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If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in The Grande Holdings Limited (In Liquidation in Hong Kong) (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, the licensed securities dealer or registered institution or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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GRANDE

THE GRANDE HOLDINGS LIMITED

嘉域集團有限公司

(In Liquidation in Hong Kong)

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 186)

**(1) PROPOSED RESTRUCTURING OF THE GRANDE HOLDINGS LIMITED
(IN LIQUIDATION IN HONG KONG)
INVOLVING, INTER ALIA,
PROPOSED CAPITAL REORGANISATION;
OPEN OFFER ON THE BASIS OF FIVE OFFER SHARES FOR
EVERY TWO NEW SHARES HELD ON THE OPEN OFFER RECORD DATE;
AND CREDITORS' SCHEMES OF ARRANGEMENT
IN ACCORDANCE WITH
SECTION 99 OF THE COMPANIES ACT OF BERMUDA AND
SECTION 670 OF THE COMPANIES ORDINANCE OF HONG KONG;
(2) CONNECTED TRANSACTIONS INVOLVING
ISSUE OF CREDITOR SHARES UNDER SPECIFIC MANDATE AND
OPEN OFFER UNDERWRITING ARRANGEMENTS;
(3) ELECTION AND RE-ELECTION OF DIRECTORS;
(4) ADOPTION OF NEW BYE-LAWS;
AND
(5) NOTICE OF SGM**

Financial adviser to the Company



ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

Independent Financial Adviser to Independent Shareholders



VC CAPITAL LIMITED
滙盈融資有限公司

A letter from the Provisional Liquidators is set out on pages 16 to 88 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Shareholders is set out on pages 89 to 116 of this circular.

A notice convening the SGM of the Company to be held at Level 22, The Center, 99 Queen's Road Central, Central, Hong Kong at 10:00 a.m. on Friday, 1 April 2016 is set out on pages SGM-1 to SGM-6 of this circular. Whether or not you are able to attend the SGM of the Company in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the SGM of the Company or any adjournment thereof. Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person in the SGM of the Company or any adjourned meeting should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

9 March 2016

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DEFINITIONS

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

“affiliate(s)”	in relation to any corporation, any other person directly or indirectly controlled by, controlling or under common control with, the corporation, and for such purposes, “control” of a person means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the person, whether through the ownership or voting of securities, by contract or otherwise
“Application Form”	the application form in respect of the Offer Shares to be issued to the Qualifying Shareholders, being in such form as may be agreed between the Company and the Underwriter
“Asian Capital”	Asian Capital (Corporate Finance) Limited, a corporation licensed under the SFO to carry on types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities as defined under the SFO, the financial adviser to the Company
“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“Authorised Share Capital Increase”	the proposed increase of the authorised share capital of the Company from HK\$4,602,273.20 following completion of the Capital Cancellation and Capital Reduction to HK\$200,000,000 by creating 19,539,772,680 New Shares of HK\$0.01 each
“Bermuda Court”	the Supreme Court of Bermuda
“Bermuda Scheme”	the proposed scheme of arrangement to be made between the Company and the Creditors pursuant to section 99 of the Companies Act as described in this circular
“Board”	the board of Directors

DEFINITIONS

“business day(s)”	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Bye-Laws”	the bye-laws of the Company
“Capital Cancellation”	the proposed cancellation of the existing authorised but unissued share capital of the Company in its entirety
“Capital Reduction”	the proposed reduction of the par value of each issued Share from HK\$0.10 to HK\$0.01
“Capital Reorganisation”	the proposed restructuring of the share capital of the Company comprising the Capital Cancellation, Capital Reduction, Share Premium Reduction and Authorised Share Capital Increase
“Cash Alternative”	the cash alternative for the Cash Alternative Creditors in the amount of 60 cents in a dollar on admitted Creditors’ claims, to be funded by the net proceeds of the Open Offer underwritten by Sino Bright and any excess to be funded by Sino Bright by direct contribution to the Schemes, subject to the Creditor Shares that would otherwise have been issued in respect of the portion of the admitted claim funded by it being allotted to it instead.
“Cash Alternative Creditors”	Creditors who are eligible for the Cash Alternative being creditors other than Sino Bright, McVitie Group Holdings Limited and Gain Alpha Finance Limited or its associates and persons acting in concert with any of them
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda (as amended from time to time)

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company (WUMP) Ordinance”	the Company (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	The Grande Holdings Limited (In Liquidation in Hong Kong), a company incorporated in the Cayman Islands and continued in Bermuda, as an exempted company with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Restructuring Agreement
“Conditions Precedent”	the conditions precedent of the Restructuring Agreement, as set out in the paragraph headed “Conditions Precedent of the Restructuring Agreement” in this circular
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“Costs and Expenses”	the costs and expenses of the Company and fees of the Provisional Liquidators incurred after 16 December 2013 in and about the finalisation and/or implementation of the Restructuring Proposal, which has been capped at HK\$45 million pursuant to the Revised Restructuring Agreement, save to the extent they are related to the Open Offer and have been deducted from gross proceeds thereof or paid by Sino Bright and admitted as a scheme debt
“Courts”	the Bermuda Court and the Hong Kong Court
“Creditors”	collectively all the creditors of the Company who have a claim against the Company as at the date on which the Schemes become effective

DEFINITIONS

“Creditors Share(s)”	3,917,226,052 New Shares (assuming all the Cash Alternative Creditors accept Cash Alternative)/ 4,142,045,880 New Shares (assuming none of the Cash Alternative Creditors accept the Cash Alternative), representing approximately 70.86% of the issued share capital of the Company upon completion of the Capital Reorganisation, the Open Offer and the Schemes (assuming all Cash Alternative Creditors accept the Cash Alternative) or 72.00% assuming that none of them do to be made available under the Schemes to settle all claims of the Scheme Creditors
“Director(s)”	the director(s) of the Company
“Director’s Undertaking”	the declaration and undertaking with regard to directors in the form set out in Appendix 5 Form B to the Listing Rules
“Emerson”	Emerson Radio Corp., a company incorporated in Delaware, the US and a 56% owned subsidiary of the Company whose shares are listed on the NYSE Alternext of US
“Excluded Companies”	the following subsidiaries of the Company: <ul style="list-style-type: none">(i) Nakamichi Enterprises Limited and its subsidiaries;(ii) Hi-Tech International Limited and its subsidiaries;(iii) The Grande (Nominees) Limited and its subsidiaries;(iv) Akai Sales Pte Ltd (In Liquidation) and its subsidiaries;(v) Hi-Tech Precision Products Limited;(vi) The Grande (Secretaries) Service Limited and its subsidiaries;(vii) Capetronic Far Eastern Holdings Limited and its subsidiaries;(viii) Lafe Holdings Limited and its subsidiaries;

DEFINITIONS

	(ix) Hongkew Holdings Limited and its subsidiaries;
	(x) Nakamichi Vision 21 Limited;
	(xi) Sound View International Limited;
	(xii) The Alpha Capital Limited;
	(xiii) Brighton Marketing Limited;
	(xiv) TWD International Limited;
	(xv) Tomei Industrial (Holdings) Limited;
	(xvi) Akai Enterprises Limited; and
	(xvii) Devon Technical Services Limited.
“Excluded Shareholders”	those overseas Shareholders to whom the Company (having obtained relevant and necessary legal opinions) considers it necessary or expedient not to offer the Offer Shares on account of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Existing Bye-Laws”	the existing Bye-Laws
“Grande Licensing Business”	licensing business operations of Akai, Nakamichi and Sansui trademarks
“Group”	the Company and its subsidiaries
“Group Reorganisation”	the proposed reorganisation of the Group’s structure which envisages that all Excluded Companies be struck off or placed into voluntary liquidation and deconsolidated from the Group’s financial statements
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Court”	the High Court of Hong Kong

DEFINITIONS

“Hong Kong Scheme”	the proposed scheme of arrangement to be made between the Company and the Creditors pursuant to section 670 of the Companies Ordinance as described in this circular
“Independent Financial Adviser”	VC Capital Limited, a licenced corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser advising the Independent Shareholders on the transactions described in this circular
“Independent Shareholders”	Shareholders other than Barrican Investments Corporation and its associates and those Shareholders who have a material interest in the relevant resolutions to be proposed at the SGM
“independent third party(ies)”	third party(ies) independent of the Company and its connected persons as defined under the Listing Rules
“Last Acceptance Date”	29 April 2016 or such later date as is agreed between the Company and the Underwriter, being the last date for acceptance of and payment for the Offer Shares
“Last Trading Day”	27 May 2011, being the last full trading day immediately before the Suspension
“Latest Practicable Date”	7 March 2016, being the latest practicable date prior to the printing of this circular for ascertaining information of this circular
“Latest Time for Termination”	4:00 p.m., on Thursday, 5 May 2016, or such later date as is agreed between the Company and the Underwriter, being the latest time for the Underwriter to terminate the Underwriting Agreement
“Listing Appeals Committee”	the Listing Appeals Committee of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Division”	the Listing Division of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Long Stop Date”	the date falling 18 months after the date of the Restructuring Agreement (i.e. 14 June 2017)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“McVitie”	McVitie Group Holdings Limited, a company incorporated in the BVI and one of the Creditors
“Mr. Christopher W. Ho”	Mr. Ho Wing On, Christopher, a former Director and one of the beneficiaries of a discretionary trust which owns 328,497,822 Shares, representing approximately 71.38% of the issued share capital of the Company as at the Latest Practicable Date
“New Board”	the new Board to be formed comprises of the proposed Directors set out in the paragraph headed “Board composition of the Company and proposed appointment of new Directors” in this circular
“New Bye-Laws”	the new Bye-Laws to be adopted by a special resolution at the SGM in substitution for and to the exclusion of the existing Bye-Laws
“New Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately following the Capital Reorganisation becoming effective
“News Release”	the news release published by the Stock Exchange on 25 March 2013 in relation to the Listing Appeals Committee censure of the Company and a number of its former and existing Directors for breaching the Listing Rules and/or the Director’s Undertaking

