Board of Directors
Starlight International Holdings Limited
5/F, Shing Dao Industrial Limited
232 Aberdeen Main Road
Aberdeen
Hong Kong

Dear Sirs,

Company : Starlight International Holdings Limited (the “Company”)

Transaction : Composite Offer And Response Document Relating To The Unconditional Voluntary Cash Offer For All The Issued Shares In SIH Limited (Other Than Those Already Owned Or Agreed To Be Acquired By Fairy King Prawn Holdings Limited And Parties Acting In Concert With It) By GF Securities (Hong Kong) Brokerage Limited On Behalf Of Fairy King Prawn Holdings Limited

Our valuation report dated 24 May 2014 with valuation date as at 28 February 2014 (the “Valuation Report”) has been included in Appendix IV to the composite document dated 30 June 2014 in respect of the captioned transaction.

For the period between 28 February 2014 and the date of this letter, we have requested the Company to provide us with all relevant update information which may have material impact to the value of the real property interests. According to the information provided by the Company, there was no substantial material change that had adverse impact on the information or assumptions which included in our Valuation Report. As such, we hereby confirm that the value of the real property interests as at 30 April 2014 would not be

**APPENDIX V LETTER FROM GREATER CHINA APPRAISAL LIMITED
ON PROPERTY VALUATION OF PROPERTIES
HELD BY THE PRIVATECO GROUP**

materially different from the valuation date as at 28 February 2014. Furthermore, as confirmed by the Company, there is no associated companies in the Privateco Group (as referred to SIH Limited, a wholly owned subsidiary of the Company, and its subsidiaries).

Yours faithfully
For and on behalf of
Greater China Appraisal Limited
Gary Man
Director

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Privateco and of certain aspects of BVI company law.

The Privateco was incorporated in BVI on the 21st September 1989 as an International Business Company, governed by the International Business Companies Act (Cap 291) (the “IBC Act”), and was automatically re-registered as a BVI Business Company with limited liability on 1 January 2007 under the BVI Business Companies Act, 2004, as amended (the “BVI Companies Act”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that subject to the BVI Companies Act and any other BVI legislation, the Privateco has, irrespective of corporate benefit:
 - a. full capacity to carry on or undertake any business or activity, do any act or enter into any transaction; and
 - b. for the purposes of paragraph (a), full rights, powers and privileges.
- (b) The Memorandum states, inter alia, that the liability of members of the Privateco is limited to the amount, if any, for the time being unpaid on the shares of the Privateco respectively held by them.
- (c) The Privateco is authorized by the Memorandum to issue a maximum of 5,000,000,000 shares of a single class with par value of HK\$0.01 each.

2. ARTICLES OF ASSOCIATION

(a) Directors

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

Subject to the provisions of the BVI Companies Act and the Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Privateco may by an amendment to the Memorandum determine. Subject to the BVI Companies Act, the Memorandum and the Articles, any share may be issued on terms that, at the option of the Privateco or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Privateco on such terms as it may from time to time determine.

Subject to the provisions of the BVI Companies Act and the Articles, where applicable, the Listing Rules, and any direction that may be given by the Privateco in general meeting and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Privateco shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that where the Privateco has shares that carry a par value, no shares shall be issued at a discount.

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

(ii) Power to dispose of the assets of the Privateco or any subsidiary

The Directors may sell, transfer, secure, exchange or otherwise dispose of the assets of the Privateco without authorisation by the members. The Directors may also exercise all powers and do all acts and things which may be exercised or done or approved by the Privateco and which are not required by the Articles or the BVI Companies Act to be exercised or done by the Privateco in general meeting.

(iii) Compensation or payments for loss of office

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

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

There are provisions in the Articles prohibiting the making of loans to Directors which are comparable to the restrictions imposed by the Hong Kong Companies Ordinance.

(v) Disclosure of interests in contracts with the Privateco or any of its subsidiaries

A Director may hold any other office or place of profit with the Privateco (except that of the auditors of the Privateco) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any

company promoted by the Privateco or any other company in which the Privateco may be interested, and shall not be liable to account to the Privateco or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company.

Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Privateco to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

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

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

- (aa) any contract, transactions, arrangement or proposal for giving of any security or indemnity to the Director in respect of money lent or obligations incurred or undertaken by him at the request of or for the benefit of the Privateco or any of its subsidiaries;
- (bb) any contract, transaction, arrangement or proposal for the giving by the Privateco of any security or indemnity to a third party in respect of a debt or obligation of the Privateco or any of its subsidiaries for which the Director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of or by the Privateco or any other company which the Privateco may promote or be interested in for subscription or purchase, where the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract, transaction, arrangement or proposal in which the Director is interested in the same manner as other holders of shares or debentures or other securities of the Privateco or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Privateco; or
- (ee) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors and employees of the Privateco or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Privateco in general meeting and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the board in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.

The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Privateco or otherwise in connection with the discharge of their duties as Directors.

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

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

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

(vii) Retirement, appointment and removal

At each annual general meeting one third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re election or appointment and so that as between persons who became or were last re elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the board in the manner set out in the following paragraph shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the board as an addition to the existing board shall hold office only until the next following annual general meeting of the Privateco and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Privateco by way of qualification.

The members may, at any general meeting convened and held in accordance with the Articles, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in these Articles or in any agreement between the Privateco and such Director (but without prejudice to any claim for damages under any such agreement) provided that notice of such general meeting must state that the purpose of the general meeting is, or the purposes of the general meeting include, the removal of a Director. Unless otherwise determined by the Privateco in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Privateco at the registered office of the Privateco for the time being or tendered at a meeting of the board whereupon the board resolves to accept such resignation;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Privateco for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

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

Note: The rights of the Directors to exercise these powers may only be varied by amending the Articles.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Articles provide that the Privateco will maintain at its registered office a register of directors and officers which is not available for inspection by the public.

(b) Alterations to Constitutional Documents

The Articles may be rescinded, altered or amended by the Privateco in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum (save for an amendment for purposes of altering the capital as described in (c) below which shall require an ordinary resolution only), to amend the Articles or to change the name of the Privateco. Under BVI law, an amendment to the Memorandum or Articles has effect from the date that the notice of amendment or restated memorandum or articles of association incorporating the amendment is registered by the BVI Registrar of Corporate Affairs.

(c) Alteration of Capital

Subject to the Memorandum and these Articles, the Privateco may by ordinary resolution:

- (i) combine its shares, including issued shares, into a smaller number of shares; or
- (ii) sub-divide its shares, or any of them, into a greater number of shares,

provided that, where shares are divided or combined, the aggregate par value (if any) of the new shares must be equal to the aggregate par value (if any) of the original shares, and the Privateco shall not divide its shares if it would cause the maximum number of shares that the Privateco is authorized to issue to be exceeded.

