THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Shihua Development Company Limited (實華發展有限公司)**, you should at once hand this circular to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or registered institutions in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

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

實華發展
SHIHUA DEVELOPMENT

Shihua Development Company Limited
實華發展有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 485)

(A) PROPOSED CAPITAL REORGANISATION;
(B) CHANGE IN BOARD LOT SIZE;
(C) PROPOSED OPEN OFFER IN THE PROPORTION OF FOUR (4) OFFER SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE;
(D) APPLICATION FOR THE WHITEWASH WAIVER; AND
(E) NOTICE OF SPECIAL GENERAL MEETING

Joint financial advisers to the Company

KINGSTON CORPORATE FINANCE

Euto 裕韜 Capital Partners

Underwriters to the Open Offer

KINGSTON SECURITIES

Achieve Prosper Capital Limited

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

Nuada Limited
Corporate Finance Advisory

A letter from the Board is set out on pages 10 to 39 of this circular. A letter from the Independent Board Committee is set out on pages 40 to 41 of this circular. A letter from Nuada containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 42 to 69 of this circular. A notice convening a special general meeting of the Company to be held at Conference Room A, 16/F, Shihua Fujia Hotel, No. 43 Digong Road, Mingshan District, Benxi City, Liaoning Province, PRC on Monday, 21 December 2015 at 10:00 a.m. is set out on pages SGM-1to SGM-4 of this circular.

Whether or not you propose to attend the meeting, you are requested to complete the accompanying pxy form in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of a proxy form will not preclude shareholders from attending and voting at the special general meeting if they so wish.

The Adjusted Shares will be dealt in on an ex-rights basis from 9:00 a.m. on Monday, 28 December 2015. It is expected that the conditions referred to in the section headed "Termination of the Underwriting Agreement" in this circular are to be fulfilled on or before 4:00 p.m. on Wednesday, 27 January 2016. If the conditions referred to in that section are not fulfilled, the Underwriting Agreement shall terminate and the Open Offer will not proceed. Any person contemplating buying or selling Shares or Adjusted Shares from the date of this circular and up to the date on which all the conditions of the Open Offer are fulfilled will accordingly bear the risk that the Open Offer may not become unconditional and/or may not proceed. Any person contemplating dealing in Shares and Adjusted Shares are recommended to consult his/her/its/their own professional advisers.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriters by notice in writing to the Company at any time prior to the Latest Time for Termination to terminate its obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 8 to 9 of this circular. Upon the delivery of the notice of termination, all obligations of the Underwriters under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriters the expenses in connection with the Open Offer. If the Underwriters exercise such right, the Open Offer will not proceed.

27 November 2015

CONTENTS

All references to time in this circular are references to Hong Kong time. Dates or deadlines specified in this circular are indicative only and may be varied by agreement between the Company and the Underwriters. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

The expected timetable of the Open Offer is as follows:

Event	
Latest time for the Shareholders to lodge transfer of Shares in order to qualify for attendance and voting at the SGM	4:30 p.m. on Wednesday, 16 December 2015
Closure of register of members of the Company for determining entitlement to attend and vote at the SGM (both dates inclusive)	Thursday, 17 December 2015 to Monday, 21 December 2015
Latest time for lodging proxy forms for the SGM	10:00 a.m. on Saturday, 19 December 2015
Record date for determining entitlement to attend and vote at the SGM	Monday, 21 December 2015
Expected date and time of the SGM	10:00 a.m. on Monday, 21 December 2015
Announcement of results of the SGM	Monday, 21 December 2015
Register of members re-open	Tuesday, 22 December 2015
Effective date and time of the Capital Reorganisation	9:00 a.m. on Tuesday, 22 December 2015
Commencement of dealings in the Adjusted Shares	9:00 a.m. on Tuesday, 22 December 2015
Original counter for trading in Shares in existing share certificates in board lots of 10,000 Shares temporarily closes	9:00 a.m. on Tuesday, 22 December 2015
Temporary counter for trading in Adjusted Shares in board lots of 2,500 Adjusted Shares (in the form of existing share certificates) opens	9:00 a.m. on Tuesday, 22 December 2015

First day of free exchange of existing certificates for the Shares into new certificates for the Adjusted Shares	Tuesday, 22 December 2015
Last day of dealings in Adjusted Shares on a cum-rights basis	Thursday, 24 December 2015
First day of dealings in Adjusted Shares on an ex-rights basis	9:00 a.m. on Monday, 28 December 2015
Latest time for the Shareholders to lodge transfer of Adjusted Shares in order to qualify for the Open Offer	4:30 p.m. on Tuesday, 29 December 2015
Closure of register of members of the Company (both dates inclusive)	Wednesday, 30 December 2015 to Wednesday, 6 January 2016
Record Date and time for determining entitlements to the Open Offer	4:00 p.m. on Wednesday, 6 January 2016
Register of members of the Company re-opens	Thursday, 7 January 2016
Despatch of the Prospectus Documents	Thursday, 7 January 2016
Designated broker starts to stand in the market to provide matching service for the sale and purchase of odd lots of Adjusted Shares	9:00 a.m. on Thursday, 7 January 2016
Original counter for trading in the Adjusted Shares in board lots of 20,000 Adjusted Shares (in the form of new certificates) re-opens	9:00 a.m. on Thursday, 7 January 2016
Parallel trading in Adjusted Shares (in the form of both existing certificates in board lots of 2,500 Adjusted Shares and new certificates in board lots of 20,000 Adjusted Shares) commences	9:00 a.m. on Thursday, 7 January 2016
Latest time for acceptance of, and payment for, the Offer Shares	4:00 p.m. on Thursday, 21 January 2016
Latest time to terminate the Underwriting Agreement and for the Open Offer to become unconditional	4:00 p.m. on Wednesday, 27 January 2016

Temporary counter for trading in Adjusted Shares in board lots of 2,500 Adjusted Shares (in the form of existing certificates) closes	4:00 p.m. on Wednesday, 27 January 2016
Parallel trading in the Adjusted Shares (represented by both existing certificates in board lots of 2,500 Adjusted Shares and new certificates in board lots of 20,000 Adjusted Shares) ends	4:00 p.m. on Wednesday, 27 January 2016
Designated broker ceases to stand in the market to provide matching service	4:00 p.m. on Wednesday, 27 January 2016
Announcement of results of the Open Offer	Thursday, 28 January 2016
Certificates for fully-paid Offer Shares, or refund cheques if the Open Offer is terminated, to be despatched on or before	Friday, 29 January 2016
Last day of free exchange of existing certificates for new certificates	Friday, 29 January 2016
Commencement of dealings in fully-paid Offer Shares	9:00 a.m. on Monday, 1 February 2016

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE AND PAYMENT FOR THE OFFER SHARES

The latest time for acceptance and payment for Offer Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a "black" rainstorm warning signal:

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 21 January 2016. Instead the latest time for acceptance and payment for the Offer Shares will be extended to 5:00 p.m. on the same Business Day; and

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 21 January 2016. Instead the latest time of acceptance and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance and payment for the Offer Shares does not take place on Thursday, 21 January 2016, the dates mentioned in the section headed "Expected Timetable" in this circular may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:

"Achieve Prosper"	Achieve Prosper Capital Limited, a company incorporated in Samoa with limited liability on 21 November 2013 and is wholly and beneficially owned by Hong Kong Shihua
"Acquisition"	the acquisition of a property by the Group from Liaoning Shihua Property pursuant to the Purchase Agreement for a consideration of HK$208,276,000, as more particularly described in the Company's announcements dated 18 March 2015, 27 April 2015 and 3 August 2015, and the circular dated 29 April 2015
"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Adjusted Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company upon the Capital Reorganisation becoming effective
"Amount Payable to Shareholder"	the total principal amount from time to time owing by the Group to Achieve Prosper, which, for the avoidance of doubt, excludes any amount due under the Promissory Note (as at 30 September 2015, the outstanding balance of the Amount Payable to Shareholder was to approximately HK$18.5 million)
"Announcement"	the announcement of the Company dated 7 October 2015 relating to, among other things, the Capital Reorganisation, the Open Offer, the Underwriting Agreement and the Whitewash Waiver
"Application Form(s)"	the form(s) of application for use by Qualifying Shareholders to apply for their assured allotments of the Offer Shares under the Open Offer
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Bye-Laws"	the bye-laws of the Company
"Board"	board of Directors
"Capital Reduction"	the proposed reduction of the Company's issued share capital whereby: (i) any fractional Consolidated Share in the issued share capital of the Company resulting from the Share Consolidation shall be cancelled; and (ii) the nominal value of all the issued Consolidated Shares shall be reduced from HK$0.40 each to HK$0.01 each and the issued share capital of the Company shall accordingly be reduced to the extent of HK$0.39 per Consolidated Share in issue

"Capital Reorganisation"	the proposed reorganisation of the Company's issued share capital as more particularly described in "A. Proposed Capital Reorganisation – 1. The Capital Reorganisation" of this circular
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Change in Board Lot Size"	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 10,000 Shares to 20,000 Adjusted Shares
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
"Companies Act"	the Companies Act 1981 of Bermuda
"Company"	Shihua Development Company Limited (實華發展有限公司), a company incorporated in Bermuda whose Shares are listed on the Stock Exchange
"Concert Group"	means, Achieve Prosper, Mr. Wang Jing, Mr. Wang Xing Qiao and parties acting in concert with any of them
"Consolidated Share(s)"	means ordinary share(s) of HK$0.40 each in the issued share capital of the Company immediately upon the Share Consolidation becoming effective
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Convertible Bonds"	3% convertible bonds due 2017 in the principal amount of HK$75,000,000 issued by the Company to Achieve Prosper on 30 July 2014 as more particularly described in the circular of the Company dated 24 May 2014
"Director(s)"	the director(s) of the Company
"Excluded Shareholder(s)"	the Overseas Shareholder(s) whose registered addresses in the Company's register of members as at the Record Date are in places where the Directors, after making enquiries, consider it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to such Shareholders
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)

"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong Shihua"	Hong Kong Shihua Holdings Limited, a company incorporated in Hong Kong with limited liability on 12 December 2013, the entire issued share capital of which is legally and beneficially owned by Liaoning Shihua Property
"Independent Board Committee"	an independent committee of the Board comprising the non-executive Director and all of the three independent non-executive Directors formed for the purpose of advising the Independent Shareholder(s) on the Open Offer, the Underwriting Agreement and the Whitewash Waiver
"Independent Shareholder(s)"	the Shareholder(s), other than: (i) Achieve Prosper and its associates, (ii) Kingston Securities, and (iii) other members of the Concert Group and Shareholders who are involved in, or interested in, the Open Offer, the Underwriting Agreement, and/or the Whitewash Waiver
"Kingston Securities"	Kingston Securities Limited, a corporation licensed to conduct type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance
"Liaoning Shihua Property"	遼寧實華(集團)房地產開發有限公司 (Liaoning Shihua (Group) Property Development Company Limited*), a company established in the PRC on 12 January 1998 with limited liability which is controlled as to 82.8% of its equity interest by Mr. Wang Jing, the Chairman of the Board and an executive Director, 16.0% by Ms. Wang Yi Qiao (Mr. Wang Jing's daughter) and 1.2% by Ms. Hu Bao Qin (Mr. Wang Jing's spouse)
"Last Trading Day"	20 August 2015, being the last trading day for the Shares on the Stock Exchange before the release of the Announcement
"Latest Practicable Date"	25 November 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Latest Time for Acceptance"	4:00 p.m. on Thursday, 21 January 2016, or such later time or date as may be agreed between the Company and the Underwriters, being the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus Documents

"Latest Time for Termination"	4:00 p.m. on the fourth business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriters in writing, being the latest time to terminate the Underwriting Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nuada"	Nuada Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Open Offer, the Underwriting Agreement and the Whitewash Waiver
"Offer Share(s)"	2,920,568,484 Adjusted Shares to be allotted and issued pursuant to Open Offer
"Open Offer"	the proposed issue of Offer Shares on the basis of four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date to Qualifying Shareholders pursuant to the terms and conditions of the Prospectus Documents and the Underwriting Agreement
"Overseas Shareholder(s)"	the Shareholder(s) whose address(es) on the register of members of the Company on the Record Date are outside Hong Kong
"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the People's Republic of China
"Promissory Note"	the promissory note dated 3 August 2015 issued by the Company to Achieve Prosper for a principal amount of HK$208,276,000 (without interest and payable by the Company on demand when the Company has generated, obtained and/or raised fund for not less than HK$200 million), the particulars of which are further described in the circular of the Company dated 29 April 2015
"Prospectus"	the prospectus to be despatched to the Shareholders on the Prospectus Posting Date in connection with the Open Offer in such form as may be agreed between the Company and the Underwriters
"Prospectus Documents"	the Prospectus and the Application Form

"Prospectus Posting Date"	Thursday, 7 January 2016, or such other day as may be agreed between the Company and the Underwriters, being the date of despatch of the Prospectus Documents
"Purchase Agreement"	the sale and purchase agreement dated 17 March 2015 (as amended and supplemented by the two supplemental agreements dated 27 April 2015 and 30 June 2015) entered into between Liaoning Shihua Property as vendor and Benxi Tongshengyuan Industry Company Limited* (本溪同盛遠實業有限公司) (as purchaser), an indirect wholly-owned subsidiary of the Company for a consideration of HK$208,276,000
"Qualifying Shareholder(s)"	the Shareholder(s), whose names appear on the register of members of the Company as at the Record Date, other than the Excluded Shareholders
"Record Date"	4:00 p.m. on Wednesday, 6 January 2016, being the date by reference to which entitlements to the Open Offer will be determined
"Registrar"	the Company's branch share registrar and transfer office in Hong Kong, which is Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
"Relevant Period"	the period beginning six months immediately prior to the date of the publication of the Announcement and ending on the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC
"Set Off"	the setting off of the amount due under the Promissory Note, as more particularly described in "C. Proposed Open Offer – 13. Set Off" of this circular
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"SGM"	the special general meeting of the Company to be convened and held to consider and approve, among other things, the Capital Reorganisation, the Open Offer, the Underwriting Agreement and the Whitewash Waiver
"Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of the Company

"Share Consolidation"	the consolidation of share(s) in the issued and unissued share capital of the Company whereby every four (4) Shares with a nominal value of HK$0.10 each will be consolidated into one (1) Consolidated Share with a nominal value of HK$0.40
"Share Subdivision"	the subdivision of every unissued Consolidated Share of HK$0.40 in the authorised share capital of the Company (including the unissued Consolidated Shares resulting from the Capital Reduction) into forty (40) Adjusted Shares of HK$0.01 each
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price in respect of each Offer Share, being of HK$0.086
"subsidiaries"	has the meaning ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	The Code on Takeovers and Mergers promulgated by the SFC
"Underwriters"	Achieve Prosper and Kingston Securities
"Underwriting Agreement"	the underwriting agreement dated 20 August 2015 (as supplemented by two side letters dated 7 October 2015 and 25 November 2015 respectively) entered into between the Company and the Underwriters in relation to the Open Offer
"Undertakings"	an irrevocable undertakings provided by Achieve Prosper and Wang Xing Qiao to the Company as described in "C. Proposed Open Offer – 12. Undertakings" of this circular
"Underwritten Shares"	all the Offer Shares in excess of 1,088,375,568 Offer Shares that will be allotted to and subscribed for by Achieve Prosper and Wang Xing Qiao pursuant to the Undertakings which are fully underwritten by the Underwriters pursuant to the terms and subject to the conditions of the Underwriting Agreement

"Untaken Shares"	all those Underwritten Shares for which duly completed Application Forms (accompanied by cheques or banker's cashier orders for the full amount payable on the applications which are honoured on first, or at the option of the Company, subsequent presentation) have not been lodged for acceptance by Qualifying Shareholders, or received, as the case may be, on or before the Latest Time for Acceptance
"Wang Xing Qiao"	Mr. Wang Xing Qiao, an executive Director and the Chief Executive Officer of the Company, being the son of Mr. Wang Jing, the Chairman of the Board
"Whitewash Waiver"	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of Achieve Prosper to make a general offer for all the issued Adjusted Shares not already owned or agreed to be acquired by the Concert Group which may otherwise arise as a result of the subscription of the Offer Shares by Achieve Prosper pursuant to the Underwriting Agreement
"%"	per cent.

* *For identification purpose only.*

TERMINATION OF THE UNDERWRITING AGREEMENT

Any of the Underwriters shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if:

(1) in the absolute opinion of any of the Underwriters, the success of the Open Offer would be materially and adversely affected by:

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

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

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

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

(4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

(5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

(6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any Underwriter, a material omission in the context of the Open Offer; or

(7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten (10) consecutive business days, excluding any suspension in connection with the clearance of the Announcement, this circular or the Prospectus Documents or other announcements or circulars in connection with the Open Offer.

Any of the Underwriters shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

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

(2) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect, which comes to the knowledge of any Underwriter.

If at or prior to the Latest Time for Termination any such notice referred to above is given by any Underwriter, the obligations of all parties under the Underwriting Agreement shall cease and determine and no party to the Underwriting Agreement shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided however that the Company shall remain liable to pay the costs, charges and expenses howsoever of or incidental to the Open Offer.

If the Underwriting Agreement is terminated by any Underwriter prior to the Latest Time for Termination or does not become unconditional, the Open Offer will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by any Underwriter.

Shihua Development Company Limited
實華發展有限公司

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

Executive Directors:
Mr. Wang Jing
Mr. Wang Xing Qiao
Mr. Chen Wan Jin
Mr. Zhao Shuang

Non-executive Director:
Mr. Li Jun

Independent non-executive Directors:
Mr. Yang Xin Hua
Mr. Wang Ping
Mr. Cheng Tai Kwan Sunny

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

Head office and principal place of business in Hong Kong:
Rooms 05-15, 13A/F
South Tower, World Finance Centre
Harbour City, 17 Canton Road
Tsim Sha Tsui
Kowloon, Hong Kong

27 November 2015

To the Shareholders

Dear Sir or Madam,

(A) PROPOSED CAPITAL REORGANISATION;
(B) CHANGE IN BOARD LOT SIZE;
(C) PROPOSED OPEN OFFER IN THE PROPORTION OF FOUR (4) OFFER SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE;
(D) APPLICATION FOR THE WHITEWASH WAIVER; AND
(E) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Capital Reorganisation, the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

The purpose of this circular is to provide you with, among other things, (i) further information regarding details of the Capital Reorganisation, the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from Nuada to the Independent Board Committee and the Independent

Shareholders in respect of the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (iv) other information as required under the Listing Rules and the Takeovers Code; and (v) the notice of the SGM.

A. PROPOSED CAPITAL REORGANISATION

1. The Capital Reorganisation

The Board proposes to effect the Capital Reorganisation comprising:

(i) the consolidation of every four (4) issued and unissued Shares of HK$0.10 each in the authorised share capital of the Company into one (1) Consolidated Share of HK$0.40;

(ii) the reduction of the issued share capital of the Company (a) by eliminating any fraction of a Consolidated Share in the issued share capital of the Company following the Share Consolidation in order to round down the total number of Consolidated Shares to a whole number, and (b) through a cancellation of the paid up capital of the Company to the extent of HK$0.39 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK$0.40 to HK$0.01;

(iii) the subdivision of every unissued Consolidated Share of HK$0.40 each in the authorised share capital of the Company (including the unissued Consolidated Shares resulting from the Capital Reduction) into forty (40) Adjusted Shares of HK$0.01 each; and

(iv) the transfer of the credit arising from the Capital Reduction to the contributed surplus account of the Company such that the Directors may apply such surplus in any manner permitted by the laws of Bermuda and the Bye-Laws including but not limited to offsetting against the balance of the accumulated losses of the Company up to the date on which the Capital Reorganisation becomes effective.

2. Conditions of the Capital Reorganisation

The implementation of the Share Consolidation, the Capital Reduction and the Share Subdivision are inter-conditional on each other. The implementation of the Capital Reorganisation is conditional upon, among other things:

(a) the passing of a special resolution approving the Capital Reorganisation by the Shareholders at the SGM;

(b) compliance with the Companies Act to effect the Capital Reduction, which includes publication of a notice in relation to the Capital Reduction in Bermuda in accordance with the Companies Act and the Directors being satisfied that on the date the Capital Reduction is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they become due; and

(c) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Adjusted Shares.

Assuming the above conditions are fulfilled, the Capital Reorganisation is expected to become effective on the next business day after the date of passing of the relevant resolution approving the Capital Reorganisation at the SGM. Subject to the fulfillment of the above conditions, the Capital Reorganisation will comply with the relevant laws of Bermuda and the Bye-Laws.

3. Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company is HK$500,000,000 divided into 5,000,000,000 Shares, of which 2,920,568,485 Shares are in issue. Upon the proposed Share Consolidation becoming effective and based on the issued share capital of the Company as at the Latest Practicable Date, the issued share capital of the Company will be consolidated into 730,142,121 Consolidated Shares with a nominal value of HK$0.40 each. Upon the proposed Capital Reduction becoming effective, the nominal value of all the issued Consolidated Shares shall be reduced from HK$0.40 to HK$0.01 and the issued share capital of the Company shall accordingly be reduced to the extent of HK$0.39 per Consolidated Share in issue.

Upon completion of the Capital Reorganisation, the issued share capital of the Company will be reduced to HK$7,301,421.21 divided into 730,142,121 Adjusted Shares with a nominal value of HK$0.01 each.

Any fractional Consolidated Share to which an individual Shareholder is entitled to will not be issued by the Company to such Shareholders, but will be aggregated, sold and retained for the benefit of the Company. Any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled pursuant to the Capital Reduction. The resulting Adjusted Shares of nominal value of HK$0.01 each will rank pari passu in all respects with each other in accordance with the Bye-Laws.

Assuming no further Share will be issued or repurchased between the Latest Practicable Date and the date on which the Capital Reorganisation becomes effective, a credit of approximately HK$284.8 million will arise as a result of the Capital Reduction and will be applied to set-off the accumulated losses of the Company. For reference, the amount of accumulated losses of the Company as at 31 March 2015 was HK$646.2 million.

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Group or the interests of the Shareholders as a whole, save for any fractional Consolidated Shares (if any) to which the Shareholders would otherwise be entitled to. The Board believes that the Capital Reorganisation will not have any material adverse effect on the financial position of the Company and that on the date the Capital Reorganisation is to become effective, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company, nor will it result in any change in the relevant rights of the Shareholders.

4. Reasons for the Capital Reorganisation

As a result of the Capital Reorganisation, the Company's share capital and reserves will more closely reflect the available net assets of the Company. In addition, the Capital Reorganisation will provide greater flexibility for equity fund-raising of the Company in the future. The credit arising from the Capital Reduction will be applied to set-off the accumulated losses of the Company.

In view of the above, the Board considers that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

5. Listing and dealings

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Adjusted Shares.

Subject to the granting of the listing of, and the permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

6. Free exchange of Share certificates

Subject to the Capital Reorganisation becoming effective, the Shareholders may submit certificates in blue colour for the existing Shares to the Registrar during normal business hours from Tuesday, 22 December 2015 to Friday, 29 January 2016 (both dates inclusive) to exchange for the new certificates in purple colour of the Adjusted Shares at the expenses of the Company. Thereafter, certificates for the existing Shares will be accepted for exchange only on payment of a fee of HK$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the existing Shares submitted for cancellation or each new share certificate issued for the Adjusted Shares, whichever number of certificates cancelled or issued is higher. The existing certificates will be valid for trading and settlement up to 4:00 p.m. on Wednesday, 27 January 2016, being the latest time and date for trading in board lot of 2,500 Adjusted Shares in the form of existing certificates (or such other date which will be announced by the Company) and will continue to be good evidence of legal title after the Capital Reorganisation has become effective and may be exchanged for certificates of the Adjusted Shares at any time in accordance with the foregoing.

As from Tuesday, 22 December 2015 any new share certificates will be issued in board lots of 20,000 Adjusted Shares each (except for odd lots or where the Registrar is otherwise instructed).

7. Arrangements for trading of odd lots

Please refer to the arrangements set out in "B. Change in Board Lot Size" of this circular.

B. CHANGE IN BOARD LOT SIZE

The Board announces that the board lot size of the Shares for trading on the Stock Exchange will be changed from 10,000 Shares to 20,000 Adjusted Shares after the Capital Reorganisation becomes effective.

The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the Change in Board Lot Size would facilitate the trading by increasing the value of each board lot of the Shares and as a result reduces transaction and registration costs incurred by the Shareholders and investors of the Company. The Directors are of the view that the Change in Board Lot Size is in the best interests of the Company and its Shareholders as a whole.

Based on the theoretical ex-entitlement price of approximately HK$0.167 per Adjusted Share (calculated based on the closing price of HK$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation) and the existing board lot of 2,500 Adjusted Shares (being the equivalent of 10,000 Shares as adjusted for the Capital Reorganisation), the market value of each existing board lot is HK$418 and the estimated market value of each proposed new board lot is HK$3,344.

To alleviate the difficulties in trading odd lots of the Adjusted Shares arising from the Share Consolidation and Change in Board Lot Size, the Company will appoint a designated agent to provide matching services, on a best effort basis, to the Shareholders who wish to top up or sell their holdings of odd lots of the Adjusted Shares. Details of the odd lots matching arrangement will be set out in this circular. Holders of the Adjusted Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

C. PROPOSED OPEN OFFER

1. The Open Offer

The Board proposes to raise approximately HK$251.2 million before expenses and subject to the Set Off as outlined in "C. Proposed Open Offer – 13. Set Off" of this circular, by issuing 2,920,568,484 Offer Shares at the Subscription Price of HK$0.086 per Offer Share on the basis of four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date.

2. Issue Statistic

Basis of the Open Offer:	:	Four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date
Subscription Price	:	HK$0.086 per Offer Share payable in full on acceptance

Number of Shares in issue as at the Latest Practicable Date	:	2,920,568,485 Shares
Number of Adjusted Shares in issue upon completion of the Capital Reorganisation	:	730,142,121 Adjusted Shares (assuming that no Share is issued or repurchased between the Latest Practicable Date and the date on which the Capital Reorganisation becomes effective)
Number of Offer Shares to be issued pursuant to the Open Offer	:	2,920,568,484 Offer Shares
Total number of Adjusted Shares in issue upon completion of the Open Offer	:	3,650,710,605 Adjusted Shares

As at the Latest Practicable Date, the Company has outstanding Convertible Bonds which are all held by Achieve Prosper and convertible into a maximum of 436,046,511 new Shares at the conversion price of HK$0.1720 per Share (subject to adjustment). Pursuant to the Undertakings, Achieve Prosper has undertaken not to exercise the conversion right attaching to the Convertible Bonds from the date of the Underwriting Agreement to the Record Date. Save for the Convertible Bonds, as at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

The total number of 2,920,568,484 Offer Shares to be issued pursuant to the Open Offer represent:

(a) 400% of the number of the Adjusted Shares immediately upon completion of the Capital Reorganisation (based on the Company's existing issued share capital as at the Latest Practicable Date); and

(b) approximately 80% of the Company's issued share capital as enlarged by the issue of the Offer Shares.

3. Subscription Price

The Subscription Price is HK$0.086 per Offer Share, payable in full on application. The Subscription Price represents:

(a) a discount of approximately 82.52% to the adjusted closing price of HK$0.492 per Adjusted Share, based on the closing price of HK$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(b) a discount of approximately 83.33% to the adjusted average closing price of HK$0.516 per Adjusted Share, based on the average closing price of HK$0.129 as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(c) a discount of approximately 48.56% to the theoretical ex-entitlement price of approximately HK$0.167 per Adjusted Share after the Open Offer, based on the closing price of HK$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(d) a discount of approximately 35.47% to the audited net asset value per Adjusted Share of approximately HK$0.133 as at 31 March 2015 as adjusted for the Capital Reorganisation; and

(e) a discount of approximately 73.78% to the adjusted closing price of HK$0.328 per Adjusted Share, based on the closing price of HK$0.082 per Share as quoted on the Stock Exchange on the Latest Practicable Day and adjusted for the effect of the Capital Reorganisation.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to, among other things:

(i) the general declining trend of the prevailing trading prices of the Shares in the past six months (notwithstanding the occasional resurgence of the trading prices during April and May 2015) and the theoretical ex-entitlement price after the Open Offer based on the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day, a summary of the closing prices on the last trading day of each of the six months up to the Last Trading Day and that on the Last Trading Day are set out below:

Date	**Closing price per Share**
27 February 2015	0.193
31 March 2015	0.148
24 April 2015	0.168
29 May 2015	0.171
30 June 2015	0.144
31 July 2015	0.139
Last Trading Day	0.123

(ii) the net loss recorded by the Company for the two years ended 31 March 2015;

(iii) the discount of the subscription price for various announced rights issues and open offers conducted with capital reorganisation by companies listed on the Stock Exchange in the 6-month period immediately preceding the Last Trading Day, a summary of which is set out below:

Company name	Listing method	Stock code	Announcement date	Capital consolidation ratio	Basis of entitlement	Issue price per offer share/rights share	Ex-entitlement price per adjusted share based on the closing price on the last trading day before the announcement of the open offer/ rights issue	Discount to adjusted closing price on last trading day *(Note 1)*	Discount to adjusted 5-days average trading price before the last trading day *(Note 1)*	Discount to ex-entitlement price *(Note 3)*
Easyknit Enterprises Holdings Limited	Rights issue	616	2/2/2015	20 into 1	20 for 1	HK$0.65	HK$0.830	85.62%	85.16%	21.68%
China Agri-Products Exchange Limited	Rights issue	149	1/8/2015	8 into 1	8 for 1	HK$0.30	HK$0.457	82.48%	82.31%	34.35%
RCG Holdings Limited	Open offer	802	4/24/2015	4 into 1	5 for 1	HK$0.25	HK$0.402	78.40%	78.50%	37.80%
Unity Investments Holdings Limited	Open offer	913	12/15/2014	10 into 1	4 for 1	HK$0.16	HK$0.274	78.08%	77.21%	41.61%
Capital VC Limited	Open offer	2324	3/13/2015	5 into 1	7 for 1	HK$0.25	HK$0.350	76.60%	76.40%	28.60%
China National Culture Group Limited	Open offer	745	6/8/2015	2 into 1	1 for 1	HK$0.10	HK$0.262	76.40%	77.10%	61.80%
Landing International Development Limited	Rights issue	582	4/22/2015	10 into 1	10 for 1	HK$0.35	HK$0.450	75.86%	73.84%	22.22%
Hanny Holdings Limited	Rights issue	275	4/9/2015	2 into 1	6 for 1	HK$0.16	HK$0.230	74.19%	72.88%	29.11%
Hong Kong Education (Int'l) Investments Limited *(Note 2)*	Rights issue	1082	2/17/2015, 4/24/2015	5 into 1	4 for 1	HK$0.295	HK$0.262	69.97%	70.29%	24.98%
Solartech International Holdings Limited	Open offer	1166	2/6/2015	10 into 1	5 for 1	HK$0.20	HK$0.277	69.70%	69.70%	27.80%

Note:

1. The closing price and 5-days average trading price are adjusted for the effect of the capital reorganisation.

2. With bonus issue of 1 bonus share for every 2 right shares take up.

3. Under the Open Offer, the Subscription Price represents a discount of approximately 48.56% to the theoretical ex-entitlement price of approximately HK$0.167 per Adjusted Share after the Open Offer, based on the closing price of HK$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation, which is within the range of the discount of the rights issues and open offers listed above.

As shown in the table above, the discount to the relevant closing prices (after adjustment for the effect of the capital reorganisation) was approximately 69.70% to 85.62%. The discount of the Subscription Price to the closing price of the Shares (as adjusted for the effect of the Capital Reorganisation) as quoted on the Stock Exchange on the Last Trading Day (being approximately 82.52% as adjusted for the effect of the Capital Reorganisation) is within the range of the discount of the rights issues and open offers listed above, and the Directors consider that it is comparable to the rights issues and open offers previously conducted; and

(iv) the then prevailing market conditions and the volatility of the stock markets for the one month period before entering into the Underwriting Agreement.

In planning the Open Offer, the Directors have considered the general declining trend of the prevailing trading prices of the Shares in the six months preceding the Last Trading Date, the net loss recorded by the Company for the two years ended 31 March 2015, and the various announced rights issues and open offers conducted with capital reorganisation by companies listed on the Stock Exchange in the 6-month period immediately preceding the Last Trading Date where the discount rate of the Open Offer is comparable to those rights issues and open offers, and are of the view that (i) it is necessary to set the Subscription Price at a discount level that would likely enhance the attractiveness of the Open Offer, lower the investment cost of the Shareholders and increase the incentive of Qualifying Shareholders to take up their entitlements to participate in the potential growth of the Group; and (ii) the existing structure of the Open Offer is appropriate in meeting the current funding needs of the Group. As such, no alternative structures were considered by the Company for the Open Offer.

Given that the Open Offer will offer an equal opportunity for all Qualifying Shareholders to maintain their proportionate interests in the Company and further participate in the Group's future development by subscribing the Offer Shares at a price which is lower than the prevailing market price as at the date of the Underwriting Agreement (as adjusted for the Capital Reorganisation), the Directors (including the independent non-executive Directors who have taken into consideration the advice of Nuada) consider that the proposed discount of the Subscription Price is appropriate.

The Directors (including the independent non-executive Directors who have taken into consideration the advice of Nuada) consider the Subscription Price is fair and reasonable and in the interests of the Company and the Independent Shareholders.