DEFINITIONS

“NYSE MKT LLC”	an American stock exchange situated in New York City, New York, US
“Offer Price”	HK\$0.087 for each of the Offer Shares
“Offer Shares”	New Shares to be allotted and issued under the Open Offer, being 1,150,568,300 New Shares
“Open Offer”	the proposed issue of the Offer Shares on the basis of five (5) Offer Shares for every two (2) New Shares held on the Open Offer Record Date by the Qualifying Shareholders at the Offer Price on the terms to be set out in the Prospectus and summarised herein
“Open Offer Record Date”	the date by reference to which entitlements under the Open Offer to be determined
“Posting Date”	15 April 2016, or such other date as the Company and the Underwriter may agree in writing, being the date on which the Prospectus Documents shall be issued and despatched to the Qualifying Shareholders as contemplated under the Underwriting Agreement
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan (unless otherwise indicated)
“Proposed Restructuring”	the proposed restructuring of the Company, which involves, amongst others matters, the Capital Reorganisation, the Open Offer, the Schemes and the Group Reorganisation
“Prospectus”	a document relating to the Open Offer to be despatched to Qualifying Shareholders, in such form as may be agreed between the Company and the Underwriter
“Prospectus Documents”	the Prospectus and the Application Form
“Provisional Liquidators”	Mr. Roderick John Sutton and Mr. Fok Hei Yu, both of FTI Consulting (Hong Kong) Limited, being the joint and several provisional liquidators of the Company in Hong Kong acting as agents without personal liability

DEFINITIONS

“Public Float”	having the same meaning as ascribed to it under Rule 8.08 of the Listing Rules
“Qualifying Shareholders”	the Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company as at the close of business on the Open Offer Record Date
“Restructured Group”	the Group after completion of the Group Reorganisation
“Restructuring Agreement”	the restructuring agreement entered into between the Company, the Provisional Liquidators and Sino Bright on 2 May 2014 in respect of the Restructuring Proposal as amended and supplemented by the Side Letter and the Revised Restructuring Agreement
“Restructuring Proposal”	the restructuring proposal received by the Provisional Liquidators from Sino Bright on 12 November 2013 and 2 December 2013 as from time to time amended or supplemented by agreement for the purpose of seeking Resumption
“Resumption”	the resumption of trading in the Shares on the Stock Exchange
“Resumption Conditions”	various conditions imposed by the Stock Exchange or any other conditions which may be imposed by the Stock Exchange for the purpose of allowing the Resumption
“Resumption Proposal”	the resumption proposal submitted to the Stock Exchange on 5 February 2015 (together with various subsequent relevant submissions) by the Provisional Liquidators in connection with the Restructuring Proposal as may be amended and updated from time to time for the purpose of seeking the Resumption
“Revised Restructuring Agreement”	the revised restructuring agreement entered into between the Company, the Provisional Liquidators, McVitie and Sino Bright on 14 December 2015

DEFINITIONS

“Scheme Creditors”	all Creditors having a claim against the Company which has been admitted by the Scheme Administrators
“Schemes”	the Hong Kong Scheme and Bermuda Scheme
“Schemes Administrators”	such persons who are appointed as the scheme administrators or their successors pursuant to the terms of the Schemes
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held to consider, among other matters, all the resolutions of the Company necessary or appropriate in relation to the Capital Reorganisation, the Open Offer, the Schemes, the election and re-election of Directors, the adoption of the New Bye-Laws and any other matters as required by law, the Listing Rules, the Stock Exchange and/or the SFC, which are necessary to give effect to the Restructuring Proposal, any transactions contemplated under the Restructuring Agreement and this circular
“Share(s)”	the ordinary share(s) of the Company which are listed on the Main Board of the Stock Exchange from time to time
“Share Premium Reduction”	the proposed reduction of the share premium account of the Company and the application of the credit arising therefrom to set off part of the accumulated losses of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Side Letter”	the side letter to Restructuring Agreement entered into between the Provisional Liquidators and Sino Bright on 7 July 2014

DEFINITIONS

“Sino Bright”	Sino Bright Enterprises Co., Ltd., a company incorporated in the BVI and a Creditor
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Suspension”	the suspension in trading of the Shares on the Main Board of the Stock Exchange that took effect on 30 May 2011
“Underwriter”	Sino Bright who will act as the underwriter to the Open Offer on fully underwritten basis
“Underwriting Agreement”	the underwriting agreement dated 4 March 2016 entered into between the Company and the Underwriter by way of a deed in relation to the Open Offer, pursuant to which the Underwriter will fully underwrite, free of commissions, the Offer Shares not accepted by the Qualifying Shareholders under the Open Offer
“Underwriting Announcement”	the announcement of the Company dated 7 March 2016, in relation to among others, details of the Open Offer and Underwriting Agreement
“Untaken Shares”	Offer Shares which have been offered to but have not been accepted by the Qualifying Shareholders, Offer Shares representing aggregated fractional entitlements, and the Offer Shares to which Excluded Shareholders would have been entitled if they were regarded as Qualifying Shareholders
“US”	the United States of America
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States dollar(s), the lawful currency of the US
“%”	per cent

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

EXPECTED TIMETABLE

The expected timetable set out below is for indicative purposes only and has been prepared based on the assumption that all the conditions of the Capital Reorganisation and the Open Offer will be fulfilled. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.

Event	Expected date/time <i>(note 1)</i>
Creditors' meetings to approve the Scheme	10:30 a.m. on 14 March 2016
Latest time to lodge the form of proxy for attending the SGM.	10:00 a.m. on 30 March 2016
SGM	10:00 a.m. on 1 April 2016
Announcement of results of the SGM	1 April 2016
Effective date of the Capital Reorganisation <i>(note 2)</i>	2 April 2016
Last day of dealing in New Shares on a cum-entitlement basis	8 April 2016
First day of dealing in New Shares on an ex-entitlement basis.	11 April 2016
Latest time to lodge transfer documents for registration.	4:30 p.m. on 12 April 2016
Closure of register of members to determine the eligibility for the Open Offer	13 April 2016
Open Offer Record Date.	13 April 2016
Despatch of the Prospectus Documents	15 April 2016
Hong Kong Court hearing to sanction the Scheme <i>(note 3(b))</i>	11:30 a.m. on 15 April 2016
Bermuda Court hearing to sanction the Scheme <i>(note 3(a))</i>	9:30 a.m. on 15 April 2016 (Bermuda Time)

EXPECTED TIMETABLE

Event	Expected date/time <i>(note 1)</i>
Effective date of the Schemes	18 April 2016
Latest time for acceptance and payment of the Offer Shares	4:00 p.m. on 29 April 2016
Orders granted by the Hong Kong Court regarding the permanent stay of the winding up proceeding of the Company and discharge the Provisional Liquidators <i>(note 3(b))</i>	10:00 a.m. on 3 May 2016
Latest time for termination of the Underwriting Agreement	4:00 p.m. on 5 May 2016
Announcement of the allotment results of the Open Offer	6 May 2016
Despatch of certificates for the New Shares (including the New Shares then in issue and the Offer Shares) or refund cheques for the Open Offer, if the Open Offer is terminated <i>(note 3)</i>	9 May 2016
Last date for striking off or commence liquidation of Excluded Companies under the Group Reorganisation	on or before 9 May 2016
Issuance of Creditors Shares to the Scheme Creditors	9 May 2016
Completion of all the Resumption Conditions and publication of an announcement relating to the Resumption	10 May 2016
Resumption and dealings in the New Shares <i>(notes 4 and 5)</i>	11 May 2016

EXPECTED TIMETABLE

Notes:

- (1) All references to time in this circular are references to Hong Kong time unless otherwise stated.
- (2) At a date not more than 30 days and not less than 15 days before the effective date of the Capital Reduction and Share Premium Reduction, a notice is to be published in an appointed newspaper in Bermuda (Section 46(2) of the Companies Act).
- (3) Subject to completion of the Capital Reorganisation, the Company will post the new share certificate(s) for the New Shares at the Company's expense.
 - (a) The Bermuda Court has directed the hearing be fixed on this date.
 - (b) The Hong Kong Court has directed the hearing be fixed on this date.
- (4) Upon Resumption, in order to facilitate the trading of odd lots of New Shares arising from the Capital Reorganisation, the Open Offer and the Schemes, the Company will appoint an agent to arrange for matching services regarding the sale and purchase of odd lots of New Shares, on a best effort basis, to those Shareholders who wish to top-up to a full board lot or sell their shareholdings of odd lots of New Shares. Holders of New Shares in odd lots should note that the matching of sale and purchase of odd lots of New Shares is on best effort basis and successful matching of sale and purchase of odd lots of New Shares is not guaranteed. Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility. Further announcement in respect of the details of the agent and the matching services will be made by the Company in due course.
- (5) The expected timetable set out above in relation to the Resumption is tentative and for indicative purposes only, and should there be any changes, the Company will issue further announcement(s) on the timetable as and when appropriate.