The Privateco may by an amendment to the Memorandum divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions as may be determined by the Privateco provided always that where the Privateco issues shares which do not carry voting rights, the words “non voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”.

(d) Variation of Rights of Existing Shares or Classes of Shares

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

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special Resolution-majority Required

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

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Privateco as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting Rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

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

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

Where the Privateco has knowledge that any Member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Privateco or restricted to voting only for or only against any particular resolution of the Privateco, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.

(g) Requirements for Annual General Meetings

An annual general meeting of the Privateco shall be held in each year other than the year of the Privateco's adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or not more than eighteen (18) months after the date of adoption of these Articles, unless a longer period would not infringe the Listing Rules, if any) at such time and place as may be determined by the board.

(h) Accounts and Audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Privateco, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Privateco and of all other matters required by the BVI Companies Act and in accordance with the generally accepted accounting principles and practices in Hong Kong or as may be necessary to give a true and fair view of the Privateco's affairs and to explain its transactions.

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

A printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Privateco under convenient heads and a statement of income and expenditure, together with a copy of the Auditors' report, shall be sent to each person entitled thereto at least twenty one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Privateco at the annual general meeting held in accordance with the Articles provided that the Articles shall not require a copy of those documents to be sent to any person whose address the Privateco is not aware of or to more than one of the joint holders of any shares or debentures.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Privateco in general meeting or in such manner as the members may determine.

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

(i) Notices of Meetings and Business to be Conducted Thereat

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

meeting shall be given to all members of the Privateco other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Privateco, and also to the auditors for the time being of the Privateco.

Notwithstanding that a meeting of the Privateco is called by shorter notice than that mentioned above, if permitted by the Listing Rules, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Privateco entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value or of the total number of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting, and also all business that is transacted at an annual general meeting, with the exception of:

- (a) the declaration and sanctioning of dividends;
 - (b) consideration and adoption of the accounts and balance sheet and the reports of the Directors and Auditors and other documents required to be annexed to the balance sheet;
 - (c) the election of Directors whether by rotation or otherwise in the place of those retiring;
 - (d) appointment of Auditors (where special notice of the intention for such appointment is not required by the BVI Companies Act) and other officers;
 - (e) the fixing of the remuneration of the Auditors, and the voting of remuneration or extra remuneration to the Directors;
 - (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares in the capital of the Privateco representing not more than twenty per cent. (20%) in nominal value of its existing issued share capital; and
 - (g) the granting of any mandate or authority to the Directors to repurchase securities of the Privateco.
- (j) Transfer of Shares**

Subject to the Articles, any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in any other form approved by the board and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine

imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. The board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers.

Unless the board otherwise agrees (which agreement may be on such terms and subject to such conditions as the board in its absolute discretion may from time to time determine, and which agreement the board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the register of members of the Privateco shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant office where the branch register of members is kept, and, in the case of any shares on the register of members, at the registered office of the Privateco or such other place at which the register is kept in accordance with the BVI Companies Act.

The board may, in its absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four (4) joint holders or a transfer of any share issued for a promissory note or other binding obligation to contribute money or property or a contribution thereof to the Privateco on which the Privateco has a lien.

The board may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share, the instrument of transfer is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do) or, if applicable, the instrument of transfer is duly and properly stamped.

The registration of transfers may be suspended and the register closed on giving notice by advertisement in the appointed newspaper or by other means as set out in the Articles, at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Privateco to Purchase its Own Shares

Subject to the BVI Companies Act, the Memorandum and the Articles, the Privateco shall have all the powers conferred upon it by the BVI Companies Act to purchase or otherwise acquire its own shares and such power shall be exercisable by the board in such manner, upon such terms and subject to such conditions as it thinks fit, including but not limited to, the purchase of shares at a price less than fair value.

Shares that the Privateco purchases, redeems or otherwise acquires pursuant to the Articles may be cancelled or held as treasury shares provided that the number of shares purchased, redeemed or otherwise acquired when aggregated with shares already held as treasury shares may not exceed 50% of the shares of that class previously issued (excluding shares that have been cancelled).

(l) Power for any Subsidiary of the Privateco to Own Shares in the Privateco and Financial Assistance to Purchase Shares of the Privateco

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

Subject to compliance with the rules and regulations any relevant regulatory authority, the Privateco may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Privateco.

(m) Dividends and Other Methods of Distribution

Subject to the BVI Companies Act, the Privateco in general meeting may from time to time declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The board may recommend and pay to all members on a pro rata basis a dividend or a distribution at such time and of such an amount as they think fit if they are satisfied, on reasonable grounds, that immediately after the payment of the dividend or distribution, the value of the Privateco's assets exceeds its liabilities and the Privateco is able to pay its debts as they fall due. The resolution shall include a statement to that effect.

Except in so far as the rights attaching to, or the terms of issue of, any Share otherwise provide all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Whenever the board has resolved that a dividend be paid or declared on the share capital of the Privateco, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Privateco may also upon the recommendation of the board by an ordinary

resolution resolve in respect of any one particular dividend of the Privateco that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Privateco in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Privateco. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

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

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

No dividend or other monies payable by the Privateco on or in respect of any share shall bear interest against the Privateco.

(n) Proxies

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

(o) Forfeiture of Shares

Where a share is not fully paid for on issue, the directors may, subject to the terms on which the share was issued, at any time serve upon the member a written notice of call specifying a date for payment to be made. Where a notice complying with the provisions of the Articles has been issued

and the requirements of the notice have not been complied with, the directors by Resolution of Directors may, at any time before tender of payment forfeit and cancel the share to which the notice relates.

When any Share has been forfeited, Notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share. No forfeiture shall be invalidated by any omission or neglect to give such Notice.

The board may accept the surrender of any Share liable to be forfeited and, in such case, references in the Articles to forfeiture will include surrender.

A declaration by a Director or the Secretary that a Share has been forfeited on a specified date shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share, and such declaration shall (subject to the execution of an instrument of transfer by the Privateco if necessary) constitute a good title to the Share, and the person to whom the Share is disposed of shall be registered as the holder of the Share and shall not be bound to see to the application of the consideration (if any), nor shall his title to the Share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture, sale or disposal of the Share. When any Share shall have been forfeited, notice of the declaration shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry.

Notwithstanding any such forfeiture as aforesaid, the board may at any time, before any shares so forfeited shall have been sold, re allotted or otherwise disposed of, permit the shares forfeited to be bought back upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.