4. Conditions of the Open Offer and the Underwriting Agreement

The Open Offer and the Underwriting Agreement are subject to the following conditions:

(a) the passing of the necessary resolution(s) by the Shareholders (or, where applicable, the Independent Shareholders) at the SGM approving and confirming: (i) the Capital Reorganisation; (ii) the Open Offer (including the Underwriting Agreement) and authorising the Directors to allot and issue the Offer Shares (to be voted on by the Independent Shareholders by poll); and (iii) the Whitewash Waiver (to be voted on by the Independent Shareholders by poll), in accordance with, where appropriate, the Bye-Laws, the Listing Rules and the Takeovers Code on or before the Record Date;

(b) the Capital Reorganisation having become effective;

(c) the Executive having granted, and not having withdrawn or revoked such grant, the Whitewash Waiver, and the fulfillment of all conditions (if any) attached to the Whitewash Waiver;

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

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

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

(g) the obligations of the Underwriters becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;

(h) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement and the representations and warranties given by the Company under the Underwriting Agreement remaining true, correct and not misleading in all material respects;

(i) compliance with and performance of the Undertakings by Achieve Prosper and Wang Xing Qiao; and

(j) the entering into of binding agreements by Kingston Securities with certain placees and/ or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares, such that none of the Kingston Securities together with its parties acting in concert (having the meaning under the Takeovers Code) nor any of the placees (including those procured by Kingston Securities or the sub-underwriters (if any)) and/or sub-underwriters and their respective parties acting in concert (having the meaning under the Takeovers Code) shall be interested in 10% or more of the issued share capital of the Company as enlarged by the Open Offer.

The conditions (save for the condition (h) above) are incapable of being waived. If any of the above conditions is not satisfied by the Latest Time for Termination (being 4:00 p.m. on Wednesday, 27 January 2016 or such other time and date as agreed by the Company and the Underwriters), the Open Offer will not proceed and the Underwriting Agreement shall be terminated and none of the parties shall have any claim against the other.

As at the Latest Practicable Date, none of the above conditions of the Open Offer has been fulfilled.

5. Qualifying Shareholders

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company and not being Excluded Shareholders at the Record Date. In order to be registered as members of the Company at the Record Date, all transfers of the Shares must be lodged (together with the relevant share certificate(s)) with the Company's branch share registrar in Hong Kong by 4:30 p.m. on Tuesday, 29 December 2015. The Company's branch share registrar in Hong Kong is:

Tricor Secretaries Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

The Company will send the Prospectus Documents to the Qualifying Shareholders and will send the Prospectus (without the Application Form), for information only, to the Excluded Shareholders on the Prospectus Posting Date. Excluded Shareholders who are also Independent Shareholders will be entitled to attend and vote at the SGM. The Company will ascertain whether there are any Overseas Shareholders at the Record Date. In determining whether there will be Excluded Shareholders, the Company will make enquiry regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges in relation to the Company's offering of the Offer Shares to the Overseas Shareholders in compliance with the Listing Rules.

As at the Latest Practicable Date, there are 16 Shareholders whose addresses as shown on the register of members of the Company are in places outside of Hong Kong.

The Offer Shares to which the Excluded Shareholders would have been entitled will be undertaken by the Underwriter.

Those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled to and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Open Offer.

Excluded Shareholders who are also Independent Shareholders will be entitled to attend and vote at the SGM to consider and, if thought fit, passing the resolution to approve, among other things, the Whitewash Waiver.

6. No Application for Excess Offer Shares

If application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures, including preparing and arranging the excess application forms, reviewing the relevant documents, liaising with professional parties and printing of excess application forms, etc.

Considering that each Qualifying Shareholder will be given an equal and fair opportunity to participate in the Company's potential future development by subscribing for his entitlements under the Open Offer and maintaining their respective pro rata shareholding interests in the Company, the Directors (including the independent non-executive Directors who have taken into consideration the advice of Nuada) are of the view that the benefits of offering the excess application procedures do not justify the additional efforts and costs, and it is fair and reasonable and in the interests of the Company and the Independent Shareholders not to offer any excess application to the Qualifying Shareholders.

Accordingly, after arm's length negotiation with the Underwriters, no excess Offer Shares will be offered to the Qualifying Shareholders and any Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriters.

In compliance with Rule 7.26A(2) of the Listing Rules, the absence of excess application arrangement and the alternative arrangement for the disposal of the Offer Shares not being subscribed must be specifically approved by the Independent Shareholders at the SGM.

7. Closure of Register of Members

The register of members of the Company, in relation to the Open Offer, will be closed from Wednesday, 30 December 2015 to Wednesday, 6 January 2016, both dates inclusive. No transfer of Shares will be registered during this period.

8. Status of the Offer Shares

The Offer Shares (when allotted, fully paid or credited as fully paid and issued) will rank pari passu in all respects with the Adjusted Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares. Dealings in the Offer Shares will be subject to payment of stamp duty and other applicable fees and charges in Hong Kong.

9. Certificates of the Offer Shares and refund cheques

Subject to fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be sent on or before Friday, 29 January 2016, to those entitled thereto by ordinary post at their own risk.

If the Open Offer is terminated, refund cheques are expected to be posted on or before Friday, 29 January 2016.

10. Fractions of the Offer Shares

No fractional entitlements or allotments are expected to arise as a result of the Open Offer.

11. Application for Listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Dealings in the Offer Shares which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

12. Undertakings

Achieve Prosper holds in aggregate 1,085,755,571 Shares, representing approximately 37.18% of the existing issued share capital of the Company as at the Latest Practicable Date.

Wang Xing Qiao holds in aggregate 2,620,000 Shares, representing approximately 0.09% of the existing issued share capital of the Company as at the Latest Practicable Date.

Pursuant to the Undertakings, Achieve Prosper and Wang Xing Qiao has irrevocably undertaken to the Company that:

(a) the 1,085,755,571 Shares and 2,620,000 Shares held by them respectively shall remain registered in their respective name up to and including the close of business on the Record Date;

(b) they will not transfer or otherwise dispose of, or create any rights in respect of, any of the 1,085,755,571 Shares and 2,620,000 Shares held by them respectively or any interests therein, or acquire any Shares or any interests therein, up to the Record Date;

(c) they will accept their respective entitlement to the assured allotment of 1,085,755,568 Offer Shares and 2,620,000 Offer Shares respectively derived from the 1,085,755,571 Shares and 2,620,000 Shares held by them respectively pursuant to the terms of the Open Offer; and

(d) they will each lodge the Application Form in respect of the Offer Shares referred to (c) above, pay the subscription price (where the subscription price payable by Achieve Prosper shall be set off, on a dollar-to-dollar basis, against the amount due to it under the Promissory Note and the Amount Payable to Shareholder as at the Latest Time for Acceptance) and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.

Achieve Prosper has also irrevocably undertaken not to exercise the conversion right attaching to the Convertible Bonds from the date of the Underwriting Agreement to the Record Date.

Save for the Undertakings, the Company has not received any information or irrevocable undertaking from any substantial shareholders (as defined in the Listing Rules) of the Company of their intention in relation to the Offer Shares to be allotted to them under the Open Offer as at the Latest Practicable Date.

13. Set Off

Pursuant to the terms of the Underwriting Agreement, the Company and Achieve Prosper have agreed to procure the set off of (i) the amount due under the Promissory Note (being HK$208,276,000); and (ii) the Amount Payable to Shareholder as at the Latest Time for Acceptance on a dollar-to-dollar basis against, firstly the aggregate Subscription Price which Achieve Prosper is obliged to pay to subscribe for its entitlement of the Open Offer in full pursuant to the Undertakings; and secondly the aggregate Subscription Price which Achieve Prosper is obliged to pay for the Untaken Shares under the Underwriting Agreement.

14. Principal Terms of the Underwriting Agreement

Date : 20 August 2015 (as supplemented by two side letters dated 7 October 2015 and 25 November 2015 respectively)

Parties :

(1) The Company
(2) Achieve Prosper, as underwriter
(3) Kingston Securities, as underwriter

Achieve Prosper is an investment holding company and is not in its ordinary course to underwrite issue of securities

Total number of Underwritten Shares : 1,832,192,916 Offer Shares, being the difference between the total number of Offer Shares to be issued by the Company and the total number of Offer Shares to be subscribed and paid for by Achieve Prosper and Wang Xing Qiao pursuant to the Undertakings and on the basis that no further Share or Adjusted Share will be issued or repurchased on or before the Record Date

Allocation of underwriting obligations between the Achieve Prosper and Kingston Securities : The Underwriters shall severally (but not jointly) subscribe or procure subscription for the Untaken Shares in the following manner:

(1) Achieve Prosper shall subscribe for or procure subscription for the first of such number of Untaken Shares such that the shareholding interests of the Concert Group in the

Company taken together immediately upon Achieve Prosper's subscription of the Untaken Shares shall equal to 75% of the issued share capital of the Company; and

(2) Kingston Securities shall subscribe for or procure subscription for all the remaining Untaken Shares with a view to maintaining the public float of the Shares immediately after completion of the Open Offer.

Kingston Securities will not subscribe, for its own account, and will procure each of the subscribers of the Untaken Shares (including any direct and indirect ones procured via sub-underwriters) and their respective associates, will not, together with any party acting in concert (within the meaning of the Takeovers Code) with it or its associates, hold 10.0% or more of the voting rights of the Company immediately upon completion of the Open Offer.

Kingston Securities shall use all reasonable endeavours to procure that the minimum public float requirement under Rule 8.24 of the Listing Rules be fulfilled by the Company upon completion of the Open Offer.

Commission : 2% of the aggregate Subscription Price in respect of the number of Underwritten Shares at the Record Date

The commission payable to the Underwriters was determined after arm's length negotiations between the Company and the Underwriters with reference to current prevailing market rate

Conditions : Please refer to "C. Proposed Open Offer – 4. Conditions of the Open Offer and the Underwriting Agreement" of this circular

When the Company started to identify underwriters for the Open Offer, Achieve Prosper had promptly indicated that it was willing to underwrite the Open Offer on terms comparable to the market practices, with Kingston Securities acting as co-underwriter for part of the Open Offer with a view to maintaining the public float of the Shares immediately after completion of the Open Offer. In light of the recent market conditions, the Company believed that it was unlikely to obtain underwriting services on substantially better terms than those negotiated with the Underwriters (which were finally reflected in the Underwriting Agreement). Although Achieve Prosper's ordinary business does not include underwriting of securities, the Company did not consider this to be a material factor in choosing the underwriter for the Open Offer as long as the terms of the underwriting is comparable to the market practices. Hence the Company has not approached any underwriters other than Achieve Prosper and Kingston Securities for the Open Offer. The Company has considered the underwriting arrangements (including the commission rates) of the open offers and rights issues recently conducted by issuers on the Stock Exchange to ensure the terms of the Open Offer, including the underwriting arrangements, are fair and reasonable and in line with the market practices. The Directors (including the independent non-executive Directors who have taken into consideration the advice of Nuada) are of the view that the terms of the underwriting of the Open Offer (including the underwriting commission rate) are comparable to the market practices.

Termination

Any of the Underwriters shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if:

(1) in the absolute opinion of any of the Underwriters, the success of the Open Offer would be materially and adversely affected by:

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

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

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

(3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of any Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation

of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

(4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

(5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

(6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any Underwriter, a material omission in the context of the Open Offer; or

(7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten (10) consecutive business days, excluding any suspension in connection with the clearance of the Announcement, this circular or the Prospectus Documents or other announcements or circulars in connection with the Open Offer.

Any of the Underwriters shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

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

(2) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect, which comes to the knowledge of any Underwriter.

If at or prior to the Latest Time for Termination any such notice referred to above is given by any Underwriter, the obligations of all parties under the Underwriting Agreement shall cease and determine and no party to the Underwriting Agreement shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided however that the Company shall remain liable to pay the costs, charges and expenses howsoever of or incidental to the Open Offer.

If the Underwriting Agreement is terminated by any Underwriter prior to the Latest Time for Termination or does not become unconditional, the Open Offer will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by any Underwriter.

15. Changes in the Shareholding Structure of the Company Arising from the Capital Reorganisation and the Open Offer

The changes in the shareholding structure of the Company arising from the Capital Reorganisation and the Open Offer are illustrated as follows:

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before completion of the Open Offer		Immediately after the completion of the Open Offer assuming that all Shareholders have fully subscribed for their entitlements under the Open Offer		Immediately after the completion of the Open Offer assuming that, except for Achieve Prosper and Wang Xing Qiao, no Shareholders subscribe for their entitlements under the Open Offer *(Note 1)*		Immediately after the completion of the Open Offer assuming that, (1) no Convertible Bonds have been converted into Adjusted Shares up to the completion of the Open Offer; (2) except for Achieve Prosper and Wang Xing Qiao, no Shareholders subscribe for their entitlements under the Open Offer and Achieve Prosper subscribes for such number of Offer Shares so that the public float of 25% of the issued share capital of the Company is maintained *(Notes 2 and 3)*		Immediately after the completion of the Open Offer assuming that, (1) the Convertible Bonds have been fully converted into Adjusted Shares after the Record Date but before the completion of the Open Offer; (2) except for Achieve Prosper and Wang Xing Qiao, no Shareholders subscribe for their entitlements under the Open Offer and Achieve Prosper subscribes for such number of Offer Shares so that the public float of 25% of the issued share capital of the Company is maintained *(Notes 3 and 4)*	
	Shares	*%*	*Adjusted Shares*	*%*	*Adjusted Shares*	*%*	*Adjusted Shares*	*%*	*Adjusted Shares*	*%*	*Adjusted Shares*	*%*
The Concert Group												
Achieve Prosper	1,085,755,571	37.18	271,438,892	37.18	1,357,194,460	37.18	3,189,387,376	87.36	2,734,757,953	74.91	2,979,323,170	74.92
Wang Xing Qiao	2,620,000	0.09	655,000	0.09	3,275,000	0.09	3,275,000	0.09	3,275,000	0.09	3,275,000	0.08
Sub-total	1,088,375,571	37.27	272,093,892	37.27	1,360,469,460	37.27	3,192,662,376	87.45	2,738,032,953	75.00	2,982,598,170	75.00
Public Shareholders	1,832,192,914	62.73	458,048,229	62.73	2,290,241,145	62.76	458,048,229	12.55	912,677,652	25.00	994,199,391	25.00
Total:	2,920,568,485	100.00	730,142,121	100.00	3,650,710,605	100.00	3,650,710,605	100.00	3,650,710,605	100.00	3,976,797,561	100.00

Notes:

1. This scenario is for illustration purpose only and will never occur. Pursuant to the Underwriting Agreement, Achieve Prosper shall subscribe for or procure subscription for the first of such number of Untaken Shares such that the shareholding interests of the Concert Group in the Company taken together immediately upon Achieve Prosper's subscription of the Untaken Shares shall equal to 75% of the issued share capital of the Company, and Kingston Securities shall subscribe for or procure subscription for all the remaining Untaken Shares.

2. Kingston Securities will not subscribe, for its own account, and will procure each of the subscribers of the Untaken Shares (including any direct and indirect ones procured via sub-underwriters) and their respective associates, will not, together with any party acting in concert (within the meaning of the Takeovers Code) with it or its associates, hold 10.0% or more of the voting rights of the Company immediately upon completion of the Open Offer. Kingston Securities shall use all reasonable endeavours to procure that the minimum public float requirement under Rule 8.24 of the Listing Rules be fulfilled by the Company upon completion of the Open Offer.

3. Achieve Prosper holds outstanding Convertible Bonds which are convertible into a maximum of 436,046,511 new Shares at the conversion price of HK$0.1720 per Share (subject to adjustment) as at the Latest Practicable Date. Achieve Prosper has undertaken not to exercise the conversion right attaching to the Convertible Bonds from the date of the Underwriting Agreement to the Record Date. If the Convertible Bonds are fully converted into Adjusted Shares after the Record Date but before the completion of the Open Offer, an additional 326,086,956 Adjusted Shares would be issued to Achieve Prosper before completion of the Open Offer.

16. Reasons for the Open Offer

The Group is engaged in the business of design and sale of a wide range of electronic products, investment in properties and securities trading.

Based on the Company's unaudited consolidated statement of financial position as at 30 June 2015 and assuming that acquisition of property and the issue of the Promissory Note as described in the circular of the Company dated 29 April 2015 had been completed as at 30 June 2015, the Company is of the view that the outstanding amount of the Promissory Note, which accounted for approximately 55% of the Group's total liabilities, would be significant to the Group's financial position. Should such liabilities from the Promissory Note continue to burden the Group's financial position, it would be difficult for the Group to timely obtain financing for its future investment even if it has identified suitable investment opportunities. The Company is of the view that a reduction of the Group's liabilities (including the Promissory Note) through equity fund raising would lower the Group's gearing ratio and enhance its flexibility in obtaining financing for possible investment opportunities in the future without increasing the Group's interest burden, and therefore facilitate the Group's long term development and is in the interest of the Company and its Independent Shareholders. In light of the recent declining trend of the prevailing trading price of the Shares and the volatility of the stock markets (which may reduce the attractiveness of the Open Offer if its terms remain unchanged but the Shares' trading prices further decline), the Company is of the view that it is appropriate to carry out the Open Offer at present to reduce the Group's liabilities at the soonest opportunity so that the Company could be better prepared to capture future investment opportunities should they arise.

As at the Latest Practicable Date, the Company has no agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about any possible investment.

Before reaching the decision to proceed with the Open Offer, the Board has considered other fund raising alternatives for the Group, including debt financing (such as bank borrowings), rights issue and placing of new Shares. Regarding debt financing, the Directors are of the view that its availability is uncertain and it will be subject to negotiations with banks which may take considerable time. It will also increase the Group's interest burden.

The Directors have also examined the possibility of fund raising by way of a rights issue which is similar to an open offer except that it allows shareholders to trade their nil-paid entitlements in the market. Despite a rights issue will provide an exit for the Qualifying Shareholder who do not take up their assured entitlements by selling their nil-paid rights, the Directors noted that the adoption of such trading arrangements will carry additional expenses and administrative and liaison work for the Company and other professional parties, such as the share registrar, the Underwriters, the financial printer and legal advisers. It is estimated that the additional costs and expenses of around HK$300,000 will be incurred for such administrative work and the arrangement of trading the nil-paid rights. Having considered and balanced against the additional administrative work and cost in connection with the trading arrangements of nil-paid rights, and given that all Qualifying Shareholders can have an equal opportunity to participate in the Open Offer, the Directors are of the view that raising funds by way of the Open Offer is a more cost-effective option than a rights issue.

After taking into account the benefits and cost of each of the alternatives, the Board is of the view that the Open Offer allows the Group to strengthen its balance sheet without facing the increasing interest rates and minimise the cost of fund raising.

As disclosed in the paragraph headed "C. Proposed Open Offer – 3. Subscription Price", the Subscription Price and the structure of the Open Offer was set after arm's length negotiation between the Company and the Underwriters based on, among others, the prevailing market prices of the Shares (as adjusted for the Capital Reorganisation) and the Group's funding needs. The Directors are of the view that it is necessary to set the Subscription Price at a discount level that would likely enhance the attractiveness of the Open Offer. Taking into account of the above, the Open Offer will therefore have a dilution effect if a Qualifying Shareholder decides not to take up his/her/it assured entitlement under the Open Offer. If all the Qualifying Shareholders decide not to take up their assured entitlement of the Open Offer, and the Underwriters take up or procure subscribers to take up all the Untaken Shares, the percentage of shareholding of the existing public Shareholders will be diluted by approximately 80.0% from approximately 62.73% to 12.55%.

Based on the above, and given that each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company and the Open Offer is subject to the approval by the Independent Shareholders, the Directors (including the independent non-executive Directors who have taken into consideration the advice of Nuada) consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Independent Shareholders. **However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted. If (1) no Convertible Bonds have been converted into Adjusted Shares up to the completion of the Open Offer; (2) except for Achieve Prosper and Wang Xing Qiao, no Shareholders subscribe for their entitlements under the Open Offer; and (3) Achieve Prosper subscribes for such number of Offer Shares so that the public float of 25% of the issued share capital of the Company is maintained; then Achieve Prosper (being the controlling shareholder of the Company and the Underwriter of the Open Offer) will be able to subscribe for the Untaken Shares at a significant discount to the prevailing market prices of the Adjusted Shares (see "C. Proposed Open Offer – 3. Subscription Price" above), and Achieve Prosper's interest in the Company will increase from approximately 37.18% to 74.91%.**

17. Use of Proceeds

The gross proceeds and the estimated net proceeds from the Open Offer will be approximately HK$251.2 million and approximately HK$244.5 million respectively. The estimated net proceeds to the Company of each Offer Share will be approximately HK$0.084.

The net proceeds of the Open Offer to the Company of approximately HK$244.5 million are intended to be used as follows:

(i) approximately HK$208.3 million for repaying the whole amount due to Achieve Prosper under the Promissory Note;

(ii) approximately HK$20.0 million for repaying the outstanding balance of the Amount Payable to Shareholder as at the Latest Time for Acceptance (as at 30 September 2015, the Amount Payable to Shareholder was approximately HK$18.5 million); and

(iii) the remaining balance will be used for the Group's property investment business. As at the Latest Practicable Date, the Group was in preliminary discussion with a seller (which is an independent third party) for the acquisition of a piece of land in China for commercial use. The Group has not entered into any legally-binding agreement with such seller. The Company will make relevant disclosure pursuant to the Listing Rules as and when appropriate. Subject to the negotiation with the seller and the final terms of the acquisition, it is estimated that the consideration of the land together with the construction cost shall be not more than RMB12.5 million.

Pursuant to the Set Off, the amount due under the Promissory Note (being HK$208,276,000) and the outstanding balance of the Amount Payable to Shareholder as at the Latest Time for Acceptance will set off, on a dollar-to-dollar basis, against (i) the aggregate Subscription Price which Achieve Prosper is obliged to pay to subscribe for its entitlement under the Open Offer in full pursuant to the Undertakings; and (ii) the aggregate Subscription Price which Achieve Prosper is obliged to pay for the Untaken Shares under the Underwriting Agreement.

Assuming all Offer Shares are subscribed by the Qualifying Shareholders, the sum of approximately HK$93.4 million, being aggregate Subscription Price payable by Achieve Prosper under the Undertakings, will partially set off against the amount due under the Promissory Note. After the Set Off, the remaining balance of amount due under the Promissory Note of approximately HK$114.9 million and the outstanding balance of the Amount Payable to Shareholder as at the Latest Time for Acceptance (estimated to be approximately HK$20 million) will be settled by the Company by cash using the proceeds of the Open Offer.

Assuming none of the Offer Shares are subscribed by the Qualifying Shareholders (except that Achieve Prosper and Wang Xing Qiao will subscribe for their respective entitlement under the Open Offer in full pursuant to the Undertakings), and Achieve Prosper and Kingston Securities (together with the sub-underwriters procured by it) take up all Untaken Shares pursuant to the Underwriting Agreement, the aggregate Subscription Price payable by Achieve Prosper of approximately HK$211.8 million will set off against the full amount due under the Promissory Note of approximately

HK$208.3 million and part of the outstanding balance of the Amount Payable to Shareholder of approximately HK$3.5 million. After the Set Off, the remaining outstanding balance of the Amount Payable to Shareholder as at the Latest Time for Acceptance (estimated to be approximately HK$16.5 million) will be settled by the Company by cash using the proceeds of the Open Offer.

As at the Latest Practicable Date, Achieve Prosper has not issued any formal demand for repayment under the Promissory Note because the Promissory Note, pursuant to its terms, would not become payable until the Company has generated, obtained and/or raised fund for not less than HK$200 million. However, Achieve Prosper has agreed to the Set Off pursuant to the Underwriting Agreement, and has indicated that it would agree to the Company's repayment of the remaining outstanding amount of the Promissory Note upon completion of the Open Offer.

The Company is of the view that the redemption of the outstanding amount of approximately HK$208.3 million of the Promissory Note would reduce the Group's liabilities, and thus results in a lower gearing ratio and improves the Group's financial position. This would facilitate the Group in obtaining financing for possible investment opportunities in the future to support the Group's long-term growth. Taking into account the recent volatility in the stock markets, the Directors (including the independent non-executive Directors who have taken into consideration the advice of Nuada) consider that it is in the Company's interest to raise funds by way of the Open Offer at the soonest opportunity to repay the Promissory Note.

The Directors are of the view that, following completion of the Capital Reorganisation and Open Offer, the Group has sufficient resources to satisfy its estimated funding needs for at least the next twelve months from the date of this circular, in the absence of unforeseeable circumstances.

In estimating the Group's funding needs and its ability to satisfy the same, the Directors have considered the followings:

(i) The Group has a positive cash and cash equivalent balance as at the Latest Practicable Date.

(ii) The Board has made reference to the current market condition and the historical track records of the Group's revenue, cost of goods sold, other operating expenses and the accounts receivable/payable turnover days to estimate the cash flow from the Group's electronic product trading business.

(iii) The Group's electronic product trading business is expected to generate a positive operational cash flow to support its operation as well as to service the interest payments under the Convertible Bonds, after taking into account the completion of the disposal of the subsidiaries which carry out the Group's business of manufacture and sale of electronic products on 13 March 2015 (see the Company's announcement dated 13 March 2015 for further details) and that the financial results of such disposed subsidiaries will no longer be consolidated into the consolidated financial statements of the Group.

(iv) Regarding investments, as at the Latest Practicable Date, the Group has not yet entered into any letter of intent, agreement or similar arrangement in respect of potential investments in properties and renewable energy projects but is in the course of searching for such investment opportunities. Any funding needs arising from potential investments are currently expected be derived from the Group's operations, the proceeds from the placing of Shares as completed on 30 July 2015 and the Open Offer. However, the Board will also consider possible fund raising activities if it is necessary or appropriate and beneficial to the Company.

Apart from the cash flow from the Group's electronic product trading business, it is also expected that the two pieces of properties acquired in 2015 as disclosed in the circulars of the Company dated 31 March 2015 and 29 April 2015 respectively will generate rental income and contribute to the Group's cash flow from the second half of 2016 after completion of the construction works. However, the actual amount of rental income to be generated will be subject to factors that are out of the Group's control, such as the market demand for the properties, the then prevailing market condition and the actual terms of the leases which are to be negotiated with the potential tenants. As at the Latest Practicable Date, the Group has secured one lease with Wal-Mart (Liaoning) Store Co. Ltd. (沃爾瑪(遼寧)百貨有限公司) (details of the lease are set out in the Company's circular dated 29 April 2015). Other than that, the Group has not entered into any lease with any other tenants in respect of the said acquired properties as at the Latest Practicable Date.

18. Possible Adjustment to the Conversion Price of the Convertible Bonds

The proposed Capital Reorganisation and Open Offer may lead to adjustments to the exercise price and/or the number of Shares or Adjusted Shares (as the case may be) to be issued upon exercise of the Convertible Bonds. The Company will notify the holder(s) of Convertible Bonds regarding adjustments to be made (if any) pursuant to the terms of the Convertible Bonds.

19. Previous Fund Raising Exercise in the prior 12-Month Period

The following are fund raising activities of the Company during the past 12 months immediately preceding the date of the Announcement:

Date of announcement	Event	Estimated net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
14 July 2015	Placing of new shares under general mandate	Approximately HK$59.4 million	Possible opportunities for the development of renewable energy business and the general working capital of the Group. As at the Latest Practicable Date, the Company is still in the course of searching for possible investment opportunities and no letter of intent, agreement or similar arrangement had been entered into by the Group.	Approximately HK$1.3 million has been used as general working capital of the Group. The remaining balance (which are kept as short-term bank deposits in China/Hong Kong) will be used as intended.

20. Implications under the Listing Rules

As no excess application for the Offer Shares is available under the Open Offer and the Open Offer is partly underwritten by Achieve Prosper (a controlling shareholder of the Company), pursuant to Rule 7.26A(2) of the Listing Rules, specific approval shall be obtained from the Independent Shareholders in respect of the absence of such excess application arrangement. Achieve Prosper and its associates shall abstain from voting at the SGM to approve the absence of such excess application arrangement.

As the Open Offer will result in an increase in the Company's issued share capital by more than 50%, the Open Offer is subject to, among other things, the approval by the Independent Shareholders at the SGM. Pursuant to Rule 7.19(6) of the Listing Rules, any controlling shareholder of the Company and his associates, or where there is no such controlling shareholder of the Company, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will need to abstain from voting in favour of the resolution relating to the Open Offer. As at the Latest Practicable Date, Achieve Prosper is the controlling shareholder of the Company, and thus Achieve Prosper and its associates will abstain from voting in the SGM in respect of all resolution(s) related to the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

Under the Listing Rules, Achieve Prosper is regarded as a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement (including the payment of the underwriting commission to Achieve Prosper) constitute a connected transaction of the Company but are exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

21. Establishment of Independent Board Committee and Appointment of Independent Financial Adviser

The Company has established the Independent Board Committee to make a recommendation to the Independent Shareholders as to (i) whether the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Independent Shareholders, and (ii) voting by the Independent Shareholders on the relevant resolutions in the SGM by poll, taking into account the recommendations of Nuada.

The Independent Board Committee has approved the appointment of Nuada as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Open Offer, the Underwriting Agreement and the Whitewash Waiver and as to voting on the relevant resolutions in the SGM by poll.

D. APPLICATION FOR THE WHITEWASH WAIVER

1. Implications under the Takeovers Code

As at the Latest Practicable Date, the Concert Group owns, controls or has direction over 1,088,375,571 Shares, representing approximately 37.27% of the existing issued share capital of the Company. In addition to the above, Achieve Prosper also holds the outstanding Convertible Bonds which are convertible into a maximum of 436,046,511 new Shares at the conversion price of HK$0.1720 per Share (subject to adjustment) as at the Latest Practicable Date. Save for the Convertible Bonds, the Concert Group did not hold any outstanding convertible securities, options, warrants or derivative of the Company which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

Achieve Prosper and Wang Xing Qiao have given the Undertakings in favour of the Company, among other things, that: (a) they will subscribe for the 1,085,755,568 Offer Shares and 2,620,000 Offer Shares respectively to which they will be entitled to pursuant to the terms of the Open Offer; (b) the Shares or the Adjusted Shares (as the case may be) comprising their current shareholding will remain registered in their respective name at the close of business at the Record Date as they are on the date of the Underwriting Agreement; and (c) they will procure that the applications in respect of the 1,085,755,568 Offer Shares and 2,620,000 Offer Shares respectively comprising its entitlements under the Open Offer will be lodged with the Registrar by no later than the Latest Time for Acceptance and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents.

Achieve Prosper has also undertaken not to exercise the conversion right attaching to the Convertible Bonds from the date of the Underwriting Agreement to the Record Date.

Save for the purchase by Wang Xing Qiao of 2,620,000 Shares on the Stock Exchange at an average price of HK$0.119 per Share on 6 July 2015 (which is during the 6-month period preceding the date of the Announcement but before any negotiation, discussions or the reaching of any understanding or agreements with the Directors in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver), the Concert Group has no dealings in any securities of the Company in the 6-month period preceding the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors (which include informal discussions) in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver;

The maximum number of Adjusted Shares which could be taken up by the Concert Group under the Open Offer and the Underwriting Agreement is 2,465,939,061 Adjusted Shares.

Assuming:

1. Achieve Prosper and Wang Xing Qiao subscribes for its entitlement of the Open Offer in full in accordance with the Undertakings;

2. not all Qualifying Shareholders (other than the Concert Group) take up the Offer Shares to which they are entitled to upon completion of the Open Offer; and

3. Achieve Prosper takes up such number of Untaken Shares under the Underwriting Agreement which will have the effect of increasing the voting rights of the Concert Group in the Company by more than 2% from the lowest percentage holding of the Concert Group in the Company in the 12-month period ending on and inclusive of the date of taking up of such number of Untaken Shares,

the Concert Group will, as a result of this acquisition of voting rights in the Company, incur an obligation to make a mandatory offer for all the Adjusted Shares other than those held or agreed to be acquired by the Concert Group, unless the Whitewash Waiver is granted.

2. Application for the Whitewash Waiver

An application has been made by Achieve Prosper to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to the approval of the Independent Shareholders by way of poll at the SGM (and such other condition(s) as may be imposed by the Executive to grant the Whitewash Waiver).

The Concert Group, and those who are interested in, or involved in, the Open Offer (save for any assured entitlement to the Open Offer as a Qualifying Shareholder), the Underwriting Agreement and/or the Whitewash Waiver, will abstain from voting in respect of all resolution(s) related to the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

The Directors (including the independent non-executive Directors who have taken into consideration of the advice of Nuada) believe that the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Independent Shareholders.

The grant of the Whitewash Waiver is a condition precedent to the underwriting obligations of the Underwriters, which may not be waived. If the Whitewash Waiver is not granted, the Underwriting Agreement will not become unconditional and the Open Offer will not proceed.

Shareholders and potential investors should be aware that there is a possibility that, upon completion of the Open Offer, Achieve Prosper may hold more than 50% of the voting rights of the Company. Hence, Achieve Prosper may increase its holdings of voting rights of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

3. Further information on Achieve Prosper

Achieve Prosper is a company incorporated in Samoa with limited liability, and is wholly owned by Hong Kong Shihua; Hong Kong Shihua is a company incorporated in Hong Kong with limited liability which is wholly owned by Liaoning Shihua Property; Liaoning Shihua Property is a company established in the PRC with limited liability, and is controlled as to 82.8% of its equity interest by Mr. Wang Jing, the Chairman of the Board and an executive Director, 16.0% by Ms. Wang Yi Qiao (Mr. Wang Jing's daughter) and 1.2% by Ms. Hu Bao Qin (Mr. Wang Jing's spouse).

Achieve Prosper is an investment holding company which is the controlling Shareholder holding approximately 37.18% equity interest in the Company as at the Latest Practicable Date. Wang Xing Qiao is the sole director of Achieve Prosper.