EXPECTED TIMETABLE

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

If there is:

- a tropical cyclone warning signal number 8 or above; or
 - a “black” rainstorm warning
- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Last Acceptance Date, the latest time for acceptance of and payment for the Offer Shares will not take place at 4:00 p.m. on the Last Acceptance Date, but will be extended to 5:00 p.m. on the same day instead;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Last Acceptance Date, the latest time for acceptance of and payment for the Offer Shares will not take place on the Last Acceptance Date, but will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Offer Shares does not take place on the Last Acceptance Date, the dates mentioned in the section headed “Expected Timetable” in this circular may be affected. An announcement will be made by the Company in such event.

LETTER FROM THE PROVISIONAL LIQUIDATORS

GRANDE

THE GRANDE HOLDINGS LIMITED

嘉域集團有限公司

(In Liquidation in Hong Kong)

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 186)

Provisional Liquidators:

Mr. Fok Hei Yu
Mr. Roderick John Sutton

Executive Directors:

Mr. Tang Hoi Nam
Mr. Eduard William Rudolf Helmuth Will

Registered office:

Wessex House, 5th Floor
45 Reid Street
Hamilton HM12
Bermuda

Principal place of business:

Level 22, The Center,
99 Queen's Road Central,
Central, Hong Kong

9 March 2016

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED RESTRUCTURING OF THE GRANDE HOLDINGS LIMITED
(IN LIQUIDATION IN HONG KONG)
INVOLVING, INTER ALIA,
PROPOSED CAPITAL REORGANISATION;
OPEN OFFER ON THE BASIS OF FIVE OFFER SHARES FOR
EVERY TWO NEW SHARES HELD ON THE OPEN OFFER RECORD DATE;
AND CREDITORS' SCHEMES OF ARRANGEMENT
IN ACCORDANCE WITH
SECTION 99 OF THE COMPANIES ACT OF BERMUDA AND
SECTION 670 OF THE COMPANIES ORDINANCE OF HONG KONG;
(2) CONNECTED TRANSACTIONS INVOLVING
ISSUE OF CREDITORS SHARES UNDER SPECIFIC MANDATE AND
OPEN OFFER UNDERWRITING ARRANGEMENTS;
(3) ELECTION AND RE-ELECTION OF DIRECTORS;
(4) ADOPTION OF NEW BYE-LAWS;
AND
(5) NOTICE OF SGM**

INTRODUCTION

References are made to the announcements of the Company dated 12 February 2014, 31 March 2014, 12 May 2014, 10 July 2014, 18 December 2015 and 22 December 2015 in relation to, among others, the Restructuring Proposal, the entering into the Restructuring Agreement, entering into the Revised Restructuring Agreement and the Resumption Proposal. Reference is also made to the announcement of the Company dated 7 March 2016 in relation to the Open Offer and the Underwriting Agreement.

LETTER FROM THE PROVISIONAL LIQUIDATORS

On 29 May 2015, the Stock Exchange approved the Resumption Proposal on the basis that the conditions for its approval would be completed to its satisfaction by 21 December 2015. The Company made an extension application to the Stock Exchange on 14 December 2015 to seek an additional six months for the Company to fully satisfy the resumption conditions. By a letter dated 22 December 2015, the Stock Exchange agreed to extend the deadline for the Company to fully satisfy the Resumption Conditions to 11 May 2016.

The purpose of this circular is to provide the Shareholders with details of (i) the Restructuring Proposal, including the terms of the Restructuring Agreement and the further elements of the proposal subsequently agreed with Sino Bright in the Side Letter and Revised Restructuring Agreement, which entails, among other elements, the Capital Reorganisation, the Open Offer and the Schemes; (ii) the Underwriting Agreement in respect of the Open Offer; (iii) the election and re-election of Directors; (iv) the adoption of the New Bye-Laws; (v) a letter of advice from the Independent Financial Adviser to the Independent Shareholders in relation to the transactions contemplated under the Restructuring Agreement, the Side Letter and Revised Restructuring Agreement, the Open Offer, the Underwriting Agreement and the Schemes; and (vi) a notice of the SGM as set out on pages SGM-1 to SGM-6 of this circular.

PROPOSED RESTRUCTURING

(A) The Restructuring Agreement

Date: 2 May 2014 (as amended and supplemented by the Side Letter dated 7 July 2014 and by the Revised Restructuring Agreement dated 14 December 2015)

Parties: (1) the Company
(2) the Provisional Liquidators
(3) Sino Bright
(4) McVitie

Sino Bright is wholly-owned by The Ho Family Trust Limited which indirectly owns 328,497,822 Shares, representing approximately 71.38% of the issued share capital of the Company as at the Latest Practicable Date. Mr. Christopher W. Ho, a former Director, is one of the beneficiaries of a discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited. Sino Bright is therefore a connected person of the Company. Sino Bright is also a Creditor asserting a claim against the Company in the amount of approximately HK\$2,293 million as at the Latest Practicable Date, whose claim (if and to the extent admitted) will not qualify for the Cash Alternative under the Schemes. Sino Bright will become a substantial shareholder of the Company upon Resumption.

LETTER FROM THE PROVISIONAL LIQUIDATORS

McVitie is a company incorporated in the British Virgin Islands and one of the Creditors asserting a claim against the Company in the amount of approximately HK\$452 million as at the Latest Practicable Date, whose claim (if and to the extent admitted) will not qualify for the Cash Alternative under the Schemes. McVitie will become a substantial shareholder of the Company upon Resumption.

(B) The Restructuring Proposal

The Restructuring Proposal comprises the Capital Reorganisation, the Open Offer and the Schemes described below, the terms of which were provided for under the Restructuring Agreement and by subsequent agreement with Sino Bright and McVitie in the Side Letter and Revised Restructuring Agreement.

1. Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$100,000,000 comprising 1,000,000,000 Shares of HK\$0.10 each, of which 460,227,320 Shares had been issued were are fully paid. The issued share capital of the Company was HK\$46,022,732 and the share premium account was approximately HK\$1,173,000,000. However, the accumulated losses of the Company as at 30 June 2015 amounted to approximately HK\$3,412 million.

The Capital Reorganisation will comprise:

(i) Capital Cancellation

Cancellation of the existing authorised but unissued share capital of the Company of HK\$53,977,268 in its entirety.

(ii) Capital Reduction

Reduction of the par value of each of the 460,227,320 issued Shares from HK\$0.10 to HK\$0.01. The credit balance arising from the Capital Reduction of approximately HK\$41,420,459 will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act and applied in a manner as permitted by the Companies Act, other applicable laws and the Bye-Laws to set off pro tanto the accumulated losses of the Company as at 30 June 2015. The authorised and issued share capital of the Company would thereby be reduced to approximately HK\$4,602,273.

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(iii) Share Premium Reduction

Reduction of the entire amount standing to the credit of the share premium account of the Company of approximately HK\$1,173,000,000 in its entirety. The credit balance arising from the Share Premium Reduction of approximately HK\$1,173,000,000 will be transferred to the contributed surplus account of the Company within the meaning of the Companies Act and applied in a manner permitted by the Companies Act, other applicable laws and the Bye-Laws to set off pro tanto the accumulated losses of the Company as at 30 June 2015.

(iv) Authorised Share Capital Increase

Increase of the Company's authorised share capital from HK\$4,602,273.20 following completion of the Capital Cancellation and Capital Reduction to HK\$200,000,000 by creating 19,539,772,680 New Shares of HK\$0.01 each.

Effects of the Capital Reorganisation

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company before and after completion of the Capital Reorganisation:

	Before the Capital Reorganisation	Immediately after the Capital Reorganisation
Nominal value	HK\$0.10 per Share	HK\$0.01 per New Share
Number of authorised shares	1,000,000,000 Shares	20,000,000,000 New Shares
Authorised share capital	HK\$100,000,000	HK\$200,000,000
Number of issued and paid-up shares	460,227,320 Shares	460,227,320 New Shares
Issued and paid-up share capital	HK\$46,022,732	HK\$4,602,273

The total effect of the Capital Reorganisation will set off against the accumulated losses of the Company of an aggregate amount of HK\$1,215 million.