(p) Inspection of Share Register

Unless closed in accordance with the Articles, the Register and branch register of members, as the case may be, shall be open to inspection for at least two (2) hours during business hours by members without charge or by any other person, upon a maximum payment of \$2.50 or such lesser sum specified by the board, at the registered office of the Privateco or such other place at which the register of members is kept in accordance with the BVI Companies Act or, if appropriate, upon a maximum payment of \$1.00 or such lesser sum specified by the board at the office where the branch register of members of the Privateco is kept. The register of members of the Privateco including any overseas or local or other branch register of members may, after notice has been given by advertisement in an appointed newspaper, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the board may determine and either generally or in respect of any class of shares.

(q) Quorum for Meetings and Separate Class Meetings

No business other than the appointment of a chairman of a meeting shall be transacted at any general meeting unless a quorum is present at the commencement of the business. The absence of a quorum shall not preclude the appointment of a chairman. Save as otherwise provided by the Articles, two (2) members entitled to vote and present in person or by proxy or (in the case of a member being a corporation) by its duly authorised representative shall form a quorum for all purposes. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(r) Untraceable Members

The Privateco may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Privateco may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. The Privateco shall have the power to sell, in such manner as the board thinks fit, any shares of a Member who is untraceable, but no such sale shall be made unless (a) all cheques or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by these Articles have remained uncashed; (b) so far as it is aware at the end of the relevant period, the Privateco has not at any time during the relevant period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and (c) the Privateco has given notice to, and caused advertisement in newspapers to be made of its intention to sell such shares, and a period of three (3) months has elapsed since the date of such advertisement.

For the purpose of the foregoing, the “relevant period” means the period commencing twelve (12) years before the date of publication of the advertisement referred to in paragraph (c) above and ending at the expiry of the period referred to in that paragraph.

(s) Rights of the Minorities in Relation to Fraud or Oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Privateco under BVI law, as summarized in paragraph 3(d) of this Appendix.

(t) Procedures on Liquidation

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

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Privateco shall be wound up and the assets available for distribution amongst the members of the Privateco shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Privateco shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

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

3. BVI COMPANY LAW

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

(a) Share Capital

Under the BVI Companies Act there is no concept of authorised capital. Companies incorporated under the BVI Companies Act may be authorised to issue a specific number of shares or the company's memorandum of association may provide that the company is authorised to issue an unlimited number of shares. The BVI Companies Act also provides that, subject to the company's memorandum and articles of association, shares may be issued with or without a par value and in any currency. The BVI Companies Act also permits the company to issue fractional shares.

Shares issued by the company will be the personal property of the shareholders and confer on the holder of a share:

- (i) the right to one vote at a meeting of the members of the company or on any resolution of the members of the company;

- (ii) the right to an equal share in any dividend paid in accordance with the BVI Companies Act; and
- (iii) the right to an equal share in the distribution of the surplus assets of the company.

Subject to any limitations or provisions to the contrary in the company's memorandum or articles of association, unissued shares and treasury shares of the company are at the disposal of the directors who may, without limiting or affecting any rights previously conferred on the holders of any existing shares or class or series of shares, offer, allot or otherwise dispose of shares to such persons, at such times and upon such terms as the company may by resolution of directors determine.

Similarly, subject to the company's memorandum and articles of association, options to acquire shares in the company may be granted at any time, to any person and for such consideration as the directors may determine.

Subject to the company's memorandum and articles of association, a company may issue shares which are partly paid or nil-paid. Shares may also be issued for consideration in any form, including money, a promissory note, real property, personal property (including goodwill and know-how), services rendered or the provision of future services.

Subject to the company's memorandum and articles of association, a company may issue shares with or without voting rights or with different voting rights; common, preferred, limited or redeemable shares; options warrants or similar rights to acquire any securities of the company; and securities convertible into or exchangeable for other securities or property of a company.

Subject to its memorandum and articles of association, a company may issue more than one class of shares. A statement of the classes of shares that the company is authorised to issue and, if the company is authorised to issue two or more classes of shares, the rights, privileges, restrictions and conditions attaching to each class of shares must be included in the company's memorandum of association of association. Subject to its memorandum and articles, a company may issue a class of shares in one or more series.

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

Subject to the BVI Companies Act, any other enactment and the company's memorandum and articles of association, a company has, irrespective of corporate benefit full capacity to carry on or undertake any business or activity, do any act or enter into any transaction including, among other things, the giving of financial assistance to any person in connection with the acquisition of its own shares.

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

A company may purchase, redeem or otherwise acquire its own shares in accordance with either the procedures set out in Sections 60, 61 and 62 of the BVI Companies Act or such other provisions for the purchase, redemption or acquisition of its own shares as may be specified in its

memorandum and articles. Sections 60, 61 and 62 do not apply to a company to the extent that they are negated, modified or inconsistent with provisions for the purchase, redemption or acquisition of its own shares specified in the company's memorandum and articles. The Articles expressly provide that such provisions shall not apply to the Privateco.

Subject to its memorandum or articles of association, a company may purchase, redeem or otherwise acquire its own shares. The acquired shares may be cancelled or held as treasury shares. However, no such acquisition will be permitted unless the directors determine that immediately after the acquisition (i) the value of the company's assets will exceed its liabilities and (ii) the company will be able to pay its debts as they fall due. A determination by the directors is, however, not required:

- (a) where shares are purchased, redeemed; or otherwise acquired pursuant to a right of a member to have his shares redeemed or to have his shares exchanged for money or other property of the company;
- (b) by virtue of the provisions of the BVI Companies Act in relation to the rights of dissenters under a redemption of minority shareholders, merger, consolidation, a disposition of assets, a compulsory redemption or an arrangement; or
- (c) pursuant to an order of the BVI court.

A company may hold shares that have been purchased, redeemed or otherwise acquired as treasury shares if (a) the memorandum or articles of the company do not prohibit it from holding treasury shares; (b) the directors resolve that shares to be purchased, redeemed or otherwise acquired shall be held as treasury shares; and (c) the number of shares purchased, redeemed or otherwise acquired, when aggregated with shares of the same class already held by the company as treasury shares, does not exceed 50% of the shares of that class previously issued by the company, excluding shares that have been cancelled.

All the rights and obligations attaching to a treasury share are suspended and shall not be exercised by or against the company while it holds the share as a treasury share. Treasury shares may be transferred by the company and the provisions of the BVI Companies Act, the memorandum and articles that apply to the issue of shares apply to the transfer of treasury shares.

Under BVI law, a subsidiary may hold shares in its holding company.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under BVI law that a company's memorandum or articles contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association.

