

The Directors  
SIH Limited

24 May 2014

Dear Sirs,

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

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

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

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



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

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

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

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

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

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

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

<sup>1</sup> Directly held by SIH.

<sup>2</sup> These subsidiaries are PRC wholly foreign owned enterprises.

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

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

<sup>5</sup> The subsidiary was disposed of during the eight months ended 30 November 2013.

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

<sup>7</sup> Panyu SFEM was merged into SFM Panyu during the year ended 31 March 2013.

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

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

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



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

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

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

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

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

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

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

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

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

**A. FINANCIAL INFORMATION**

**Consolidated Statements of Comprehensive Income**

	NOTES	Year ended 31 March		
		2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Turnover	6	637,633	631,830	515,408
Cost of sales		<u>(532,743)</u>	<u>(571,348)</u>	<u>(465,183)</u>
Gross profit		104,890	60,482	50,225
Other income	7	14,627	18,342	9,918
Distribution costs		(100,046)	(139,213)	(66,110)
Administrative expenses		(115,404)	(104,614)	(83,172)
Other gains and losses	8	(767)	(66,000)	(31,138)
Increase in fair value of investment properties	13	61,381	54,346	68,904
Interest expenses		(8,081)	(7,369)	(5,271)
Share of profit (loss) of an associate		<u>303</u>	<u>(55)</u>	<u>(225)</u>
Loss before taxation	9	(43,097)	(184,081)	(56,869)
Taxation	11	<u>(840)</u>	<u>(10,434)</u>	<u>7,389</u>
Loss for the year		<u>(43,937)</u>	<u>(194,515)</u>	<u>(49,480)</u>
Other comprehensive income (expense)				
Exchange difference arising on translation of foreign operations		288	(495)	75
Revaluation of leasehold properties for own use upon transfer to investment properties		1,321	40,979	-
Deferred tax liability on revaluation of leasehold properties for own use upon transfer to investment properties		<u>-</u>	<u>(2,357)</u>	<u>-</u>
Other comprehensive income for the year		<u>1,609</u>	<u>38,127</u>	<u>75</u>
Total comprehensive expense for the year		<u>(42,328)</u>	<u>(156,388)</u>	<u>(49,405)</u>

	<b>Year ended 31 March</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year attributable to:			
Owners of SIH	(41,239)	(195,858)	(60,922)
Non-controlling interests	<u>(2,698)</u>	<u>1,343</u>	<u>11,442</u>
	<u><u>(43,937)</u></u>	<u><u>(194,515)</u></u>	<u><u>(49,480)</u></u>
 Total comprehensive (expense) income for the year attributable to:			
Owners of SIH	(39,648)	(157,699)	(60,852)
Non-controlling interests	<u>(2,680)</u>	<u>1,311</u>	<u>11,447</u>
	<u><u>(42,328)</u></u>	<u><u>(156,388)</u></u>	<u><u>(49,405)</u></u>

## Consolidated Statements of Financial Position

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

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

## Statements of Financial Position of SIH

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

## Consolidated Statements of Changes in Equity

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



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

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

## Consolidated Statements of Cash Flows

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

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

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

## Notes to Financial Information

### 1. GENERAL

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

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

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

### 2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

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

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

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

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

#### New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle <sup>6</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle <sup>5</sup>

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

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2014.

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

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2014.

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

#### HKFRS 9 “Financial instruments”

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

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

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

#### **HKFRS 13 "Fair value measurement"**

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

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

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

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific



conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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

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

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

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

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

##### **Basis of consolidation**

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

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

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

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

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

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

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

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

## **Goodwill**

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

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

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

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

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

## **Investments in associates**

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

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

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

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

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

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

#### **Revenue recognition**

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

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

Commission income is recognised when services are rendered.

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

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

#### **Property, plant and equipment**

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

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

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

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

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

### **Investment properties**

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

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

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

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

### **Financial instruments**

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

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

### ***Financial assets***

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

#### *Effective interest method*

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

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

#### *Financial assets at fair value through profit or loss*

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

A financial asset is classified as held for trading if:

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

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

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

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

#### *Loans and receivables*

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

#### *Available-for-sale financial assets*

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

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

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

#### *Impairment of financial assets*

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

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

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

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

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

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

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

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

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

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

#### ***Financial liabilities and equity instruments***

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

#### ***Equity instruments***

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

#### ***Effective interest method***

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

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

#### ***Financial liabilities***

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

#### ***Derivative financial instruments that do not qualify for hedge accounting***

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

#### ***Derecognition***

The SIH Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the SIH Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the SIH Group continues to recognise the

asset to the extent of its continuing involvement and recognises an associated liability. If the SIH Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the SIH Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