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Conditions precedent of the Capital Reorganisation

The Capital Reorganisation will become effective conditional upon:

- (a) the passing of the necessary resolutions by the Shareholders approving (i) the Capital Cancellation; (ii) the Capital Reduction; (iii) the Share Premium Reduction; and (iv) the Authorised Share Capital Increase at the SGM;
- (b) compliance with the relevant procedures and applicable statutory requirements under the Companies Act to effect the Capital Reduction and Share Premium Reduction;
- (c) the approval or waiver from the Bermuda Court in relation to the Capital Reorganisation, if required; and
- (d) the Listing Committee granting the listing of, and permission to deal in, and not having withdrawn or revoked the listing of, and permission to deal in, the New Shares in issue upon Resumption.

Expected effective date of the Capital Reorganisation

Subject to the fulfillment of the above conditions, and to the fulfillment of the other conditions to Resumption as described in this circular, it is expected that the Capital Reorganisation will become effective on 2 April 2016.

Upon the Capital Reorganisation becoming effective, the resulting New Shares shall rank *pari passu* in all respects with each other. The Capital Reorganisation will not result in any change in the relative rights of the Shareholders save to the extent of the reduction of the par value and paid in capital of each share to HK\$0.01 each.

Reasons for the Capital Reorganisation

The Capital Reorganisation is necessary in order to ensure that the Company's share capital more accurately reflects the Company's available assets. The net assets of the Company have been substantially depleted by the accumulated losses of approximately HK\$3,412 million as at 30 June 2015. After the Capital Reorganisation, such accumulated losses will be HK\$2,197 million.

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The Capital Reorganisation will enable the re-capitalisation of the share capital of the Company through issue of New Shares. In particular, completion of the Capital Reorganisation will permit the issuance of (i) the Offer Shares, the net proceeds of which will be applied to discharge the Company's liabilities under the Schemes in respect of the Cash Alternative thereunder; and (ii) Creditors Shares to the Scheme Creditors pursuant to the Schemes who do not exercise their or are not entitled to the Cash Alternative. Upon the Schemes taking effect, all the claims of Creditors under the Schemes against the Company (other than intercompany liabilities) will be settled in full and released. The accumulated losses of HK\$1,215 million will be eliminated after the completion of the Capital Reorganisation. Accordingly, the Provisional Liquidators and the Director are of the view that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

2. The Open Offer

Subject to the Capital Reorganisation being effective, the Company will implement the Open Offer on the basis of five (5) Offer Shares for every two (2) New Shares held on the Open Offer Record Date by the Qualifying Shareholders. A total of 1,150,568,300 Offer Shares will be allotted and issued by the Company to Qualifying Shareholders on a non-renounceable basis for acceptance at the Offer Price of HK\$0.087 cash for each Offer Share. The Open Offer will be underwritten by Sino Bright and the gross proceeds raised via the issuance of the Offer Share will be approximately HK\$100,099,442. As the Offer Shares represent approximately 250.00% of the existing issued share capital of the Company, the Open Offer is subject to approval at the SGM.

Issue statistics of the Open Offer

Number of Shares in issue as at the Latest Practicable Date	:	460,227,320 Shares
Number of New Shares in issue upon the Capital Reorganisation becoming effective	:	460,227,320 New Shares
Basis of the Open Offer	:	Five Offer Shares for every two New Shares to be held on the Open Offer Record Date

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- Excluded Shareholders : As at the Latest Practicable Date, the Company is not aware of any Shareholders who might be excluded from being Qualifying Shareholders as a result of legal restrictions in their place of domicile
- Number of Offer Shares to be issued : 1,150,568,300 Offer Shares, representing:
- (a) approximately 250.00% of the existing issued share capital of the Company;
 - (b) approximately 250.00% of the issued share capital of the Company upon completion of the Capital Reorganisation;
 - (c) approximately 71.43% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issuance of Offer Shares; and
 - (d) approximately 20.81% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issuance of Offer Shares and Creditors Shares (all Cash Alternative Creditors having accepted the Cash Alternative); and
 - (e) approximately 20.00% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issuance of Offer Shares and Creditors Shares (none of the Cash Alternative Creditors having accepted the Cash Alternative)
- Total number of New Shares in issue as enlarged upon completion of the Open Offer : 1,610,795,620 New Shares

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Number of underwritten Shares fully underwritten by the Underwriter : 1,150,568,300 Offer Shares. As at the Latest Practicable Date, the Company has not received any information from any substantial Shareholders of their intention to take up the Offer Shares under the Open Offer

Offer Price : HK\$0.087 per Offer Share payable in full on acceptance

Offer Price

The Offer Price at HK\$0.087 for each of the Offer Shares represents:

- (a) a discount of approximately 78.78% to the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on 27 May 2011, being the Last Trading Day;
- (b) a discount of approximately 80.05% to the average closing price of HK\$0.436 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (c) a discount of approximately 81.00% to the average closing price of HK\$0.458 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (d) a premium of approximately HK\$5.72 over the unaudited consolidated net liabilities per New Share of approximately HK\$5.63 as at 30 June 2015 (based on the Company's unaudited consolidated net liabilities of approximately HK\$2,590 million as at 30 June 2015 and 460,227,320 New Shares in issue upon the Capital Reorganisation becoming effective).

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Based on the unaudited pro forma adjusted consolidated net tangible assets as at 30 June 2015 being approximately HK\$345 million if all the Cash Alternative Creditors accept the Cash Alternative or HK\$445 million if none of the Cash Alternative Creditors accept the Cash Alternative as if the Proposed Restructuring had been completed on 30 June 2015 as set out in “Unaudited Pro Forma Financial Information of the Group” in Appendix III to this circular and number of New Shares being 5,528,021,672 (assuming all the Cash Alternative Creditors accept the Cash Alternative) or 5,752,841,500 (assuming none of the Cash Alternative Creditors accept the Cash Alternative) after the Capital Reorganisation and as enlarged by the issuance of the Offer Shares and the Creditors Shares, the unaudited pro forma adjusted consolidated net tangible assets value per New Share as at 30 June 2015 is approximately HK\$0.062 per New Share (assuming all the Cash Alternative Creditors accept the Cash Alternative) or approximately HK\$0.077 per New Share (assuming none of the Cash Alternative Creditors accept the Cash Alternative).

The Offer Price was determined after arm’s length negotiations between the Company and Sino Bright having regard to the fact that the Provisional Liquidators have been appointed and the long suspension of trading in the Shares on the Stock Exchange, the prevailing stock market conditions and the prospects of the business operations of the Group.

Qualifying Shareholders

The Open Offer will only be available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders and (ii) the Prospectus, for information only, to the Excluded Shareholders.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Open Offer Record Date and not be an Excluded Shareholder. If, on the Open Offer Record Date, a Shareholder’s address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Prospectus Documents are not expected to be registered and/or filed under the applicable securities legislation of any jurisdictions outside Hong Kong.

As at the Latest Practicable Date, the Company is not aware of any Shareholders who might be excluded from being Qualifying Shareholders as a result of legal restrictions in their place of domicile.

Record date for the Open Offer

The Open Offer Record Date will be on Wednesday, 13 April 2016.

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Share certificates for the fully paid Offer Shares and refund cheques

Subject to fulfilment of the conditions of the Open Offer, share certificates for all fully paid Offer Shares are expected to be posted to the Qualifying Shareholders who have successfully applied for, and paid for them, after the Latest Time for Termination, at their own risk. If the Open Offer is terminated, refund cheques will be despatched on or before 9 May 2016 by ordinary post at the respective Shareholders' own risk. Subject to the conditions of the Open Offers and to the fulfilment of the other conditions to Resumption as described in this circular, it is expected that the Offer Shares will be allotted and issued on 9 May 2016.

No transfer of nil-paid entitlements, no application for excess Offer Shares

The invitation to subscribe for Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements on the Stock Exchange. The Company has also decided that subject to approval at the SGM the Qualifying Shareholders will not be entitled to subscribe for any Offer Share in excess of their respective assured entitlements. Considering that each Qualifying Shareholder will be given equal and fair opportunities to participate in the Company's future development by subscribing for their respective entitlements under the Open Offer, the Company considers it appropriate not to put in additional effort and costs to administer the excess application procedures. Any Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriter.

Fractions of Offer Shares

Fractions of Offer Shares will not be allotted to Qualifying Shareholders and fractional entitlements will be rounded down to the nearest whole number of Offer Shares. Any Offer Shares created from the aggregation of fractions of Offer Shares will be aggregated and taken up by the Underwriter in accordance with the Underwriting Agreement.

Conditions of the Open Offer

Completion of the Open Offer is conditional, among others, upon the obligations of the Underwriter becoming unconditional pursuant to the terms of the Underwriting Agreement (which shall mean the conditions precedent to the Underwriting Agreement having been satisfied) and the Underwriting Agreement not being terminated on or before the Latest Time for Termination.