4. Intention of Achieve Prosper

Achieve Prosper has confirmed that:

(a) it intends the Group shall continue its current business;

(b) as stated in the Company's annual report for the year ended 31 March 2015, it has been the Group's business strategy to diversify its business and further enhancing the Shareholders' value, and the Group is committed to seek other business opportunities to broaden the Group's revenue stream. Save as aforesaid, Achieve Prosper (i) does not intend to make any major changes to the Group's existing business (including redeployment of the Group's fixed assets of the Group); and (ii) intends to continue employment of the employees of the Group other than in its ordinary course of business; and

(c) it has no intention to inject any new business/assets to the Group or change the Company's board composition.

On the basis that Achieve Prosper has no intention to change any business and employment of the Group, the Directors are of the view that the continuity of the Group's business can be maintained upon completion of the Open Offer as before.

E. WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND ADJUSTED SHARES

The Open Offer is conditional upon the fulfillment of the conditions set out in "C. Proposed Open Offer – 4. Conditions of the Open Offer and the Underwriting Agreement" of this circular. If the conditions of the Open Offer are not fulfilled or if any of the Underwriters exercises its right to terminate the Underwriting Agreement pursuant to the terms thereof, the Open Offer will not proceed.

Shareholders and potential investors should therefore exercise caution when dealing in Shares or Adjusted Shares, and if they are in any doubt about their positions, they should consult their professional advisers.

Shareholders should note that Adjusted Shares will be dealt in on an ex-entitlement basis commencing from Monday, 28 December 2015 and that dealings in Adjusted Shares will take place while the conditions to which the Open Offer is subject remain unfulfilled. Any Shareholder or other person dealing in Shares or Adjusted Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled, will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares or Adjusted Shares who is in any doubt about his/her/its position is recommended to consult his/her/its own professional advisers.

F. SGM

The SGM will be convened and held at Conference Room A, 16/F, Shihua Fujia Hotel, No. 43 Digong Road, Mingshan District, Benxi City, Liaoning Province, PRC on Monday, 21 December 2015 at 10:00 a.m. for the Shareholders (or the Independent Shareholders, where appropriate) to consider and, if thought fit, to approve, among other things:

(a) the Capital Reorganisation;

(b) the Underwriting Agreement;

(c) the Open Offer; and

(d) the Whitewash Waiver,

in accordance with, where appropriate, the Bye-Laws, the Listing Rules and the Takeovers Code.

The resolutions to be put to vote at the SGM will be taken by way of poll in accordance with the Listing Rules and the Takeovers Code.

No Shareholder is required to abstain from voting in respect of the special resolution approving the Capital Reorganisation in the SGM.

Pursuant to the Listing Rules and/or the Takeovers Code, the following persons will abstain from voting in the SGM in respect of all resolution(s) related to the Open Offer, the Underwriting Agreement and the Whitewash Waiver:

(a) Achieve Prosper and its associates; and

(b) the Concert Group, and those who are interested in, or involved in, the Open Offer (save for any assured entitlement to the Open Offer as a Qualifying Shareholder), the Underwriting Agreement and/or the Whitewash Waiver.

Upon the approval of the Capital Reorganisation, the Open Offer, the Underwriting Agreement and the Whitewash Waiver by the Shareholders or Independent Shareholders, as the case may be, at the SGM, the Prospectus Documents setting out, among other things, details of the Underwriting Agreement and the Open Offer will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus will be despatched to the Excluded Shareholders for information purposes only.

The notice of the SGM is set out on pages SGM-1 to SGM-4 in this circular and a form of proxy for use at the SGM is enclosed.

Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

G. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 40 to 41 in this circular which contains its recommendation to the Independent Shareholders (i) as to whether the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable; and (ii) as to voting at the SGM in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

Your attention is also drawn to the letter from Nuada set out on pages 42 to 69 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders (i) as to whether the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable; and (ii) as to voting at the SGM in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver, and the principal factors and reasons considered by it in arriving thereat.

The Directors (including the independent non-executive Directors who have taken into consideration of the advice of Nuada) consider that the Open Offer, the Underwriting Agreement and Whitewash Waiver are fair and reasonable and are in the interests of the Company and the Independent Shareholders.

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the respective transactions contemplated thereunder.

You are advised to read the letter from the Independent Board Committee and the letter from Nuada mentioned above before deciding how to vote on the resolution(s) to be proposed at the SGM.

H. ADDITIONAL INFORMATION

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

By Order of the Board
Shihua Development Company Limited
WANG Jing
Chairman

Shihua Development Company Limited
實華發展有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 485)

27 November 2015

To the Independent Shareholders

Dear Sir or Madam,

(A) PROPOSED CAPITAL REORGANISATION;
(B) CHANGE IN BOARD LOT SIZE;
(C) PROPOSED OPEN OFFER IN THE PROPORTION OF FOUR (4) OFFER SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE;
(D) APPLICATION FOR THE WHITEWASH WAIVER; AND
(E) NOTICE OF SPECIAL GENERAL MEETING

We have been formed to make a recommendation to the Independent Shareholders on the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the transactions thereunder, details of which are set out in the circular issued by the Company to the Shareholders dated 27 November 2015 (the "**Circular**"), of which this letter forms part. With the approval of the Independent Board Committee, Nuada Limited ("**Nuada**") has been appointed by the Company as the independent financial adviser to advise us in this regard.

Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter of advice from Nuada set out on pages 10 to 39 and pages 42 to 69 of the Circular respectively, and the additional information set out in the appendices to the Circular.

Having taken into account the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder, and the principal factors and reasons considered by Nuada and its conclusion and advice, we concur with the view of Nuada and consider that the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder.

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

Li Jun	**Yang Xin Hua**	**Wang Ping**	**Cheng Tai Kwan Sunny**
Non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 27 November 2015 in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver for the purpose of inclusion in this circular.

Nuada Limited
Corporate Finance Advisory

Unit 1805-08, 18.F
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協成行上環中心18樓1805-08室

27 November 2015

To the Independent Board Committee and the Independent Shareholders of Shihua Development Company Limited

Dear Sirs,

(I) PROPOSED OPEN OFFER IN THE PROPORTION OF FOUR (4) OFFER SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE; (II) APPLICATION FOR THE WHITEWASH WAIVER;

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Open Offer, the Underwriting Agreement and the Whitewash Waiver, details of which are set out in the section headed "Letter from the Board" (the "**Letter from the Board**") in the Company's circular dated 27 November 2015 (the "**Circular**") to the Shareholders, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 7 October 2015, the Board proposed to raise approximately HK$251.2 million before expenses and subject to the Set Off, by issuing 2,920,568,484 Offer Shares at the Subscription Price of HK$0.086 per Offer Share on the basis of four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date.

As the Open Offer will result in an increase in the Company's issued share capital by more than 50%, the Open Offer is subject to, among other things, the approval by the Independent Shareholders at the SGM. Pursuant to Rule 7.19(6) of the Listing Rules, any controlling shareholder of the Company and his associates, or where there is no such controlling shareholder of the Company, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will need to abstain from voting in favour of the resolution relating to the Open Offer. As at the Latest Practicable Date, Achieve Prosper is the controlling shareholder of the Company.

As at the Latest Practicable Date, the Concert Group owns, controls or has direction over 1,088,375,571 Shares, representing approximately 37.27% of the existing issued share capital of the Company. In addition to the above, Achieve Prosper also holds the outstanding Convertible Bonds which are convertible into a maximum of 436,046,511 new Shares at the conversion price of HK$0.1720 per Share (subject to adjustment) as at the Latest Practicable Date. Save for the Convertible Bonds, the Concert Group did not hold any outstanding convertible securities, options, warrants or derivative of the Company which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

Achieve Prosper and Wang Xing Qiao have given the Undertakings in favour of the Company, among other things, that: (a) they will subscribe for the 1,085,755,568 Offer Shares and 2,620,000 Offer Shares respectively to which they will be entitled to pursuant to the terms of the Open Offer; (b) the Shares or the Adjusted Shares (as the case may be) comprising their current shareholding will remain registered in their respective name at the close of business at the Record Date as they are on the date of the Underwriting Agreement; and (c) they will procure that the applications in respect of the 1,085,755,568 Offer Shares and 2,620,000 Offer Shares respectively comprising its entitlements under the Open Offer will be lodged with the Registrar by no later than the Latest Time for Acceptance and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents.

Achieve Prosper has also undertaken not to exercise the conversion right attaching to the Convertible Bonds from the date of the Underwriting Agreement to the Record Date.

The maximum number of Adjusted Shares which could be taken up by the Concert Group under the Open Offer and the Underwriting Agreement is 2,465,939,061 Adjusted Shares.

Assuming:

(a) Achieve Prosper and Wang Xing Qiao subscribes for its entitlement of the Open Offer in full in accordance with the Undertakings;

(b) not all Qualifying Shareholders (other than the Concert Group) take up the Offer Shares to which they are entitled to upon completion of the Open Offer; and

(c) Achieve Prosper takes up such number of Untaken Shares under the Underwriting Agreement which will have the effect of increasing the voting rights of the Concert Group in the Company by more than 2% from the lowest percentage holding of the Concert Group in the Company in the 12-month period ending on and inclusive of the date of taking up of such number of Untaken Shares,

the Concert Group will, as a result of this acquisition of voting rights in the Company, incur an obligation to make a mandatory offer for all the Adjusted Shares other than those held or agreed to be acquired by the Concert Group, unless the Whitewash Waiver is granted.

An application has been made by Achieve Prosper to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the SGM by way of poll, whereby the Concert Group, and those who are interested in, or involved in, the

Open Offer (save for any assured entitlement to the Open Offer as a Qualifying Shareholder), the Underwriting Agreement and/or the Whitewash Waiver, will abstain from voting in respect of all resolution(s) related to the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

The grant of the Whitewash Waiver is a condition precedent to the underwriting obligations of the Underwriters, which may not be waived. If the Whitewash Waiver is not granted, the Underwriting Agreement will not become unconditional and the Open Offer will not proceed.

The Company has established the Independent Board Committee to advise the Independent Shareholders as to (i) whether the Open Offer, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Independent Shareholders, and (ii) voting by the Independent Shareholders on the relevant resolutions in the SGM by poll. We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in those regards.

We are independent from, and are not associated with the Company, Achieve Prosper, Hong Kong Shihua, Liaoning Shihua Property, Mr. Wang Jing and Mr. Wang Xing Qiao and their family members, or their respective substantial shareholder(s), or any party acting, or presumed to be acting, in concert with any of the above, or any company controlled by any of it/them. In the past two years prior to the date of the Underwriting Agreement, we have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company for the following transactions:

Date of the relevant circulars and our letters of advice	Nature of the transaction
28 April 2015	Refreshment of the general mandate
29 April 2015	Major and connected transaction in relation to the Acquisition

We had also been appointed as an independent financial adviser to the independent board committee and independent shareholders of the Company in respect of a proposed rights issue of the Company on 29 April 2015, which was subsequently terminated on 17 June 2015. Apart from normal professional fees paid or payable to us in connection with the previous appointments mentioned above, as well as this appointment as the Independent Financial Adviser in respect of the Open Offer and the Whitewash Waiver, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that the aforementioned previous appointments would not affect our independence, and that we comply with Rule 2.6 of the Takeovers Code and are eligible to give independent advice in respect of the Open Offer and the Whitewash Waiver to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the

Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date. Should there be any material changes after the Latest Practicable Date, the Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed in the Circular, having made all reasonable enquiries, that to the best of their knowledge, opinion expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business affairs of the Group.

We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Offer Shares or otherwise, since these are particular to their own circumstances. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Open Offer, the Underwriting Agreement and the Whitewash Waiver and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the Open Offer and the Whitewash Waiver, we have considered the following principal factors and reasons:

1. Background information and outlook of the Group

(a) Business of the Group

The Group is engaged in the business of design and sale of a wide range of electronic products, investment in properties and securities trading.

The Group has recently developed its property investment business with the following two acquisitions:

(I) Acquisition of Property A

According to the circular of the Company dated 31 March 2015, a sale and purchase agreement dated 16 January 2015 ("**SP Agreement A**") was entered into between Benxi Xinhua Property Management Company Limited* (本溪信華物業管理有限公司) ("**Purchaser A**"), an indirect wholly-owned subsidiary of the Company, as purchaser and Benxi Xincheng Property Development Company Limited* (本溪鑫城房地產開發有限公司) ("**Vendor A**"), who was an Independent Third Party and did not hold any Share as at the date of SP Agreement A, as vendor. Pursuant to SP Agreement A, Vendor A has agreed to sell and Purchaser A has agreed to acquire a property at a consideration of RMB105,000,000 ("**Property A**"). The considerations shall be settled (a) as to RMB50,000,000 payable by the allotment and issue of 400,000,000 Shares to Vendor A (or its nominee(s)) upon completion; (b) as to RMB10,000,000 payable by Purchaser A to Vendor A on 10 February 2015; and (c) as to RMB45,000,000 payable by Purchaser A to Vendor A on or before 31 October 2015 for repayment of a loan owed by Vendor A (which is due on 24 March 2019) which is secured by a mortgage of Property A and such mortgage will be released and discharged upon repayment of the loan. As advised by the management of the Company, part (a) and part (b) of the consideration were settled on 10 February 2015. Meanwhile, Purchaser A is under negotiations with Vendor A in relation to certain technical details in respect of the construction, including but not limited to the details of the infrastructure, quality check reports and the final checklists. Accordingly, the payment of part (c) of the consideration has been delayed and not yet settled as at the Latest Practicable Date. As advised by the management of the Company, we understand that the aforesaid technical details would have no significant impact on the timetable of decoration and operation of Property A. Accordingly, we are of the view that the aforesaid technical details would not affect our views on the Open Offer and the Whitewash Wavier.

Property A is located in the intersection of Digong Road (地工路) and Shengli Road (勝利路), Mingshan District, Benxi, Liaoning Province, the PRC, which is the core commercial district of Benxi. Property A, being one of the buildings located at the property development project of Vendor A, namely Xincheng Plaza (鑫城廣場), is a 17-storey building with two basement floors. The site area and the preliminary gross floor area of Property A are 3,335.00 sq.m. and 17,788.58 sq.m. (including all the above-ground and under-ground areas) respectively. It consists of retail shops of approximately 3,000.00 sq.m. on the ground floor of Property A. Vendor A has warranted that the final gross floor area of the Property would not be less than 17,500.00 sq.m. It was intended that Property A would be used as hotel and office. The main construction of Property A has been completed and it can be used after decoration, which is expected to be completed in the second quarter of 2016.

The acquisition of Property A was completed on 10 February 2015. Further details of the above acquisition of Property A including, among other things, the reasons for and benefits of this acquisition and the principal terms of SP Agreement A, is disclosed in the circular of the Company dated 31 March 2015.

(II) Acquisition of Property B

According to the circular of the Company dated 29 April 2015, a sale and purchase agreement dated 17 March 2015 ("**SP Agreement B**") was entered into between Benxi Tongshengyuan Industry Company Limited* (本溪同盛遠實業有限公司) ("**Purchaser B**"), an indirect wholly-owned subsidiary of the Company, as purchaser and Liaoning Shihua Property as vendor. Pursuant to SP Agreement B, Liaoning Shihua Property has agreed to sell and the Purchaser has agreed to acquire a property at a consideration of HK$208,276,000 ("**Property B**"). The consideration of the Acquisition has been satisfied by the issue of the Promissory Note by the Company to Liaoning Shihua Property or its nominee(s) on completion of SP Agreement B.

Property B is located at the intersection of Huanshan Road (環山路) and Guangyu Road (廣裕路), Pingshan District, Benxi, Liaoning Province, the PRC, which is one of the core commercial districts of Benxi. Property B is part of the property development project of Liaoning Shihua Property, namely Shihua – Meilan City (實華－美蘭城), and is a shopping mall of the development project. The preliminary gross floor area of Property B is 23,700.06 sq.m. The main construction of Property B has been completed and it can be used after decoration, which is expected to be completed in the second quarter of 2016. Property B has not yet generated any income as at the Latest Practicable Date.

Property B is subject to a premises lease agreement, pursuant to which Wal-Mart (Liaoning) Store Co. Ltd. has agreed to lease potions of level 1, basement level 1 and basement level 3 of Property B, totalling 14,643 sq.m., for operating a "Wal-Mart" store.

The acquisition of Property B was completed on 3 August 2015. Further details of the above acquisition of Property B including, among other things, the reasons for and benefits of this acquisition and the principal terms of SP Agreement B, is disclosed in the circular of the Company dated 29 April 2015.

(b) Financial results of the Group

	For the year ended 31 March		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Turnover	515,408	366,953	381,863
Cost of sales	(465,183)	(408,857)	(322,811)
Gross profit/(loss)	50,225	(41,904)	59,052
Loss for the year	**(58,387)**	**(189,364)**	**(247,131)**

As stated in the annual report 2014 of the Company, for the year ended 31 March 2014, the turnover of the Group dropped by approximately 28.8% to approximately HK$367.0 million as compared with a turnover of approximately HK$515.4 million for the previous year. The turnover of the Group was mainly generated from the business segment of design, manufacture and sale of electronic products. The Group recorded a gross loss of approximately HK$41.9 million for the year ended 31 March 2014 as compared with gross profit of approximately HK$50.2 million for the previous year. It is stated in the annual report that the decrease in turnover and in turn the gross loss were due to the continued decline in the TV/ DVD sales where demand was falling and selling prices were depressed due to price cutting competition. As a result, the Group's financial results further deteriorated and recorded a substantial loss of approximately HK$189.4 million for the year ended 31 March 2014 as compared with loss of approximately HK$58.4 million for the previous year.

As stated in the annual report 2015 of the Company, for the year ended 31 March 2015, the turnover of the Group increase by approximately 4.1% to approximately HK$381.9 million as compared with a turnover of approximately HK$367.0 million for the previous year. The gross profit of the Group improved to approximately HK$59.1 million as compared with a gross loss of approximately HK$41.9 million for the same period in previous year. However, the Group recorded one-off losses for the year ended 31 March 2015 totalling approximately HK$193.0 million, including (i) the loss arising from the issue of convertible bonds of approximately HK$38.5 million (which was the difference between the gross proceeds from the issue of the convertible bonds and fair values of the convertible bonds after revaluation); (ii) loss on deconsolidation of subsidiaries of approximately HK$15.6 million; and (iii) loss arising from distribution in specie of shares in a subsidiary of approximately HK$138.9 million. As a result, the Group recorded a loss of approximately HK$247.1 million for the year ended 31 March 2015 as compared with loss of approximately HK$189.4 million for the previous year.

(c) Current financial position

The Group had a cash balance of approximately HK$36.7 million and a net assets of approximately HK$97.3 million as at 31 March 2015. Taking into account (i) the placing of 486,760,000 new Shares of the Company as announced by the Company on 14 July 2015 and completed on 30 July 2015 (the "**Placing**"), with a net proceed of approximately HK$59.6 million; (ii) the acquisitions of Property A and Property B as detailed above, the adjusted cash balance and net assets of the Group would be approximately HK$96.3 million and HK$156.9 million respectively. In view of (i) the Promissory Note of approximately HK$208.3 million issued as the consideration for the acquisition of Property B as disclosed above; and (ii) the Amount Payable to Shareholder as at the Latest Time for Acceptance, together amounting to approximately HK$228.3 million, we consider that the Open Offer would strengthen the financial position of the Company by reducing the total liabilities of the Group after the Set Off.

(d) ***Prospects***

At present, we understand from the Directors that it has been the Group's business strategy to diversify its business and to further enhance the Shareholders' value. The two aforementioned acquisitions of Property A and Property B in Liaoning Province, the PRC, both of which were intended for the use of rental purpose, will enable the Group to diversify its existing business in design and sale of electronic products and broaden its source of revenue.

Indicators	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**Cumulative annual growth rate** *(Note)*
Gross Domestic Product of the PRC (in billion RMB)	31,675.2	34,562.9	40,890.3	48,412.4	53,412.3	58,801.9	63,613.9	15.0%
Gross Regional Product of Liaoning Province (in billion RMB)	1,366.9	1,521.2	1,845.7	2,222.7	2,484.6	2,721.3	2,862.7	15.9%
Average Wage of Employed Persons in Urban Units in the PRC (in RMB)	28,898	32,244	36,539	41,799	46,769	51,483	56,339	11.8%
Average Wage of Employed Persons in Urban Units in Liaoning Province (in RMB)	27,179	30,523	34,437	38,154	41,858	45,505	Not Available	10.9%
Household Consumption Expenditure in Liaoning Province (in RMB)	9,690	10,906	13,016	15,635	17,999	20,156	Not Available	15.8%
Total Retail Sales of Consumer Goods in Liaoning Province (in billion RMB)	503.2	581.3	688.8	809.5	930.4	1,058.1	1,185.7	18.7%

*Source: National Bureau of Statistics of the PRC ("**NBS**") and the Government of Liaoning Province*

Note: As the statistics on (i) the average wage of employed persons in urban units in Liaoning Province; and (ii) household consumption expenditure in Liaoning Province are only available up to year 2013, the cumulative annual growth rates ("**CAGR**") of these two time series are calculated for the six-year period from 2008 to 2013, while the CAGRs of other time series are calculated for the seven-year period from 2008 to 2014

According to the latest official statistics available on the online database of NBS and the respective Statistical Communiqués of Liaoning Province on the National Economic and Social Development for years 2008 to 2014 published by the Government of Liaoning Province, the economy of the PRC has been expanding rapidly, where the gross domestic product recorded a CAGR of approximately 15.0%. In particular, the economy of Liaoning Province recorded a slightly higher CAGR of 15.9% for its gross regional product. The average wage of employed persons in urban units in both the PRC and Liaoning Province have been increasing, with CAGRs of approximately 11.8% and 10.9% respectively.

Meanwhile, the household consumption expenditure in Liaoning Province recorded a CAGR of approximately 15.8%, and the total retail sales of consumer goods in Liaoning Province recorded a CAGR of approximately 18.7%. These reflected that the retail market in Liaoning Province has also been growing in recent years, which might due to, among other factors, the increase in average wage of employed persons as mentioned above. Such growth of the retail market would likely increase the demand for commercial properties for retail purpose.

Taking into account that (i) the economy of the PRC and Liaoning Province have been thriving; (ii) the average wage of employed persons in urban units in the PRC and Liaoning Province has been increasing; and (iii) the household consumption expenditure and total retail sales of consumer goods in Liaoning Province have been rising, we considers that the outlook of the property investment business as mentioned above, which is the main focus of the Group's business, is positive.

The division of sale of a wide range of electronic products recorded, for the year ended 31 March 2015, (i) a revenue of approximately HK$381.86 million, representing an increase of approximately 4.06% as compared with that for the year ended 31 March 2014; and (ii) a gross loss of approximately HK$54.2 million, representing an improvement from the gross loss of approximately HK$172.06 million for the year ended 31 March 2014. Such improvement was due to, among others, the decrease in allowance for obsolete and slow-moving inventories and doubtful debts and impairment loss in respect of property, plant and equipment amounting to approximately HK$77.26 million. As the division of electronic products produced unsatisfactory results in the previous two years, the Board will focus its development direction into the Group's property investment business and apply a conservative measure for the sales of electronic products business. However, we also understand that the Group currently has no intention to introduce any major change to the existing operation of the electronic products business, and will continue the existing operation of the electronic products business along with the development of the property investment business.

As disclosed in the annual report 2015 of the Company and as advised by the management of the Company, we understand that electronics products of the Group are mainly sold in North America, in particular in the United States of America (the "**U.S.**") and Canada, which accounted for approximately 82.1% and approximately 8.7% of the revenue of the Group for the year ended 31 March 2015 respectively.

Indicators	2008	2009	2010	2011	2012	2013	2014	CAGR *(Note)*
Gross Domestic Product of the U.S. (in billion U.S. dollar)	1,471.9	1,441.9	1,496.4	1,551.8	1,615.5	1,666.3	1,734.8	2.8%
Gross Domestic Product of Canada (in billion Canada dollar)	1,645.9	1,567.0	1,662.7	1,770.0	1,831.2	1,893.8	1,974.8	3.1%

*Source: Statistics Canada (Canada's official statistical office) ("**SC**") and Bureau of Economic Analysis of the U.S. ("**BEA**")*

Note: The CAGRs are calculated for the seven-year period from 2008 to 2014.

According to the latest official statistics available on SC and BEA, we note that both the economies of the U.S. and Canada have been growing, with CAGRs of gross domestic product of approximately 2.8% and 3.1% respectively. More particularly, we note that the growths were slightly faster in recent years, as reflected by the growths of gross domestic products from 2013 to 2014 of the U.S. and Canada of approximately 4.1% and 4.3% respectively. In view of the continuous growth of both economies, we are of the view that the outlook of the electronic product business of the Group will be positive.

Although securities trading is one of the principle activities of the Group, its present operation scale is minimal (with no revenue and a segment loss of approximately HK$18,000 for the year ended 31 March 2015, and a total segment assets of approximately HK$453,000 as at 31 March 2015) as compared to the Group's other principal businesses such as property investment (the total assets of the Group consists largely of properties) and sale of the electronic products (the revenue generated from the sales of electronic products contributed to all of the total revenue of the Group for the year ended 31 March 2015). Having considered (i) the insignificant operation scale of the securities trading business; and (ii) business development of the Group with focus on diversifying into the property investment business as well as continuing the operation of the electronic products business, the development direction of the Group is not in the securities trading business.

2. Background of and Reasons for the Open Offer

(a) Use of proceeds from the Open Offer

The gross proceeds and the estimated net proceeds from the Open Offer will be approximately HK$251.2 million and approximately HK$244.5 million respectively.

The net proceeds of the Open Offer to the Company of approximately HK$244.5 million are intended to be used as follows:

(i) approximately HK$208.3 million for repaying the whole amount due to Achieve Prosper under the Promissory Note;

(ii) approximately HK$20.0 million for repaying the outstanding balance of the Amount Payable to Shareholder as at the Latest Time for Acceptance (as at 30 September 2015, the Amount Payable to Shareholder was approximately HK$18.5 million); and

(iii) the remaining balance of approximately HK$16.2 million will be used for the Group's property investment business. As at the Latest Practicable Date, the Group was in preliminary discussion with a seller (which is an independent third party) for the acquisition of a piece of land in the PRC for commercial use. The Group has not entered into any legally-binding agreement with such seller. The Company will make relevant disclosure pursuant to the Listing Rules as and when appropriate. Subject to the negotiation with the seller and the final terms of the acquisition, it is estimated that the consideration of the land together with the construction cost shall be not more than RMB12.5 million.

Pursuant to the Set Off, the amount due under the Promissory Note (being HK$208,276,000) and the outstanding balance of the Amount Payable to Shareholder as at the Latest Time for Acceptance will set off, on a dollar-to-dollar basis, against (i) the aggregate Subscription Price which Achieve Prosper is obliged to pay to subscribe for its entitlement under the Open Offer in full pursuant to the Undertakings; and (ii) the aggregate Subscription Price which Achieve Prosper is obliged to pay for the Untaken Shares under the Underwriting Agreement.

Assuming all Offer Shares are subscribed by the Qualifying Shareholders, the sum of approximately HK$93.4 million, being aggregate Subscription Price payable by Achieve Prosper under the Undertakings, will partially set off against the amount due under the Promissory Note. After the Set Off, the remaining balance of amount due under the Promissory Note of approximately HK$114.9 million and the outstanding balance of the Amount Payable to Shareholder as at the Latest Time for Acceptance (estimated to be approximately HK$20 million) will be settled by the Company by cash using the proceeds of the Open Offer.

Assuming none of the Offer Shares are subscribed by the Qualifying Shareholders (except that Achieve Prosper and Wang Xing Qiao will subscribe for their respective entitlement under the Open Offer in full pursuant to the Undertakings), and Achieve Prosper and Kingston Securities (together with the sub-underwriters procured by it) take up all Untaken Shares pursuant to the Underwriting Agreement, the aggregate Subscription Price payable by Achieve Prosper of approximately HK$211.8 million will set off against the full amount due under the Promissory Note of approximately HK$208.3 million and part of the outstanding balance of the Amount Payable to Shareholder of approximately HK$3.5 million. After the Set

Off, the remaining outstanding balance of the Amount Payable to Shareholder as at the Latest Time for Acceptance (estimated to be approximately HK$16.5 million will be settled by the Company by cash using the proceeds of the Open Offer.

As at the Latest Practicable Date, Achieve Prosper has not issued any formal demand for repayment under the Promissory Note because the Promissory Note, pursuant to its terms, would not become payable until the Company has generated, obtained and/or raised fund for not less than HK$200 million. However, Achieve Prosper has agreed to the Set Off pursuant to the Underwriting Agreement, and has indicated that it would agree to the Company's repayment of the remaining outstanding amount of the Promissory Note upon completion of the Open Offer.

The Company is of the view that (i) the redemption of the outstanding amount of approximately HK$208.3 million of the Promissory Note; and (ii) the repayment of the outstanding balance of the Amount Payable to Shareholder of approximately HK$20.0 million as at the Latest Time for Acceptance would reduce the Group's liabilities, and thus results in a lower gearing ratio and improves the Group's financial position. This would facilitate the Group in obtaining financing for possible investment opportunities in the future to support the Group's long-term growth. Taking into account the recent volatility in the stock markets, the Directors (excluding the independent non-executive Directors) consider that it is in the Company's interest to raise funds by way of the Open Offer at the soonest opportunity to repay the Promissory Note.

The Group is principally engaged in, among other businesses, investment in properties. We are of the view that the allocation of approximately HK$16.2 million to be used for the Group's property investment business is consistent with the Group's business development. Also, we understand from the management of the Company that the Group has identified a potential investment opportunity and was in preliminary discussion with a seller for the acquisition of a piece of land in the PRC for commercial use, although no terms have been agreed or fixed. In view of the above, we consider that the allocation of approximately HK$16.2 million to be used for the Group's property investment business is fair and reasonable.

We have also reviewed latest estimate on the Group's funding needs for the next 12 months prepared by the Board, including key assumptions and factors used to prepare such estimate. To estimate the Group's funding needs for the next 12 months, the Board has analysed the operational cash flow and future capital needs of the Group based on the current market condition and the information in its hands (excluding the aforesaid possible acquisition of land which is still in preliminary negotiation where no any legally-binding agreement has been entered into), details of which is set out in the paragraph headed "17. Use of Proceeds" under the Letter from the Board. Based on such funding needs estimate, we are of the view and concur with the view of the Board that following completion of the Capital Reorganisation and the Open Offer, after taking into account (i) the financial resources available to the Group; and (ii) that the consideration of the aforesaid possible acquisition of land together with the construction costs is estimated to be not more than RMB12.5 million, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular, in the absence of unforeseeable circumstances with a positive cash and cash equivalents balances, a steady cash flow generated from the electronic product trading business (notwithstanding small fluctuations in cash flow in individual months) and rental income expected to be generated from Property A and Property B (the actual amount of rental income to be generated will be subject to factors that are out of the Group's control, such as the market demand for the properties, the then prevailing market condition and the actual terms of the leases which are to be negotiated with the potential tenants. As at the Latest Practicable Date, the Group has secured one lease with Wal-Mart (Liaoning) Store Co. Ltd. (沃爾瑪(遼寧)百貨有限公司) for Property B, details of which are set out in the Company's circular dated 29 April 2015). We are also advised by the management of the Company that any funding needs arising from the potential investments will be derived from the Group's operations, the proceeds from the placing of Shares as completed on 30 July 2015 and the Open Offer. However, the Board will also consider possible fund raising activities if it is necessary or appropriate and beneficial to the Company.

Based on our review on the Group's business and its current financial position (as detailed in the above subsection headed "Background information and outlook of the Group"), we consider that (i) the use of proceeds from the Open Offer for repaying the amount due under the Promissory Note and the Amount Payable to Shareholder as at the Latest Time for Acceptance (together amounting to approximately HK$228.3 million) can improve the financial position of the Group by reducing the total liabilities of the Group and is thus fair and reasonable; (ii) the lowered gearing ratio after the Set Off may facilitate the Group in obtaining financing for possible investment opportunities in the future should they arise to support the Group's long-term growth; and (ii) the use of the remaining portion of net proceeds after the Set Off for the Group's property investment business is consistent with the current business development of the Group.

(b) Fund raising alternatives

As advised by the Directors, the Board has considered alternative means of fund raising before resolving to the Open Offer, including debt financing (such as bank borrowings), rights issue and placing of new Shares. Regarding debt financing, the Directors are of the view that its availability is uncertain and it will be subject to negotiations with banks which may take considerable time. It will also increase the Group's interest burden.

Besides, the Directors consider that the placing would only be available to certain placees who were not necessarily the existing Shareholders and would dilute their shareholding in the Company.

The Directors have also examined the possibility of fund raising by way of a rights issue which is similar to an open offer except that it allows shareholders to trade their nil-paid entitlements in the market. Despite a rights issue will provide an exit for the Qualifying Shareholder who do not take up their assured entitlements by selling their nil-paid rights, the Directors noted that the adoption of such trading arrangements will carry additional expenses and administrative and liaison work for the Company and other professional parties, such as the share registrar, the Underwriters, the financial printer and legal advisers. It is estimated that the additional costs and expenses of around HK$300,000 will be incurred for such administrative work and the arrangement of trading the nil-paid rights. Having considered and balanced against the additional administrative work and cost in connection with the trading arrangements of nil-paid rights, and given that all Qualifying Shareholders can have an equal opportunity to participate in the Open Offer, the Directors are of the view that raising funds by way of the Open Offer is a more cost-effective option than a rights issue.

After taking into account the benefits and cost of each of the alternatives, the Board is of the view that the Open Offer allows the Group to strengthen its balance sheet without facing the increasing interest rates and minimise the cost of fund raising.

Although a rights issue which would allow the Independent Shareholders to sell their nil-paid rights should they decide not to participate in the fund raising exercise would provide more flexibility to the Independent Shareholder, taking into account that (i) debt financing and bank borrowing will incur further interest burden to the Group; (ii) the Open Offer will enable the Shareholders to maintain their proportionate interests in the Company should they so wish; and (iii) a rights issue instead of the Open Offer will incur additional costs and expenses for administrative work and the arrangement of trading the nil-paid rights, we are of the view that the Open Offer is an appropriate means for fund raising under the current circumstances.