(d) Protection of Minorities

The BVI Companies Act contains various mechanism to protect minority shareholders, including:

- (i) **Restraining or Compliance Orders:** if a company or a director of a company engages in, proposes to engage in or has engaged in, conduct that contravenes the BVI Companies Act or the company's memorandum and articles of association, the court may, on the application of a member or a director of the company, make an order directing the company or its director to comply with, or restraining the company or director from engaging in conduct that contravenes, the BVI Companies Act or the company's memorandum and articles of association;
- (ii) **Derivative Actions:** the court may, on the application of a member of a company, grant leave to that member to:
 - (aa) bring proceedings in the name and on behalf of that company; or
 - (bb) intervene in proceedings to which the company is a party for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company; and
- (iii) **Unfair Prejudice Remedies:** a member of a company who considers that the affairs of the company have been, are being or are likely to be, conducted in a manner that is, or any acts of the company have been, or are, likely to be oppressive, unfairly discriminatory, or unfairly prejudicial to him, may apply to the court for an order and, if the court considers that it is just and equitable to do so, it may make such order as it thinks fit, including, without limitation, one or more of the following orders:
 - (aa) in the case of a shareholder, requiring the company or any other person to acquire the shareholder's shares;
 - (bb) requiring the company or any other person to pay compensation to the member;
 - (cc) regulating the future conduct of the company's affairs;
 - (dd) amending the memorandum or articles of association of the company;
 - (ee) appointing a receiver of the company;
 - (ff) appointing a liquidator of the company under section 159(1) of the Insolvency Act;
 - (gg) directing the rectification of the records of the company; and

- (hh) setting aside any decision made or action taken by the company or its directors in breach of the BVI Companies Act or the company's memorandum and articles of association.

- (iv) Representative Actions: a member is able to bring an action against the company for a breach of a duty owed by the company to member in his capacity as a member. Where a member brings such an action and other members have the same (or substantially the same) action against the company, the court may appoint the first member to represent all or some of the members having the same interest and may make an order:
 - (aa) as to the control and conduct of the proceedings;

 - (bb) as to the costs of the proceedings; and

 - (cc) directing the distribution of any amount ordered to be paid by a defendant in the proceedings among the members represented.

The BVI Companies Act provides that any member of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following:

- (i) a merger;

- (ii) a consolidation;

- (iii) any sale, transfer, lease, exchange or other disposition of more than 50% of the assets or business of the company if not made in the usual or regular course of the business carried on by the company but not including:
 - (aa) a disposition pursuant to an order of the court having jurisdiction in the matter;

 - (bb) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interests within one (1) year after the date of disposition; or

 - (cc) a transfer pursuant to the power of the directors to transfer assets for the protection thereof;

- (iv) a redemption of 10% or less of the issued shares of the company required by the holders of 90% or more of the shares of the company pursuant to the terms of the BVI Companies Act; and

- (v) an arrangement, if permitted by the court.

Generally any other claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the BVI or their individual rights as shareholders as established by the company's memorandum and articles of association.

(e) Dividends and distributions

A company may declare and make a distribution (which term includes a dividend), provided that the directors are satisfied that immediately after the payment of the dividend, (i) the value of the company's assets will exceed its liabilities and (ii) the company will be able to pay its debts as they fall due.

A distribution may be a direct or indirect transfer of an asset (other than the company's own shares) or the incurring of a debt for the benefit of a member.

(f) Management

Subject to its memorandum and articles of association, the business and affairs of a company shall be managed by, or under the direction or supervision of, the directors of the company and the directors shall have all the powers necessary for managing, and for directing and supervising, the business and affairs of the company. The number of directors of a company may be fixed by, or in the manner provided in, the articles of association of a company.

The BVI Companies Act provides that, subject to any limitations or provisions to the contrary in its memorandum and articles of association, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance of the enforcement thereof, of more than 50% of the assets of a company, if not made in the usual or regular course of business carried on by the company, must be approved by a resolution of members. The Articles expressly provide that notwithstanding the foregoing requirement of the BVI Companies Act, the directors may dispose assets of the Company without the disposition being authorised by the members at a general meeting.

The BVI Companies Act contains no other specific restrictions on the power of directors to dispose of assets of a company.

The BVI Companies Act contains a statutory code of directors' duties. Each director of a company, in performing his functions, must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Amendment of Constitutional Document

The members of a company may, by resolution, amend the memorandum or articles of association of the company. The memorandum of a company may include a provision:

- (i) that specified provisions of the memorandum or articles of association may not be amended;
- (ii) that a resolution passed by a specified majority of members, greater than 50%, is required to amend the memorandum or articles of association or specified provisions of the memorandum or articles of association; and

- (iii) that the memorandum or articles of association, or specified provisions of the memorandum or articles of association, may be amended only if certain specified conditions are met.

The memorandum of association of a company may authorise the directors, by resolution, to amend the memorandum or articles of association of the company

Where a resolution is passed to amend the memorandum or articles of association of a company, the company must file for registration:

- (i) a notice of amendment in the approved form; or
- (ii) a restated memorandum or articles incorporating the amendment made.

An amendment to the memorandum or articles of association has effect from the date that the notice of amendment, or restated memorandum or articles of association incorporating the amendment, is registered by the BVI Registrar of Corporate Affairs or from such other date as may be ordered by the court.

(h) Accounting requirements

A company must keep such accounts and records as are sufficient to show and explain the company's transactions and which will, at any time, enable the financial position of the company to be determined with reasonable accuracy. There is generally no obligation to have financial statement audited, unless the company is operating as a certain type of fund regulated by the Mutual Funds Act, 1996.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the BVI.

(j) Loans to and transactions with directors

There is no express provision in the BVI Companies Act prohibiting the making of loans by a company to any of its directors.

A director of a company shall, immediately after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the company, disclose the interest to the board of the company. If a director fails to make such a disclosure, he is liable, upon summary conviction, to a fine of US\$10,000.

A director of a company is not required to disclose and interest if:

- (i) the transaction or proposed transaction is between the director and the company; and

- (ii) the transaction or proposed transaction is or is to be entered into in the ordinary course of the company's business and on usual terms and conditions.

A disclosure to the board to the effect that a director is a member, director, officer or trustee of another named company or other person and is to be regarded as interested in any transaction which may, after the date of the entry or disclosure, be entered into with that company or person, is a sufficient disclosure of interest in relation to that transaction. It should be noted, however, that a disclosure is not made to the board unless it is made or brought to the attention of every director on the board.