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The obligations of the Underwriter under the Underwriting Agreement are conditional upon, among other matters:

- (i) the Capital Reorganisation being completed and becoming effective;
- (ii) the Schemes being approved by the Creditors and sanctioned by the Courts and having become unconditional except in respect of the actual allotment and issue of Creditor Shares to Creditors or the payment of the Cash Alternative;
- (iii) the passing of the necessary resolutions by the Shareholders to approve the allotment and issue of Creditor Shares under the Schemes and the deed of top up undertaking by Sino Bright;
- (iv) the passing of the necessary resolutions by the Shareholders to approve the Open Offer, the appointment of new directors, the adoption of the new bye-laws and the transactions contemplated thereunder as set out in the notice of the SGM, including but not limited to the underwriting of the Open Offer by Sino Bright at the SGM;
- (v) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents in compliance with the Listing Rules, the Companies Ordinance and the Companies (WUMP) Ordinance not later than the Posting Date;
- (vi) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Posting Date;
- (vii) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Offer Shares and the Creditor Shares upon Resumption; and
- (viii) all other necessary waivers, warrants and approval, including but not limited to those from the Stock Exchange and any other relevant government or regulatory authorities, which are required for the implementation of the Resumption Proposal and all transactions contemplated thereunder having been obtained.

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Use of proceeds from the Open Offer

It is expected that the gross proceeds raised by Open Offer would be approximately HK\$100 million. Open Offer expenses including the costs of printing, registrar's fees, legal fees, fees payable to the Stock Exchange and registrar of companies in Hong Kong or Bermuda, and capital duties if any will be deducted from the gross proceeds. The net proceeds from the Open Offer will be used solely for Cash Alternative under the Schemes. Any residual proceeds of the Open Offer, if any, will be retained by the Company as part of its working capital.

Reasons for the Open Offer

As set out in the paragraph headed "Reasons and benefits for the entering into the Restructuring Agreement" below, trading in the Shares on the Stock Exchange has been suspended since 30 May 2011, and the Company, the Provisional Liquidators, McVitie and Sino Bright entered into the Restructuring Agreement with the aim to restructure the Company and to achieve Resumption. The Open Offer, which forms part of the Restructuring Proposal, provides funds to discharge Company's liabilities under the Schemes and allows the existing Shareholders to reduce the dilution of their percentage shareholding under the Proposed Restructuring. Accordingly, the Provisional Liquidators consider that the Open Offer is in the interests of the Company and its Shareholders as a whole.

Underwriting Agreement

As set out in the Company's announcement dated 7 March 2016, the Company and the Underwriter entered into the Underwriting Agreement on 4 March 2016.

Given that the Underwriter is an associate of Mr. Christopher W. Ho, a former Director, the Underwriter is deemed to be a connected person of the Company. The entering into of the Underwriting Agreement between the Company and the Underwriter therefore constitutes a connected transaction for the Company under the Listing Rules that is subject to approval at the SGM.

No Underwriting commission is payable under the Underwriting Agreement.

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The obligations of the Underwriter under the Underwriting Agreement are conditional upon, among other matters, the conditions precedent described above under the section entitled “Conditions of the Open Offer”. The Underwriter shall be entitled to waive such conditions precedent by notice in writing to the Company prior to the Latest Time for Termination provided that no such waiver shall obligate the Company to dispense with compliance with any applicable laws or regulations or the Listing Rules or the performance of any contractual obligation. If any of the conditions precedent of the Underwriting Agreement has not been fulfilled (or waived by the Underwriter) by the time and/or date as specified in the relevant conditions above, or if no such time is stipulated, by the Latest Time for Termination (or such later time and/or date as the Underwriter may agree), all obligations and liabilities of the parties to the Underwriting Agreement shall cease and terminate and no party shall have any claim against each other except that certain provisions will still remain in full force and effect, and such termination shall be without prejudice to any accrued rights or obligations under the Underwriting Agreement.

The parties shall use their reasonable endeavours to procure fulfilment of the conditions precedent of the Underwriting Agreement, and the Company shall do all such things required to be done by it pursuant to the Prospectus Documents or otherwise necessary to give effect to the Open Offer and the arrangements contemplated in the Underwriting Agreement.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter’s obligations thereunder on the occurrence of certain events.

The Underwriter may terminate the Underwriting Agreement by notice in writing issued to the Company at or prior to the Latest Time for Termination if:

- (a) the occurrence of the following events would, in the reasonable opinion of the Underwriter, materially and adversely affect the success of the Open Offer, or the business, financial or trading position or prospects of the Group as a whole, or otherwise makes it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Open Offer:
 - (1) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation or application thereof); or

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- (2) the occurrence of any local, national or international event, development or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement, of a political, financial, military, or economic nature or which constitute acts of God including acts of government, civil commotion, acts of war, acts of terrorism, strike, lock-out, fire, explosion and flooding; or
 - (3) the commencement or taking by any third party of any litigation or claim or other action against any member of the Group which is or might be material to the Group taken as a whole; or
 - (4) any change or development involving a prospective material change in taxation in Hong Kong or the implementation of exchange controls which shall or might materially affect the Group; or
 - (5) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the PRC or other jurisdiction relevant to the business of the Group or any member of the Group and a change in currency conditions for the purpose of this Clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America).
- (b) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement of a material nature which would materially and adversely affect the success of the Open Offer; or

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- (c) any statement contained in the Prospectus or the Circular has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect, or matters have arisen or have been discovered which would, if the Prospectus or the Circular was issued at the time, constitute a material omission therefrom.

Upon such notice referred to above being given, all obligations of the Underwriter under the Underwriting Agreement shall be released and discharged, and no party shall have any claim against the other party to the Underwriting Agreement, save for certain provisions, and for any antecedent breach of any obligation under the Underwriting Agreement.

If the Underwriting Agreement is terminated by the Underwriter at such time before the Latest Time for Termination but after the Underwriter has paid or procured payment to the Company of the aggregate Offer Price in respect of the Untaken Shares for which the Underwriter is obliged to subscribe or procure subscription, the Company shall not later than the end of the second Business Day after (but not including) the date of receipt of the notice of termination issued by the Underwriter, remit to the Underwriter such amount of aggregate Offer Price which it has received from the Underwriter.

Pursuant to the Underwriting Agreement, the Underwriter is permitted to sub-underwrite part or all of its underwriting commitment.

3. *The Schemes*

As at the Latest Practicable Date, to the best knowledge of the Provisional Liquidators and based on the available books and records of the Company or on claims made by Creditors (if the amounts do not match with the records of the Company), and excluding intercompany liabilities, and a claim by The Hong Kong and Shanghai Banking Corporation Limited, which has submitted three proofs of debt, the Company has 21 Creditors with the estimated total amount of claims of approximately of HK\$3,054 million, and there are also Costs and Expenses which amount to approximately HK\$45 million. This indebtedness figure is indicative only and the claims of the Creditors will be subject to final determination by the Scheme Administrators and (if applicable) adjudication under the Schemes.

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It is proposed that the Schemes shall be implemented in the following manner:

- (i) the Bermuda Scheme and Hong Kong Scheme will be implemented under which all the claims of Creditors (including in respect of any security they hold) against the Company will be settled in full and released by the issue of Creditor Shares to Scheme Creditors on the basis of the relative proportion of their respective admitted claims as compared to the total admitted claims (as such claims are determined by the Scheme Administrators and subject to adjudication by the scheme adjudicator), disregarding fractions, credited as fully paid. The Creditor Shares will be issued at the issue price of HK\$0.087 per Creditor Share with par value of HK\$0.01 per share assuming all claims admitted in full. The maximum number of Creditors Shares (assuming no creditors accept the Cash Alternative) is 4,142,045,880;
- (ii) Cash Alternative Creditors, to whom the Company is estimated to be indebted to the amount of approximately HK\$247 million, will be provided a Cash Alternative to the Creditors Shares in the amount of 60 cents on the HK\$ of admitted Creditors' claims, to be funded by net proceeds of the Open Offer underwritten by the Underwriter. If the net proceeds of the Open Offer are insufficient to satisfy the payment required for the Cash Alternative, Sino Bright will fund the shortfall, Sino Bright will be entitled to the Creditor Shares that would otherwise have been allotted and issued to the Cash Alternative Creditors who have elected to take cash (based on the full value of the admitted creditor claim) to the extent such cash is provided by Sino Bright. The Company will not issue Creditors Shares in respect of any creditor claims to the extent that it funds the Cash Alternative from the proceeds of the Open Offer. Accordingly, assuming all Cash Alternative Creditors accept the Cash Alternative, the total amount of Creditors Shares shall be 3,917,226,052;
- (iii) intercompany liabilities within the Group will not be treated as claims qualified to participate in the Schemes;
- (iv) Sino Bright shall bear all Costs and Expenses up to HK\$20 million and has paid such amount, into court on the basis that it will be treated as part of its admitted claim under the Schemes that qualifies for exchange into Creditor Shares;