(c) Our view

Despite the fact that a rights issue instead of the Open Offer will provide more flexibility to the Independent Shareholders, having considered that (i) there is a fund raising need to repay the outstanding amount of the Promissory Note and outstanding balance of the Amount Payable to Shareholder, which can improve the balance sheet of the Group; (ii) the gross domestic products of PRC and Liaoning Province, average wage of employed persons in urban units in the PRC and Liaoning Province, household consumption expenditure in Liaoning Province and total retail sales of consumer goods in Liaoning Province have been increasing, which reflect the positive outlook of the economy and property market in the PRC and more particularly in Liaoning Province, where Property A and Property B are located (detailed of which is set out above in the subsection headed "Background information and outlook of the Group"); (iii) the Open Offer, offering all Qualifying Shareholders an equal opportunity to participate in the future development of the Group without interest burden, is an appropriate means for fund raising as discussed above, we are of the view that the Open Offer as a method of raising funds and for the Set Off and the Group's property investment business is fair and reasonable and in the interests of the Company and the Independent Shareholders.

3. Principal terms of the Open Offer

(a) Basis of the Open Offer

The Company proposes to raise approximately HK$251.2 million before expenses and subject to the Set Off, by issuing 2,920,568,484 Offer Shares at the Subscription Price of HK$0.086 per Offer Share on the basis of four (4) Offer Shares for every one (1) Adjusted Share held on the Record Date.

The Offer Shares (when allotted, fully paid or credited as fully paid and issued) will rank pari passu in all respects with the Adjusted Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares. Dealings in the Offer Shares will be subject to payment of stamp duty in Hong Kong.

(b) Basis in Determining the Subscription Price

The Subscription Price is HK$0.086 per Offer Share, payable in full on application. The Subscription Price represents:

(i) a discount of approximately 82.52% to the adjusted closing price of HK$0.492 per Adjusted Share, based on the closing price of HK$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(ii) a discount of approximately 83.33% to the adjusted average closing price of HK$0.516 per Adjusted Share, based on the average closing price of HK$0.129 as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

(iii) a discount of approximately 48.56% to the theoretical ex-entitlement price of approximately HK$0.167 per Adjusted Share after the Open Offer, based on the closing price of HK$0.123 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;

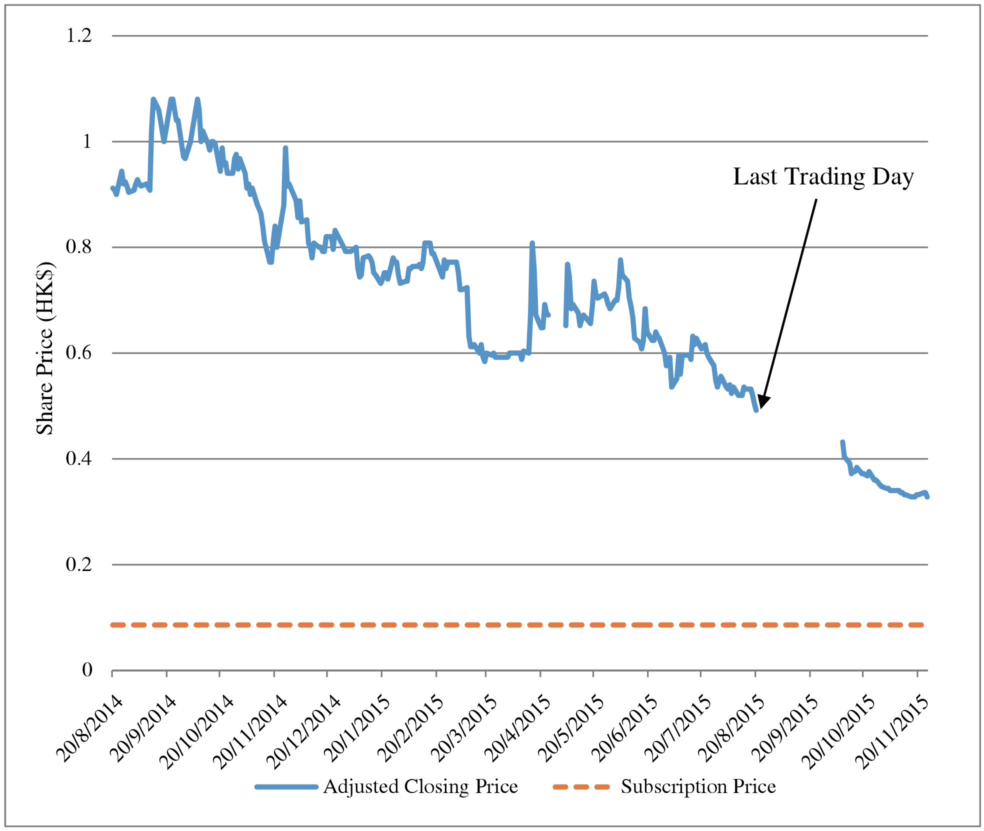
(iv) a discount of approximately 35.47% to the audited net asset value per Adjusted Share of approximately HK$0.133 as at 31 March 2015 as adjusted for the Capital Reorganisation;

(v) a discount of approximately 40.00% to the audited net asset value per Adjusted Share of approximately HK$0.215 as at 31 March 2015 as adjusted for (a) the Placing completed on 30 July 2015; (b) the acquisition of Property A and Property B as detailed above; and (c) the Capital Reorganisation; and

(vi) a discount of approximately 73.78% to the adjusted closing price of HK$0.328 per Adjusted Share, based on the closing price of HK$0.082 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the trading price of the Adjusted Shares (assuming the Capital Reorganisation becoming effective) for the period from 20 August 2014, being the 12-month period prior to the date of the Underwriting Agreement, up to and including the Last Trading Day (the "**Pre-**

announcement Period") and further up to the Latest Practicable Date (together, the "**Review Period**"). The chart below illustrates the daily closing price of the Shares (adjusted for the effect of the Capital Reorganisation, the "**Adjusted Closing Price**") versus the Subscription Price of HK$0.086 per Offer Share during the Review Period:



Source: the website of the Stock Exchange

Note: Trading of the Shares was suspended from 27 April 2015 to 30 April 2015 and from 21 August 2015 to 7 October 2015.

As shown in the above chart, we note that during the Pre-announcement Period, the Adjusted Closing Price showed a general downward trend from early October 2014 to mid-April (with a short term reversal from 18 November 2014 to 26 November 2014), and followed by a fluctuation. During the Pre-announcement Period and assuming the Capital Reorganisation becoming effective, the highest Adjusted Closing Price and the lowest Adjusted Closing Price were HK$1.08 recorded on 12 September 2014, 22 September 2014, 23 September 2014 and 7 October 2014 and HK$0.492 recorded on 20 August 2015 respectively. The Subscription Price of HK$0.086 represents a discount of approximately 92.0% and 82.5% to such highest and lowest Adjusted Closing Price respectively during the Pre-announcement Period.

Following the resumption of trading of the Shares on 8 October 2015 and up to the Latest Practicable Date, the Adjusted Closing Price showed a general downward trend from HK$0.432 to HK$0.328. During the Review Period, the highest Adjusted Closing Price was the same as in the Pre-announcement Period being HK$1.08, while the lowest Adjusted Closing Price was HK$0.328 recorded on 16 November 2015 to 18 November 2015 and 25 November 2015. During the Review Period, the Subscription Price of HK$0.086 represents a discount of approximately 92.0% and 73.8% to such highest and lowest Adjusted Closing Price respectively.

As advised by the management of the Company, no alternative structures were considered by the Company for the Open Offer. As disclosed in the Letter from the Board, the Subscription Price and the subscription ratio of four Offer Shares for every one Adjusted Shares held were arrived at after arm's length negotiation between the Company and the Underwriters with reference to, among other things:

(i) the general declining trend of the prevailing trading prices of the Shares in the past six months (notwithstanding the occasional resurgence of the trading price during April and May 2015) and the theoretical ex-entitlement price after the Open Offer based on closing price of Shares as quoted on the Stock Exchange on the Last Trading Day;

(ii) the net loss recorded by the Company for the two years ended 31 March 2015;

(iii) the discount of the subscription price for various announced rights issues and open offers conducted with capital reorganisation by companies listed on the Stock Exchange in the 6-month period immediately preceding the Last Trading Day; and

(iv) the then prevailing market conditions and the volatility of the stock markets for the one month period before entering into the Underwriting Agreement.

As disclosed in the Letter from the Board under the section headed "3. Subscription Price", in planning the Open Offer, the Directors have considered (i) the general declining trend of the prevailing trading prices of the Shares in the six months preceding the Last Trading Day, the net loss recorded by the Company for the two years ended 31 March 2015; and (ii) the various announced rights issues and open offers conducted with capital reorganisation by companies listed on the Stock Exchange in the 6-month period immediately preceding the Last Trading Day, where the discount rate of the Open Offer of approximately 82.52% is slightly higher than the average discount of approximately 76.63% represented by those rights issues and open offers, and are of the view that (i) it is necessary to set the Subscription Price at a discount level that would likely enhance the attractiveness of the Open Offer and increase the incentive of Qualifying Shareholders to take up their entitlements to participate in the potential growth of the Group; and (ii) the existing structure of the Open Offer is appropriate in meeting the current funding needs of the Group.

Given the past share price performance (a general downward trend from early October 2014 to mid-April) of the Company, the comparable analysis as detailed below and the need to increase the attractiveness of the Offer Shares to the Qualifying Shareholders and the

Underwriter, we are of the view and concur with the view of the Directors that the proposed discount of the Subscription Price to the prevailing market price of the Company is fair and reasonable.

We have also reviewed all the open offers announced by the companies listed on the Stock Exchange in the six calendar months prior to and up to the date of the Underwriting Agreement, and identified an exhaustive list of 13 open offers which have subscription ratios above 1-for-2 and therefore would be subject to shareholders' approval (the "**Open Offer Comparable(s)**"). We also attempted to include a criterion to focus on companies listed on the Stock Exchange which are principally engaged in either (i) property investment (the total assets of the Group consists largely of property) or (ii) sales of electronic products (the revenue generated in the sales of electronic products contributed to all of the total revenue of the Group for the year ended 31 March 2015), but noted that none of these companies conducted an open offer in the six calendar months prior to and up to the date of the Underwriting Agreement. Given their difference in business nature, past financial performance as well as funding requirements, the Open Offer Comparables may not be the same as the Open Offer. Nevertheless, based on (i) the Open Offer Comparables represented the most recent structure of Open Offers as accepted by other equity underwriters in Hong Kong in the recent six months prior to the date of the Underwriting Agreement; (ii) the terms of the Open Offer Comparables were determined under similar market condition and sentiment during the aforesaid period and they might be able to reflect the recent trend of open offer transactions in the Hong Kong stock market; and (iii) the size of the Open Offer Comparables is adequate with more than ten samples for the purpose of comparison during the six month period, we consider that the Open Offer Comparables are fair and representative samples for the purpose of providing a general reference for the recent market practice in relation to (i) the subscription prices of other proposed open offers as compared to the relevant prevailing market share prices; (ii) maximum dilution effect; (iii) underwriting commissions; and (iv) application for excess offer shares under the recent market conditions and sentiments.

Details regarding the Open Offer Comparables are set out below:

Initial announcement	Company	Stock code	Premium/ (Discount) to closing price on last trading day (%) (Note 1)	Premium/ (Discount) to the theoretical ex-entitlement price (%) (Note 1)	Premium/ (Discount) to the consolidated net assets value per share	Excess application	Underwriting commission (%)	Maximum dilution (Note 3)
13 March 2015	Capital VC Limited	2324	(76.60)	(28.60)	(97.25) *(Note 2)*	No	1	87.50%
18 March 2015	Celebrate International Holdings Limited	8212	(92.90)	(29.70)	(97.23) *(Note 2)*	Yes	3	96.77%
24 March 2015	Chinese Energy Holdings Limited	8009	(40.48)	(25.37)	(42.31) *(Note 1)*	No	2.5	50.00%
24 April 2015	RCG Holdings Limited	802	(78.40)	(37.80)	(87.88) *(Note 2)*	No	2	83.33%
4 May 2015	China Vehicle Components Technology Holdings Limited	1269	(86.80)	(76.60)	(67.84) *(Note 2)*	Yes	2	50%
10 May 2015	Merdeka Mobile Group Limited	8163	(76.62)	(52.13)	164.71 *(Note 1)*	Yes	2.5	66.67%
13 May 2015	Mastermind Capital Limited	905	(59.50)	(28.10)	(53.85) *(Note 2)*	No	3.5	66.67%
8 June 2015	China National Culture Group Limited	745	(76.40)	(61.80)	7.50 *(Note 1)*	No	2	50%
17 June 2015	Long Success International (Holdings) Limited	8017	(89.38)	(75.94)	0.52 *(Notes 1 & 4)*	Yes	2.5	62.50%
8 July 2015	Sau Sun Tong Holdings Limited	8200	(12.28)	(6.54)	(52.73) *(Note 2)*	No	2.5	50%
24 July 2015	China 33 Media Group Limited	8087	(75.61)	(28.57)	(62.14) *(Note 2)*	No	1.5	87.50%
14 August 2015	Lerado Group (Holding) Company Limited	1225	(68.09)	(34.78)	(88.59) *(Note 2)*	No	2	66.67%
19 August 2015	SEEC Media Group Ltd.	205	(62.96)	(30.07)	(64.66) *(Note 2)*	No	2	75.00%
		Average	(68.92)	(39.69)	(45.19)		2.23	68.66%
		Maximum	(92.90)	(76.60)	(97.25)		1.00	50.00%
		Minimum	(12.28)	(6.54)	164.71		3.50	96.77%
		Company	(82.52)	(48.56)	(35.47) or (40.00) *(Note 5)*	No	2	80.00%

Notes:

1. Based on the figures disclosed in the initial announcements of the Open Offer Comparables respectively.

2. In the event the figures are not available in the initial announcements of the Open Offer Comparables, the figures are calculated based on the respective subscription prices and the net assets values per share of the Open Offer Comparables as disclosed in their respective latest annual report or interim report.

3. Maximum dilution effect of each Open Offer is calculated as: (number of offer shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the offer shares under the basis of entitlement + number of offer shares to be issued under the basis of entitlement) x 100%).

4. Long Success International (Holdings) Limited recorded an unaudited consolidated net liabilities per share of approximately HK$0.092 as at 31 December 2014 (adjusted for the effect of a proposed capital reorganisation) and the subscription price of approximately HK$0.43 per share represents a premium of approximately HK$0.52. It is excluded for the calculation of average discount to the consolidated net asset value per share.

5. The Subscription Price represents a discount of approximately (i) 35.47% to the audited net asset value per Adjusted Share of approximately HK$0.133 as at 31 March 2015 (as adjusted for the Capital Reorganisation); and (ii) 40.00% to the audited net asset value per Adjusted Share of approximately HK$0.215 as at 31 March 2015 (as adjusted for (a) the Placing completed on 30 July 2015; (b) the acquisition of Property A and Property B as detailed above; and (c) the Capital Reorganisation).

As shown on the above list of the Open Offer Comparables, the subscription prices of most of the Open Offer Comparables were set at discounts to (i) the respective closing prices on the last trading day prior to the date of the corresponding announcements, ranging from a discount of approximately 12.28% to 92.20% with an average discount of approximately 68.92%; and (ii) the theoretical ex-entitlement prices, ranging from approximately 6.54% to approximately 76.60% with an average discount of approximately 39.69%. The discount represented by the Subscription Price to (i) the Adjusted Closing Price on the Last Trading Day of approximately 82.52%; and (ii) the theoretical ex-entitlement price of approximately 48.56% were slightly higher than the respective average discounts of the Open Offer Comparables but still within the range of discounts.

We note that the subscription prices of 10 out of 13 Open Offer Comparables were set at discounts to the respective consolidated net asset value per share, and the average discount of the Open Offer Comparables was approximately 45.19%. The discounts represented by the Subscription Price of approximately (i) 35.47% to the audited net asset value per Adjusted Share as at 31 March 2015 (as adjusted for the Capital Reorganisation); and (ii) 40.00% to the audited net asset value per Adjusted Share as at 31 March 2015 (as adjusted for (a) the Placing; (b) the acquisition of Property A and Property B; and (c) the Capital Reorganisation) were both less than the average discount of the Open Offer Comparables of approximately

45.19%. Accordingly, we are of the view that the discounts represented by the Subscription Price on the net assets value per Adjusted Share, both before and after adjustments, were in line with the general market practice and is fair and reasonable.

Having considered that:

(i) the use of proceeds from the Open Offer for the Set Off is fair and reasonable as detailed above;

(ii) the use of the remaining portion of net proceeds after the Set Off for the Group's property investment business is consistent with the current business development of the Group;

(iii) taking into account the benefits and cost of each of the alternatives, the Open Offer represents an appropriate means for fund raising to strengthen its balance sheet without facing the increasing interest rates and minimise the cost of fund raising;

(iv) it is a common market practice that the subscription price of an open offer is normally set at a discount to the prevailing market prices of the relevant shares so as to increase the attractiveness of the Open Offer and to encourage the existing shareholders to participate in it;

(v) as a general market reference, the discounts represented by the Subscription Price to the Adjusted Closing Price on the Last Trading Day and to the theoretical ex-entitlement price were both above the average discounts represented by the Open Offer Comparables;

(vi) also as a general market reference, the discounts represented by the Subscription Price to the adjusted audited net asset value per Adjusted Share as at 31 March 2015, both before and after adjustments, were below the average discount represented by the Open Offer Comparables; and

(vii) the Subscription Price was a commercial decision made by the Company after arm's length negotiation between the Company and the Underwriters with reference to various factors as disclosed above;

we consider it is justifiable for the Company to set the Subscription Price at a substantial discount, which is above the average discounts represented by the Open Offer Comparables, so as to increases the attractiveness of the Open Offer to the Qualifying Shareholders and to induce the Underwriters to participate in the underwriting of the Open Offer. Having considered the abovementioned and that all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer and to take up their entitlements in full at the same price to maintain their respective proportionate shareholdings in the Company, we are of the opinion and concur with the Directors that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders.

(c) Underwriting Commission

The commission rate was determined after arms' length negotiations between the Company and the Underwriter with reference to current prevailing market rate. As shown on the above table of the Open Offer Comparables, we note that the underwriting commissions of the Open Offer Comparables were within a range of 1% to 3.5%, and have an average of approximately 2.23%, of the aggregate subscription price in respect of the numbers of underwritten shares. Considering that the underwriting commission of 2.0% payable to the Underwriters is within the range of those of the Open Offer Comparables and is close to the average of them, we consider that the underwriting commission of the Underwriting Agreement accords with the market rate and is fair and reasonable.

(d) No Application for Excess Offer Shares

As stated in the Letter from the Board, if application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures, including preparing and arranging the excess application forms, reviewing the relevant documents, liaising with professional parties and printing of application forms, etc.

Considering that each Qualifying Shareholder will be given an equal and fair opportunity to participate in the Company's potential future development by subscribing for his entitlements under the Open Offer and maintaining their respective pro rata shareholding interests in the Company, the Directors (excluding the independent non-executive Directors) is of the view that the benefits of offering the excess application procedures do not justify the additional efforts and costs, and it is fair and reasonable and in the interests of the Company and the Independent Shareholders not to offer any excess application to the Qualifying Shareholders.

With reference to the Open Offer Comparables as listed in the table above, 9 of the 13 Open Offer Comparables did not make arrangements for application for excess offer shares. Having considered that the absent of application for excess offer shares (i) is in line with the general market practice as reflected by the Open Offer Comparables; (ii) can lower additional costs; and (iii) allows the Qualifying Shareholders to maintain their respective pro-rata shareholding, we are of the view that such arrangement is fair and reasonable to the Company and the Independent Shareholders.

(e) Subscription ratio and potential dilution effect on the interests of the Independent Shareholders

Upon completion of the Open Offer, 2,920,568,484 Offer Shares will be issued. Qualifying Shareholders who elect to subscribe for their assured entitlements in full under the Open Offer will retain their current proportionate shareholding in the Company. Qualifying Shareholders who do not elect to subscribe for their assured entitlements in full under the Open Offer will be diluted after completion of the Open Offer by a maximum of 80.0%.

As disclosed in the paragraph headed "Use of proceeds from the Open Offer" above, the Open Offer with net proceeds of approximately HK$244.5 million is conducted for the Set Off and the Group's property investment business, and is fair and reasonable and in the interests of the Company and the Independent Shareholders. Assuming the amount of fund raising maintains at approximately HK$250 million, in the event that the subscription ratio was set at lesser proportion (such as one Offer Share for one Adjusted Share), the subscription price of any Open Offer would have to be higher than the Subscription Price, which would not be acceptable by the Underwriters, and such discount of the Subscription Price to the prevailing market price of the Share cannot be maintained and available to the Qualifying Shareholders.

Having considered that (i) the subscription ratio has to be set with reference to the Subscription Price such that the net proceeds from the Open Offer can be maintained at approximately HK$244.5 million; (ii) the net proceeds of approximately HK$244.5 million from the Open Offer are intended to be used for the Set Off (which would lower the gearing ratio of the Group) and the Group's property investment business; and (iii) the Subscription Price is fair and reasonable as detailed above in the paragraph headed "Basis in determining the Subscription Price", we are of the view that subscription ratio of the Open Offer is fair and reasonable.

As shown on the above table of the Open Offer Comparables, we note that maximum dilutions of the Open Offer Comparables were within a range of 50% to approximately 96.77%, with an average maximum dilution of approximately 68.66%. The maximum dilution of the Open Offer of 80% was slightly higher than the average maximum dilution of Open Offer Comparables but still within the range of maximum dilutions.

Despite the dilution effect by the Open Offer of a maximum of 80.0%, having taken into account that:

(i) the Open Offer would set off the outstanding amount of approximately HK$208.3 million of the Promissory Note and the outstanding balance of the Amount Payable to Shareholder as at the Latest Time for Acceptance of HK$20.0 million, and therefore strengthen the capital base of the Group;

(ii) the Open Offer is on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportionate interests in the Company and allows the Qualifying Shareholders to participate in the future growth of the Company;

(iii) the discount of the Subscription Price was necessary to encourage the Qualifying Shareholders to participate the Open Offer and such discount is above the average discount represented by the Open Offer Comparables as detailed above; and

(iv) the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their proportionate Offer Shares,

we consider the possible dilution effect on the Independent Shareholders to be acceptable.

4. Financial effects of the Open Offer

Net tangible asset

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to owners of the Company was approximately HK$79.6 million as at 31 March 2015. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company would increase to approximately HK$330.8 million as at 31 March 2015 upon completion of the Open Offer.

Upon completion of the Open Offer, the unaudited pro forma adjusted consolidated net tangible assets per Adjusted Share would increase from approximately HK$0.03 to approximately HK$0.09.

5. Whitewash Waiver

As at the Latest Practicable Date, the Concert Group owns, controls or has direction over 1,088,375,571 Shares, representing approximately 37.27% of the existing issued share capital of the Company. In addition to the above, Achieve Prosper also holds the outstanding Convertible Bonds which are convertible into a maximum of 436,046,511 new Shares at the conversion price of HK$0.1720 per Share (subject to adjustment) as at the Latest Practicable Date. Save for the Convertible Bonds, the Concert Group did not hold any outstanding convertible securities, options, warrants or derivative of the Company which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

Achieve Prosper and Wang Xing Qiao have given the Undertakings in favour of the Company, among other things, that: (a) they will subscribe for the 1,085,755,568 Offer Shares and 2,620,000 Offer Shares respectively to which they will be entitled to pursuant to the terms of the Open Offer; (b) the Shares or the Adjusted Shares (as the case may be) comprising their current shareholding will remain registered in their respective name at the close of business at the Record Date as they are on the date of the Underwriting Agreement; and (c) they will procure that the applications in respect of the 1,085,755,568 Offer Shares and 2,620,000 Offer Shares respectively comprising its entitlements under the Open Offer will be lodged with the Registrar by no later than the Latest Time for Acceptance and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents.

Achieve Prosper has also undertaken not to exercise the conversion right attaching to the Convertible Bonds from the date of the Underwriting Agreement to the Record Date.

The maximum number of Adjusted Shares which could be taken up by the Concert Group under the Open Offer and the Underwriting Agreement is 2,465,939,061 Adjusted Shares. Based on the number of Shares of 1,088,375,571 held by the Concert Group as at the Latest Practicable Date, and taking into the effect of the Capital Reorganisation, the maximum number of Adjusted Shares held by the Concert Group would be 2,738,032,953, representing approximately 75.0% of the enlarged issued share capital of the Company upon completion of the Capital Reorganisation and the Open Offer.

Assuming:

(a) Achieve Prosper and Wang Xing Qiao subscribes for its entitlement of the Open Offer in full in accordance with the Undertakings;

(b) not all Qualifying Shareholders (other than the Concert Group) take up the Offer Shares to which they are entitled to upon completion of the Open Offer; and

(c) Achieve Prosper takes up such number of Untaken Shares under the Underwriting Agreement which will have the effect of increasing the voting rights of the Concert Group in the Company by more than 2% from the lowest percentage holding of the Concert Group in the Company in the 12-month period ending on and inclusive of the date of taking up of such number of Untaken Shares,

the Concert Group will, as a result of this acquisition of voting rights in the Company, incur an obligation to make a mandatory offer for all the Adjusted Shares other than those held or agreed to be acquired by the Concert Group, unless the Whitewash Waiver is granted.

An application has been made by Achieve Prosper to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the SGM by way of poll, whereby the Concert Group, and those who are interested in, or involved in, the Open Offer (save for any assured entitlement to the Open Offer as a Qualifying Shareholder), the Underwriting Agreement and/or the Whitewash Waiver, will abstain from voting in respect of all resolution(s) related to the Open Offer, the Underwriting Agreement and the Whitewash Waiver.

Based on our analysis of the benefits and terms of the Open Offer, we consider that the Open Offer is in the interests of the Company and the Independent Shareholders. If the Whitewash Waiver is not approved by the Independent Shareholders at the SGM, the Open Offer will not proceed and the Company will lose all the benefits that are expected to be brought by the completion of the Open Offer, i.e. setting off the outstanding amount of the Promissory Note and the outstanding balance of the Amount Payable to Shareholder and strengthening the balance sheet of the Group. Accordingly, we are of view that for the purposes of implementing the Open Offer, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM is in the interests of the Company and the Independent Shareholders.

RECOMMENDATION

Taking into account the factors and reasons as mentioned in the section headed "Principal factors and reasons considered" above, including:

(i) the proceeds from the Open Offer can set off the outstanding amount of the Promissory Note and the outstanding balance of the Amount Payable to Shareholder, and strengthen the financial position of the Group;

(ii) taking into account the benefits and cost of each of the alternatives, the Open Offer represents an appropriate means for fund raising to strengthen its balance sheet without facing the increasing interest rates and minimise the cost of fund raising;

(iii) the discount of the Subscription Price to the market price is necessary to encourage the Qualifying Shareholders to participate in the Open Offer;

(iv) the discount of Subscription Price to the market price and to the net assets value per Adjusted Share is fair and reasonable;

(v) given the Subscription Price, the current subscription ratio of the Open Offer is necessary to maintain the net proceeds from the Open Offer at the current level of approximately HK$244.5 million for the Set Off and the Group's property investment business;

(vi) the underwriting commission of the Open Offer is fair and reasonable;

(vii) the absent of application for excess offer shares which can lower additional costs is in line with the general market practice;

(viii) the Open Offer is conducted on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportionate interests in the Company and allows the Qualifying Shareholders to participate in the future growth of the Company, and the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their proportionate Offer Shares,

we consider that the terms of the Open Offer and the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offer and the entering of the Underwriting Agreement are in the interests of the Company and the Independent Shareholders. Accordingly, we would advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the relevant resolutions to approve the Open Offer and the Underwriting Agreement to be proposed at the SGM.

The Open Offer are conditional upon the approval of the Whitewash Waiver. If the Whitewash Waiver is not approved, the Open Offer will not proceed. Having taken into account our recommendation on the Open Offer above, we consider the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders. Accordingly, we would advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the relevant resolution to approve the Whitewash Waiver to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Nuada Limited
Kim Chan
Director

Kim Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 16 years of experience in corporate finance industry.

1. THREE YEARS FINANCIAL SUMMARY

Set out below is a summary of the consolidated financial results and assets and liabilities of the Company for the financial years ended 31 March 2013, 2014 and 2015, extracted from the 2013, 2014 and 2015 annual reports of the Company respectively.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 March		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	515,408	366,953	381,863
Cost of sales	(465,183)	(408,857)	(322,811)
Gross profit (loss)	50,225	(41,904)	59,052
Other income	9,918	16,245	12,722
Distribution costs	(66,110)	(46,406)	(30,961)
Administrative expenses	(89,164)	(87,556)	(78,655)
Other gains and losses	(31,138)	(7,650)	(12,006)
Increase (decrease) in fair value of investment properties	68,904	(22,111)	5,550
Interest expenses	(8,186)	(10,315)	(9,014)
Loss arising from the issue of convertible bonds	–	–	(38,536)
Loss on deconsolidation of subsidiaries	–	–	(15,553)
Loss arising from distribution in specie of shares in a subsidiary	–	–	(138,946)
Share of profits of an associate	(225)	651	479
Loss before taxation	(65,776)	(199,046)	(245,868)
Taxation	7,389	9,682	(1,263)
Loss for the year	(58,387)	(189,364)	(247,131)
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations	75	429	8,135
Release of translation reserve upon deconsolidation of subsidiaries	–	–	(3,237)
Release of translation reserve upon distribution in specie of shares in a subsidiary	–	–	(795)
Other comprehensive income for the year	75	429	4,103
Total comprehensive expense for the year	(58,312)	(188,935)	(243,028)

	For the year ended 31 March		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Loss for the year attributable to:			
Owners of the Company	(69,829)	(193,036)	(246,934)
Non-controlling interests	11,442	3,672	(197)
	(58,387)	(189,364)	(247,131)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company	(69,759)	(192,699)	(243,649)
Non-controlling interests	11,447	3,764	621
	(58,312)	(188,935)	(243,028)
	HK cents	*HK cents*	*HK cents*
Loss per share			
– Basic and diluted	(4.51)	(11.04)	(11.84)

Consolidated Statement of Financial Position

	As at 31 March		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Investment properties	276,936	254,825	–
Property, plant and equipment	99,248	77,787	3,639
Prepaid lease payments	3,411	3,290	–
Goodwill	17,665	17,665	17,665
Interest in an associate	5,715	6,366	6,845
Available-for-sale investments	9,400	9,400	–
Deferred tax assets	12,589	18,951	18,258
Long-term prepayments	–	–	746
Deposit paid for acquisition of a property	–	–	76,600
	424,964	388,284	123,753
Current assets			
Inventories	185,529	80,842	75,123
Debtors, deposits and prepayments	38,240	31,530	43,993
Prepaid lease payments	121	121	–
Investments held for trading	1,043	475	453
Financial assets designated at fair value through profit or loss	25	–	–
Pledged bank deposits	–	1,077	–
Bank balances and cash	35,806	28,046	36,718
	260,764	142,091	156,287
Current liabilities			
Creditors and accrued charges	66,130	103,400	90,741
Amount due to a shareholder	–	12,000	172
Amount due to immediate holding company	–	–	14,871
Taxation payable	2,043	1,080	–
Borrowings	91,135	68,805	–
Bank overdrafts	–	1,969	–
Convertible notes	33,453	–	–
	192,761	187,254	105,784
Net current assets (liabilities)	68,003	(45,163)	50,503
Total assets less current liabilities	492,967	343,121	174,256

	As at 31 March		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Non-current liabilities			
Long-term creditors	–	–	20,081
Convertible bonds	–	–	56,875
Deferred tax liabilities	8,243	4,995	–
	8,243	4,995	76,956
Net assets	484,724	338,126	97,300
Capital and reserves			
Share capital	162,731	201,343	243,381
Reserves	310,162	120,373	(161,337)
Equity attributable to owners of the Company	472,893	321,716	82,044
Non-controlling interests	11,831	16,410	15,256
Total equity	484,724	338,126	97,300

The full text of the Company's financial statements are contained in the Company's annual reports, which can be accessed on the websites of the Company (www.00485.hk) and the Stock Exchange (http://www.hkexnews.hk). The hyperlinks to the documents are set out below:

- Annual Report 2013 published on 17 July 2013 (pages 42-152);
- Annual Report 2014 published on 24 July 2014 (pages 53-176);
- Annual Report 2015 published on 29 July 2015 (pages 51-176)

For the three financial years ended 31 March 2015, Deloitte Touche Tohmatsu was the auditors of the Company and there were no qualification in the auditors' report issued by Deloitte Touche Tohmatsu.

Save for the followings, there is no exceptional item because of size, nature or incidence for each of the financial years ended 31 March 2013, 2014 and 2015:

(i) the increase in fair value of investment properties recorded in the year ended 31 March 2015 (details of which were set out in note 13 to the financial statements of the Company for the year ended 31 March 2015 as set out in the paragraph 2 of this appendix);

(ii) the loss arising from the issue of the Convertible Bonds recorded in the year ended 31 March 2015;

(iii) the loss on deconsolidation of certain subsidiaries of the Company recorded in the year ended 31 March 2015 (details of which were set out in note 36 to the financial statements of the Company for the year ended 31 March 2015 as set out in the paragraph 2 of this appendix); and

(iv) the loss arising from the distribution in specie of shares in a subsidiary of the Company (details of which were set out in note 37 to the financial statements of the Company for the year ended 31 March 2015 as set out in the paragraph 2 of this appendix).