(k) Taxation in the BVI

A company incorporated under the BVI Companies Act is exempt from all provisions of the Income Tax Act (as amended) of the BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by the company to persons who are not persons resident in the BVI).

Capital gains realised with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Act of the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

(l) Stamp duty on transfer

No stamp duty is payable in the BVI on a transfer of shares in a BVI company.

(m) Inspection of corporate records

Members of the general public, on a payment of a nominal fee, can inspect the public records of a company available at the office of the BVI Registrar of Corporate Affairs which will include, inter alia, the company's certificate of incorporation, its memorandum and articles of association (with any amendments) and the records of licence fees paid to date.

A director may, on giving reasonable notice, inspect (and make copies of) the documents and records of a company without charge and at a reasonable time specified by the director.

A member of a company may, on giving written notice to a company, inspect the company's memorandum and articles of association, the register of members, the register of directors and the minutes of meetings and resolutions of members and of those classes of members of which he is a member.

Subject to any provision to the contrary in the company's memorandum and articles of association, the directors may, if they are satisfied that it would be contrary to the company's interests to allow a member to inspect any document, or part of a document, refuse to permit the member to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records. The directors shall, as soon as reasonably practicable, notify a member of any exercise of such powers. Where a company fails or refuses to permit a member to inspect a document or permits a member to inspect a document subject to limitations, that member may apply to the BVI court for an order that he should be permitted to inspect the document or to inspect the document without limitation.

A company shall keep minutes of all meetings of directors, members, committees of directors and committees of members and copies of all resolutions consented to by directors, members, committees of directors and committees of members. The books, records and minutes required by the BVI Companies Act shall be kept at the office of the BVI registered agent of the company or at such other place as the directors determine.

A company is required to keep a register of members containing, inter alia, the names and addresses of the persons who hold registered shares in the company, the number of each class and series of registered shares held by each shareholder, the date on which the name of each member was entered in the register of members and the date on which any person ceased to be a member. The register of members may be in any form as the directors may approve but, if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents and a copy of the share register commencing from the date of registration of the company shall be kept at the registered office of the company. The entry of the name of a person in the register of members as a holder of a share in a company is prima facie evidence that legal title in the shares vests in that person. Where a company keeps a copy of the register of members at its registered office, it shall within 15 days of any change in the register, notify the BVI registered agent of the company, in writing, of the change, and provide the BVI registered agent of the company with a written record of the physical address of the place or places at which the original register of members is kept.

A company is required to keep a register to be known as a register of directors containing, inter alia, the names and addresses of the persons who are directors and the date on which each person whose name is entered on the register was appointed and ceased to be a director. The register of directors may be in such form as the directors approve, but if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents. A copy of the register of directors must be kept at the registered office and the register is prima facie evidence of any matters directed or authorised by the BVI Companies Act to be contained therein.

(n) Winding up

The court has authority under the Insolvency Act 2003 of the BVI to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

A company may enter into voluntary liquidation under the BVI Companies Act if it has no liabilities or is able to pay its debts as they fall due and the value of its assets equals or exceeds its liabilities. Where it is proposed to appoint a voluntary liquidator, the directors of the company must:

- (i) make a declaration of solvency in the approved form stating that, in their opinion, the company is and will continue to be able to discharge, pay or provide for its debts as they fall due; and the value of the company's assets equals or exceeds its liabilities; and
- (ii) approve a liquidation plan specifying:
 - (aa) the reasons for the liquidation of the company;
 - (bb) their estimate of the time required to liquidate the company;
 - (cc) whether the liquidator is authorised to carry on the business of the company if he determines that to do so would be necessary or in the best interests of the creditors or members of the company;
 - (dd) the name and address of each individual to be appointed as liquidator and the remuneration proposed to be paid to each liquidator; and
 - (ee) whether the liquidator is required to send to all members a statement of account prepared or caused to be prepared by the liquidator in respect of his actions or transactions.

Subject to certain exceptions in the BVI Companies Act, a declaration of solvency is insufficient for the purposes of voluntary liquidation unless:

- (aa) it is made on a date no more than four weeks earlier than the date of the resolution to appoint a voluntary liquidator; and
- (bb) it has attached to it a statement of the company's assets and liabilities as at the latest practical date before the making of the declaration.

To be effective, a liquidation plan must be approved by the directors no more than six weeks prior to the date of the resolution to appoint a voluntary liquidator.

A director making a declaration of solvency without having reasonable grounds for the opinion that the company is and will continue to be able to discharge, pay or provide for its debts in full as they fall due, commits an offence and is liable on summary conviction to a fine of \$10,000.

Subject to the provisions of the BVI Companies Act, a voluntary liquidator or two or more joint voluntary liquidators may be appointed in respect of a company:

- (i) by a resolution of the directors; or

(ii) by a resolution of the members.

(o) Reconstructions

There are statutory provisions which facilitate arrangements which involve a plan of arrangement being approved by a resolution of directors of the company and application being made to the court for approval of the proposed arrangement. Upon approval by the court, the directors of the company are required to approve the plan of arrangement as approved by the court whether or not the court has directed any amendments to be made thereto and give notice to the persons whom the court requires notice to be given or submit the plan of arrangement to those person for such approval, if any, as the court order required.

(p) Compulsory acquisition

Subject to any limitations in the memorandum or articles of association of a company, members holding 90% of the votes of the outstanding shares entitled to vote on a merger or consolidation may give a written instruction to a company directing the company to redeem the shares held by the remaining members. Upon receipt of the written instruction, the company is required to redeem the shares and give written notice to each member whose shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected.

(q) Indemnification

BVI law does not limit the extent to which a company's articles of association may provide for indemnification of directors, officers and any other person, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime.) provided that the indemnified person acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful.

4. GENERAL

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

1. RESPONSIBILITY STATEMENT

The Privateco Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Privateco Offer and Fairy King Prawn, its associates, and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by Fairy King Prawn) 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 Fairy King Prawn jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document relating to Fairy King Prawn, its associates and parties acting in concert with it and the Privateco Offer and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document 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.

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>
5,000,000,000 Privateco Shares of HK\$0.01 each as at the Latest Practicable Date	50,000,000
<u>2,033,808,385</u>	<u>20,338,083.85</u>
<i>Issued and fully paid or credited as fully paid up</i>	
100 Privateco Shares (after the one then existing share of the Privateco of HK\$1.00 each being sub-divided into 100 Privateco Shares on 4 June 2014)	1.00
<u>2,033,808,385</u>	<u>20,338,083.85</u>
<u>2,033,808,485</u>	<u>20,338,084.85</u>

All Privateco Shares in issue rank pari passu in all aspects with each other including all the rights of the Privateco Shareholders in respect of capital, dividends and voting.