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- (v) all costs and expenses of the Company and the fees of the Provisional Liquidators incurred after 16 December 2013 in and about the finalisation and/ or implementation of the Restructuring Proposal, which are capped at HK\$45 million, shall save to the extent they are related to the Open Offer and have been deducted out of the gross proceeds therefrom, or are paid for by Sino Bright and admitted as a scheme debt, be paid out of the cash resources of the Group prior to Resumption, including but not limited to all reasonable fees and expenses owed to auditors, legal counsel and other professionals;
- (vi) if the Restructuring Proposal is unsuccessful, McVitie covenants to reimburse the Company on demand for such Costs and Expenses as taxed and paid by the Company to the Provisional Liquidators;
- (vii) as of the effective date of the Schemes, the Creditors are barred from taking any action or proceedings against the Company or its property or assets or for the winding up of the Company or for the purposes of exercising any right of set-off;
- (viii) upon completion of the Schemes, all claims against the Company in respect of which no notices of claim have been received by the deadline set under the Schemes, or which have not been not been admitted, so as to enable the Company to return to solvency and continue operation of its remaining viable businesses, shall be discharged and released in full; and
- (ix) insofar as the Provisional Liquidators are concerned, there shall be a discharge and release of the Provisional Liquidators as provisional liquidators or liquidators of the Company under section 205 of the Companies (WUMP) Ordinance.

The Schemes, which are subject to the passing of the necessary resolutions at the SGM, shall become effective and legally binding on the Company and all the Creditors, including those voting against the Schemes and those not voting, if the requisite majority (being a majority in number representing three-fourths in value of the Creditors who, either in person or by proxy, attend and vote at the scheme meetings convened with the leave of the relevant courts) votes in favour of the Schemes, the Bermuda Court and the Hong Kong Court sanction the Schemes, and a copy of each of the relevant court orders sanctioning the Schemes is filed or as the case may be registered with the relevant Registrars of Companies in Bermuda and Hong Kong respectively.

The implementation of the Schemes is conditional on the Capital Reorganisation having been completed and the fulfilment of the other conditions to Resumption as described in this circular.

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Creditors Shares

The Creditors Shares will be allotted and issued under a specific mandate to be sought from the Independent Shareholders at the SGM.

The allotment and issuance of Creditors Shares to Sino Bright under the Schemes and the execution of deed of top up undertaking by Sino Bright in favour of the Company constitute connected transactions for the Company under the Listing Rules.

Subject to the passing of the necessary resolutions by the Independent Shareholders to approve and the allotment and issuance Creditor Shares under the Schemes and the execution of the deed of top up undertaking by Sino Bright, and to the other creditors to Resumption as described in this circular, it is expected that the Creditor Shares will be allotted and issued on 9 May 2016. The Creditor Shares will rank *pari passu* with all other New Shares outstanding as at the date of allotment and issuance of the Creditor Shares and will be listed on the Stock Exchange. The Creditors Shares will not be subject to any lock-up or other disposal restrictions.

The Cash Alternative

To the best information and knowledge of the Provisional Liquidators as at the Latest Practicable Date, (i) The Ho Family Trust Limited; (ii) Barrican Investments Corporation; (iii) Sino Bright; (iv) Lafe Corporation Limited; (v) Lafe Development Pte Limited; and (vi) The Grande Properties Management Ltd have made aggregate claims against the Company of approximately HK\$2,293 million. Their claims (if admitted) will not be qualified for the Cash Alternative under the Schemes as they are affiliates and/or persons acting in concert with Sino Bright. Sino Bright has agreed to bear up to HK\$20 million of the Costs and Expenses. All such amounts paid by Sino Bright will be deemed part of the debt owned by the Company to Sino Bright and will qualify for the offer of Creditor Shares. All such claims will be exchanged under the Schemes for 3,117,289,908 Creditor Shares (if all Creditors' claims admitted in full). In the event that all the Cash Alternative Creditors elect for cash, Sino Bright may, pursuant to its top up payments, obtain a further 108,031,249 Creditor Shares.

In addition, McVitie and Gain Alpha have undertaken that they will not participate in the Cash Alternative. They will receive 609,328,957 Creditor Shares and 82,575,938 Creditor Shares if all Creditors' claims are admitted in full.

The Cash Alternative is conditional on the approval by the Independent Shareholders at the SGM.

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Deed of Top-up Undertaking Cash Alternative

Pursuant to the deed of top up undertaking executed by Sino Bright dated, 18 February 2016, Sino Bright has irrevocably and unconditionally undertaken to the Company that the Cash Alternative will be extended and paid to the Cash Alternative Creditors in the amount of 60 cents on a HK\$1.00 of admitted Creditors' claims to the extent such claims are not satisfied out of the Open Offer net proceeds, on the condition that the Creditor Shares to be allotted and issued in respect of such remainders claims shall be allotted and issued to Sino Bright instead.

Status of the Offer Shares and the Creditors Shares

The Offer Shares and the Creditors Shares will rank *pari passu* in all respects, including with regard to all rights to dividend, distributions, which may be declared, made or paid by the Company, voting and interest in capital, with such other and with the New Shares in issue as at the date of allotment and issue of the Offer Shares and the Creditors Shares.

Listing application for the New Shares, the Offer Shares and the Creditors Shares

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the New Shares, the Offer Shares and the Creditor Shares.

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

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4. Group Reorganisation

Under the terms of the Restructuring Agreement, all existing business and operations of the Group, including the operations of Emerson and the distribution and licensing operations related to the Akai, Nakamichi and Sansui trademarks, will be retained.

To reduce the gearing and liabilities of the Group, and as agreed with Sino Bright, the Excluded Companies shall either be struck off or placed into liquidation (as appropriate) in accordance with the laws and rules of the jurisdictions where these companies were incorporated and registered on or before Resumption.

Upon completion of the Group Reorganisation, all the Excluded Companies will cease to be subsidiaries or associated companies of the Company and their results, assets and liabilities will no longer be consolidated into the Group's financial statements. In such situation, the qualifications in relation to (i) going concern are expected to be removed upon the first published audited financial statements of the Company after the resumption trading of the Company. For the qualifications in relation to (ii) amounts due to former related companies, (iii) amounts due to a former associate and (iv) accounts and bill payable, they are expected to be removed in the second published audited financial statements of the Company after the resumption trading of the Company. As illustrated in the "Unaudited Pro Forma Financial Information of the Group" set out in Appendix III to this circular, the implementation of the Group Reorganisation will improve the financial position of the Restructured Group with positive net asset value and enhance the Shareholders' value.

5. Other Elements of the Restructuring Proposal

The Restructuring Proposal also comprises the following elements:

- A. the approval of the Stock Exchange, which has been obtained for the Restructuring Proposal in accordance with the guidance letter for long suspended companies HKEx-GL66-13 (September 2013) and the approval of the Stock Exchange for the resumption in trading of the Shares, in each case, either unconditionally or subject to conditions to which the Company does not object, and not having been revoked, and the announcement of resumption of trading being cleared by the Stock Exchange and SFC (where required);

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- B. the approval from the Listing Committee of the Stock Exchange, being obtained for the listing of, and permission to deal in the Shares after the Capital Reorganization, the New Shares, the Offer Shares and the Creditor Shares on the Main Board of the Stock Exchange, subject only to (i) the formal and issuance allotment of such Shares; (ii) such other administrative conditions as are customarily stipulated by the Stock Exchange for listing of shares on the Main Board of the Stock Exchange;
- C. if required, the public float of the Company as required under the Listing Rules being restored after the issue of the New Shares, the Offer Shares and the Creditors Shares, Sino Bright be responsible to take all necessary measures in relation to the same;
- D. in accordance with the requirements of and to the satisfaction of the Stock Exchange (1) all outstanding financial statements that are required to be audited and published are audited and published, (2) all audit qualifications are addressed, (3) the new directors holding office after Resumption complete preparing and confirm the working capital sufficiency statement required by the Stock Exchange, and the auditors and financial adviser to the Company provide their respective comfort letters for the same, and (4) the pro forma balance-sheet upon completion of the Restructuring Proposal is completed and the auditors provide a comfort letter in respect of the same;
- E. in accordance with the requirements of and to the satisfaction of the Stock Exchange (1) all internal control reports are completed and implemented, (2) the board of directors is reorganized, including by the appointment of a sufficient number of independent non-executive directors, and (3) all the corporate governance codes, memorandum of association and Bye-Laws, and board committee terms of reference are updated to comply with the Listing Rules;
- F. the grant by the Hong Kong Court of a permanent stay of the winding up order against the Company issued on 12 September 2013 and the issue by such courts of orders directing the discharge and release of the Provisional Liquidators as provisional liquidators or liquidators of the Company under section 205 of the Companies (WUMP) Ordinance being obtained, in each case, either unconditionally or subject to conditions to which the Company and the Provisional Liquidators do not object.