On 26 June 2014, the Company paid a special dividend in the total amount of HK$124,062,000 by way of distribution in specie of shares in a subsidiary, SIH Limited, to the Shareholders whose names appeared on the register of members of the Company on the same day.

As at 26 June 2014, the total number of issued Shares was 2,033,808,485 Shares, and thus the amount of special dividend per Share was approximately HK$0.061. Details of the aforesaid special dividend are set out in note 11 to the financial statements of the Company for the year ended 31 March 2015 as set out on page I-38 of this circular. Save for the above, no dividends have been declared by the Company in the past three years.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

Set out below are the audited consolidated financial statements of the Company for the financial year ended 31 March 2015 together with the accompany notes as extracted from the Company's 2015 Annual Report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2015

	Notes	**2015** *HK$'000*	**2014** *HK$'000*
Turnover	*5*	381,863	366,953
Cost of sales		(322,811)	(408,857)
Gross profit (loss)		59,052	(41,904)
Other income	*6*	12,722	16,245
Distribution costs		(30,961)	(46,406)
Administrative expenses		(78,655)	(87,556)
Other gains and losses	*7*	(12,006)	(7,650)
Increase (decrease) in fair value of investment properties	*13*	5,550	(22,111)
Interest expenses		(9,014)	(10,315)
Loss arising from the issue of convertible bonds		(38,536)	–
Loss on deconsolidation of subsidiaries	*36*	(15,553)	–
Loss arising from distribution in specie of shares in a subsidiary	*37*	(138,946)	–
Share of profits of an associate		479	651
Loss before taxation	*8*	(245,868)	(199,046)
Taxation	*10*	(1,263)	9,682
Loss for the year		(247,131)	(189,364)

	Notes	2015 HK$'000	2014 HK$'000
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		8,135	429
Release of translation reserve upon deconsolidation of subsidiaries	36	(3,237)	–
Release of translation reserve upon distribution in specie of shares in a subsidiary	37	(795)	–
Other comprehensive income for the year		4,103	429
Total comprehensive expense for the year		(243,028)	(188,935)
Loss for the year attributable to:			
Owners of the Company		(246,934)	(193,036)
Non-controlling interests		(197)	3,672
		(247,131)	(189,364)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(243,649)	(192,699)
Non-controlling interests		621	3,764
		(243,028)	(188,935)
		HK cents	HK cents
Loss per share	12		
– Basic and diluted		(11.84)	(11.04)

Consolidated Statement of Financial Position
At 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Investment properties	13	–	254,825
Property, plant and equipment	14	3,639	77,787
Prepaid lease payments	15	–	3,290
Goodwill	17	17,665	17,665
Interest in an associate	19	6,845	6,366
Available-for-sale investments	20	–	9,400
Deferred tax assets	31	18,258	18,951
Long-term prepayments	22	746	–
Deposit paid for acquisition of a property	45(a)	76,600	–
		123,753	388,284
Current assets			
Inventories	21	75,123	80,842
Debtors, deposits and prepayments	22	43,993	31,530
Prepaid lease payments	15	–	121
Investments held for trading	23	453	475
Pledged bank deposits	24	–	1,077
Bank balances and cash	24	36,718	28,046
		156,287	142,091
Current liabilities			
Creditors and accrued charges	25	90,741	103,400
Amount due to a shareholder	26	172	12,000
Amount due to immediate holding company	27	14,871	–
Taxation payable		–	1,080
Borrowings	28	–	68,805
Bank overdrafts	24	–	1,969
		105,784	187,254
Net current assets (liabilities)		50,503	(45,163)
Total assets less current liabilities		174,256	343,121

	Notes	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Long-term creditors	25	20,081	–
Convertible bonds	30	56,875	–
Deferred tax liabilities	31	–	4,995
		76,956	4,995
Net assets		97,300	338,126
Capital and reserves			
Share capital	32	243,381	201,343
Reserves		(161,337)	120,373
Equity attributable to owners of the Company		82,044	321,716
Non-controlling interests		15,256	16,410
Total equity		97,300	338,126

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

	Attributable to owners of the Company												Attributable to non-controlling interests			
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Other property revaluation reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Convertible notes/bonds reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'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	162,731	137,855	37,138	106	52,578	9,290	5,031	5,560	292,448	–	(229,844)	472,893	11,067	764	11,831	484,724
Exchange difference arising on translation of foreign operations	–	–	–	–	–	337	–	–	–	–	–	337	92	–	92	429
(Loss) profit for the year	–	–	–	–	–	–	–	–	–	–	(193,036)	(193,036)	3,672	–	3,672	(189,364)
Total comprehensive income (expense) for the year	–	–	–	–	–	337	–	–	–	–	(193,036)	(192,699)	3,764	–	3,764	(188,935)
Capital contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	58	–	58	58
Deemed partial disposal of a subsidiary	–	–	–	22	–	–	–	–	–	–	–	22	(22)	–	(22)	–
Issue of shares upon exercise of convertible notes	34,904	6,956	–	–	–	–	–	(5,560)	–	–	–	36,300	–	–	–	36,300
Issue of shares upon exercise of share options	3,708	2,072	–	–	–	–	(1,120)	–	–	–	–	4,660	–	–	–	4,660
Recognition of equity-settled share-based payments	–	–	–	–	–	–	82	–	–	–	–	82	–	779	779	861
Forfeiture of unclaimed dividends	–	–	–	–	–	–	–	–	–	–	458	458	–	–	–	458
At 31 March 2014	201,343	146,883	37,138	128	52,578	9,627	3,993	–	292,448	–	(422,422)	321,716	14,867	1,543	16,410	338,126
Exchange difference arising on translation of foreign operations	–	–	–	–	–	7,317	–	–	–	–	–	7,317	818	–	818	8,135
Release of translation reserve upon deconsolidation of subsidiaries *(note 36)*	–	–	–	–	–	(3,237)	–	–	–	–	–	(3,237)	–	–	–	(3,237)
Release of translation reserve upon distribution in specie of shares in a subsidiary *(note 37)*	–	–	–	–	–	(795)	–	–	–	–	–	(795)	–	–	–	(795)
Loss for the year	–	–	–	–	–	–	–	–	–	–	(246,934)	(246,934)	(197)	–	(197)	(247,131)
Total comprehensive income (expense) for the year	–	–	–	–	–	3,285	–	–	–	–	(246,934)	(243,649)	621	–	621	(243,028)
Capital contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	59	–	59	59
Deemed partial disposal of a subsidiary	–	–	–	16	–	–	–	–	–	–	–	16	(16)	–	(16)	–
Issue of convertible bonds	–	–	–	–	–	–	–	61,480	–	–	–	61,480	–	–	–	61,480
Issue of shares upon exercise of share options	2,038	1,088	–	–	–	–	(468)	–	–	–	–	2,658	–	–	–	2,658
Issue of shares	40,000	24,000	–	–	–	–	–	–	–	–	–	64,000	–	–	–	64,000
Transaction costs incurred in connection with issue of convertible bonds	–	–	–	–	–	–	–	(115)	–	–	–	(115)	–	–	–	(115)
Transfer of share premium to contributed surplus *(note)*	–	(147,971)	–	–	–	–	–	–	–	147,971	–	–	–	–	–	–
Release of reserve upon deconsolidation of subsidiaries *(note 36)*	–	–	–	–	(8,391)	–	–	–	–	–	8,391	–	–	–	–	–
Release of reserves upon distribution in specie of shares in a subsidiary	–	–	(37,138)	–	(44,187)	–	–	–	–	–	81,325	–	–	–	–	–
Special dividends by way of distribution in specie of shares in a subsidiary *(notes 11 and 37)*	–	–	–	–	–	–	–	–	–	(124,062)	–	(124,062)	–	–	–	(124,062)
Distribution in specie of share in a subsidiary *(note 37)*	–	–	–	–	–	–	–	–	–	–	–	–	(2,121)	–	(2,121)	(2,121)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	–	–	–	303	303	303
Cancellation and lapse of share options	–	–	–	–	–	–	(3,525)	–	–	–	3,525	–	–	–	–	–
At 31 March 2015	243,381	24,000	–	144	–	12,912	–	61,365	292,448	23,909	(576,115)	82,044	13,410	1,846	15,256	97,300

Note: Pursuant to a special resolution passed in the special general meeting of the Company held on 19 June 2014, an amount of HK$147,971,000 standing to the credit of share premium has been reduced and transferred to contributed surplus.

Consolidated Statement of Cash Flows
For the year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Operating activities			
Loss before taxation		(245,868)	(199,046)
Adjustments for:			
(Reversal of allowance) allowance for doubtful debts		(163)	2,152
Allowance for obsolete and slow-moving inventories		3,677	62,570
Bad debt written off		–	1,217
Decrease (increase) in fair value of investments held for trading		22	(479)
Depreciation of property, plant and equipment		3,583	8,375
Dividend income from investments held for trading		(4)	(10)
Impairment loss recognised in respect of property, plant and equipment		–	16,054
(Increase) decrease in fair value of investment properties		(5,550)	22,111
Increase in fair value of financial assets designated at fair value through profit or loss		–	(9)
Interest expenses		9,014	10,315
Interest income		(58)	(15)
Loss on deconsolidation of subsidiaries	36	15,553	–
Loss arising from distribution in specie of shares in a subsidiary	37	138,946	–
Loss arising from the issue of convertible bonds		38,536	–
Loss (gain) on disposal of property, plant and equipment		118	(16,433)
Gain on disposal of a subsidiary	38	–	(440)
Share of profits of an associate		(479)	(651)
Release of prepaid lease payments		90	121
Effect of foreign exchange rate change on inter-company balances		2,005	907
Share-based payments		303	861
Operating cash flows before movements in working capital		(40,275)	(92,400)
(Increase) decrease in inventories		(1,884)	42,117
(Increase) decrease in debtors, deposits and prepayments		(14,757)	3,341
Decrease in investments held for trading		–	1,047
Increase in creditors and accrued charges		9,432	37,270
Cash used in operations		(47,484)	(8,625)
Dividend received from investments held for trading		4	10
Hong Kong Profits Tax paid		–	(792)
Taxation in other jurisdictions paid		(570)	(554)
Taxation in other jurisdictions refunded		–	455
Net cash used in operating activities		(48,050)	(9,506)

	Notes	2015 HK$'000	2014 HK$'000
Investing activities			
Withdrawal (placement) of pledged bank deposits		1,077	(1,077)
Proceeds from disposal of property, plant and equipment		312	16,815
Interest received		58	15
Net cash outflow from deconsolidation of subsidiaries	36	(4,224)	–
Deposit paid for acquisition of a property		(12,600)	–
Purchase of property, plant and equipment		(467)	(3,350)
Proceeds from disposal of a subsidiary	38	–	440
Proceeds from disposal of financial assets designated at fair value through profit or loss		–	34
Net cash (used in) from investing activities		(15,844)	12,877
Financing activities			
Proceeds on issue of convertible bonds		75,000	–
Advance from immediate holding company		14,871	–
Short term loans raised		3,600	8,400
Proceeds from issue of shares upon exercise of share options		2,658	4,660
Net advance from (repayment of) trust receipts and import loans and loans related to bills discounted with recourse		819	(25,730)
Advance from a shareholder		172	12,000
Capital contribution from non-controlling shareholders of a subsidiary		59	58
Interest on bank and other borrowings paid		(3,735)	(7,468)
Net cash outflow from distribution in specie of shares in a subsidiary	37	(17,609)	–
Repayment to a shareholder		(1,000)	–
Transaction costs incurred in connection with the issue of convertible bonds		(212)	–
Repayment of short term loans		–	(5,000)
Net cash from (used in) financing activities		74,623	(13,080)
Net increase (decrease) in cash and cash equivalents		10,729	(9,709)
Cash and cash equivalents at beginning of the year		26,077	35,806
Effect of exchange difference		(88)	(20)
Cash and cash equivalents at end of the year		36,718	26,077
Analysis of balances of cash and cash equivalents			
Bank balances and cash		36,718	28,046
Bank overdrafts		–	(1,969)
		36,718	26,077

Notes to the Consolidated Financial Statements
For the year ended 31 March 2015

1. GENERAL

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

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

On 30 January 2014, certain shareholders of the Company entered into a sale and purchase agreement (as supplemented by supplemental agreement dated 21 March 2014 and the second supplemental agreement dated 19 May 2014) to dispose of an aggregate of 1,076,758,361 shares in the Company to an independent third party. Upon the completion of the transaction on 26 June 2014, the immediate holding company of the Company is Achieve Prosper Capital Limited, which was incorporated in Samoa, and the ultimate holding company of the Company is Hong Kong Shihua Holdings Limited, which was incorporated in Hong Kong.

The principal activity of the Company 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

The application of the above new interpretation and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 14	Regulatory deferral accounts[2]
HKFRS 15	Revenue from contracts with customers[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[6]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle[5]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[5]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[5]

Amendments to HKAS 1	Disclosure initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[5]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[4]
Amendments to HKAS 27	Equity method in separate financial statements[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

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

HKFRS 15 "Revenue from contracts with customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have 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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payments", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the 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 the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement 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 Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the 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 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate.

The difference between the carrying amount of the associate at the date the equity method was discontinued and any proceeds from disposing of partial interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the 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 the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 Group's right to receive payment has been established.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leases below.

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 statement 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 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 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.

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.

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("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.

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 FVTPL

Financial assets at FVTPL has two subcategories including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at 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 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, deposits, pledged bank 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 Group's right to receive the dividends is established.

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 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 the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Distribution in specie

Non-cash assets distributed to the owners of the Company are measured at fair value. The difference between the fair value and the carrying amount of the assets distributed is recognised in profit or loss.

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.

Financial liabilities

Financial liabilities including creditors, amount due to a shareholder, amount due to immediate holding company, borrowings and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

Convertible notes/bonds

Convertible notes/bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes/bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes/bonds into equity, is included in equity (convertible notes/bonds reserve).

In subsequent periods, the liability component of the convertible notes/bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes/bonds reserve until the embedded option is exercised (in which case the balance stated in convertible notes/bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes/bonds reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes/bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes/bonds using the effective interest method.

Derecognition

The 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the 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 Group derecognises financial liabilities when, and only when, the 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).

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.

Share options granted to advisors

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Exchange for an asset

Shares issued in exchange for an asset are measured at fair value of the asset obtained. The asset obtained is recognised as an asset of the Group at its fair value.

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 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 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 statement of profit or loss and other 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 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 consolidated financial statements 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 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 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 "Income taxes" (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 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 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 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 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 statement 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 consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the 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.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The 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 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 2015, the carrying amount of inventories is HK$75,123,000 (2014: HK$80,842,000), net of accumulated allowance for obsolete and slow-moving inventories of HK$84,000 (2014: HK$133,354,000).

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 31 March 2015, the carrying amount of goodwill is HK$17,665,000 (2014: HK$17,665,000), net of accumulated impairment loss of HK$8,111,000 (2014: HK$8,111,000). Details of the recoverable amount calculation are disclosed in note 18.

Impairment of property, plant and equipment

The 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 2015, the carrying amount of property, plant and equipment is HK$3,639,000 (2014: HK$77,787,000), net of accumulated impairment loss of HK$109,000 (2014: HK$55,814,000). Details of the recoverable amount calculation are set out in note 14.

Income taxes

As at 31 March 2015, no deferred tax asset was recognised in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of HK$254,262,000 (2014: HK$738,664,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are more or less than expected, a material recognition or reversal of deferred tax asset may arise, which would be recognised in profit or loss in the period in which such a recognition or reversal takes place.

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. The directors of the Company have a designated team to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the Group's investment properties at 31 March 2014, the Group used market-observable data to the extent it is available. Where Level 1 inputs were not available, the Group engaged third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group worked closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group first considered and adopted Level 2 inputs where inputs could be derived observable quoted prices in the active market. When Level 2 inputs were not available, the Group adopted valuation techniques that include Level 3 inputs. Where there was a material change in the fair value of the assets, the causes of the fluctuations would be reported to directors. Any changes in the price per square metre in reference with recent transactions would affect the fair value of the investment properties of the Group. Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties are disclosed in note 13.

5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, 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 Group is organised into three operating divisions, namely design, manufacture and sale of electronic products (representing consumer electronic audio and video equipment, karaoke equipment and accessories), property investment and securities trading. These divisions are the bases on which the Group reports its segment information. The Group continues to be organised into the above three operating divisions after the deconsolidation of subsidiaries (see note 36) and the distribution in specie of shares in a subsidiary (see note 37) and hence there is no change in the basis of preparation of segment information.

Segment revenue and results

An analysis of the 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	Property investment	Securities trading	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2015				
TURNOVER	381,863	–	–	381,863
SEGMENT RESULTS	(54,192)	16,868	(18)	(37,342)
Interest income				58
Unallocated expenses				(7,014)
Share of profits of an associate				479
Loss arising from the issue of convertible bonds				(38,536)
Loss on deconsolidation of subsidiaries				(15,553)
Loss arising from distribution in specie of shares in a subsidiary				(138,946)
Interest expenses				(9,014)
Loss before taxation				(245,868)
Year ended 31 March 2014				
TURNOVER	366,953	–	–	366,953
SEGMENT RESULTS	(172,063)	(8,576)	498	(180,141)
Interest income				15
Unallocated expenses				(9,256)
Share of profits of an associate				651
Interest expenses				(10,315)
Loss before taxation				(199,046)

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. 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, loss arising from the issue of convertible bonds, loss on deconsolidation of subsidiaries, loss arising from distribution in specie of shares in a subsidiary and interest expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	Design, manufacture and sale of electronic products	Property investment	Securities trading	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2015				
ASSETS				
Segment assets	141,166	76,600	453	218,219
Unallocated corporate assets				61,821
Consolidated total assets				280,040
LIABILITIES				
Segment liabilities	110,822	–	–	110,822
Unallocated corporate liabilities				71,918
Consolidated total liabilities				182,740
At 31 March 2014				
ASSETS				
Segment assets	211,235	254,825	475	466,535
Unallocated corporate assets				63,840
Consolidated total assets				530,375
LIABILITIES				
Segment liabilities	103,400	–	–	103,400
Unallocated corporate liabilities				88,849
Consolidated total liabilities				192,249

Unallocated corporate assets mainly represent interest in an associate, available-for-sale investments, deferred tax assets, pledged bank deposits and bank balances and cash.

Unallocated corporate liabilities mainly represent amount due to a shareholder, amount due to immediate holding company, taxation payable, borrowings, bank overdrafts, convertible bonds and deferred tax liabilities.

Other segment information

	Design, manufacture and sale of electronic products HK$'000	Property investment HK$'000	Securities trading HK$'000	Consolidated HK$'000
Amounts included in the measurement of segment results or segment assets:				
Year ended 31 March 2015				
Additions of property, plant and equipment	467	–	–	467
Increase in fair value of investment properties	–	5,550	–	5,550
Reversal of allowance for doubtful debts	163	–	–	163
Decrease in fair value of investments held for trading	–	–	22	22
Release of prepaid lease payments	90	–	–	90
Depreciation of property, plant and equipment	3,583	–	–	3,583
Allowance for obsolete and slow-moving inventories	3,677	–	–	3,677
Amounts included in the measurement of segment results or segment assets:				
Year ended 31 March 2014				
Additions of property, plant and equipment	3,350	–	–	3,350
Decrease in fair value of investment properties	–	22,111	–	22,111
Increase in fair value of financial assets designated at fair value through profit or loss	–	–	9	9
Increase in fair value of investments held for trading	–	–	479	479
Release of prepaid lease payments	121	–	–	121
Depreciation of property, plant and equipment	8,375	–	–	8,375
Allowance for doubtful debts	2,152	–	–	2,152
Bad debt written off	1,217	–	–	1,217
Allowance for obsolete and slow-moving inventories	62,570	–	–	62,570
Impairment loss recognised in respect of property, plant and equipment	16,054	–	–	16,054

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

	2015	**2014**
	HK$'000	*HK$'000*
Interest in an associate	6,845	6,366
Share of profits of an associate	479	651
Interest expenses	(9,014)	(10,315)

Geographical segments

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

The 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 Year ended 31 March		**Non-current assets** *(note)*	
	2015	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States of America	313,525	267,565	4,385	4,394
Hong Kong	20,231	10,581	24,510	268,529
Canada	33,038	83,532	–	–
Europe	12,329	5,275	–	–
The PRC	–	–	76,600	87,010
Other countries	2,740	–	–	–
	381,863	366,953	105,495	359,933

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 Group are as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Customer A[1]	N/A[2]	99,021
Customer B[1]	40,446	49,531
Customer C[1]	60,788	N/A[2]

1 Revenue from sales of electronic products.

2 The corresponding revenue did not contribute over 10% of the total sales of the Group for the relevant years.

6. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Other income mainly includes:		
Dividend income from listed equity securities	4	10
Interest income	58	15
Rental income *(note)*	11,566	14,434
Sale of scrap materials	–	1,131

Note: Outgoings of HK$113,000 (2014: HK$899,000) were incurred resulting in net rental income of HK$11,453,000 (2014: HK$13,535,000).

7. OTHER GAINS AND LOSSES

	2015	2014
	HK$'000	*HK$'000*
Other gains (losses) comprise:		
Reversal of allowance (allowance for) doubtful debts	163	(2,152)
Exchange loss, net	(12,029)	(5,588)
Bad debt written off	–	(1,217)
(Loss) gain on disposal of property, plant and equipment	(118)	16,433
(Decrease) increase in fair value of investments held for trading	(22)	479
Gain on disposal of a subsidiary	–	440
Increase in fair value of financial assets designated at fair value through profit or loss	–	9
Impairment loss recognised in respect of property, plant and equipment	–	(16,054)
	(12,006)	(7,650)

8. LOSS BEFORE TAXATION

	2015	2014
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Allowance for obsolete and slow-moving inventories (included in cost of sales)	3,677	62,570
Auditors' remuneration	3,562	3,545
Depreciation of property, plant and equipment	3,583	8,375
Interest expenses on:		
– borrowings wholly repayable within five years	2,786	6,651
– convertible bonds	5,865	–
– note payable	363	–
– convertible notes	–	3,664
Minimum lease payments under operating leases in respect of rented premises	5,982	6,522
Release of prepaid lease payments	90	121
Research and development costs *(note (a))*	3,149	7,025
Staff costs including directors' remuneration *(note (b))*	43,123	57,060

Notes:

(a) The research and development costs included staff costs of HK$1,370,000 (2014: HK$1,795,000).

(b) The staff costs included retirement benefits scheme contributions of HK$1,670,000 (2014: HK$2,326,000) and share-based payments of HK$303,000 (2014: HK$861,000).

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

Directors and chief executive

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

For the year ended 31 March 2015

	Fees	Salaries and other short term employee benefits	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Wang Jing *(note a)*	–	–	–	–
Wang Xing Qiao *(note a)*	–	–	–	–
Chen Wan Jin *(note a)*	–	–	–	–
Zhao Shuang *(note a)*	–	–	–	–
Lau Sak Hong, Philip *(note b)*	–	2,076	–	2,076
Lau Sak Kai, Anthony *(note b)*	–	210	10	220
Lau Sak Yuk, Andy *(note b)*	–	210	10	220
Lau Chu Lan, Carol *(note b)*	–	309	–	309
Non-executive director:				
Li Jun *(note a)*	–	–	–	–
Hon Sheung Tin, Peter *(note b)*	–	–	–	–
Independent non-executive directors:				
Yang Xin Hua *(note a)*	–	209	–	209
Wang Ping *(note a)*	–	209	–	209
Cheng Tai Kwan, Sunny *(note a)*	–	209	–	209
Chan Chak Chung *(note b)*	–	–	–	–
Chuck Winston Calptor *(note b)*	–	–	–	–
Tang Yee Man *(note a)*	–	–	–	–
	–	3,432	20	3,452

For the year ended 31 March 2014

	Fees	Salaries and other short term employee benefits	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Lau Sak Hong, Philip	–	3,824	–	3,824
Lau Sak Kai, Anthony	–	360	15	375
Lau Sak Yuk, Andy	–	286	13	299
Lau Chu Lan, Carol	–	444	15	459
Non-executive director:				
Hon Sheung Tin, Peter	50	–	–	50
Independent non-executive directors:				
Chan Chak Chung	50	–	–	50
Chuck Winston Calptor	50	–	–	50
Tang Yee Man *(note c)*	30	–	–	30
Ho Hau Chong, Norman *(note d)*	20	–	–	20
	200	4,914	43	5,157

Notes:

(a) These directors were appointed on 21 July 2014.

(b) These directors resigned on 21 July 2014.

(c) The director was appointed on 26 August 2013.

(d) The director resigned on 26 August 2013.

No performance related incentive payments were paid to the directors of the Company for both years.

Mr. Lau Sak Hong, Philip was the chief executive of the Company during the year ended 31 March 2014 and up to the date of his resignation. Mr. Wang Xing Qiao was appointed as the chief executive of the Company on 21 July 2014. Their emoluments disclosed above included those for services rendered by them as the chief executive.

During the year ended 31 March 2014, two directors waived their emoluments of HK$164,000 (2015: nil).

Employees

The five highest paid individuals of the Group included three (2014: two) directors, details of whose remuneration are set out above. The emoluments of the remaining two (2014: three) highest paid employees are as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries and other short term employee benefits	603	1,456
Retirement benefits scheme contributions	29	30
	632	1,486

Emoluments of these employees were within the following bands:

	Number of employees	
	2015	2014
Nil – HK$1,000,000	2	3

10. TAXATION

	2015	2014
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current year	–	34
Underprovision in prior years	–	52
	–	86
Taxation in other jurisdictions		
Current year	570	554
Overprovision in prior years	–	(712)
	570	(158)
Deferred taxation *(note 31)*	693	(9,610)
	1,263	(9,682)

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit for the year ended 31 March 2015.

Under the Law of the PRC 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.

Taxation for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Loss before taxation	(245,868)	(199,046)
Tax credit at the domestic income tax rate of 16.5% (2014: 16.5%)	(40,568)	(32,843)
Tax effect of share of results of an associate	(79)	(107)
Tax effect of expenses not deductible for taxation purposes	34,404	11,100
Tax effect of income not taxable for taxation purposes	(925)	(463)
Effect of different tax rates of subsidiaries operating in other jurisdictions	829	(3,832)
Tax effect of tax losses not recognised	10,918	23,720
Tax effect of utilisation of tax losses previously not recognised	(4,140)	(264)
Overprovision in prior years	–	(660)
Recognition of tax losses previously not recognised	–	(6,324)
Recognition of other deductible temporary differences previously not recognised	–	(298)
Others	824	289
Taxation for the year	1,263	(9,682)

11. DIVIDENDS

	2015	**2014**
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Special dividends by way of distribution in specie of shares in a subsidiary	124,062	–

On 26 June 2014, the Company made a distribution in specie of shares in a subsidiary, SIH Limited ("SIH"), to the shareholders of the Company, 2,033,808,485 shares in SIH were distributed to the shareholders whose names appeared on the register of members of the Company on the same date. Details of the assets and liabilities distributed are set out in note 37.

Other than the special dividends, the directors of the Company have determined that no dividends will be paid in respect of the year ended 31 March 2015 (2014: nil).

12. LOSS PER SHARE

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

	2015	2014
	HK$'000	*HK$'000*
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	(246,934)	(193,036)

	Number of shares	
	2015	2014
Weighted average number of shares for the purpose of basic and diluted loss per share	2,085,085,753	1,747,814,332

For the year ended 31 March 2015, the calculation of diluted loss per share does not assume the exercise of the conversion of the Company's outstanding convertible bonds as it would result in a decrease in the loss per share.

For the year ended 31 March 2014, the calculation of diluted loss per share does not assume the exercise of the outstanding share options as it would result in a decrease in the loss per share and the exercise prices of those share options are higher than the average market price for shares.

13. INVESTMENT PROPERTIES

	2015	2014
	HK$'000	*HK$'000*
Fair value of investment properties:		
At beginning of the year	254,825	276,936
Increase (decrease) in fair value	5,550	(22,111)
Deconsolidation of subsidiaries *(note 36)*	(27,075)	–
Distribution in specie of shares in a subsidiary *(note 37)*	(233,300)	–
At end of the year	–	254,825
The carrying amount of investment properties comprises properties situated on land held under:		
Land in Hong Kong:		
Long leases	–	228,400
Land outside Hong Kong:		
Long leases	–	26,425
	–	254,825

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

The fair values of the Group's investment properties had been arrived at on the basis of valuations carried out by Greater China Appraisal Limited, an independent qualified professional valuer not connected of the Group. The valuations were arrived at by reference to recent market prices for similar properties in similar locations and conditions.

In estimating the fair value of the properties, the highest and best use of the properties was their current use.

The following table gives information about how the fair values of the investment properties were determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements were categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements was observable.

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
At 31 March 2014				
Industrial property in Hong Kong	Level 3	Direct comparison method with price per square feet	Price per square feet using market direct comparable and taking into account of location and other individual factors, such as road, frontage, size of property etc., which is ranged from HK$3,969 to HK$4,191 per square feet.	A significant increase in the price per square feet used would result in significant increase in the fair value measurement of the investment properties, and vice versa.
Commercial property in the PRC	Level 3	Direct comparison method with price per square metre	Price per square metre using market direct comparable and taking into account of location and other individual factors, such as road, frontage, size of property etc., which is ranged from RMB11,500 to RMB13,100 per square metre.	A significant increase in the price per square metre used would result in significant increase in the fair value measurement of the investment property, and vice versa.
Residential property in the PRC	Level 3	Direct comparison method with price per square metre	Price per square metre using market direct comparable and taking into account of location and other individual factors, such as road, frontage, size of property etc., which is ranged from RMB8,991 to RMB9,388 per square metre.	A significant increase in the price per square metre used would result in significant increase in the fair value measurement of the investment property, and vice versa.

There were no transfers into or out of Level 3 during both years.

The resulting increase in fair value of the investment properties of HK$5,550,000 for the year ended 31 March 2015 (2014: decrease in fair value of HK$22,111,000) has been recognised in profit or loss.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Computer equipment	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST OR VALUATION						
At 1 April 2013	78,459	26,547	101,789	9,334	518,768	734,897
Additions	400	7	824	–	2,119	3,350
Disposals	–	–	(116)	(370)	(61,314)	(61,800)
At 31 March 2014	78,859	26,554	102,497	8,964	459,573	676,447
Additions	–	21	–	–	446	467
Disposals	–	–	–	–	(9,744)	(9,744)
Deconsolidation of subsidiaries *(note 36)*	(61,068)	(14,221)	(77,849)	(5,325)	(312,198)	(470,661)
Distribution in specie of shares in a subsidiary *(note 37)*	(17,791)	(10,158)	(21,182)	(3,639)	(118,952)	(171,722)
At 31 March 2015	–	2,196	3,466	–	19,125	24,787
DEPRECIATION AND IMPAIRMENT						
At 1 April 2013	14,334	23,114	94,238	8,022	495,941	635,649
Provided for the year	1,110	970	1,462	245	4,588	8,375
Impairment loss recognised in profit or loss	–	–	590	–	15,464	16,054
Eliminated on disposals	–	–	(81)	(304)	(61,033)	(61,418)
At 31 March 2014	15,444	24,084	96,209	7,963	454,960	598,660
Provided for the year	944	297	1,067	88	1,187	3,583
Eliminated on disposals	–	–	–	–	(9,314)	(9,314)
Eliminated on deconsolidation of subsidiaries *(note 36)*	(10,515)	(12,945)	(74,413)	(5,077)	(311,149)	(414,099)
Eliminated on distribution in specie of shares in a subsidiary *(note 37)*	(5,873)	(9,273)	(20,252)	(2,974)	(119,310)	(157,682)
At 31 March 2015	–	2,163	2,611	–	16,374	21,148
CARRYING VALUES						
At 31 March 2015	–	33	855	–	2,751	3,639
At 31 March 2014	63,415	2,470	6,288	1,001	4,613	77,787

The cost or valuation of leasehold properties in Hong Kong, which included prepaid lease payments, was 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 was 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.

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 year ended 31 March 2014, the directors conducted a review of the Group's furniture, fixtures and equipment and plant and machinery and identified a number of physically damaged and technical obsolescent assets. Accordingly, certain furniture, fixtures and equipment and plant and machinery used in the Group's electronic products segment with carrying amount of HK$16,054,000 were considered to be fully impaired and has been recognised in profit or loss (2015: nil).

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

	2015	**2014**
	HK$'000	*HK$'000*
Long leases in Hong Kong	–	11,952
Medium term leases outside Hong Kong	–	51,463
	–	63,415

During the year ended 31 March 2014, the valuation of certain of the 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 Group has adopted the transitional relief provided by paragraph 80A of HKAS 16 "Property, plant and equipment" from the requirement to make revaluation on a regular basis of certain of the Group's leasehold properties and, accordingly, no further revaluation of leasehold properties would be carried out. Had these leasehold properties with a carrying amount of HK$7,472,000 been carried at cost less accumulated depreciation and accumulated impairment losses, the carrying value of these leasehold properties at 31 March 2014 would have been stated at HK$7,106,000 (2015: nil).

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2015	**2014**
	HK$'000	*HK$'000*
Leasehold land held under medium term leases outside Hong Kong	–	3,411
Analysed for reporting purposes as:		
Current asset	–	121
Non-current asset	–	3,290
	–	3,411

16. PRODUCT DEVELOPMENT COSTS

	HK$'000
COST	
At 1 April 2013	1,732
Amount written off	(1,732)
At 31 March 2014 and 31 March 2015	–
AMORTISATION	
At 1 April 2013	1,732
Amount written off	(1,732)
At 31 March 2014 and 31 March 2015	–
CARRYING VALUE	
At 31 March 2015 and 31 March 2014	–

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

17. GOODWILL

	HK$'000
COST	
At 1 April 2013	28,053
Written off during the year	(2,277)
At 31 March 2014 and 31 March 2015	25,776
IMPAIRMENT	
At 1 April 2013	10,388
Written off during the year	(2,277)
At 31 March 2014 and 31 March 2015	8,111
CARRYING VALUE	
At 31 March 2015 and 31 March 2014	17,665

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

18. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill of carrying value amounting to HK$17,665,000 (2014: HK$17,665,000) as set out in note 17 has been allocated to a cash-generating unit ("CGU") in the design, manufacture and sale of electronic products segment operating in the United States of America.