Save for the 2,033,808,485 Privateco Shares in issue as at the Latest Practicable Date, the Privateco Group did not have any other Privateco Shares, or outstanding options, warrants, derivatives or other securities carrying rights of conversion into or exchange or subscription for the Privateco Shares.

Save for the allotment of 2,033,808,385 Privateco Shares on 26 June 2014 pursuant to the Distribution In Specie and the sub-division of the then existing one share into 100 Privateco Shares on 4 June 2014, the Privateco has not issued any Privateco Shares since 31 March 2013, being the last financial year end date.

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.

In addition, no transaction of the Privateco Shares has taken place during the Relevant Period.

4. SHAREHOLDINGS AND DEALINGS

Interest in the Privateco

As at the Latest Practicable Date, the shareholdings in the Privateco in which the Privateco Directors were interested (as defined in Note 3 to paragraph 4 of Schedule I of the Takeovers Code) are as follows:

Name	Capacity/Nature of interest	Number of Privateco Shares held	Percentage of the issued share capital of the Privateco
Lau Sak Hong, Philip	Beneficial owner	204,283,551	10.0%
	Interest in a controlled corporation (<i>Note 1</i>)	5,697,497	0.3%
	Interest in a controlled corporation (<i>Note 2</i>)	18,180,747	0.9%
	Held by trust (<i>Note 3</i>)	304,415,473	15.0%
	Interest of spouse	14,950,000	0.7%
Lau Sak Kai, Anthony	Beneficial owner	73,148,904	3.6%
Lau Sak Yuk, Andy	Beneficial owner	70,473,402	3.5%

Notes:

- These Privateco Shares are held by K.K. Nominees Limited, a company which is wholly and beneficially owned by Mr. Lau Sak Hong, Philip.
- These Privateco Shares are held by Wincard Management Services Limited, a company which is owned as to approximately 52% by Mr. Lau Sak Hong, Philip, approximately 17% by Mr. Lau Sak Kai, Anthony, approximately 17% by Mr. Lau Sak Yuk, Andy, approximately 7% by Mr. Lau Shek Yuen and approximately 7% by Mr. Lau Sek Hoi, Jacky.

3. These Privateco Shares are wholly and beneficially owned directly or indirectly by Philip Lau Holding Corporation, a company beneficially owned by a discretionary trust, the discretionary objects of which include Mr. Lau Sak Hong, Philip and his associates.

Save as disclosed in this section, none of the Privateco Directors had any other interests in the Privateco Shares, warrants, options, derivatives and securities carrying conversion or subscription rights in the Privateco as at the Latest Practicable Date.

As at the Latest Practicable Date, the shareholdings in the Privateco in which Fairy King Prawn, its directors, ultimate beneficial owner and parties acting in concert with it were interested (as defined in Note 3 of paragraph 4 of Schedule 1 of the Takeovers Code) are as follows:

Name (collectively as "FKP Concert Parties") (Note 7)	Capacity/Nature of interest	Number of Privateco Shares held	Percentage of the issued share capital of the Privateco	Relationship with Fairy King Prawn
Lau Sak Hong, Philip	Beneficial owner	204,283,551	10.0%	director of Fairy King
	Interest in a controlled corporation (Note 1)	5,697,497	0.3%	Prawn and director of the Privateco
	Interest in a controlled corporation (Note 2)	18,180,747	0.9%	
	Held by trust (Note 3)	304,415,473	15.0%	
	Interest of spouse	14,950,000	0.7%	
Philip Lau Holding Corporation	Beneficial owner (Note 3)	304,415,473	15.0%	company controlled by Lau Sak Hong, Philip
Wincard Management Services Limited	Beneficial owner (Note 2)	18,180,747	0.9%	company controlled by Lau Sak Hong, Philip
Lau Sak Kai, Anthony	Beneficial owner	73,148,904	3.6%	brother of Lau Sak Hong, Philip and director of the Privateco
Lau Sak Yuk, Andy	Beneficial owner	70,473,402	3.5%	brother of Lau Sak Hong, Philip and director of the Privateco
Lau Shek Yuen	Beneficial owner	350,794,813	17.2%	brother of Lau Sak Hong, Philip
	Interest in a controlled corporation (Note 4)	6,479,625	0.3%	

Name (collectively as "FKP Concert Parties") (Note 7)	Capacity/Nature of interest	Number of Privateco Shares held	Percentage of the issued share capital of the Privateco	Relationship with Fairy King Prawn
Lau Sek Hoi, Jacky	Beneficial owner	27,005,027	1.3%	brother of Lau Sak Hong, Philip
	Interest in a controlled corporation (Note 5)	33,129	0.002%	
Lau Chu Lan, Carol	Beneficial owner	15,344,483	0.8%	sister of Lau Sak Hong, Philip
Lau Sak Kong, Stanley	Beneficial owner	16,000,000	0.8%	brother of Lau Sak Hong, Philip
Lau Yip Miu Ling	Beneficial owner	24,446,100	1.2%	mother of Lau Sak Hong, Philip
Wong Lai See	Beneficial owner	14,950,000	0.7%	wife of Lau Sak Hong, Philip
Lau Shek Hung	Beneficial owner	32,610,664	1.6%	brother of Lau Sak Hong, Philip
	Interest in a controlled corporation (Note 4)	6,479,625	0.3%	
	Interest in a controlled corporation (Note 5)	33,129	0.002%	
Lau Yat Sun, Kevin	Beneficial owner	63,739,862	3.1%	director of Fairy King Prawn and son of Lau Sak Hong, Philip
	Interest in a controlled corporation (Note 6)	21,178,505	1.0%	
Lau Jun Jun	Beneficial owner	32,000,654	1.6%	director of Fairy King Prawn and daughter of Lau Sak Hong, Philip
Gary Atkinson	Beneficial owner	9,000,000	0.4%	son of Lau Chu Lan Carol
Easy Earning Property Limited	Beneficial owner (Note 6)	21,178,505	1.0%	company controlled by Lau Yat Sun Kevin and Lau Yat Tung
Winlight Pacific Limited	Beneficial owner (Note 4)	6,479,625	0.3%	company controlled by Lau Shek Yuen and Lau Shek Hung