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- G. all other necessary waivers, consent and approvals including but not limited to those from the Stock Exchange, the SFC and any other relevant government or regulatory authorities, which are required (if any) for the implementation of the Restructuring Proposal and all transactions contemplated thereunder having been obtained.

Termination

The Restructuring Agreement shall terminate and be of no further effect, except in respect of liability for antecedent breaches, and the liability of Sino Bright to pay for any unpaid Costs and Expenses, upon the earliest of the following:

- (a) any failure by Sino Bright and/or McVitie to make any payment provided for or to perform any other obligation assumed in accordance with the terms of the Restructuring Agreement, provided that the Company has given written notice of at least 14 days of such failure and provided Sino Bright and/or McVitie with the opportunity to rectify the failure;
- (b) the failure to complete the Restructuring Proposal before the Long Stop Date (14 June 2017), unless it is extended by mutual agreement between Sino Bright, McVitie and the Company;
- (c) the date on which the Stock Exchange provides notice in writing that it will not consider or will not approve the Restructuring Proposal and all channels of appeal to the Listing Review and Appeal Committee have been exhausted;
- (d) any other approval, consent, sanction or waiver required for any component of the Restructuring Proposal being refused;
- (e) any court orders the Company or the Provisional Liquidators to cease implementation of the Restructuring Proposal and to commence liquidation procedures; and
- (f) where Sino Bright, McVitie and the Company agree in writing to terminate the Restructuring Agreement, the date of termination agreed on.

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BOARD LOT SIZE UPON RESUMPTION AND ARRANGEMENT ON ODD LOT TRADING

Upon the Capital Reorganisation becoming effective, the theoretical trading amount of each board lot shall become approximately HK\$174 each based on the Offer Price being HK\$0.087 per Offer Share. Accordingly, the Company proposes that the board lot size for trading in the New Shares shall become 20,000 New Shares per lot upon Resumption.

Upon Resumption, in order to facilitate the trading of odd lots of the New Shares arising from the Capital Reorganisation, the Open Offer and the Schemes, the Company will appoint an agent to arrange for matching services regarding the sale and purchase of odd lots of New Shares, on a best effort basis, to those Shareholders who wish to top-up to a full board lot or sell their shareholdings of odd lots of the New Shares. Holders of the New Shares in odd lots should note that the matching of the sale and purchase of odd lots of the New Shares is on a best effort basis and successful matching of the sale and purchase of odd lots of the New Shares is not guaranteed. Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

Further announcement in respect of the details of the agent and the matching services will be made by the Company in due course.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The changes in the shareholding structure of the Company arising from the Capital Reorganisation, the Open Offer, the issuance of Creditors Shares (based on the estimated total amount of claims against, and the liabilities of, the Company as at the Latest Practicable Date and the estimated Costs and Expenses borne by Sino Bright in a total sum of approximately HK\$3,074 million, and assuming that those claims are admitted in full and the issue of Creditors Shares under the Schemes in the allocation as illustrated in the shareholding tables below) and the restoration of Public Float are set out in the following tables for illustrative purposes only.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Scenario A:

Assuming (i) all of the existing Shareholders take up their respective entitlements to the Offer Shares under the Open Offer; and (ii) all Cash Alternative Creditors have accepted the Cash Alternative (i.e. any excess amount to be funded by Sino Bright for the Cash Alternative will be converted into equity of the Company):

	As at the Latest Practicable Date		Immediately after the completion of the Capital Reorganisation		Immediately after the completion of the Capital Reorganisation and the Open Offer		Immediately after the completion of the Capital Reorganisation, the Open Offer and the Schemes		Immediately after the completion of the Capital Reorganisation, the Open Offer, the Schemes and the restoration of the Public Float	
	No. of Shares	%	No. of New Shares	%	No. of New Shares	%	No. of New Shares	%	No. of New Shares	%
Mr. Christopher W. Ho and his associates										
Barrican Investments Corporation (Note a)	328,497,822	71.38%	328,497,822	71.38%	328,497,822	20.39	328,497,822	5.94	328,497,822	5.94
Creditors connected with Mr. Christopher W. Ho (Note b)	-	0.00%	-	0.00%	-	-	3,225,321,158	58.35	2,386,944,921	43.18
Underwriter to the Open Offer	-	0.00%	-	0.00%	821,244,555	50.99	821,244,555	14.86	821,244,555	14.86
Sub-total	328,497,822	71.38%	328,497,822	71.38%	1,149,742,377	71.38	4,375,063,535	79.15	3,536,687,298	63.98
Substantial Shareholder										
McVitie (Note c)	-	0.00%	-	0.00%	-	-	609,328,956	11.02	609,328,956	11.02
Sub-total	-	0.00%	-	0.00%	-	-	609,328,956	11.02	609,328,956	11.02
Public Shareholders										
Other existing public shareholders	131,729,498	28.62%	131,729,498	28.62%	461,053,243	28.62	461,053,243	8.34	461,053,243	8.34
Gain Alpha Finance Limited (Note d)	-	0.00%	-	0.00%	-	-	82,575,938	1.49	82,575,938	1.49
Cash Alternative Creditors	-	0.00%	-	0.00%	-	-	-	-	-	-
Placings for the Public Float (Note e)	-	0.00%	-	0.00%	-	-	-	-	838,376,237	15.17
Sub-total	131,729,498	28.62%	131,729,498	28.62%	461,053,243	28.62	543,629,181	9.83	1,382,005,418	25.00
Total	460,227,320	100.00%	460,227,320	100.00%	1,610,795,620	100.00	5,528,021,672	100.00	5,528,021,672	100.00

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Scenario B:

Assuming (i) all of the existing Shareholders take up their respective entitlements to the Offer Shares under the Open Offer; and (ii) none of the Cash Alternative Creditors accept the Cash Alternative under the Schemes:

	As at the Latest Practicable Date		Immediately after the completion of the Capital Reorganisation		Immediately after the completion of the Capital Reorganisation and the Open Offer		Immediately after the completion of the Capital Reorganisation, the Open Offer and the Scheme		Immediately after the completion of the Capital Reorganisation, the Open Offer, the Scheme and the restoration of the Public Float	
	No. of Shares	%	No. of New Shares	%	No. of New Shares	%	No. of New Shares	%	No. of New Shares	%
Mr. Christopher W. Ho and his associates										
Barrican Investments Corporation (Note a)	328,497,822	71.38%	328,497,822	71.38%	328,497,822	20.39	328,497,822	5.71	328,497,822	5.71
Creditors connected with Mr. Christopher W. Ho (Note b)	-	0.00%	-	0.00%	-	-	3,117,289,909	54.18	2,555,559,792	44.42
Underwriter to the Open Offer	-	0.00%	-	0.00%	821,244,555	50.99	821,244,555	14.28	821,244,555	14.28
Sub-total	328,497,822	71.38%	328,497,822	71.38%	1,149,742,377	71.38	4,267,032,286	74.17	3,705,302,169	64.41
Substantial Shareholder										
McVitie (Note c)	-	0.00%	-	0.00%	-	-	609,328,956	10.59	609,328,956	10.59
Sub-total	-	0.00%	-	0.00%	-	-	609,328,956	10.59	609,328,956	10.59
Public Shareholders										
Other existing public shareholders	131,729,498	28.62%	131,729,498	28.62%	461,053,243	28.62	461,053,243	8.01	461,053,243	8.01
Gain Alpha Finance Limited (Note d)	-	0.00%	-	0.00%	-	-	82,575,938	1.44	82,575,938	1.44
Cash Alternative Creditors	-	0.00%	-	0.00%	-	-	332,851,077	5.79	332,851,077	5.79
Placettes for the Public Float (Note e)	-	0.00%	-	0.00%	-	-	-	-	561,730,117	9.76
Sub-total	131,729,498	28.62%	131,729,498	28.62%	461,053,243	28.62	876,480,258	15.24	1,438,210,375	25.00
Total	460,227,320	100.00%	460,227,320	100.00%	1,610,795,620	100.00	5,752,841,500	100.00	5,752,841,500	100.00

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Scenario C:

Assuming (i) none of the existing Shareholders take up their respective entitlements to the Offer Shares under the Open Offer; and (ii) all Cash Alternative Creditors have accepted the Cash Alternative (i.e. any excess amount to be funded by Sino Bright for the Cash Alternative will be converted into equity of the Company):