The recoverable amount of the relevant CGU 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 CGU. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed impairment review for goodwill based on cash flow forecasts of the CGU 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% (2014: 0%) growth rate. The rate used to discount the forecast cash flows is 10% (2014: 10%). During the year ended 31 March 2015, as the recoverable amount of the CGU exceeds the carrying value of the CGU, no impairment loss is recognised.

19. INTEREST IN AN ASSOCIATE

	2015	2014
	HK$'000	*HK$'000*
Cost of investments in an associate, unlisted	6,510	6,510
Share of post-acquisition results, net of dividend received	335	(144)
	6,845	6,366

Details of the Group's associate are as follows:

Name of associate	Form of business structure	Place of registration/ operations	Nominal value of registered capital	Attributable equity interest to the Group		Principal activities
				2015	2014	
Interforce Limited ("Interforce")	Limited liability company	Hong Kong	HK$500,000	30%	30%	Trading in electronic products

The associate is indirectly held by the Company through its wholly-owned subsidiary.

Included in the cost of investments in an associate is goodwill of HK$3,779,000 (2014: HK$3,779,000) arising on acquisition of an associate in prior year.

Summarised financial information of the Group's associate

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's management accounts prepared in accordance with HKFRSs.

The Group's associate is accounted for using the equity method in these consolidated financial statements.

Interforce

	2015	2014
	HK$'000	*HK$'000*
Current assets	15,107	19,714
Non-current assets	1,737	1,800
Current liabilities	(6,624)	(12,893)
Revenue	135,838	148,709
Profit and total comprehensive income for the year	1,596	2,170

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2015	2014
	HK$'000	*HK$'000*
Net assets of Interforce attributable to owners	10,220	8,621
Proportion of the Group's ownership interest in Interforce	30%	30%
Goodwill	3,779	3,779
Carrying amount of the Group's interest in Interforce	6,845	6,366

20. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	HK$'000	*HK$'000*
Equity securities		
Unlisted shares, at cost	–	26,690
Less: Impairment losses recognised	–	(17,290)
	–	9,400
Analysed for reporting purposes as:		
Non-current asset	–	9,400

The above unlisted investments represented investments in unlisted equity securities issued by private entities incorporated in Hong Kong. They were measured at cost less impairment loss at the end of the reporting period because the range of reasonable fair value estimates was so significant that the directors of the Company were of the opinion that their fair values could not be measured reliably.

21. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Raw materials	–	7,344
Work in progress	–	1,279
Finished goods	75,123	72,219
	75,123	80,842

The cost of inventories recognised as an expense in the consolidated statement of profit or loss and other comprehensive income during the year amounted to HK$322,811,000 (2014: HK$408,857,000).

22. DEBTORS, DEPOSITS AND PREPAYMENTS

	2015	2014
	HK$'000	*HK$'000*
Trade debtors	30,562	18,050
Deposits with securities brokers	47	50
Advances to suppliers	–	2,327
Prepayments and other receivables	14,130	11,103
	44,739	31,530
Analysed for reporting purposes as:		
Current assets	43,993	31,530
Non-current assets	746	–
	44,739	31,530

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:

	2015	2014
	HK$'000	*HK$'000*
0 – 30 days	11,938	10,740
31 – 60 days	6,486	311
61 – 90 days	5,633	2,093
Over 90 days	6,505	4,906
	30,562	18,050

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

Included in the Group's trade debtors are debtors with aggregate carrying amount of HK$12,325,000 (2014: HK$7,632,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The directors of the Company determined that these receivables are either due from customers of good credit quality with no history of default or covered by credit insurance. The Group does not hold any collateral over these balances.

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

	2015	**2014**
	HK$'000	*HK$'000*
Overdue 31 – 60 days	4,440	1,384
Overdue 61 – 90 days	1,459	2,436
Overdue over 90 days	6,426	3,812
	12,325	7,632

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

	2015	**2014**
	HK$'000	*HK$'000*
At beginning of the year	36,818	35,441
(Reversal of) impairment losses recognised on debtors	(163)	2,152
Amount written off	(319)	(775)
Deconsolidation of subsidiaries	(25,161)	–
Distribution in specie of shares in a subsidiary	(1,942)	–
At end of the year	9,233	36,818

Included in the allowance for doubtful debts are individually impaired trade debtors with an aggregated balance of HK$9,233,000 (2014: HK$34,759,000) which have either been placed under liquidation or in financial difficulties.

As at 31 March 2014, the management had withdrawn a litigation against a trade debtor in prior year as they consider that the legal and professional expenses involved would be high, and the related debtor balance of HK$2,059,000 was fully impaired in prior year (2015: nil).

23. INVESTMENTS HELD FOR TRADING

	2015	**2014**
	HK$'000	*HK$'000*
Listed securities		
Equity securities listed in Hong Kong	171	167
Equity securities listed outside Hong Kong	282	308
	453	475

24. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/BANK OVERDRAFTS

Pledged bank deposits

Pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. As at 31 March 2014, deposits amounting to HK$1,077,000 had been pledged to secure short term banking facilities and were therefore classified as current assets (2015: nil).

Bank balances and cash

Bank balances and cash comprise cash held by the Group and bank deposits which carry interest at an average rate of 0.01% (2014: 0.01%) per annum.

Bank overdrafts

As at 31 March 2014, bank overdrafts carried interest at market rate of 5.90% per annum (2015: nil).

25. CREDITORS AND ACCRUED CHARGES

	2015	**2014**
	HK$'000	*HK$'000*
Trade creditors	22,407	32,954
Notes payable and accrued interest	8,943	–
Royalty and withholding tax payable	944	3,178
Other creditors and accrued expenses	78,528	67,268
	110,822	103,400
Analysed for reporting purposes as:		
Current liabilities	90,741	103,400
Non-current liabilities	20,081	–
	110,822	103,400

Note payable with the principal amount of US$1,100,000 (equivalent to HK$8,580,000) is unsecured and carries interest at 6% per annum (2014: nil). This note shall be payable in consecutive equal quarterly instalments of principal and interest in the amount of US$150,000 (equivalent to HK$1,170,000) up to 2017. At 31 March 2015, HK$3,873,000 and HK$5,070,000 are classified as current and non-current liabilities, respectively.

Included in other creditors is an amount of HK$15,011,000 which is unsecured, interest-free and repayable upon expiry of revolving credit facility granted to a subsidiary of the Company in 2017 (2014: nil). Accordingly, the amount is classified as a non-current liability.

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

	2015	2014
	HK$'000	*HK$'000*
0 – 30 days	8,451	8,900
31 – 60 days	1,990	2,031
61 – 90 days	2,554	139
Over 90 days	9,412	21,884
	22,407	32,954

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

26. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder, Mr. Wang Xing Qiao (2014: Mr. Lau Sak Hong, Philip), is interest-free, unsecured and repayable on demand. Mr. Wang Xing Qiao (2014: Mr. Lau Sak Hong, Philip) is also a director and chief executive of the Company.

27. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount is interest-free, unsecured and repayable on demand.

28. BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Trust receipts and import loans	–	17,655
Short term bank loans	–	51,150
	–	68,805

The Group's borrowings were all secured by certain assets as disclosed in note 41.

During the year end 31 March 2014, the Group's borrowings were floating-rate borrowings, which were mainly linked with Hong Kong Interbank Offered Rate ("HIBOR"), and bore interest at a range from 3.8% to 5.9% per annum (2015: nil). Interest was repriced every month.

29. CONVERTIBLE NOTES

On 15 June 2012, the Company issued 1.5% coupon convertible notes (the "Notes") at a principal amount of HK$36,300,000 maturing on 15 December 2013 to Mr. Lau Shek Yuen. Mr. Lau Shek Yuen is a former shareholder of the Company and a brother of all former executive directors of the Company. The Notes were denominated in Hong Kong dollars and the Company agreed to guarantee payment of all sums payable in relation to the Notes. Interest of 1.5% were paid annually up until the settlement date.

The principal terms of the Notes were as follows:

(a) The Notes were convertible, at the option of the note holder, into ordinary shares of HK$0.1 each of the Company at a conversion price of HK$0.104 per share, subject to anti-dilutive adjustments, at any time on or after 15 June 2012 up to and including the date which is 3 days prior to the maturity date. Unless previously redeemed, converted or purchased and cancelled, the outstanding Notes would be redeemed by the Company at 100% of its principal amount on the maturity date.

(b) At any time while the Notes were outstanding and had not been converted, the Company might redeem all of the principal of the Notes or any part at a redemption price equal to the applicable early redemption amount predetermined in the convertible note agreement.

At initial recognition, the Notes were split into an equity component of HK$5,591,000 and a liability component of HK$30,709,000. The liability component was determined based on the present value of the estimated future cash flows discounted at an effective interest rate of 11.8% per annum, being the average yield of similar financial instruments with similar credit rating and structure but without the call conversion option or the early redemption option, which incorporated appropriate adjustments to reflect possible impact of country factors, firm specific risk and liquidity risk.

As the Company's early redemption options were considered as closely related to the host contracts, the fair values of these options, which were determined using Trinomial Tree Method at initial recognition, had not been separated from the host contracts, but included in the carrying amount of the liability component.

On 6 December 2013, all conversion rights had been exercised and 349,038,461 conversion shares are allotted and issued.

The movement of the liability component of the Notes for the current and prior years is set out below:

	HK$'000
At 1 April 2013	33,453
Imputed interest expense for the year	3,664
Coupon interest paid	(817)
Issue of shares upon exercise of the Notes	(36,300)
At 31 March 2014 and 31 March 2015	–

30. CONVERTIBLE BONDS

On 30 July 2014, the Company issued 3% coupon convertible bonds (the "Bonds") at a principal amount of HK$75,000,000 maturing on 30 July 2017 to the immediate holding company of the Company. The Bonds are denominated in Hong Kong dollars and the Company agrees to guarantee payment of all sums payable in relation to the Bonds. Interest of 3% per annum will be paid half-annually up until the settlement date.

The Bonds are convertible, at the option of the bond holder, into ordinary shares of HK$0.1 each of the Company at a conversion price of HK$0.172 per share, subject to anti-dilutive adjustments, at any time on or after 30 July 2014 up to and including the maturity date. Unless previously redeemed, converted or purchased and cancelled, the outstanding Bonds will be redeemed by the Company at 100% of its principal amount on the maturity date.

At initial recognition, the Bonds are split into an equity component of HK$61,480,000 and a liability component of HK$52,056,000. The liability component is determined based on the present value of the estimated future cash flows discounted at an effective interest rate of 16.21% per annum, being the average yield of similar financial instruments with similar credit rating and structure but without the call conversion option, which incorporated appropriate adjustments to reflect possible impact of country factors, firm specific risk and liquidity risk.

The equity component is presented as convertible bonds reserve in equity, whereas the liability component is classified under non-current liabilities at 31 March 2015.

The movement of the liability component of the Bonds for the current year is set out below:

	HK$'000
Liability component at date of issue	52,056
Transaction costs attributable to the liability component of the Bonds	(97)
	51,959
Imputed interest expense for the year	5,865
Coupon interest paid	(949)
At 31 March 2015	56,875

None of the Bonds has been converted into ordinary shares of the Company during the year ended 31 March 2015.

31. DEFERRED TAXATION

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

	Accelerated tax depreciation *HK$'000*	**Tax losses** *HK$'000*	**Revaluation of properties** *HK$'000*	**Others** *HK$'000* *(Note)*	**Total** *HK$'000*
At 1 April 2013	299	11,200	(7,461)	308	4,346
Credit to profit or loss	1,366	5,260	2,947	37	9,610
At 31 March 2014	1,665	16,460	(4,514)	345	13,956
(Charge) credit to profit or loss	(724)	–	–	31	(693)
Deconsolidation of subsidiaries *(note 36)*	19	(19)	4,514	–	4,514
Distribution in specie of shares in a subsidiary *(note 37)*	730	(83)	–	(166)	481
At 31 March 2015	1,690	16,358	–	210	18,258

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

For the purpose of presentation in the consolidated statement 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:

	2015	2014
	HK$'000	*HK$'000*
Deferred tax assets	18,258	18,951
Deferred tax liabilities	–	(4,995)
	18,258	13,956

At the end of the reporting period, the Group has unused tax losses of HK$323,682,000 (2014: HK$819,293,000) and the Group has not recognised deferred tax asset in respect of tax losses of HK$254,262,000 (2014: HK$738,664,000) due to the unpredictability of future profit streams. Included in the unused tax losses are losses of HK$114,950,000 (2014: HK$117,000,000) that will expire in 2030, losses of HK$159,499,000 (2014: HK$146,910,000) that will expire within 20 years and losses of nil (2014: HK$32,409,000) that will expire within 5 years, other tax losses may be carried forward indefinitely.

During the year ended 31 March 2014, deferred taxation had not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed retained profits earned by the subsidiaries in the PRC amounting to HK$20,904,000 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 Group was able to control the timing of the reversal of the temporary differences and it was probable that the temporary differences would not reverse in the foreseeable future (2015: nil).

32. SHARE CAPITAL

Ordinary shares of HK$0.1 each	**Number of ordinary shares**	**Amount**
		HK$'000
Authorised:		
At 1 April 2013, 31 March 2014 and 31 March 2015	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2013	1,627,316,290	162,731
Issue of shares upon exercise of share options	37,076,000	3,708
Issue of shares upon exercise of the Notes *(note 29)*	349,038,461	34,904
At 31 March 2014	2,013,430,751	201,343
Issue of shares upon exercise of share options	20,377,734	2,038
Issue of shares *(note)*	400,000,000	40,000
At 31 March 2015	2,433,808,485	243,381

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

Note: In February 2015, the Company issued 400,000,000 shares of HK$0.1 each at HK$0.16 per share as part of the deposit paid for acquisition of a property (see note 45(a)).

33. SHARE OPTION SCHEMES

Share option scheme of the Company

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

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

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

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

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

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

The movements of the share options granted to directors, employees and advisors of the Group pursuant to the Scheme were as follows:

			Number of share options				
Date of grant	*Notes*	Exercise price *HK$*	Outstanding at beginning of the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at end of the year
For the year ended 31 March 2015							
Employees:							
28 January 2008	*(a)*	0.2053	732,311	(177,734)	(376,843)	(177,734)	–
31 August 2010	*(a)*	0.1880	5,000,000	(5,000,000)	–	–	–
25 October 2012	*(b)*	0.1000	9,000,000	(9,000,000)	–	–	–
			14,732,311	(14,177,734)	(376,843)	(177,734)	–
Advisors:							
23 January 2008	*(a)*	0.2228	701,580	–	(701,580)	–	–
12 August 2010	*(a)*	0.1880	300,000	(300,000)	–	–	–
26 February 2013	*(b)*	0.1230	2,000,000	(2,000,000)	–	–	–
6 March 2013	*(b)*	0.1320	1,600,000	(1,600,000)	–	–	–
4 October 2013	*(b)*	0.1150	1,500,000	(1,500,000)	–	–	–
21 October 2013	*(b)*	0.1200	800,000	(800,000)	–	–	–
			6,901,580	(6,200,000)	(701,580)	–	–
			21,633,891	(20,377,734)	(1,078,423)	(177,734)	–
Exercisable at end of the year							–
Weighted average exercise price *(HK$)*			0.1354	0.1305	0.2167	0.2053	–

Date of grant	*Notes*	Exercise price *HK$*	Number of share options: Outstanding at beginning of the year	Granted during the year	Exercised during the year	Outstanding at end of the year
For the year ended 31 March 2014						
Directors						
25 April 2012	*(b)*	0.1050	4,000,000	–	(4,000,000)	–
25 October 2012	*(b)*	0.1000	3,000,000	–	(3,000,000)	–
			7,000,000	–	(7,000,000)	–
Employees:						
28 January 2008	*(a)*	0.2053	858,311	–	(126,000)	732,311
31 August 2010	*(a)*	0.1880	12,000,000	–	(7,000,000)	5,000,000
25 October 2012	*(b)*	0.1000	10,350,000	–	(1,350,000)	9,000,000
25 January 2013	*(c)*	0.1140	21,600,000	–	(21,600,000)	–
			44,808,311	–	(30,076,000)	14,732,311
Advisors:						
23 January 2008	*(a)*	0.2228	701,580	–	–	701,580
12 August 2010	*(a)*	0.1880	300,000	–	–	300,000
26 February 2013	*(b)*	0.1230	2,000,000	–	–	2,000,000
6 March 2013	*(b)*	0.1320	1,600,000	–	–	1,600,000
4 October 2013	*(b)*	0.1150	–	1,500,000	–	1,500,000
21 October 2013	*(b)*	0.1200	–	800,000	–	800,000
			4,601,580	2,300,000	–	6,901,580
			56,409,891	2,300,000	(37,076,000)	21,633,891
Exercisable at end of the year						21,633,891
Weighted average exercise price *(HK$)*			0.1298	0.1167	0.1257	0.1354

Notes:

(a) These share options were granted for an exercise period of ten years from the date of grant of the share options and vested immediately.

(b) These share options were granted for an exercise period of five years from the date of grant of the share options and vested immediately.

(c) These options were granted for an exercise period of four years from the date of grant of the options and vested immediately.

No share options have been granted to the directors and employees of the Company pursuant to the Scheme for both years.

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 was measured based on the Black-Scholes pricing model.

Fair value of share options and assumptions:

Grant date	**4.10.2013**	**21.10.2013**
Fair value at measurement dates (HK$)	0.0360	0.0362
Share price (HK$)	0.115	0.118
Exercise price (HK$)	0.115	0.120
Expected volatility	34.73%	34.65%
Expected option life (years)	5	5
Expected dividend yield	0%	0%
Risk-free interest rate	0.5%	0.5%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model had 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.

During the year ended 31 March 2014, the Group recognised total expense of HK$82,000 in relation to share options granted by the Company to advisors (2015: nil).

Share option scheme of The Singing Machine Company, Inc. ("SMC"), a 51.48% (2014: 51.54%) owned subsidiary of the Company

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

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12 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.

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 directors of the Company and employees of the Group pursuant to the SMC Scheme were as follows:

		Number of share options			
Date of grant	**Exercise price** *US$*	**Outstanding at beginning of the year**	**Granted during the year**	**Lapsed during the year**	**Outstanding at end of the year**
For the year ended 31 March 2015					
29 November 2004	0.75	40,000	–	(40,000)	–
1 December 2004	0.77	20,000	–	(20,000)	–
9 May 2005	0.60	34,000	–	–	34,000
31 March 2006	0.32	60,000	–	–	60,000
10 April 2006	0.33	42,000	–	–	42,000
31 March 2007	0.93	60,000	–	–	60,000
31 March 2008	0.45	120,000	–	–	120,000
31 March 2009	0.11	120,000	–	–	120,000
31 March 2010	0.03	60,000	–	–	60,000
29 October 2010	0.06	520,000	–	–	520,000
31 March 2011	0.04	60,000	–	–	60,000
31 March 2012	0.12	60,000	–	–	60,000
31 March 2013	0.18	60,000	–	–	60,000
1 July 2013	0.21	580,000	–	–	580,000
31 March 2014	0.16	60,000	–	–	60,000
31 March 2015	0.17	–	60,000	–	60,000
		1,896,000	60,000	(60,000)	1,896,000
Exercisable at end of the year					1,896,000
Weighted average exercise price (US$)		0.22	0.17	0.77	0.20
Holders of the share options are analysed as follows:					
Directors *(note)*		80,000	–	–	80,000
Employees		1,816,000	60,000	(60,000)	1,816,000
		1,896,000	60,000	(60,000)	1,896,000

Date of grant	Exercise price	Number of share options			
		Outstanding at beginning of the year	Granted during the year	Lapsed during the year	Outstanding at end of the year
	US$				
For the year ended 31 March 2014					
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
1 July 2013	0.21	–	580,000	–	580,000
31 March 2014	0.16	–	60,000	–	60,000
		1,311,380	640,000	(55,380)	1,896,000
Exercisable at end of the year					1,896,000
Weighted average exercise price (US$)		0.29	0.21	1.93	0.22
Holders of the share options are analysed as follows:					
Directors *(note)*		80,000	–	–	80,000
Employees		1,231,380	640,000	(55,380)	1,816,000
		1,311,380	640,000	(55,380)	1,896,000

Note: These directors resigned on 21 July 2014.

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.

Fair value of share options and assumptions:

Grant date	**1.7.2013**	**31.3.2014**	**31.3.2015**
Fair value at measurement date (US$)	0.21	0.15	0.13
Share price (US$)	0.21	0.17	0.17
Exercise price (US$)	0.21	0.16	0.17
Expected volatility	304.1%	201.1%	142.8%
Expected option life (years)	3	3	3
Expected dividend yield	0%	0%	0%
Risk-free interest rate	0.21%	0.15%	0.26%

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 Group recognised total expense of HK$303,000 (2014: HK$779,000) for the year in relation to share options granted by SMC.

34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the amount due to immediate holding company, borrowings, bank overdrafts and convertible bonds disclosed in notes 27, 28, 24 and 30, respectively net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31.3.2015	31.3.2014
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	–	9,400
Investments held for trading	453	475
Loans and receivables (including cash and cash equivalents)	77,693	56,006
Financial liabilities		
Other financial liabilities at amortised cost	166,836	137,100

Financial risk management objectives and policies

The Group's major financial instruments include debtors and deposits, available-for-sale investments, investments held for trading, pledged bank deposits, bank balances and cash, creditors, amount due to a shareholder, amount due to immediate holding company, bank overdrafts, borrowings, convertible bonds and long-term creditors. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

Currency risk

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

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

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars	–	34,403	22,193	305,372
Renminbi	–	27	78,860	200
United States dollars	3,540	–	19,936	58,667

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

Sensitivity analysis

The group entities are mainly exposed to foreign currency risk from 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.

	2015	**2014**
	HK$'000	*HK$'000*
Hong Kong dollars	(1,436)	(11,823)
Renminbi	(1)	3,284

In addition, during the year ended 31 March 2014, the Group was also exposed to currency risk concerning certain amounts due from/to group entities, which were denominated in currencies other than the functional currency of the relevant group entities. When Renminbi strengthened 5% against the relevant foreign currency, loss for the year of the Group would decrease by HK$3,875,000 and vice versa (2015: nil).

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 Group was exposed to fair value interest rate risk in relation to note payable (note 25) and convertible bonds (note 30). The management continuously monitors interest rate exposure.

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

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

Sensitivity analysis

The sensitivity analysis below had been determined based on the exposure to interest rates for floating-rate borrowings (including borrowings and bank overdrafts) at the end of the reporting period (notes 28 and 24). The analysis was 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 represented the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2014 would increase/decrease by HK$295,000 (2015: nil). This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings.

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

Price risk

The Group's held-for-trading investments are measured at fair value at the end of the reporting period. Therefore, the 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 year ended 31 March 2015 would decrease/increase by HK$23,000 (2014: HK$24,000) as a result of the changes in held-for-trading investments.

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement 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 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 the Company consider that the Group's credit risk is significantly reduced.

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

The Group's concentration of credit risk by geographical locations is mainly in North America. The trade debtors located in North America accounted for 29% (2014: 58%) of the Group's total trade debtors as at 31 March 2015. The Group also has concentration of credit risk by customers as 23% (2014: 15%) and 67% (2014: 54%) of the total trade debtors was due from the Group's largest customer and the five largest customers, respectively. In the opinion of the directors, all five largest customers are customers with good reputation and creditability.

Liquidity risk

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

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

Liquidity and interest risk tables

	Effective interest rate	Repayable on demand and less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2015							
Creditors and other payables	–	66,371	4,593	–	15,011	85,975	85,975
Amount due to a shareholder	–	172	–	–	–	172	172
Amount due to immediate holding company	–	14,871	–	–	–	14,871	14,871
Note payable	6.0	–	1,170	3,510	4,833	9,513	8,943
Convertible bonds	16.2	–	–	–	80,625	80,625	56,875
		81,414	5,763	3,510	100,469	191,156	166,836
2014							
Creditors and other payables	–	36,959	3,870	13,497	–	54,326	54,326
Amount due to a shareholder	–	12,000	–	–	–	12,000	12,000
Borrowings	3.9	68,135	638	41	–	68,814	68,805
Bank overdrafts	5.9	1,969	–	–	–	1,969	1,969
		119,063	4,508	13,538	–	137,109	137,100

Bank borrowings with a repayment on demand clause were included in the "on demand and less than 1 month" time band in the above maturity analysis. As at 31 March 2014, the aggregate undiscounted principal amounts of these bank loans amounted to HK$68,135,000 (2015: nil). Taking into account the Group's financial position, the directors of the Company did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans would be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements and the aggregate principal and interest cash outflows according to the scheduled repayment dates were set out as follows:

	Weighted average interest rate	Repayable on demand and less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings						
At 31 December 2015	–	–	–	–	–	–
At 31 December 2014	3.8	42,000	15,505	11,183	68,688	68,135

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair values as at 31 March 2015	Fair values as at 31 March 2014	Fair value hierarchy	Valuation technique(s) and key inputs	Significant Unobservable input(s)	Relationship of unobservable inputs to fair value
(1) Non-derivative financial assets classified as investments held for trading in the consolidated statement of financial position	Listed equity securities in Hong Kong – HK$171,000 Listed equity securities outside Hong Kong – HK$282,000	Listed equity securities in Hong Kong – HK$167,000 Listed equity securities outside Hong Kong – HK$308,000	Level 1	Quoted bid prices in active market	N/A	N/A

There were no transfers between Level 1, 2 and 3 fair value measurements in both years.

36. DECONSOLIDATION OF SUBSIDIARIES

In March 2015, the Company completed the transfer of entire interests in Dual Success Holdings Limited ("Dual Success") and its subsidiaries to a holding company deployed by the administrators for realisation for the benefit of the creditors of the Company.

The detail of the net assets of the Dual Success and its subsidiaries were as follows:

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Investment properties	27,075
Property, plant and equipment	56,562
Prepaid lease payments	3,321
Available-for sales investments	9,400
Debtors, deposits and prepayments	2,663
Bank balances and cash	4,224
Creditors and accrued charges	(559,007)
Amount due to a shareholder	(11,000)
Deferred tax liabilities	(4,514)
Taxation payable	(1,046)
Net liabilities transferred	(472,322)

	HK$'000
Loss on deconsolidation of Dual Success and its subsidiaries:	
Net liabilities transferred	472,322
Assignment of intercompany receivables from Dual Success and its subsidiaries	(451,422)
Waiver of intercompany receivables by Dual Success and its subsidiaries	24,081
Reinstatement of the balances among the Group and Dual Success and its subsidiaries	(63,771)
Release of translation reserve	3,237
	(15,553)
Net cash outflow from deconsolidation of subsidiaries	
Bank balances and cash	(4,224)

37. DISTRIBUTION IN SPECIE OF SHARES IN A SUBSIDIARY

On 26 June 2014, the Company made a distribution in specie of shares in a subsidiary, SIH to the shareholders of the Company, 2,033,808,485 shares in SIH were distributed to the shareholders whose names appeared on the register of members of the Company on the same date.

The detail of the net assets of SIH and its subsidiaries were as follows:

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Investment properties	233,300
Property, plant and equipment	14,040
Inventories	3,926
Debtors, deposits and prepayments	123,693
Bank balances and cash	17,609
Creditors and accrued charges	(139,072)
Deferred tax liabilities	(481)
Taxation payable	(34)
Borrowings	(73,224)
Net assets transferred	179,757

	HK$'000
Loss arising from distribution in specie of shares in a subsidiary:	
Fair value of shares in a subsidiary	124,062
Net assets transferred	(179,757)
Reinstatement of the balances among the Group and SIH and its subsidiaries	(86,167)
Non-controlling interests	2,121
Release of translation reserve	795
	(138,946)
Net cash outflow from distribution in specie of shares in a subsidiary	
Bank balances and cash	(17,609)

38. DISPOSAL OF A SUBSIDIARY

On 11 July 2013, the Group entered into an agreement with an independent third party for the sale of its entire interest in Success Base Industries Limited ("Success Base"), a wholly-owned subsidiary of the Group which was engaged in manufacturing and selling of plastic products, at a cash consideration of HK$440,000. The net asset value of Success Base at 11 July 2013 was nil and therefore resulted in a gain on disposal of HK$440,000 recognised in profit or loss during the year ended 31 March 2014.

39. CAPITAL COMMITMENTS

	2015	**2014**
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of properties (2014: property, plant and equipment) contracted for but not provided in the consolidated financial statements	264,976	201

40. OPERATING LEASE COMMITMENTS

As lessee

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

	2015	**2014**
	HK$'000	*HK$'000*
Within one year	4,419	4,811
In the second to fifth years inclusive	16,654	16,498
Over five years	1,704	5,794
	22,777	27,103

Operating lease payments represent rentals payable by the Group for its office and warehouses. Leases are negotiated for terms ranging from one to six years (2014: from one to six years) and rentals are fixed over the lease terms.

As lessor

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

	2015	**2014**
	HK$'000	*HK$'000*
Within one year	–	16,983
In the second to fifth years inclusive	–	31,697
Over five years	–	12,759
	–	61,439

As at 31 March 2014, these properties had committed tenants for terms ranging from one to eight years (2015: nil).

41. PLEDGE OF ASSETS

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

	2015	**2014**
	HK$'000	*HK$'000*
Investment properties	–	228,400
Leasehold properties	–	6,323
Deposits with securities brokers as included in debtors, deposits and prepayments	47	50
Investments held for trading	73	54
Bank deposits	–	1,077

42. RETIREMENT BENEFITS SCHEME

The 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 Group in funds under the control of independent trustees.

The Group participates in the Mandatory Provident Fund Scheme implemented by the Hong Kong Government for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the scheme, subject to a maximum amount of HK$1,500 per month for each employee with effect from 1 June 2014 (from 1 April 2013 to 31 May 2014: HK$1,250).

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 Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

43. RELATED PARTY TRANSACTIONS

The Group entered into the following related party transactions.

(a) During the year ended 31 March 2015, the Company issued the Bonds at a principal amount of HK$75,000,000 and paid coupon interest of HK$949,000 to the immediate holding company of the Company (2014: nil).

During the year end 31 March 2014, the Group paid salaries and other short term employee benefits of HK$771,000 to certain close family members of Mr. Lau Sak Hong, Philip, a director and a substantial shareholder of the Company, as employees of the Group (2015: nil).

(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 9.

44. PRINCIPAL SUBSIDIARIES

General information of subsidiaries

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

Name of subsidiary	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the Group 2015	2014	Principal activities
Cosmo Communications Corporation ("Cosmo")	United States of America/ Canada	US$1,571,000	93.8%	93.8%	Trading in electrical appliances and investment holding
Harvest Way Holdings Limited	British Virgin Islands	US$1	100%	100%	Investment holding
Master Light Enterprises Limited	Hong Kong	HK$2	100%	100%	Investment holding
Starlight Electronics USA Inc.	United States of America	US$10,000	100%	100%	Trading in electronic products
Starlight Marketing Limited	Hong Kong	HK$2	100%	100%	Securities trading and trading in electronic products
Starlite Consumer Electronics (USA) Inc.	United States of America	US$20	100%	100%	Trading in electronic products
The Singing Machine Company, Inc. ("SMC")**	United States of America	US$380,706	51.48%	51.54%	Trading in consumer karaoke audio equipment and electronic products
Dual Success Holdings Limited***	British Virgin Islands	US$1	–	100%	Investment holding
Niceday Limited***	Hong Kong	HK$2	–	100%	Investment holding
Panyu Success Base Plastic Company Limited***	PRC*	HK$20,000,000	–	100%	Manufacture and sale of plastic products
Starfair Manufacturing (Panyu) Company Limited***	PRC*	HK$43,300,000	–	100%	Manufacture and sale of electronic products and property investment

Name of subsidiary	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the Group 2015	2014	Principal activities
Starlight Exports Limited***	Hong Kong	HK$2	–	100%	Trading in electronic products
Starlight Manufacturers Limited***	Jersey/PRC	HK$100,000	–	100%	Merchandising of materials
Starlight Marketing Development Limited***	Hong Kong	HK$2	–	100%	Trading and marketing of electronic products
Starlight R&D Limited***	Hong Kong	HK$10,000	–	100%	Material sourcing and trading in electronic products and components
Top Spring Technology Limited***	British Virgin Islands	US$1	–	100%	Investment holding
ACME Delight Limited****	Hong Kong	HK$2	–	100%	Investment holding
Korrigan Industrial Holdings Limited****	Hong Kong	HK$25,000,000	–	100%	Investment holding
Merrygain Holding Company Limited ("Merrygain")****	Hong Kong	HK$5,000,000	–	96%	Property investment
Nice States Investment Limited****	Hong Kong	HK$2	–	100%	Property investment
Noble Win Limited****	Hong Kong	HK$2	–	100%	Property investment
SIH Limited****	British Virgin Islands	HK$10,000	–	100%	Investment holding
Star Fair Electronics Company Limited****	Hong Kong	HK$15,090,000	–	100%	Trading in electronic products
Star Light Electronics Company Limited****	Hong Kong	HK$13,000,000	–	100%	Trading in electronic products and property investment
Starleaf Development Limited****	Hong Kong	HK$2	–	100%	Investment holding

Name of subsidiary	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the Group 2015	2014	Principal activities
Starlight Industrial Holdings Limited****	Hong Kong	HK$73,920,192	–	100%	Investment holding
Starlight Video Limited****	Hong Kong	HK$4	–	100%	Provision of nominee services for group companies and trading of electronic products

* These subsidiaries were PRC wholly foreign owned enterprises.