Name (collectively as "FKP Concert Parties") (Note 7)	Capacity/Nature of interest	Number of Privateco Shares held	Percentage of the issued share capital of the Privateco	Relationship with Fairy King Prawn
K.K. Nominees Limited	Beneficial owner (Note 1)	5,697,497	0.3%	company controlled by Lau Sak Hong, Philip
Gold Club Investment Limited	Beneficial owner (Note 5)	33,129	0.002%	company controlled by Lau Shek Hung and Lau Sek Hoi Jacky
Lau Chui Wan	Beneficial owner	161,363	0.01%	sister of Lau Sak Hong, Philip
Lai Wai Bing	Beneficial owner	441,910	0.02%	wife of Lau Sak Kai Anthony
Lau Yat Tung	Interest in a controlled corporation (Note 6)	21,178,505	1.0%	son of Lau Sak Hong, Philip
		1,290,385,709	63.4%	

Notes:

- These Privateco Shares are held by K.K. Nominees Limited, a company which is wholly and beneficially owned by Mr. Lau Sak Hong, Philip.
- These Privateco Shares are held by Wincard Management Services Limited, a company which is owned as to approximately 52% by Mr. Lau Sak Hong, Philip, approximately 17% by Mr. Lau Sak Kai, Anthony, brother of Mr. Lau Sak Hong, Philip and director of the Privateco, approximately 17% by Mr. Lau Sak Yuk, Andy, brother of Mr. Lau Sak Hong, Philip and director of the Privateco, approximately 7% by Mr. Lau Shek Yuen, brother of Mr. Lau Sak Hong, Philip, and approximately 7% by Mr. Lau Sek Hoi, Jacky, brother of Mr. Lau Sak Hong, Philip.
- These Privateco Shares are wholly and beneficially owned directly or indirectly by Philip Lau Holding Corporation, a company beneficially owned by a discretionary trust, the discretionary objects of which include Mr. Lau Sak Hong, Philip and his associates.
- These Privateco Shares are held by Winlight Pacific Limited, a company which is owned as to 50% by Mr. Lau Shek Hung, brother of Mr. Lau Sak Hong, Philip, and 50% by Mr. Lau Shek Yuen, brother of Mr. Lau Sak Hong, Philip.
- These Privateco Shares are held by Gold Club Investment Limited, a company which is owned as to 50% by Mr. Lau Shek Hung, brother of Mr. Lau Sak Hong, Philip, and 50% by Mr. Lau Sek Hoi, Jacky, brother of Mr. Lau Sak Hong, Philip.

6. These Privateco Shares are held by Easy Earning Property Limited, a company which is owned as to 50% by Mr. Lau Yat Sun, Kevin, son of Mr. Lau Sak Hong, Philip and director of Fairy King Prawn, and 50% by Mr. Lau Yat Tung, son of Mr. Lau Sak Hong, Philip.
7. FKP Concert Parties also include Danehill Capital Holdings Limited which owns 70% of Fairy King Prawn and is a company wholly-owned by Mr. Lau Sak Hong, Philip, Concepts Capital Limited, which owns 15% of Fairy King Prawn and is a company wholly-owned by Mr. Lau Yat Sun, Kevin, son of Mr. Lau Sak Hong, Philip and Grandjestic Property Limited, which owns 15% of Fairy King Prawn and is a company wholly-owned by Ms. Lau Jun Jun, daughter of Mr. Lau Sak Hong, Philip.

Save as disclosed in this section, neither Fairy King Prawn nor its directors, ultimate beneficial owner and parties acting in concert with it had any other interests in the Privateco Shares, warrants, options, derivatives and securities carrying conversion or subscription rights in the Privateco.

Interest in Fairy King Prawn

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

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

Name	Capacity/Nature of interest	Number of shares in Fairy King Prawn	Percentage of the issued share capital of Fairy King Prawn
Lau Sak Hong, Philip	Interest in a controlled corporation (<i>Note 1</i>)	70	70%

Notes:

1. These shares are held by Danehill Capital Holdings Limited, a company wholly-owned by Mr. Lau Sak Hong, Philip

Save as disclosed in this section, 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 Fairy King Prawn.

Dealings in securities of the Privateco

During the Relevant Period, save for the Distribution In Specie, none of the Privateco Directors had dealt for value in the 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 1,290,385,709 Privateco Shares were distributed to Fairy King Prawn and parties acting in concert with it, none of Fairy King Prawn, its directors, ultimate beneficial owner 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.

As at the Latest Practicable Date and during the Relevant Period, none of Fairy King Prawn, its directors, ultimate beneficial owner and parties acting in concert with any of them, have borrowed or lent any Privateco Shares or other securities of the Privateco carrying voting rights, or convertible securities, warrants, options or derivatives of the Privateco.

Furthermore, during the Relevant Period,

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

Dealings in securities of Fairy King Prawn

During the Relevant Period, none of the Privateco Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of Fairy King Prawn.

Additional Disclosure of Interests and Dealings

- (a) As at the Latest Practicable Date and during the Relevant Period save for immediately after the Sale and Purchase Completion, (i) Mr. Lau Sak Hong, Philip will continue to hold 54,000 Listco's Shares; (ii) Mr. Lau Sak Kai, Anthony will continue to hold 600,904 Listco's Shares; (iii) Mr. Lau Sak Yuk, Andy will continue to hold 60,402 Listco's Shares; (iv) Ms. Lau Chu Lan, Carol will continue to hold 394,483 Listco's Shares; (v) Mr. Lau Shek Yuen will continue to hold 1,756,352 Listco's Shares; and (vi) Mr. Lau Sek Hoi, Jacky will continue to hold 21,898 Listco's Shares and the Distribution In Specie, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Privateco or with any person who is an associate of the Privateco by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code;
- (b) no shares, convertible securities, warrants, options or derivatives of the Privateco were managed on a discretionary basis by any fund managers connected with the Privateco as at the Latest Practicable Date, and none of them had dealt in any shares, convertible securities, warrants, options or derivatives of the Privateco during the Relevant Period;

- (c) as at the Latest Practicable Date, no Privateco Shares carrying voting rights or convertible securities, warrants, options or derivatives of the Privateco had been borrowed or lent by any of the Privateco Directors or by the Privateco;
- (d) as at the Latest Practicable Date, no benefit was or would be given to any Privateco Director as compensation for loss of office in any members of the Privateco Group or otherwise in connection with the Privateco Offer;
- (e) as at the Latest Practicable Date, 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;
- (f) as at the Latest Practicable Date, there was no material contract entered into by Fairy King Prawn or its beneficial owners in which any Privateco Director had material personal interest;
- (g) as at the Latest Practicable Date, there was no agreement, arrangement or understanding whereby any securities to be acquired pursuant to the Privateco Offer will be transferred, charged or pledged to any other persons;
- (h) as at the Latest Practicable Date and during the Relevant Period, none of Fairy King Prawn, 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;
- (i) as at the Latest Practicable Date, there was no agreement or arrangement to which Fairy King Prawn is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Privateco Offer;
- (j) as at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between Fairy King Prawn, its ultimate beneficial owner or any person acting in concert with any of them and any director, recent director, shareholder or recent shareholder of the Privateco which having any connection with or dependence upon the Privateco Offer;
- (k) during the Relevant Period, no Independent Privateco Shareholders had irrevocably committed themselves to accept or reject the Privateco Offer;
- (l) all FKP Concert Parties (which include all Privateco Directors) confirmed, in respect of their respective beneficial shareholdings, not to accept the Privateco Offer; and
- (m) the Privateco Offer is not extended to the Privateco Directors because they are part of the FKP Concert Parties. In addition, they have confirmed not to accept the Privateco Offer.