#### **Share-based payment transactions**

##### ***Equity-settled share-based payment transactions***

###### ***Share options granted to employees***

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

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

#### **Research and development expenditure**

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

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

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



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

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

### **Inventories**

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

### **Impairment (other than goodwill)**

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

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

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

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

### **Taxation**

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

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

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

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

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

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

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

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

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

#### **Leases**

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

#### ***The SIH Group as lessor***

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

### ***The SIH Group as lessee***

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

### ***Leasehold land and building***

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

### **Borrowing costs**

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

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

### **Foreign currencies**

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

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

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

#### **Retirement benefits costs**

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

### **5. KEY SOURCE OF ESTIMATION UNCERTAINTY**

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

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

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

#### **Allowances for inventories**

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

#### **Impairment of goodwill**

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

#### **Impairment of property, plant and equipment**

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

## Income taxes

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

## 6. SEGMENT INFORMATION

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

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

### Segment revenue and results

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

	Design, manufacture and sale of electronic products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Year ended 31 March 2011</b>				
TURNOVER	<u>637,633</u>	<u>-</u>	<u>-</u>	<u>637,633</u>
SEGMENT RESULTS	<u>(96,142)</u>	<u>66,210</u>	<u>117</u>	<u>(29,815)</u>
Interest income				81
Unallocated expenses				(5,585)
Share of profit of an associate				303
Interest expenses				<u>(8,081)</u>
Loss before taxation				<u>(43,097)</u>

	Design, manufacture and sale of electronic products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Year ended 31 March 2012</b>				
TURNOVER	631,830	—	—	631,830
SEGMENT RESULTS	(213,646)	60,928	(448)	(153,166)
Interest income				63
Unallocated income				78
Unallocated expenses				(23,632)
Share of loss of an associate				(55)
Interest expenses				(7,369)
Loss before taxation				(184,081)
<b>Year ended 31 March 2013</b>				
TURNOVER	515,408	—	—	515,408
SEGMENT RESULTS	(120,503)	77,754	224	(42,525)
Interest income				11
Unallocated income				142
Unallocated expenses				(9,001)
Share of loss of an associate				(225)
Interest expenses				(5,271)
Loss before taxation				(56,869)

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

### Segment assets and liabilities

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

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

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

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

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



**Other segment information**

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

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

	<b>Design, manufacture and sale of electronic products</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>	<b>Securities trading</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
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Amounts included in the measurement of segment results or segment assets:

**Year ended 31 March 2013**

Additions of property, plant and equipment	2,841	-	-	2,841
Increase in fair value of investment properties	-	68,904	-	68,904
Increase in fair value of derivative financial instruments	-	-	44	44
Increase in fair value of financial assets designated at fair value through profit or loss	-	-	7	7
Increase in fair value of investments held for trading	-	-	160	160
Release of prepaid lease payments	121	-	-	121
Depreciation of property, plant and equipment	19,075	-	-	19,075
Allowance for doubtful debts	3,072	-	-	3,072
Allowance for obsolete and slow-moving inventories	33,379	-	-	33,379
Impairment loss recognised in respect of property, plant and equipment	25,634	-	-	25,634

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

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

### Geographical segments

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

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

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

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

### Information about major customers

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

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

<sup>1</sup> Revenue from sales of electronic products.

7. OTHER INCOME

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

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

8. OTHER GAINS AND LOSSES

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

9. LOSS BEFORE TAXATION

	Year ended 31 March		
	2011	2012	2013
	HK\$'000	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)	5,890	18,000	33,379
Auditors' remuneration	3,187	3,182	3,472
Depreciation of property, plant and equipment	39,975	30,417	19,075
Interest expenses on borrowings wholly repayable within five years	8,081	7,369	5,271
Minimum lease payments under operating leases in respect of rented premises	9,033	9,635	8,765
Release of prepaid lease payments	121	121	121
Research and development costs (note (a))	29,050	22,899	13,172
Staff costs including directors' remuneration (note (b))	93,065	76,088	56,257

Notes:

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

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

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

For the year ended 31 March 2011

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

For the year ended 31 March 2012

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

For the year ended 31 March 2013

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

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

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

**Employees**

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

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

Emoluments of these employees were within the following bands:

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

## 11. TAXATION

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

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

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

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



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

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

## 12. DIVIDEND

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

13. INVESTMENT PROPERTIES

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

15. **PREPAID LEASE PAYMENTS**

The SIH Group's prepaid lease payments comprise:

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

16. **PRODUCT DEVELOPMENT COSTS**

*HK\$'000*

**THE SIH GROUP**

**COST**

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

1,732

**AMORTISATION**

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

1,732

**CARRYING VALUE**

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

—

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

17. **GOODWILL**

HK\$'000

**THE SIH GROUP**

<b>COST</b>	
At 1 April 2010, 31 March 2011, 31 March 2012 and 31 March 2013	<u>28,053</u>
<b>IMPAIRMENT</b>	
At 1 April 2010 and 31 March 2011	1,569
Impairment loss recognised in profit or loss	<u>8,819</u>
At 31 March 2012 and 31 March 2013	<u>10,388</u>
<b>CARRYING VALUE</b>	
At 31 March 2012 and 31 March 2013	<u><u>17,665</u></u>
At 31 March 2011	<u><u>26,484</u></u>

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

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

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

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

18. INVESTMENTS IN SUBSIDIARIES

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

19. INTEREST IN AN ASSOCIATE

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

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

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

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



20. AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

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

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

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

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

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

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

**THE SIH GROUP AND SIH**

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

**23. INVENTORIES**

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

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

**24. DEBTORS, DEPOSITS AND PREPAYMENTS**

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

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

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

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

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

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

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

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

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

**Movements in the allowance for doubtful debts**

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

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

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

**25. INVESTMENTS HELD FOR TRADING**

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

**26. BANK BALANCES AND CASH**

**THE SIH GROUP**

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

27. CREDITORS AND ACCRUED CHARGES

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

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

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

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

28. **BORROWINGS**

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

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

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

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

## 29. DEFERRED TAXATION

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

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

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

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

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

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



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

### 30. SHARE CAPITAL

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

### 31. RESERVES OF SIH

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

### 32. SHARE OPTION SCHEME OF SMC

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

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

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

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

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

**For the year ended 31 March 2011**

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

For the year ended 31 March 2012

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

For the year ended 31 March 2013

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

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

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

Fair value of share options and assumptions:

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

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

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

### 33. CAPITAL RISK MANAGEMENT

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

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

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

### 34. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

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

#### Financial risk management objectives and policies

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

#### Currency risk

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

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

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

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

*Sensitivity analysis*

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

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

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

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

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

*Interest rate risk*

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

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

*Sensitivity analysis*

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

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

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

#### *Price risk*

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

#### *Sensitivity analysis*

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

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

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

#### *Credit risk*

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

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

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

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



### Liquidity risk

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

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

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

### Liquidity and interest risk tables

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

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

#### Fair value

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

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

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

#### *Fair value measurements recognised in the consolidated statements of financial position*

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

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

	At 31 March 2011		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Investments held for trading	2,252	—	2,252
Financial assets designated at fair value through profit or loss	—	20	20
	<u>2,252</u>	<u>20</u>	<u>2,272</u>
	At 31 March 2012		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Investments held for trading	1,594	—	1,594
Financial assets designated at fair value through profit or loss	—	18	18
	<u>1,594</u>	<u>18</u>	<u>1,612</u>
Derivative financial liabilities	<u>17</u>	<u>—</u>	<u>17</u>
	At 31 March 2013		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Investments held for trading	1,043	—	1,043
Financial assets designated at fair value through profit or loss	—	25	25
	<u>1,043</u>	<u>25</u>	<u>1,068</u>

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

### 35. CAPITAL COMMITMENTS

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

### 36. OPERATING LEASE COMMITMENTS

#### As lessee

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

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

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

#### As lessor

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

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

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

### 37. PLEDGE OF ASSETS

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

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

### 38. MAJOR NON-CASH TRANSACTION

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

### 39. RETIREMENT BENEFITS SCHEME

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

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

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

### 40. RELATED PARTY TRANSACTIONS

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

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

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

## **B. DIRECTORS' REMUNERATION**

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

## **C. EVENTS AFTER THE REPORTING PERIOD**

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

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

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

**Assets and liabilities**

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

**Profit or loss and other comprehensive income**

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



## Cash flows

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

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

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

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

**Assets and liabilities**

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

**Profit or loss and other comprehensive income**

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

## Cash flows

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

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

**D. SUBSEQUENT FINANCIAL STATEMENTS**

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

Yours faithfully,

A handwritten signature in cursive script that reads "Deloitte Touche Tohmatsu".

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