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

*** These subsidiaries were deconsolidated during the year.

**** These subsidiaries were distributed during the year.

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

Other than Harvest Way Holdings Limited and certain companies incorporated in Samoa which are held directly by the Company, all other subsidiaries are held indirectly by the Company. None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation and operations	Number of wholly-owned subsidiaries As at 31 March 2015	2014
Material sourcing and trading in electronic products and components	Hong Kong	–	1
Merchandising of materials	Jersey/PRC	–	1
Manufacturing and sale of electronic products and property investment	PRC	–	1
Trading in electronic products	Hong Kong	–	4
	United States of America	2	2
Property investment	Hong Kong	–	2
Trading in electronic products and property investment	Hong Kong	–	1
Securities trading and trading in electronic products	Hong Kong	1	1
Manufacturing and sale of plastic products	PRC	–	1
		3	14

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Principal activity	Place of incorporation and operations	Number of non-wholly-owned subsidiaries As at 31 March 2015	2014
Trading in consumer karaoke audio and equipment and electronic products	United States of America/Macau/British Virgin Islands	5	5
Trading in electrical appliances	United States of America/Canada/Hong Kong	4	4
Property investment	Hong Kong	–	1
		9	10

Other subsidiaries not disclosed above are either investment holding companies or inactive during both years.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests As at 31 March		Profit (loss) allocated to non-controlling interests Year ended 31 March		Accumulated non-controlling interests As at 31 March	
		2015	2014	2015	2014	2015	2014
				HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
SMC and its subsidiaries *(note a)*	United States of America/ Macau/British Virgin Islands	48.52%	48.46%	791	4,699	18,369	17,232
Cosmo and its subsidiaries *(note b)*	United States of America/ Canada/Hong Kong	6.20%	6.20%	(999)	(980)	(3,113)	(2,932)
Merrygain	Hong Kong	–	4.00%	11	(47)	–	1,926
Individually immaterial subsidiary with non-controlling interests						–	184
						15,256	16,410

Notes:

(a) The subsidiaries of SMC are all wholly-owned during both years.

(b) The subsidiaries of Cosmo are all wholly-owned during both years.

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before elimination of intragroup transactions.

SMC

	2015	**2014**
	HK$'000	*HK$'000*
Non-current assets	22,369	23,084
Current assets	83,462	71,017
Current liabilities	(75,215)	(65,167)
Equity	30,616	28,934
Revenue	306,605	244,761
Other income and expenses	(305,277)	(235,064)
Profit and total comprehensive income for the year	1,328	9,697
Net cash outflow from operating activities	(8,780)	(1,101)
Net cash inflow (outflow) from investing activities	799	(1,077)
Net cash outflow from financing activities	(1,674)	(153)
Net decrease in cash and cash equivalents	(9,655)	(2,331)

Cosmo

	2015	**2014**
	HK$'000	*HK$'000*
Non-current assets	64	68
Current assets	28,688	47,281
Current liabilities	(85,090)	(100,768)
Deficiency in equity	(56,338)	(53,419)
Revenue	46,395	84,792
Other income and expenses	(62,510)	(100,598)
Loss for the year	(16,115)	(15,806)
Other comprehensive income for the year	13,191	4,032
Loss and total comprehensive expense for the year	(2,924)	(11,774)
Net cash outflow from operating activities	(488)	(138)
Net cash outflow from financing activities	–	(313)
Net decrease in cash and cash equivalents	(488)	(451)

45. EVENTS AFTER THE REPORTING PERIOD

(a) On 16 January 2015, the Group entered into a purchase agreement for the acquisition of a property in the PRC from a third party, at a consideration of RMB105,000,000 for which RMB50,000,000 will be settled by the allotment and issue of 400,000,000 shares of the Company of HK$0.1 each at HK$0.16 per share and RMB55,000,000 will be settled by cash. At 31 March 2015, a total amount of deposit of HK$76,600,000 has been paid by allotment and issue of shares and cash. Up to date of this report, the acquisition has not yet completed.

(b) On 17 March 2015, the Group entered into a purchase agreement (as supplemented by a supplemental agreement dated 27 April 2015) for the acquisition of a property in the PRC from a connected person, which is controlled by Mr. Wang Jing and his family member, at a consideration of HK$208,276,000 payable by the issue of promissory note of the Company. Up to date of this report, the acquisition has not yet completed.

3. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is engaged in the business of design and sale of a wide range of electronic products, investment in properties and securities trading.

As stated in the Company's annual report of the Company for the year ended 31 March 2015, while the Group has been endeavoring to pursue the existing business, it has been formulating a business strategy with a view to diversifying its business and further enhancing the Shareholders' value.

Leveraging on the Directors' experience and network, the Company will continue to explore other business opportunities.

4. INDEBTEDNESS STATEMENT

At the close of business on 30 September 2015, being the latest practicable date for the purpose of preparing this indebtedness statement and prior to the printing of this circular, the Group had a short term bank loan of approximately HK$66,618,932. Save for the above, the Group does not have any bank loans and overdrafts, debts securities and other borrowings and mortgages and charges.

At the close of business on 30 September 2015, the Group had amount due to a shareholder of HK$172,000, an amount due to the immediate holding company of approximately HK$18,543,000, a promissory note to the immediate holding company of HK$208,276,000 and the outstanding amount of convertible bonds of HK$60,493,693. The amount due to a shareholder and the amount due to the immediate holding company are unsecured, interest-free and repayable on demand, the promissory note is unsecured, interest-free and repayable if the Group has generated, obtained and/or raised fund for not less than HK$200,000,000 and the convertible bonds is interest bearing at a rate equal to three per cent per annum on the outstanding principal amount and mature on 30 July 2017.

On 16 January 2015, the Group entered into a purchase agreement for the acquisition of a property in the PRC from a third party at a total consideration of RMB105,000,000. As of 30 September 2015, an amount of RMB45,000,000 was still outstanding and unsettled for this transaction.

5. DISCLAIMER

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 30 September 2015.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness of the Group since 30 September 2015, up to and including the Latest Practicable Date.

6. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 30 September 2015.

7. WORKING CAPITAL

The Directors are of the opinion that, following completion of the Capital Reorganisation and open offer, after taking into account the financial resources available to the Group, including internally generated fund and banking facilities, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular, in the absence of unforeseeable circumstances.

8. MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2015, being the date to which the latest published audited financial statements of the Company were made up, and up to and including the Latest Practicable Date:

(i) a sale and purchase agreement ("**SP Agreement A**") dated 16 January 2015 entered into between Benxi Xincheng Property Development Company Limited* (本溪鑫城房地產開發有限公司) as vendor ("**Vendor A**") and Benxi Xinhua Property Management Company Limited* (本溪信華物業管理有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser ("**Purchaser A**") in respect of the acquisition ("**Acquisition A**") of a property located in Mingshan District, Benxi, Liaoning Province, the PRC ("**Property A**") at a consideration of RMB105,000,000. The consideration for Acquisition A shall be satisfied (i) as to RMB50,000,000 payable by the allotment and issue of 400,000,000 Shares to Vendor A upon completion; (ii) as to RMB10,000,000 payable in cash by Purchaser A to Vendor A on 10 February 2015; and (iii) as to RMB45,000,000 payable in cash by Purchaser A to Vendor A on or before 31 October 2015 for repayment of a loan owed by Vendor A which is secured by a mortgage of Property A and such mortgage will be released and discharged upon repayment of the loan. The completion of SP Agreement A took place on 10 February 2015 following the satisfaction of all of the conditions precedent. However, Property A is charged to a financial institution and the legal title could not be transferred until the release of the mortgage and charge. As at 31 March 2015, the mortgage had not yet been released and discharged and the assess rights and all risks and rewards of the property were still borne by Vendor A. On this basis, Property A cannot be recognised as the Group's property, plant and equipment as at 31 March 2015 and accordingly, the remaining balance of the consideration for Acquisition A, i.e. RMB45,000,000 payable in cash by Purchaser A to Vendor A on or before 31 October 2015 for repayment of a loan owed by Vendor A, was not shown in the audited consolidated financial statements of the Company for the year ended 31 March 2015. Further details are set out in the announcements of the Company dated 19 January 2015 and 10 February 2015 respectively and the circular of the Company dated 31 March 2015;

(ii) a sale and purchase agreement ("**SP Agreement B**") dated 17 March 2015 and two supplemental agreements dated 27 April 2015 and 30 June 2015 respectively entered into between Liaoning Shihua Property as vendor and the Benxi Tongshengyuan Industry Company

Limited* (本溪同盛遠實業有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser in respect of the acquisition ("**Acquisition B**") of a property located in Pingshan District, Benxi, Liaoning Province, the PRC at a consideration of HK$208,276,000. The consideration for Acquisition B was satisfied by the issue of the Promissory Note of principal amount of HK$208,276,000 (without interest and payable by the Company on demand when the Company has generated, obtained and/or raised fund for not less than HK$200 million) upon completion of SP Agreement B on 3 August 2015. As the Company has not generated, obtained and/or raised fund for not less than HK$200 million, the Promissory Note is outstanding as at the Latest Practicable Date. Further details are set out in the announcements of the Company dated 18 March 2015, 27 April 2015, 30 June 2015 and 3 August 2015 respectively and the circular of the Company dated 29 April 2015;

(iii) a placing agreement dated 14 July 2015 entered into between the Company and Kingston Securities as placing agent in respect of the placing of up to 486,760,000 Shares at the placing price of HK$0.124 per Share to not less than six placees who and whose ultimate beneficial owners will be independent third parties not connected with the Company and its connected persons with net proceeds of approximately HK$59.4 million which had strengthened the financial position of the Group. Further details are set out in the announcements of the Company dated 14 July 2015 and 30 July 2015 respectively;

(iv) a framework purchase agreement (the "**Framework Purchase Agreement**") dated 16 September 2015 entered into between SIH Limited, a wholly owned subsidiary of the Company prior to the completion of a distribution in specie on 26 June 2014, and Treasure Green Holdings Limited, a subsidiary of the Company, pursuant to which SIH Limited and its subsidiaries will sell and the Group will purchase certain electronic products from time to time for a term commenced from 21 July 2015 and ending on 31 March 2018. The Framework Purchase Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules by virtue of SIH Limited being an associate of Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol, each of whom is a connected person of the Company at the subsidiary level. Further details are set out in the announcement of the Company dated 30 June 2014, 13 August 2015 and 17 September 2015 respectively and the circular of the Company dated 24 May 2014; and

(v) the Open Offer.

The unaudited pro forma financial information should be read in conjunction with Appendix I headed "Financial Information of the Group" in this circular and annual report of the Company for the year ended 31 March 2015.

(1) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of the Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Capital Reorganisation and the Open Offer on the unaudited consolidated net tangible assets of the Group as if the Capital Reorganisation and the Open Offer had taken place on 31 March 2015.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purpose only, based on the judgements, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Capital Reorganisation and the Open Offer actually taken place on 31 March 2015 or any future date.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the unaudited consolidated net tangible assets of the Group derived from the consolidated statement of financial position of the Group as at 31 March 2015, as extracted from the published annual report of the Company for the year ended 31 March 2015 and is adjusted for the effects of the Capital Reorganisation and the Open Offer.

	Consolidated net tangible assets attributable to owners of the Group as at 31 March 2015	**Estimated net proceeds from the Capital Reorganisation and the Open Offer**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Group after the Capital Reorganisation and the Open Offer**
	HK$'000	*HK$'000*	*HK$'000*
	(Note (1))	*(Note (2))*	
Based on the offer Price of HK$0.086 per Offer Share	79,635	251,169	330,804

	HK$
	(Note (3))
Consolidated net tangible assets attributable to owners of the Group per share as at 31 March 2015	0.03
	HK$
	(Note (4))
Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Group per share as at 31 March 2015	0.09

Notes:

(1) The consolidated net tangible assets attributable to owners of the Group as at 31 March 2015 is based on the consolidated net assets attributable to owners of the Group of approximately HK$97,300,000 and the deduction of consolidated intangible assets of HK$17,665,000 as extracted from the published annual report of the Company for the year ended 31 March 2015.

(2) The issued share capital of the Company were 2,920,568,485 Shares as at 31 March 2015, which will be consolidated into 730,142,121 Consolidated Shares with a nominal value of HK$0.40 each. Upon the proposed Capital Reduction becoming effective, the nominal value of all the issued Consolidated Shares shall be reduced from HK$0.40 to HK$0.01 and the issued share capital of the Company shall accordingly be reduced to the extent of HK$0.39 per Consolidated Share in issue. Upon completion of the Capital Reorganisation, the issued share capital of the Company will be reduced to HK$7,301,421.21 divided into 730,142,121 Adjusted Shares with a nominal value of HK$0.01 each. There is no proceeds from the Capital Reorganisation.

In addition, the Company proposes to raise gross proceeds of approximately HK$251.17 million, before expenses and subject to the Set Off as outlined in the section "C. Proposed Open Offer – 13. Set Off" of this circular, by way of the Open Offer. The Company shall allot and issue in total 2,920,568,484 Offer Shares at the Subscription Price of HK$0.086 per Offer Share. As a result of the Capital Reorganisation and the Open Offer, the total number of Adjusted Shares in issue upon completion of the Open Offer is 3,650,710,605.

(3) The calculation of consolidated net tangible assets attributable to owners of the Group per share as at 31 March 2015 is based on the consolidated net tangible assets attributable to owners of the Group of approximately HK$79,635,000 (as stated in the Company's annual report for the financial year ended 31 March 2015) divided by 2,433,808,485 Shares in issue as at 31 March 2015 (before the Capital Reorganisation and the Open Offer).

(4) The calculation of Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Group per share as at 31 March 2015 is based on (1) the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Group after the Capital Reorganisation and the Open Offer of approximately HK$330,884,000 divided by as described in (2) 3,650,710,605 Adjusted Shares.

(5) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2015.

(2) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from the reporting accountants, Conpak CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose in this circular.

Conpak 康栢
CONPAK CPA LIMITED | 康栢會計師事務所有限公司

The Board of Directors
Shihua Development Company Limited
Rooms 05-15, 13A/F, South Tower,
World Finance Centre, Harbour City, 17 Canton Road,
Tsim Sha Tsui, Kowloon, Hong Kong.

Date: 27 November 2015

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN OFFERING CIRCULAR

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shihua Development Company Limited (the "**Company**") and its subsidiaries (collectively the "Group") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible liabilities of the Group as at 31 March 2015 as set out in Part 1 of Appendix II to the circular dated 27 November 2015 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Part 1 of Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed open offer of ordinary shares on the basis of four (4) Offer Shares for every one (1) Adjusted Share (the "**Open Offer**") on the Group's financial position as at 31 March 2015 as if the Capital Reorganisation and the Open Offer had taken place at 31 March 2015. As part of this process, information about the Group's financial position as at 31 March 2015 has been extracted by the Directors from the annual report of the Group for the year ended 31 March 2015.

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 Unaudited Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant 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 the 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 31 March 2015 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.

Conpak CPA Limited
Certified Public Accountants
Hong Kong,
27 November 2015

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from International Valuation Limited, an independent valuer, in connection with its valuation as at 30 September 2015 of the property interests of the Group.

International Valuation Limited
國際評估有限公司
Room 1203A, 12/F
Kai Tak Commercial Building
317-319 Des Voeux Road Central
Hong Kong
Tel: (852) 2348 1777
Email: team@ivl.hk

Date: 27 November 2015

The Board of Directors
Shihua Development Company Limited
Rooms 05-15, 13A/F., South Tower
World Finance Centre, Harbour City
17 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions for us to value various properties in which Shihua Development Company Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") have interests in the People's Republic of China (the "**PRC**"), we confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 30 September 2015 (referred to as the "**Valuation Date**").

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigation and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of the property interests represents 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".

VALUATION METHODOLOGY

We have valued the property interests on market basis and the direct comparison method is adopted where comparison based on comparable sales evidence is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values.

In valuing the property interests, which are subject to tenancies, we have also adopted the investment method on the basis of capitalization of the net rental incomes with due allowance for reversionary income potential, which is based on the market rental (as at the valuation date). No projection of the growth of future rental is made. The direct comparison method is also adopted in estimating the values of their reversionary interest (if any).

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, Rule 11 of the Code on Takeovers and Mergers and Share Buy-Backs issued by the Securities and Futures Commission and the HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

In valuing the property interests which are currently under construction, we have assumed that they will be developed and completed in accordance with the Company's latest development proposal provided to us. In arriving at our opinion of value, we have taken into account the construction costs and professional fees relevant to the stage of construction as at the valuation date and the remainder of the costs and fees to be expended to complete the developments.

Our valuations have been made on the assumption that the seller sells the property interests on the open market in their existing states without the benefit of a deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which could serve to affect the values of the property interests.

In undertaking our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the property interests for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. According to the legal opinion regarding the property interests by the Company's PRC legal adviser, the owners of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

No allowance has been made in our report for any outstanding or additional land premium, charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. According to the legal opinion regarding the property interests by the Company's PRC legal adviser, the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Other special assumptions of the property interests, if any, have been stated out in the footnotes of the valuation certificates attached herewith.

TAX LIABILITY

There may be potential tax liability which would arise if the property interests were to be sold. Should disposal of the property interests located in the PRC in our report be conducted, as advised by the Company, the potential tax liabilities arising may include business tax (5% on the net of transaction amount less original acquisition price), urban construction tax (7% of business tax), education tax (3% of business tax), local government education tax (2% of business tax), stamp duty (0.05% on transaction amount), land appreciation tax (30% to 60% on the net appreciated amount less deductibles), corporate income tax (25% on net profit upon disposal), riverbank protection tax (0.1% of transaction amount) and commodity price adjustment fund (0.25% of transaction amount). Yet, unless and until completion of disposal of the property interests, the amount of the tax liabilities would not be quantifiable or crystallized. The Company has further confirmed that the Company has no plan nor intention to dispose of the properties.

TITLE INVESTIGATION

We have been shown copies of various title documents and other documents relating to the property interests and have made relevant enquiries. We have not examined the original documents to verify the existing title to the property interests and any material encumbrances that might be attached to the property interests or any lease amendments. However, we have relied considerably on the information given by the Company's PRC legal adviser, Liaoning Yandong Law Office (遼寧燕東律師事務所), concerning the validity of the Group's title to the property interests located in the PRC.

All legal documents provided by the Group have been used for reference only. No responsibility regarding legal title to the property interests is assumed in this valuation report.

LIMITING CONDITIONS

We have inspected the exterior, and wherever possible, the interior of the properties but no structural survey had been made. In the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. Further, no test has been carried out on any of the building services. All dimensions, measurements and areas are only approximates. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

The site inspection of the properties was carried out in October 2015 by Mr. Joseph Fung, who has over 5 years' experience in valuation of properties in the PRC.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us on such matters, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group 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 we have no reason to suspect that any material information has been withheld.

Liability in connection with this valuation report is limited to the client to whom this report is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

This report is to be used only for the purpose stated herein, any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our report in whole or in part, in any document you prepare and/or distribute to third parties may be made without written consent.

EXCHANGE RATE

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are herewith attached.

Yours faithfully,
For and on behalf of
International Valuation Limited
Ian Ng
MHKIS RPS(GP)
General Manager – Real Estate

Mr. Ian K. F. Ng is a Registered Professional Surveyor with over 10 years' experience in valuation of properties in HKSAR, Macau SAR and mainland China. Mr. Ng is a Professional Member of The Hong Kong Institute of Surveyors.

SUMMARY OF VALUES

	Property	Market Value in Existing State as at 30 September 2015 *RMB*
	Property interests held by the Group for investment in the PRC	
1	Various Commercial Spaces of Commercial Podium (Land Lot No. 051-05-1-42) of Shihua Meilan City (實華 • 美蘭城) located at Guangyu Road, Pingshan District, Benxi City, Liaoning Province, the PRC	No Commercial Value (Please see Note below)
2	A parcel of land (Lot No. 210504005003G B00072) and building located at Digong Road, Mingshan District, Benxi City, Liaoning Province, the PRC	No Commercial Value (Please see Note below)

Note: We have attributed no commercial value to the properties as the Group has not obtained the relevant title certificates.

VALUATION CERTIFICATE

Property interests held by the Group for investment in the PRC

	Property	Description and Tenure	Particular of Occupancy	Market Value in Existing State as at 30 September 2015
1	Various Commercial Spaces of Commercial Podium (Land Lot No. 051-05-1-42) of Shihua Meilan City (實華 • 美蘭城) located at Guangyu Road, Pingshan District, Benxi City, Liaoning Province, the PRC	Shihua Meilan City is a mixed development comprising a parcel of land with a total site area of approximately 92,200 sq.m. to be built upon commercial podium together with various residential blocks. The property is situated on Guangyu Road in Pingshan District of Benxi City. Developments in the vicinity are mainly private residential, commercial and community facilities developments. Shopping facilities are to be provided within the development. The property comprises commercial spaces on the podium with a total gross floor area of approximately 23,700.06 sq.m. scheduled to be completed in second quarter of 2016. The area breakdown of the property is listed below:	The property is currently under construction.	No Commercial Value

Portion	**Gross Floor Area** *Approx (sq.m.)*
Basement Level 3	132.00
Basement Level 1	17,620.41
Level 1	2,257.48
Level 2	1,222.01
Level 3	1,222.01
Level 4	1,222.01
Roof Level	24.14
Total:	23,700.06

The land use rights of the property were granted for terms expiring on 18 July 2047 and 18 July 2077 for commercial and residential uses respectively.

Notes:

(1) Pursuant to a State-owned Land Use Rights Grant Contract dated 19 July 2007 entered into between Benxi City Bureau of Land and Resources (本溪市國土資源局) and Liaoning Shihua (Group) Property Development Company Limited (遼寧實華(集團)房地產開發有限公司), a connected party which owns 37.18% of shares of the Company, the land use rights of a parcel of land with a site area of approximately 92,200 sq.m. were contracted to be transferred to Liaoning Shihua (Group) Property Development Company Limited for terms of 70 years for residential use at a land premium of RMB52,000,000.

(2) Pursuant to a State-owned Land Use Rights Certificate–Ben Guo Yong (2010) Di No. 85 (本國用(2010)第85號) issued by Benxi City Bureau of Land and Resources dated 23 November 2010, the land use rights of a parcel of land (Land Lot No. 051-05-1-42), which forms part of the land parcel as mentioned in Note 1 above, with a site area of approximately 19,400 sq.m. were granted to Liaoning Shihua (Group) Property Development Company Limited for terms expiring on 18 July 2047 and 18 July 2077 for commercial and residential uses respectively.

(3) Pursuant to a Construction Land Use Planning Permit – No. 2007-48 (編號2007-48) issued by Benxi City Urban-Rural Planning and Construction Committee (本溪市城鄉規劃建設委員會) dated 28 August 2007, Liaoning Shihua (Group) Property Development Company Limited was approved to develop a parcel of land with an area of approximately 92,200 sq.m. for a project known as Xinglong Xinghua Redevelopment Project (興隆, 興華街改造項目).

(4) Pursuant to a Construction Project Planning Permit – No. 2010-25 (編號2010-25) issued by Benxi City Urban-Rural Planning and Construction Committee dated 31 May 2010, the construction works of the Xinglong Xinghua Redevelopment Project of Liaoning Shihua (Group) Property Development Company Limited with a total gross floor area of approximately 232,650 sq.m., including the property with a gross floor area of approximately 23,700.06 sq.m., were approved.

(5) Pursuant to a Construction Works Commencement Permit – No. 210502201005310014001 (編號210502201005310014001) issued by Benxi City Urban-Rural Planning and Construction Committee dated in May 2010, Liaoning Shihua (Group) Property Development Company Limited was approved to commence construction works of the Xinglong Xinghua Redevelopment Project with a total gross floor area of approximately 232,650 sq.m.

(6) Pursuant to a lease agreement dated 12 June 2014 entered into between Liaoning Shihua (Group) Property Development Company Limited and Wal-Mart (Liaoning) Stores Co., Ltd., portions of the property with a total gross floor area of approximately 14,643 sq.m. is to be leased to Wal-Mart (Liaoning) Stores Co., Ltd. for commercial use for a term of 20 years commencing in April 2016 with the option to renew at a rental inclusive of property management service fee but exclusive of utility charges. The rental payable under the lease agreement will be RMB22/sq.m./month for the first year and subject to increase of three per cents for every two years.

(7) The major certificates and permits of the property are summarized as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Project Planning Permit	Yes
(v)	Construction Works Commencement Permit	Yes

(8) We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the following:

(i) Liaoning Shihua (Group) Property Development Company Limited legally owns the property and is entitled to freely lease, use, transfer, mortgage and dispose of the property;

(ii) The land premium has been paid in full;

(iii) Liaoning Shihua (Group) Property Development Company Limited has obtained approvals from the relevant government authorities for the construction of the property, which is legal and valid;

(iv) The property is not subject to a mortgage; and

(v) Pursuant to a sale and purchase agreement, Liaoning Shihua (Group) Property Development Company Limited has sold the property to the Group and the transaction has been completed; and

(vi) The Group now owns the property and has no legal impediment in obtaining title certificate of the property.

(9) We have attributed no commercial value to the property as the Group has not obtained the relevant title certificates. For reference purpose, we are of the opinion that the market value of the property in existing state, assuming that the relevant title certificates have been obtained and the property is freely disposed of in the market, as at the Valuation Date, would be RMB165,000,000. As advised, the title certificate is expected to be obtained in the second quarter of 2016.

(10) As advised by the Company, the construction cost incurred in relation to the development of the property was approximately RMB188,773,000 as at the Valuation Date. The estimated outstanding construction cost to complete the property was approximately RMB5,000,000.

(11) For reference purpose, the market value of the property as if completed, as at the Valuation Date, was RMB170,000,000.

(12) There is no material conditions affecting the development of the property and no conditions imposed on the construction of roadways, pathways, drainage, sewage and other facilities or services for public which are material.

(13) There is no plan for improvement or re-development of the property and no environmental issues relating to the property, such as breach of environmental regulations happens.

(14) There is no notices, pending litigation, breaches of law or title defects against the property.

VALUATION CERTIFICATE

Property interests held by the Group for investment in the PRC

	Property	Description and Tenure	Particular of Occupancy	Market Value in Existing State as at 30 September 2015
2	A parcel of land (Lot No. 210504005003G B00072) and building located at Digong Road, Mingshan District, Benxi City, Liaoning Province, the PRC	The property comprises a parcel of land with a site area of approximately 3,335 sq.m. together with a 17-storey commercial building plus two basement floors with a total gross floor area of approximately 17,788.58 sq.m. erected upon. The property is situated on Digong Road in Mingshan District of Benxi City. Developments in the vicinity are mainly private residential and commercial developments. As advised by the Group, the building will be renovated and scheduled to be completed in second quarter of 2016. The land use rights of the property were granted for terms expiring on 21 July 2051 and 21 July 2081 for commercial and residential uses respectively.	The property is currently vacant.	No Commercial Value

Notes:

(1) Pursuant to a State-owned Land Use Rights Grant Contract dated 22 July 2011 entered into between Benxi City Bureau of Land and Resources (本溪市國土資源局) and Benxi Xincheng Property Development Company Limited (本溪鑫城房地產開發有限公司), an independent third party of the Company, the land use rights of a parcel of land with a site area of approximately 108,200 sq.m., which the property forms part, were contracted to be transferred to Benxi Xincheng Property Development Company Limited for terms of 40 years and 70 years for commercial and residential uses respectively at a land premium of RMB609,000,000.

(2) Pursuant to a State-owned Land Use Rights Certificate – Ben Guo Yong (2013) Di No. 073 (本國用(2013)第073號) issued by Benxi City Bureau of Land and Resources dated 24 December 2013, the land use rights of a parcel of land with a site area of approximately 3,335 sq.m. were granted to Benxi Xincheng Property Development Company Limited for terms expiring on 21 July 2051 and 21 July 2081 for commercial and residential uses respectively.

(3) Pursuant to a Construction Land Use Planning Permit – Di Zi Di No. 210504201400002 (地字第210504201400002號) issued by Benxi City Urban-Rural Planning and Construction Committee (本溪市城鄉規劃建設委員會) dated 8 January 2014, Benxi Xincheng Property Development Company Limited was approved to develop a parcel of land with an area of approximately 3,335 sq.m. for commercial and residential uses.

(4) Pursuant to a Construction Project Planning Permit–Jian Zi Di No. 210504201400005 (建字第210504201400005號) issued by Benxi City Urban-Rural Planning and Construction Committee dated 8 January 2014, Benxi Xincheng Property Development Company Limited was approved the construction works of a commercial and office project with a total gross floor area of approximately 17,788.58 sq.m.

(5) Pursuant to a Construction Works Commencement Permit – No. 210504201305160301 issued by Benxi City Urban-Rural Planning and Construction Committee dated 16 May 2013, Benxi Xincheng Property Development Company Limited was approved to commence construction works of commercial projects, which the property forms part, with a total gross floor area of approximately 76,671.61 sq.m.

(6) The major certificates and permits of the property are summarized as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Project Planning Permit	Yes
(v)	Construction Works Commencement Permit	Yes

(7) We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the following:

(i) Benxi Xincheng Property Development Company Limited legally owns the property and is entitled to freely lease, use, transfer, mortgage and dispose of the property subject to the prior consent from the mortgagee;

(ii) The land premium has been paid in full;

(iii) The property is subject to a mortgage in favour of Bank of China–Benxi Branch (中國銀行股份有限公司本溪分行);

(iv) Benxi Xincheng Property Development Company Limited has obtained approvals from the relevant government authorities for the construction of the property, which is legal and valid;

(v) The property is subject to a sale and purchase agreement in favour of the Group; and

(vi) Provided that the mortgage has been released and the acquisition of the property has been completed, the Group has no legal impediment in obtaining title certificate of the property.

(8) We have attributed no commercial value to the property as the Group has not obtained the relevant title certificates. For reference purpose, we are of the opinion that the market value of the property in existing state, assuming that the relevant title certificates have been obtained and the property is freely disposed of in the market, as at the Valuation Date, would be RMB120,000,000. As advised, the title certificate is expected to be obtained in the second quarter of 2016.

(9) As advised by the Group, the cost of renovation to be expended on the property is approximately RMB27,000,000.

(10) There is no material conditions affecting the development of the property and no conditions imposed on the construction of roadways, pathways, drainage, sewage and other facilities or services for public which are material.

(11) There is no environmental issues relating to the property, such as breach of environmental regulations happens.

(12) There is no notices, pending litigation, breaches of law or title defects against the property.

1. RESPONSIBILITY STATEMENT

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

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date

Authorised:		*HK$*
5,000,000,000	Shares	500,000,000.00
Issued and fully paid:		
2,920,568,485	Shares	292,056,848.50

Immediately following the Capital Reorganisation becoming effective and completion of the Open Offer (assuming no further issue of new Shares on or before the Record Date)

Authorised:		*HK$*
50,000,000,000	Adjusted Shares	500,000,000.00
Issued and fully paid:		
730,142,121	Adjusted Shares in issue upon completion of the Capital Reorganisation	7,301,421.21
2,920,568,484	Adjusted Shares to be allotted and issued under the Open Offer	29,205,684.84
3,650,710,605	Adjusted Shares in issue immediately after completion of the Open Offer	36,507,106.05

There has been no alternation to the authorised share capital of the Company since the end of its last financial year, being 31 March 2015.

On 30 July 2015, the Company allotted and issued 486,760,000 new Shares by way of placing to not fewer than six placees at the placing price of HK$0.124 per Share (see the Company's announcement dated 14 July 2015 and 30 July 2015 for further details). Save as aforesaid, since 31 March 2015 (being the date to which the latest published audited financial statements of the Company were made up) and up to the Latest Practicable Date, there had not been any new issue of Shares by the Company.

All of the Shares currently in issue rank pari passu in all respects with each other including, in particular, as to dividends, voting rights and capital. All the Adjusted Shares, including the Offer Shares, to be issued will rank pari passu in all respects with each other.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares, Adjusted Shares or Offer Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, no share or loan capital of the Company or any of its subsidiaries had been put under option or agreed conditionally or unconditionally to be put under option.

Save for the Convertible Bonds, as at the Latest Practicable Date, the Company has no other outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Shares.

3. MARKET PRICE

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the Last Trading Day; (ii) the last trading day of each of months during the Relevant Period; and (iii) the Latest Practicable Date.

Date	**Closing price per Share** *(HK$)*
24 April 2015	0.168
29 May 2015	0.171
30 June 2015	0.144
31 July 2015	0.139
20 August 2015 (Last Trading Day)	0.123
September 2015 (trading suspended)	–
30 October 2015	0.087
25 November 2015 (Latest Practicable Date)	0.082

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$0.202 per Share on 15 April 2015 and HK$0.082 per Share on 16 November 2015, 17 November 2015, 18 November 2015 and 25 November 2015 respectively.

4. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at the Latest Practicable Date, the interests and short positions of the directors or chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

(i) Long position in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholding as at the Latest Practicable Date
Wang Jing	Interest of controlled corporation *(Note)*	1,085,755,571 Shares	37.18%
Wang Xing Qiao	Beneficial owner	2,620,000 Shares	0.09%

Note: These 1,085,755,571 Shares are held by Achieve Prosper, which is wholly and beneficially owned by Hong Kong Shihua, which is in turn wholly and beneficially owned by Liaoning Shihua Property. Mr. Wang Jing is the sole director of and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua Property. By virtue of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), Mr. Wang Jing is deemed to be interested in these 1,085,755,571 Shares. Mr. Wang Xing Qiao is the sole director of Achieve Prosper.