5. DIRECTOR'S SERVICE CONTRACTS

As at the Latest Practicable Date, there was no service contract with the Privateco or any of its subsidiaries or associated companies in force for the Privateco Directors which: (i) (including both continuous and fixed term contracts) has been entered into or amended during the Relevant Period; (ii) is a continuous contract with a notice period of 12 months or more; or (iii) is a fixed term contract with more than 12 months to run irrespective of the notice period

6. MATERIAL CONTRACTS

The following contracts (not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Privateco or any of its subsidiaries) have been entered into by members of the Privateco Group within the two years preceding 21 September 2013, being the date of commencement of the offer period (as defined in the Takeovers Code):

- (a) the Confirmation.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Privateco Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is pending or threatened by or against any member of the Privateco Group.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given opinion or advice contained in this Composite Offer Document:

Name	Qualification
GF Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
GF Securities	a licensed corporation to carry out type 1 and type 4 (dealing in securities and advising on securities) regulated activities under the SFO
Fulbright Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Conyers Dill & Pearman	BVI legal advisers
Deloitte Touche Tohmatsu	Certified public accountants
Greater China Appraisal Limited	Independent property valuer

The above experts have given and have not withdrawn their respective written consents to the issue of this Composite Document with the inclusion of their letters, advices, opinions, reports, recommendations and the references to their names in the form and context in which they appear.

As at the Latest Practicable Date, the above experts did not have any shareholding, direct or indirect, in any member of the Privateco Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Privateco Group, nor did they have any direct or indirect interest in any assets which had been, since 31 March 2013, being the date of the latest audited consolidated financial statements of the Privateco were made up, acquired or disposed of by or leased to any member of the Privateco Group, or were proposed to be acquired or disposed of by or leased to any member of the Privateco Group.

9. MISCELLANEOUS

- (a) Fairy King Prawn is owned as to 70% by Danehill Capital Holdings Limited, a company wholly-owned by Mr. Lau Sak Hong, Philip, as to 15% by Koncepts Capital Limited, a company wholly-owned by Mr. Lau Yat Sun, Kevin and as to 15% by Grandjestic Property Limited, a company wholly-owned by Ms. Lau Jun Jun. The directors of Fairy King Prawn are Mr. Lau Sak Hong, Philip, Mr. Lau Yat Sun, Kevin and Ms. Lau Jun Jun. The sole director of Danehill Capital Holdings Limited is Mr. Lau Sak Hong, Philip. The directors of Koncepts Capital Limited are Mr. Lau Sak Hong, Philip and Mr. Lau Yat Sun, Kevin. The directors of Grandjestic Property Limited are Mr. Lau Sak Hong, Philip and Ms. Lau Jun Jun. The principal members of the parties acting in concert with Fairy King Prawn are Mr. Lau Sak

Hong, Philip, Mr. Lau Yat Sun, Kevin, Ms. Lau Jun Jun, Danehill Capital Holdings Limited, Koncepts Capital Limited and Grandjestic Property Limited. The registered office of Fairy King Prawn is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of Fairy King Prawn, Mr. Lau Sak Hong, Philip, Mr. Lau Yat Sun, Kevin, Ms. Lau Jun Jun, Danehill Capital Holdings Limited, Koncepts Capital Limited and Grandjestic Property Limited is 5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong.

- (b) The registered office of the Privateco is P.O. Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands and its principal place of business in Hong Kong is 5th Floor, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong.
- (c) The principal place of business of GF Securities in Hong Kong is 29-30/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.
- (d) The principal place of business of Fulbright Capital in Hong Kong is 26/F, LHT Tower, 31 Queen's Road Central, Hong Kong.
- (e) The principal place of business of Conyers Dill & Pearman is 2901, One Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (f) The English text of this Composite Document and the accompanying Form of Acceptance and Transfer shall prevail over their respective Chinese texts in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection: (i) during normal business hours from 9:00 a.m. to 5:00 p.m. at the Listco's principal place of business in Hong Kong at 5/F, Shing Dao Industrial Building, 232 Aberdeen Main Road, Hong Kong on any weekday other than public holidays; and (ii) on the website of the SFC (www.sfc.hk) and the Listco (www.starlight.com.hk), from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and articles of association of the Privateco;
- (b) the memorandum and articles of association of Fairy King Prawn;
- (c) the letter from the Privateco Board, the text of which is set out on pages 6 to 9 of this Composite Document;
- (d) the letter from GF Securities, the text of which is set out on pages 10 to 16 of this Composite Document;
- (e) the letter of advice from Fulbright Capital, the text of which is set out on pages 17 to 39 of this Composite Document;

- (f) the letter of advice from Conyers Dill and Pearman summarising certain aspects of the BVI company law to the Privateco, the text of which is set out in Appendix VI to this Composite Document;
- (g) a copy of the BVI Companies Act;
- (h) the accountant's report on the audited financial information of the SIH Group for the three financial years ended 31 March 2013 and the review report of unaudited financial information of the SIH Group for the eight months ended 30 November 2013, the text of which is set out in Appendix IIA to this Composite Document;
- (i) the unaudited pro forma financial information of the Privateco Group for the eight months ended 30 November 2013, the text of which is set out in Appendix III to this Composite Document;
- (j) the report from Deloitte Touche Tohmatsu on unaudited profit estimate of the SIH Group, the text of which is set out in Appendix IIB to this Composite Document;
- (k) the report from Fulbright Capital on unaudited profit estimate of the SIH Group, the text of which is set out in Appendix IIC to this Composite Document;
- (l) the valuation report for properties held by the Privateco Group from Greater China Appraisal Limited, the text of which is set out in Appendix IV to this Composite Document;
- (m) the written consents of the experts as referred to in the section headed "Qualification and Consent of Experts" in this appendix;
- (n) the material contracts as referred to in the section headed "Material contracts" in this appendix;
- (o) the Circular; and
- (p) this Composite Document.