(ii) Long position in the underlying Shares or Adjusted Shares

Name of Director	**Capacity**	**Number of underlying Shares or Adjusted Shares held**	**Approximate percentage of shareholding as at the Latest Practicable Date**
Wang Jing	Interest of controlled corporation *(Note 1)*	436,046,511 Shares *(Note 2)*	12.99% *(Note 3)*
	Interest of controlled corporation *(Note 1)*	1,377,563,493 Adjusted Shares *(Note 4)*	37.73% *(Note 5)*

Notes:

1. These interests in underlying Shares or underlying Shares are held by Achieve Prosper. By virtue of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), Mr. Wang Jing is deemed to be interested in these 1,085,755,571 Shares.

2. These underlying Shares represent the conversion Shares which are issuable upon the exercise of the Convertible Bonds at the conversion price of HK$0.172 per Share (subject to adjustment).

3. Based on the enlarged issued share capital after the Convertible Bonds having been fully converted but without taking into account the effect of the Capital Reorganisation and the Open Offer.

4. These underlying Adjusted Shares represent the Offer Shares underwritten by Achieve Prosper as one of the Underwriters of the Open Offer.

5. Based on the enlarged issued share capital after the completion of the Capital Reorganisation and the Open Offer, but assuming that none of the conversion rights under the Convertible Bonds have been exercised.

(iii) Directors' interests in the shares of associated corporations

Name of associated corporation	Name of Director	Capacity	Number of shares held
Achieve Prosper	Wang Jing	Interest of controlled corporation *(Note)*	1,000,000 shares (Long position)

Note: Achieve Prosper is wholly and beneficially owned by Hong Kong Shihua, which is in turn wholly and beneficially owned by Liaoning Shihua Property. Mr. Wang Jing is the sole director of and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua Property. By virtue of the SFO, Mr. Wang Jing is deemed to be interested in these 1,000,000 Shares of Achieve Prosper.

Save as disclosed above and other than certain nominee Shares in subsidiaries held by Directors in trust for the Company or its subsidiaries, as at the Latest Practicable Date, none of the Company's directors, chief executive nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

5. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS

Save as disclosed in the paragraph headed "Directors' and chief executives' interests and short positions" above, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Names	Nature of interest	Number of Shares or Adjusted Shares held	Approximate percentage of shareholding as at the Latest Practicable Date
Achieve Prosper *(Note 1)*	Beneficial owner	1,085,755,571 Shares	37.18%
		436,046,511 Shares *(Note 2)*	12.99% *(Note 3)*
		1,377,563,493 Adjusted Shares *(Note 4)*	37.73% *(Note 5)*
Hong Kong Shihua *(Note 1)*	Interest of controlled corporation	1,085,755,571 Shares	37.18%
		436,046,511 Shares *(Note 2)*	12.99% *(Note 3)*
		1,377,563,493 Adjusted Shares *(Note 4)*	37.73% *(Note 5)*
Liaoning Shihua Property *(Note 1)*	Interest of controlled corporation	1,085,755,571 Shares	37.18%
		436,046,511 Shares *(Note 2)*	12.99% *(Note 3)*
		1,377,563,493 Adjusted Shares *(Note 4)*	37.73% *(Note 5)*
Hu Bao Qin *(Note 1)*	Spouse interest	1,085,755,571 Shares	37.18%
		436,046,511 Shares *(Note 2)*	12.99% *(Note 3)*
		1,377,563,493 Adjusted Shares *(Note 4)*	37.73% *(Note 5)*
Chu Yuet Wah	Interest of controlled corporation	454,629,422 Adjusted Shares *(Note 6)*	12.45% *(Note 5)*

Notes:

1. Achieve Prosper is wholly and beneficially owned by Hong Kong Shihua, which is in turn wholly and beneficially owned by Liaoning Shihua Property. Mr. Wang Jing is the sole director of and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua Property. Madam Hu Bao Qin is the spouse of Mr. Wang Jing. By virtue of the SFO, each of Hong Kong Shihua and Liaoning Shihua Property is deemed to be interested in the Shares and underlying Shares which Achieve Prosper is interested in; Madam Hu Bao Qin is deemed to be interested in the Shares and underlying Shares which Mr Wang Jing is interested in.

2. These underlying Shares represent the conversion Shares which are issuable upon the exercise of the Convertible Bonds at the conversion price of HK$0.172 per Share.

3. Based on the enlarged issued share capital after the Convertible Bonds having been fully converted but without taking into account the effect of the Capital Reorganisation and the Open Offer.

4. These underlying Adjusted Shares represent the Offer Shares underwritten by Achieve Prosper as one of the Underwriters of the Open Offer.

5. Based on the enlarged issued share capital after the completion of the Capital Reorganisation and the Open Offer, but assuming that none of the conversion rights under the Convertible Bonds have been exercised.

6. To the best of the Directors knowledge these underlying Adjusted Shares represent the Offer Shares underwritten by Kingston Securities pursuant to the Underwriting Agreement. Kingston Securities is a wholly-owned subsidiary of Galaxy Sky Investments Limited, which is wholly owned by Kingston Capital Asia Limited. Kingston Capital Asia Limited is wholly owned by Kingston Financial Group Limited. Active Dynamic Limited owns 49.19% interest in Kingston Financial Group Limited. Mrs. Chu Yuet Wah owns 100% interest in Active Dynamic Limited. As Mrs. Chu Yuet Wah controls Kingston Securities, she is deemed to be interested in these underlying Adjusted Shares by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Share or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries or held any option in respect of such capital.

6. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES

As at the Latest Practicable Date,

(i) Save as disclosed in the paragraph headed "4. Directors' and chief executives' interests and short positions" in this appendix, the Concert Group did not hold any Shares, convertible securities, warrants or options of the Company or any outstanding derivatives in respect of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, and none of the members of the Concert Group had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Shares during the Relevant Period save for the purchase by Wang Xing Qiao of 2,620,000 Shares on the Stock Exchange at an average price of HK$0.119 per Share on 6 July 2015, details of which are set out below;

Number of Shares purchased	**Purchase price per Share**
10,000	0.126
10,000	0.126
10,000	0.126
210,000	0.126
130,000	0.124
60,000	0.120
870,000	0.120
560,000	0.119
180,000	0.117
350,000	0.116
20,000	0.117
210,000	0.116

(ii) the Concert Group had not received any irrevocable commitment to vote for or against the resolutions to be proposed at the SGM in relation to the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver;

(iii) the Concert Group had not entered into any derivatives in respect of securities in the Company which are outstanding as at the Latest Practicable Date;

(iv) save for the Underwriting Agreement and the Undertakings, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in respect of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company with the Concert Group;

(v) no Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company had been borrowed or lent by the Concert Group;

(vi) save for Mr. Wang Jing (who controls Achieve Prosper), none of the Company and the Directors held any shares, convertible securities, warrants, options, derivatives or similar rights which were convertible or exchangeable into shares of Achieve Prosper, and none of them had dealt for value in any shares, convertible securities, warrants, options, derivatives or similar rights which were convertible or exchangeable into shares of the Achieve Prosper during the Relevant Period;

(vii) save as disclosed in the paragraph headed "4. Directors' and chief executives' interests and short positions" in this appendix, none of the Directors was interested in any Shares, convertible securities, warrants, options, derivatives or similar rights which were convertible or exchangeable into Shares, and save for the purchase by Wang Xing Qiao of 2,620,000 Shares on the Stock Exchange at an average price of HK$0.119 per Share on 6 July 2015, none of them had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Shares during the Relevant Period;

(viii) none of (i) the subsidiaries of the Company, (ii) the pension fund of the Company or of any of its subsidiaries, nor (iii) any advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (other than persons enjoying exempt principal trader status under the Takeovers Code), had any interest in the Shares, convertible securities, warrants, options or derivatives or similar rights which are convertible or exchangeable into Shares;

(ix) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who was an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code;

(x) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;

(xi) pursuant to the relevant requirements under the Listing Rules and the Takeovers Code, (i) the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates; and (ii) the Concert Group will abstain from voting on the respective resolutions at the SGM for approving the Open Offer, the Underwriting Agreement and the Whitewash Waiver; save as aforesaid, no Directors held any Shares which would entitle him to vote for the resolutions to be proposed at the SGM to approve the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver;

(xii) save for Achieve Prosper (which has given the Undertakings), no person had irrevocably committed themselves to accept or reject their entitlements under the Open Offer;

(xiii) none of the Company nor any Directors had borrowed or lent any Shares, convertible securities, warrants, options, derivatives or similar rights which were convertible or exchangeable into Shares, and save for the underwriting of the Offer Shares by Achieve Prosper pursuant to the Underwriting Agreement and the purchase of Shares by Wang Xing Qiao on 6 July 2015 (as detailed in paragraph (i) above), none of them has had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Shares during the Relevant Period;

(xiv) other than the Underwriting Agreement, there were no agreements or arrangements to which the Concert Group or any of their respective associates was a party which related to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Open Offer and the transactions contemplated under the Underwriting Agreement and/or the Whitewash Waiver;

(xv) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Concert Group and other persons in relation to the transfer, charge or pledge of the Shares that may be issued and allotted to the Concert Group under the Open Offer or as a result of any obligation under the Underwriting Agreement;

(xvi) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver;

(xvii) there was no agreement, arrangement or understanding (including any compensation arrangement) between any member of the Concert Group and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver;

(xviii) there was no agreement or arrangement between any Directors and any other persons which was conditional on or dependent upon the outcome of or otherwise connected with the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver; and

(xix) save for the sale and purchase agreement mentioned in paragraphs (a), (c), (d) and (f) in the paragraph headed "11. Material contracts" in this appendix, the Underwriting Agreement and the Undertakings to which Mr. Wang Jing and Wang Xing Qiao has a material personal interest, there was no material contract entered into by any member of the Concert Group in which any Director had a material personal interest.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies:

(i) which (including both continuous and fixed term contracts) have been entered into or amended within 6 months prior to the date of the Announcement;

(ii) which are continuous contracts with a notice period of 12 months or more;

(iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period; or

(iv) which is not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

9. DIRECTORS' INTERESTS CONTRACTS OF SIGNIFICANCE AND ASSETS

As at the Latest Practicable Date, save for the Acquisition, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2015, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of, by or leased to any member of the Company or are proposed to be acquired or disposed of, by or leased to any member of the Company.

Save for the Underwriting Agreement, no contracts of significance to which the Company or its subsidiaries was a party and in which a Director had a material interest, either directly or indirectly, subsisted as at the Latest Practicable Date.

10. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Group.

11. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by members of the Group within two years immediately preceding the date of the Announcement, being 7 October 2015, and up to the Latest Practicable Date which were or may be material:

(a) the subscription agreement dated 30 January 2014 (as supplemented by the supplemental agreement dated 29 May 2014) entered into between the Company and Achieve Prosper in relation to the subscription of the Convertible Bonds at a consideration of HK$75,000,000;

(b) the sale and purchase agreement dated 16 January 2015 entered into between Benxi Xincheng Property Development Company Limited* (本溪鑫城房地產開發有限公司) (as vendor) and Benxi Xinhua Property Management Company Limited* (本溪信華物業管理有限公司) (an indirect wholly-owned subsidiary of the Company, as purchaser) for the purchase of a commercial property in Benxi, Liaoning Province, the PRC at a consideration of RMB105,000,000;

(c) the Purchase Agreement;

(d) the underwriting agreement dated 25 April 2015 entered into between the Company and Achieve Prosper in relation to the Company's rights issue and bonus issue as announced by the Company on 4 May 2015;

(e) the placing agreement dated 14 July 2015 entered into between the Company (as issuer) and Kingston Securities (as placing agent) in relation to the placing of up to 486,760,000 Shares (on a best effort basis) at the placing price of HK$0.124 per Share;

(f) the supplemental property lease agreement dated 20 July 2015 entered into among Liaoning Shihua Property, Benxi Tongshengyuan Industry Company Limited* (本溪同盛遠實業有限公司) and Wal-Mart (Liaoning) Store Co. Ltd.* (沃爾瑪(遼寧)百貨有限公司); and

(g) the Underwriting Agreement;

12. EXPENSES

The expenses in connection with the Capital Reorganisation, the Open Offer and the Whitewash Waiver, including but not limited to financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses are estimated to be approximately HK$6.7 million (assuming no further new Shares on or before the Record Date), which are payable by the Company.

13. EXPERTS AND CONSENTS

The following are the qualifications of the experts who had given opinion contained in this circular:

Name	Qualifications
Conpak CPA Limited	Certified Public Accountants
International Valuation Limited	Professional valuer
Nuada Limited	A licensed corporation to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, none of the experts above had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor had any interest, either direct or indirect, in any assets which had been since 31 March 2015 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the experts above has given and has not withdrawn its written consents to the issue of this circular with the respective reports, letters and references to their names in the form and context in which they are included.

14. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

Name	Address
Executive Directors	
Wang Jing	3-3-7, No. 101-1 Beiguang Road, Pingshan District, Benxi City, Liaoning Province, PRC
Wang Xing Qiao	3-3-7, No. 101-1 Beiguang Road, Pingshan District, Benxi City, Liaoning Province, PRC
Chen Wan Jin	1-14, Block A, 82 Beiguang Road, Pingshan District, Benxi City, Liaoning Province, PRC
Zhao Shuang	1-6-1, No. 172-7, Bai Shan Road, Yuhong District, Shenyang City, Liaoning Province, PRC
Non-executive Director	
Li Jun	3-5-10, No. 105 Beiguang Road, Pingshan District, Benxi City, Liaoning Province, PRC
Independent non-executive Directors	
Yang Xin Hua	1-3-9, No. 113 Zhongxing Road, Pingshan District, Benxi City, Liaoning Province, PRC
Wang Ping	Flat B, 22/F, Tower 1, Marbella, 23 On Chun Street, Ma On Shan, Hong Kong
Cheng Tai Kwan Sunny	Flat C, 18/F, Block 26, South Horizons, Ap Lei Chau, Hong Kong
Company Secretary	
Lam Wai Kei	Rooms 05-15, 13A/F, South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

Senior management

Gary Atkinson	Rooms 05-15, 13A/F, South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.
Peter Horak	Rooms 05-15, 13A/F, South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

Brief biographical information of Directors and senior management

Executive Directors

Wang Jing (王晶), aged 61, has been appointed as executive Director and the Chairman of the Board with effect from 21 July 2014. He is a vice chairman of Liaoning Federation of Industry and Commerce (遼寧省工商業聯合會), a Liaoning Province Model Worker (遼寧省勞動模範) in 2006, and a member of People's Congress of Benxi City (本溪市人大代表). He has founded Liaoning Shihua Property and he had been appointed as the general manager of Liaoning Shihua Group (遼寧實華集團) ("**Liaoning Shihua Group**") since April 2007. He currently acts as the chairman of Liaoning Shihua Group. He has also been an executive member of the Property Development Industry Association of Liaoning Province (遼寧省房地產行業協會常務理事) since March 2012. In February 2014, Mr. Wang was awarded as "Liaoning Province Excellent Builder" (遼寧省優秀建設者) by various organisations including the Liaoning United Front Work Department of the Chinese Communist Party (中共遼寧省委統戰部). Mr. Wang did not hold any directorship in other listed companies in the last three years. Mr. Wang Jing is the father of Mr. Wang Xing Qiao, an executive Director and the Chief Executive Officer of the Company. He is the chairman of nomination committee.

As at the Latest Practicable Date, Mr. Wang is the sole director and the beneficial owner of 82.8% of the equity interest in Liaoning Shihua Property, which indirectly holds the entire issued share capital of Achieve Prosper. Achieve Prosper in turn is interested certain Share and underlying Shares (see the paragraph "4. Directors' and chief executives' interests and short positions" in this appendix for details of Mr. Wang's interests in the Company's share capital).

Wang Xing Qiao (王星喬), aged 28, has been appointed as executive Director and Chief Executive Officer of the Company with effect from 21 July 2014. Mr. Wang graduated from the University of Toronto with a bachelor's degree in commerce with high distinction in 2009. He also obtained a master of philosophy degree in finance from the Judge Business School of the University of Cambridge in 2010. He is currently the deputy general manager of Liaoning Shihua Group and is also the Shenyang regional general manager of Liaoning Shihua Group. Mr. Wang did not hold any directorship in other listed companies in the last three years. He is the son of Mr. Wang Jing, an executive Director and the Chairman of the Board.

As at the Latest Practicable Date, Mr. Wang Xing Qiao beneficially owns 2,620,000 Shares. He is also holding the entire issued share capital of Achieve Prosper on trust for Hong Kong Shihua (which is wholly owned by Liaoning Shihua Property, a company owned as to 82.8% by Mr. Wang Jing) and is Achieve Prosper's sole director. Achieve Prosper in turn is interested certain Share and underlying Shares (see the paragraph "Substantial shareholders' and other persons' interests and short positions" in this appendix for details of Achieve Prosper's interests in the Company's share capital).

Chen Wan Jin (陳萬金), aged 53, has been appointed as executive director with effect from 21 July 2014. He obtained a postgraduate certificate in Economic Law from Capital University of Economics and Business (首都經濟貿易大學) in 2002. He has been the president and party branch general secretary of South Branch of Benxi City Commercial Bank (本溪市商業銀行南地支行行長及黨支部書記) since March 2010. Mr. Chen did not hold any directorship in other listed companies in the last three years.

Zhao Shuang (趙爽), aged 35, has been appointed as executive director with effect from 21 July 2014. He graduated from Changchun University (長春大學) in 2002, major in marketing and sales. Mr. Zhao was appointed as the head of assets management of Liaoning Shihua Group in 2009 and later the general manager of Liaoning Shihua Group responsible for assets management in January 2014. Prior to joining Liaoning Shihua Group, Mr. Zhao has been a project manager, assistant to general manager and vice general manager of Dalian Dongzhan Group Co. Ltd (大連東展集團有限公司) from 2002 to 2009. Mr. Zhao did not hold any directorship in other listed companies in the last three years.

Non-Executive Director

Li Jun (李軍), aged 64, has been appointed as non-executive director with effect from 21 July 2014. He graduated from Beijing Open University (北京自修大學) in the field of industrial and economics management in 1988. He was the general secretary of Liaoning Province Benxi City Real Estate Association (遼寧省本溪市房地產協會) from 1997 to 2007. Mr. Li was appointed as the Benxi regional vice general manager of Liaoning Shihua Group in 2007, and the general manager of Liaoning Shihua Property Group in 2014. Mr. Li did not hold any directorship in other listed companies in the last three years.

Independent Non-Executive Directors

Yang Xin Hua (楊新華), aged 63, has been appointed as an independent non-executive director with effect from 21 July 2014. Mr. Yang completed a four-year programme in steel rolling equipment manufacturing and craft (軋鋼設備製造及工藝) at North-eastern Heavy Machinery Academy (東北重型機械學院) in June 1977. He was the chairman and general manager of Bei Tai Iron and Steel (Group) Co., Ltd. (北台鋼鐵(集團)有限責任公司) and he has been a part-time professor at Yanshan University (燕山大學) since 2002. Mr. Yang is the chairman of remuneration committee and the member of audit committee and nomination committee. Mr. Yang did not hold any directorship in other listed companies in the last three years.

Wang Ping (王平), aged 45, has been appointed as an independent non-executive director with effect from 21 July 2014. Mr. Wang has over 15 years of experience in corporate finance, audit and accounting. He is currently an executive director and chief financial officer of China First Capital Group Limited (formerly known as China Vehicle Components Technology Holdings Limited), a company listed on the Stock Exchange (stock code: 1269). Before that, Mr. Wang worked as vice president in EV Capital Pte Ltd from May 2007 and March 2010. From February 2004 to March 2007, he served as chief financial officer for China Jishan Holdings Limited (中國稽山控股有限公司), the shares of which are listed on the main board of Singapore Stock Exchange. From September 1999 to August 2002, he served as a senior accountant and subsequently a manager for audit department of Deloitte Touche Tohmatsu CPA Ltd. Mr. Wang graduated from Nanjing University (南京大學) majoring in Economics and Management in 1993 and obtained a master's degree in business administration from Lingnan (University) College of Sun Yat-Sen University (中山大學) in 2004. He is a non-practicing member of Shanghai Institute of Certified Public Accountants. Mr. Wang is currently acting as the independent non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd (stock code: 002378.sz), China Hangking Holdings Limited (stock code: 3788), China Tianrui Group Cement Company Limited (stock code: 1252), Shenzhen Fuanna Bedding and Furnishing Co., Ltd (stock code: 002327.sz) and Jiayao Holdings Limited (stock code: 1626). Mr. Wang is the chairman of audit committee and member of remuneration committee.

Cheng Tai Kwan Sunny (鄭大鈞), aged 43, has been appointed as independent non-executive director with effect from 21 July 2014. He obtained a bachelor's degree of business administration in accounting from The Hong Kong University of Science and Technology in November 1996, a master of science degree from The Chinese University of Hong Kong in December 2006 and a degree of executive master of business administration from Northwestern University and The Hong Kong University of Science and Technology in December 2009. Mr. Cheng was admitted as an associate of the Association of Chartered Certified Accountants in July 1999 and a member of the Hong Kong Institute of Certified Public Accountants in September 2001. Mr. Cheng has years of experience in management, financial reporting and management accounting. Mr. Cheng worked for a subsidiary of Li & Fung Limited, a company listed on the Stock Exchange from January 2005 to June 2012. Mr. Cheng is currently the chief executive officer of a private group. Mr. Cheng is the member of audit committee, nomination committee and remuneration committee.

Save as disclosed above, the Directors (i) does not have any relationship with any Directors, senior management, or any substantial or controlling shareholders (as defined in the Listing Rules) of the Company; and (ii) has not held any directorships in other listed companies in the last three years; and (iii) does not have any interests in the shares, underlying shares or debentures of the Company and its associated corporations within the meaning of Part XV of the SFO.

Company Secretary

Lam Wai Kei (林偉基) was appointed as the company secretary of the Company in July 2014. He is a practising member of the Hong Kong Institute of Certified Public Accountants. He holds a master's degree in financial engineering from City University of Hong Kong and a bachelor's degree in accountancy from the Hong Kong University of Science and Technology. He has extensive experience in company secretarial practice.

Senior Management

Gary Atkinson, aged 34, joined The Singing Machine Company, Inc. in January 2008 and was appointed as the interim Chief Executive Officer in November 2009. Mr. Atkinson is a licensed attorney in the State of Florida and Georgia. He graduated from the University of Rochester with a Bachelors Degree in Economics and has been awarded a dual-degree J.D./M.B.A. from Case Western Reserve University School of Law and Weatherhead School of Management.

Peter Horak, aged 76, was appointed Chief Executive Officer of Cosmo in January 2001. He is the co-founder of Cosmo Canada and has been its President since 1988. Mr. Horak has extensive knowledge and experience in distribution of consumer electronics products in Canada. Prior to joining Cosmo Canada in 1982, Mr. Horak worked with several top electronic companies and served as Sanyo's Vice President of Sales and Marketing. He leads the sales team to open new markets and develop new products and works closely with the administrative group and warehouse supporting group.

15. CORPORATE INFORMATION

Principal place of business of the Company in Hong Kong	Rooms 05-15, 13A/F., South Tower World Finance Centre, Harbour City 17 Canton Road, Tsim Sha Tsui Kowloon, Hong Kong
Registered office	Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda
Auditor	Deloitte Touche Tohmatsu 35th floor, One Pacific Place 88 Queensway, Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong
	Hang Seng Bank Limited 83 Des Voeux Road Central, Hong Kong
Principal share registrar and transfer agent	MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda

Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong
Company secretary	Lam Wai Kei *(a practicing member of the Hong Kong Institute of Certified Public Accountants)*
Authorised representatives	Wang Xing Qiao Rooms 05-15, 13A/F., South Tower World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong Lam Wai Kei Rooms 05-15, 13A/F., South Tower World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong

16. PARTIES INVOLVED IN THE OPEN OFFER AND THE WHITEWASH WAIVER

Underwriters	Achieve Prosper Offshore Chambers, P.O. Box 217, Apia, Samoa Kingston Securities Limited Suite 2801 28th Floor, One International Finance Centre 1 Harbour View Street Central, Hong Kong

Concert Group	Achieve Prosper *(Note)* Offshore Chambers, P.O. Box 217, Apia Samoa
	Hong Kong Shihua *(Note)* Rooms 05-15, 13A/F., South Tower World Finance Centre, Harbour City 17 Canton Road, Tsim Sha Tsui Kowloon, Hong Kong
	Liaoning Shihua Property *(Note)* Rooms 05-15, 13A/F., South Tower World Finance Centre, Harbour City 17 Canton Road, Tsim Sha Tsui Kowloon, Hong Kong
	Wang Jing Rooms 05-15, 13A/F., South Tower World Finance Centre, Harbour City 17 Canton Road, Tsim Sha Tsui Kowloon, Hong Kong
	Wang Xing Qiao Rooms 05-15, 13A/F., South Tower World Finance Centre, Harbour City 17 Canton Road, Tsim Sha Tsui Kowloon, Hong Kong
	Wang Yi Qiao Rooms 05-15, 13A/F., South Tower World Finance Centre, Harbour City 17 Canton Road, Tsim Sha Tsui Kowloon, Hong Kong
	Hu Bao Qin Rooms 05-15, 13A/F., South Tower World Finance Centre, Harbour City 17 Canton Road, Tsim Sha Tsui Kowloon, Hong Kong

Note: Achieve Prosper's sole director is Mr. Wang Xing Qiao. Hong Kong Shihua's sole director is Mr. Wang Jing. Liaoning Shihua Property's sole director is Mr. Wang Jing.

Financial adviser to the Company in respect of the Open Offer	Kingston Corporate Finance Limited Suite 2801 28th Floor, One International Finance Centre 1 Harbour View Street Central, Hong Kong
	Euto Capital Partners Limited Room 2418 24/F Wing On Centre 111 Connaught Road Central Sheung Wan, Hong Kong
Independent financial adviser to the Independent Board Committee and the Independent Shareholders	Nuada Limited Unit 1805-08, 18/F Office Plus @Sheung Wan 93-103 Wing Lok Street Sheung Wan Hong Kong
Legal advisers to the Company	*As to Hong Kong Law* Locke Lord 21/F, Bank of China Tower 1 Garden Road, Central Hong Kong
	As to Cayman Islands Law Conyers Dill & Pearman Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands
Certified Public Accountants	Conpak CPA Limited Rooms 05-15, 13A/F., South Tower World Finance Centre, Harbour City 17 Canton Road, Tsim Sha Tsui Kowloon, Hong Kong

17. MISCELLANEOUS

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

18. DOCUMENTS FOR INSPECTION

Copies of the following documents are available (i) for inspection from 10 a.m. to 5 p.m. at Rooms 05-15, 13A/F., South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong; (ii) on the SFC's website at www.sfc.hk; and (iii) on the Company's website at www.00485.hk from the date of this circular up to and including the date of completion of the Open Offer:

(a) the Memorandum of Association and Bye-laws of the Company;

(b) the memorandum and articles of association of Achieve Prosper;

(c) the annual reports of the Company for two years ended 31 March 2014 and 2015;

(d) the letter from the Board to the Shareholders, the text of which is set out in the section headed "Letter from the Board" in this circular;

(e) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(f) the letter of advice from Nuada to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from Nuada" in this circular;

(g) the accountant's report on unaudited pro forma financial information of the Group as set out in Appendix II to this circular;

(h) the property valuation report on the Group's properties as set out in Appendix III to this circular;

(i) the material contracts referred to in the paragraph headed "11. Material contracts" of this appendix;

(j) the letters of consents referred to under the section headed "13. Experts and consents" in this appendix;

(k) the letter of consent from Kingston Corporate Finance Limited that it has given and has not withdrawn its consent to the publication of its name in this circular;

(l) the letter of consent from Euto Capital Partners Limited that it has given and has not withdrawn its consent to the publication of its name in this circular; and

(m) the Undertakings.

Shihua Development Company Limited
實華發展有限公司

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

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Shihua Development Company Limited (the "**Company**") will be held at Conference Room A, 16/F, Shihua Fujia Hotel, No. 43 Digong Road, Mingshan District, Benxi City, Liaoning Province, PRC at 10:00 a.m. on Monday, 21 December 2015 (Hong Kong time) for the following purposes (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 27 November 2015):

As special business, to consider and, if thought fit, pass the following resolutions of the Company:

SPECIAL RESOLUTION

1. "**THAT** subject to and condition upon (i) the Company's compliance with the Companies Act to effect the Capital Reduction (as defined below), which includes publication of a notice in relation to the Capital Reduction in Bermuda in accordance with the Companies Act 1981 of Bermuda and the Directors being satisfied that on the date the Capital Reduction is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they become due; and (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting approval of the listing of, and permission to deal in, the Adjusted Shares (as defined below), with effect from the business day (as defined below) immediately following the date on which this resolution is passed:

   (a) every four (4) issued and unissued shares of HK$0.10 each in the authorised share capital of the Company be consolidated into one (1) share of HK$0.40 (the "**Consolidated Share**") in the share capital of the Company (the "**Share Consolidation**");

   (b) the issued share capital of the Company be reduced (a) by eliminating any fraction of a Consolidated Share in the issued share capital of the Company following the Share Consolidation in order to round down the total number of Consolidated Shares to a whole number, and (b) through a cancellation of the paid up capital of the Company to the extent of HK$0.39 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK$0.40 to HK$0.01 (the "**Capital Reduction**");

(c) every unissued Consolidated Share of HK$0.40 in the authorised share capital of the Company (including the unissued Consolidated Shares resulting from the Capital Reduction) be sub-divided into forty (40) shares of HK$0.01 each (the "**Adjusted Shares**") in the share capital of the Company (the "**Share Subdivision**); and

(d) the credit arising from the Capital Reduction be transferred to the contributed surplus account of the Company such that the Directors may apply such surplus in any manner permitted by the laws of Bermuda and the bye-laws of the Company including but not limited to offsetting against the balance of the accumulated losses of the Company up to the date on which the Capital Reorganisation becomes effective;

(e) the Adjusted Shares shall rank pari passu in all respects with each other and have the same rights and privileges as regards dividend, capital, redemption, attendance at meetings, voting, etc. and be subject to the restrictions in respect of ordinary shares contained in the bye-laws of the Company;

(f) the directors of the Company be and are hereby generally authorised to do all such acts, deeds and things and execute all such documents, including under the seal of the Company, where applicable, as they may consider necessary or expedient to complete, implement and give effect to any and all the arrangements set out in this resolution.

For the purpose of this resolution, "business day" means a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for business."

ORDINARY RESOLUTIONS

2. "**THAT** conditional upon fulfilment or waiver (where applicable) of the conditions of the Underwriting Agreement (as defined below):

(a) the allotment and issue of 2,920,568,484 Adjusted Shares in the share capital of the Company (the "**Offer Shares**") by way of open offer (the "**Open Offer**") at a subscription price of HK$0.086 per Offer Share on the basis of four (4) Offer Shares for every one (1) Adjusted Share to the qualifying holders of the Adjusted Shares (the "**Qualifying Shareholders**") of the Company whose names appear on the register of members of the Company at 4:00 p.m. on Wednesday, 6 January 2016 (or such later date as the Company and the Underwriters (as defined below) may agree to be the record date for such Open Offer) (the "**Record Date**") other than those shareholders of the Company whose registered addresses in the Company's register of members as at the Record Date are outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place (the "**Excluded Shareholders**") as described in further details in the Company's circular dated 27 November 2015 and on and subject to such terms and conditions as may be determined by the Directors and otherwise pursuant to and subject to the fulfillment of the conditions set out in the underwriting agreement (the "**Underwriting Agreement**", including all supplemental agreement(s) or side letter(s) relating thereto, if any) (a copy of which has been produced to this meeting marked "**A**" and signed by the chairman of this meeting for the purpose of identification) dated 20 August 2015 (as supplemented by two side letters dated 7 October 2015 and 25 November 2015 respectively) and made between the Company (as issuer) and Achieve Prosper Capital Limited ("**Achieve Prosper**") and Kingston Securities Limited (as underwriters) (collectively, the "**Underwriters**"), and the transactions contemplated thereunder, be and are hereby approved;

(b) the absence of excess application arrangement under the Open Offer be and is hereby approved;

(c) any one Director be and is hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to Excluded Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong;

(d) the entering into of the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company be and are hereby approved; and

(e) any one Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer or as he considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder or in this resolution."

3. "**THAT** subject to the Executive Director (the "**Executive**") of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any of his delegate(s)) granting to Achieve Prosper and/or the persons acting in concert with it the whitewash waiver from the obligation of Achieve Prosper to make a mandatory offer under Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") as a result of the underwriting of the Offer Shares under the Underwriting Agreement pursuant to Note 1 on dispensations from

Rule 26 of the Takeovers Code (the "**Whitewash Waiver**") and the satisfaction of any condition(s) attached to the Whitewash Waiver and such other necessary waiver or consent of the Executive for the transactions contemplated under the Open Offer, the Whitewash Waiver be and is hereby approved."

By Order of the Board of Directors
Shihua Development Company Limited
WANG Jing
Chairman

Hong Kong, 27 November 2015

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

Head office and principal place of business in Hong Kong:
Rooms 05-15, 13A/F,
South Tower, World Finance Centre,
Harbour City, 17 Canton Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

Notes:–

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the branch share registrar of the Company, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.

As at the date of this notice, the Board comprises Mr. Wang Jing, Mr. Wang Xing Qiao, Mr. Chen Wan Jin and Mr. Zhao Shuang as executive Directors; Mr. Li Jun as non-executive Director; and Mr. Yang Xin Hua, Mr. Wang Ping and Mr. Cheng Tai Kwan Sunny as independent non-executive Directors.