	As at the Latest Practicable Date		Immediately after the completion of the Capital Reorganisation		Immediately after the completion of the Capital Reorganisation and the Open Offer		Immediately after the completion of the Capital Reorganisation, the Open Offer and the Schemes		Immediately after the completion of the Capital Reorganisation, the Open Offer, the Schemes and the restoration of the Public Float	
	No. of Shares	%	No. of New Shares	%	No. of New Shares	%	No. of New Shares	%	No. of New Shares	%
Mr. Christopher W. Ho and his associates										
Barrican Investments Corporation (Note a)	328,497,822	71.38%	328,497,822	71.38%	328,497,822	20.39	328,497,822	5.94	328,497,822	5.94
Creditors connected with Mr. Christopher W. Ho (Note b)	-	0.00%	-	0.00%	-	-	3,225,321,158	58.35	2,057,621,176	37.22
Underwriter to the Open Offer	-	0.00%	-	0.00%	1,150,568,300	71.43	1,150,568,300	20.82	1,150,568,300	20.82
Sub-total	328,497,822	71.38%	328,497,822	71.38%	1,479,066,122	91.82	4,704,387,280	85.11	3,536,687,298	63.98
Substantial Shareholder										
McVitie (Note c)	-	0.00%	-	0.00%	-	-	609,328,956	11.02	609,328,956	11.02
Sub-total	-	0.00%	-	0.00%	-	-	609,328,956	11.02	609,328,956	11.02
Public Shareholders										
Other existing public shareholders	131,729,498	28.62%	131,729,498	28.62%	131,729,498	8.18	131,729,498	2.38	131,729,498	2.38
Gain Alpha Finance Limited (Note d)	-	0.00%	-	0.00%	-	-	82,575,938	1.49	82,575,938	1.49
Cash Alternative Creditors	-	0.00%	-	0.00%	-	-	-	-	-	-
Placeses for the Public Float (Note e)	-	0.00%	-	0.00%	-	-	-	-	1,167,699,982	21.13
Sub-total	131,729,498	28.62%	131,729,498	28.62%	131,729,498	8.18	214,305,436	3.87	1,382,005,418	25.00
Total	460,227,320	100.00%	460,227,320	100.00%	1,610,795,620	100.00	5,528,021,672	100.00	5,528,021,672	100.00

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Scenario D:

Assuming (i) none of the existing Shareholders take up their respective entitlements to the Offer Shares under the Open Offer; and (ii) none of the Cash Alternative Creditors accept the Cash Alternative under the Schemes:

	As at the Latest Practicable Date		Immediately after the completion of the Capital Reorganisation		Immediately after the completion of the Capital Reorganisation and the Open Offer		Immediately after the completion of the Capital Reorganisation, the Open Offer and the Schemes		Immediately after the completion of the Capital Reorganisation, the Open Offer, the Schemes and the restoration of the Public Float	
	No. of Shares	%	No. of New Shares	%	No. of New Shares	%	No. of New Shares	%	No. of New Shares	%
Mr. Christopher W. Ho and his associates										
Barrican Investments Corporation (Note a)	328,497,822	71.38%	328,497,822	71.38%	328,497,822	20.39	328,497,822	5.71	328,497,822	5.71
Creditors connected with Mr. Christopher W. Ho (Note b)	-	0.00%	-	0.00%	-	-	3,117,289,909	54.18	2,226,236,047	38.70
Underwriter to the Open Offer	-	0.00%	-	0.00%	1,150,568,300	71.43	1,150,568,300	20.00	1,150,568,300	20.00
Sub-total	328,497,822	71.38%	328,497,822	71.38%	1,479,066,122	91.82	4,596,356,031	79.89	3,705,302,169	64.41
Substantial Shareholder										
McVitie (Note c)	-	0.00%	-	0.00%	-	-	609,328,956	10.59	609,328,956	10.59
Sub-total	-	0.00%	-	0.00%	-	-	609,328,956	10.59	609,328,956	10.59
Public Shareholders										
Other existing public shareholders	131,729,498	28.62%	131,729,498	28.62%	131,729,498	8.18	131,729,498	2.29	131,729,498	2.29
Gain Alpha Finance Limited (Note d)	-	0.00%	-	0.00%	-	-	82,575,938	1.44	82,575,938	1.44
Cash Alternative Creditors	-	0.00%	-	0.00%	-	-	332,851,077	5.79	332,851,077	5.79
Places for the Public Float (Note e)	-	0.00%	-	0.00%	-	-	-	-	891,053,862	15.48
Sub-total	131,729,498	28.62%	131,729,498	28.62%	131,729,498	8.18	547,156,513	9.52	1,438,210,375	25.00
Total	460,227,320	100.00%	460,227,320	100.00%	1,610,795,620	100.00	5,752,841,500	100.00	5,752,841,500	100.00

Notes:

- (a) Mr. Christopher W. Ho, a former Director, is deemed to be interested in these Shares as he is one of the beneficiaries of a discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary Barrican Investments Corporation, indirectly owns 328,497,822 Shares as at the Latest Practicable Date.
- (b) Creditors connected with Mr. Christopher W. Ho, a former Director, include (i) The Ho Family Trust Limited; (ii) Barrican Investments Corporation; (iii) Sino Bright; (iv) Lafe Corporation Limited; (v) Lafe Development Pte Limited; and (vi) The Grande Properties Management Ltd, whose claims (if admitted) will not be qualified for the Cash Alternative under the Schemes as they are deemed affiliates and/or persons acting in concert with Sino Bright.
- (c) Sino Bright will act as Underwriter to the Open Offer on fully underwritten basis with the ability to sub-underwrite part or all of its underwriting commitment.

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- (d) McVitie is a Creditor, whose claims (if admitted) will not be qualified for the Cash Alternative under the Schemes as McVitie's directors, Mr. Eduard William Rudolf Helmuth Will and Mr. Tang Hoi Nam, are Directors. McVitie will also become a substantial shareholder of the Company upon resumption.
- (e) Gain Alpha Finance Limited ("Gain Alpha") is a Creditor, whose claims (if admitted) will not be qualified for the Cash Alternative under the Schemes as Gain Alpha extended a loan to the Company which now forms the basis of Gain Alpha's claim in the winding up. Gain Alpha has also supported Sino Bright throughout the winding up, including by (a) joining Sino Bright's opposition to the winding up order with Sino Bright at the hearing of the petition on 3 September 2013 and applying to be substituted as petitioner or as co-petitioner together with Sino Bright; and (b) supporting Sino Bright's resumption proposal.
- (f) When necessary, Sino Bright will take appropriate steps to place down a portion of the Creditors Shares to other investors who are independent third parties in order to restore the Public Float of the Company.
- (g) If the net proceeds of the Open Offer is insufficient to satisfy the amount required for the Cash Alternative, Sino Bright has undertaken to fund the shortfalls and Sino Bright will be entitled to a maximum of 108,031,249 Creditors Shares subject to adjudication of Creditors' claim or 1.95% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issuance of the Open Offer Shares and Creditors Shares for the amount it has contributed to the Scheme directly for the purpose of Cash Alternative.
- (h) Up to HK\$20 million of all the Costs and Expenses paid for by Sino Bright in connection with the Restructuring Proposal will be treated as claims qualified for the offer of Creditors Shares under the Schemes.
- (i) The amount of Creditor Shares to be issued, subject to adjustments, is based on the estimated total amount of claims against, and the liabilities of, the Company including the estimated Costs and Expenses borne by Sino Bright in a total sum of approximately HK\$3,074 million.

PLACING DOWN FOR PUBLIC FLOAT

Assuming that (i) all the existing Shareholders take up their respective entitlements to the Offer Shares under the Open Offer; and (ii) all Cash Alternative Creditors accept the Cash Alternative, the public Shareholders will hold in aggregate approximately 9.83% of the issued share capital of the Company upon completion of the Capital Reorganisation, Open Offer and the Schemes.

If (i) all the existing Shareholders take up their respective entitlements to the Offer Shares under the Open Offer; and (ii) none of the Cash Alternative Creditors accept the Cash Alternative, the public Shareholders will hold in aggregate approximately 15.24% of the issued share capital of the Company upon completion of the Capital Reorganisation, Open Offer and the Schemes.

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If (i) none of the existing Shareholders take up their respective entitlements to the Offer Shares under the Open Offer; and (ii) all Cash Alternative Creditors accept the Cash Alternative, the public Shareholders will hold in aggregate approximately 3.87% of the issued share capital of the Company upon completion of the Capital Reorganisation, Open Offer and the Schemes.

In the event that (i) none of the existing Shareholders take up their respective entitlements to the Offer Shares under the Open Offer; and (ii) none of the Cash Alternative Creditors accept the Cash Alternative, the public Shareholders will hold in aggregate approximately 9.52% of the issued share capital of the Company upon completion of the Capital Reorganisation, Open Offer and the Schemes.

The relevant percentages set out above are indicative only and will be subject to adjudication of Creditors' claims under the Schemes. Sino Bright will take appropriate steps to restore the Public Float of the Company to the extent required under the Listing Rules before Resumption.

NO TAKEOVERS CODE IMPLICATIONS

As at the Latest Practicable Date, the shareholding of Barrican Investments Corporation in the Company is approximately 71.38%. Sino Bright will underwrite the Open Offer in full. As shown in the indicative shareholding tables set out above, the shareholdings of Sino Bright and persons acting in concert with it will remain above 50% following the Open Offer. Sino Bright has the ability to sub-underwrite its commitment under the Open Offer but does not intend to do so to the extent the shareholding of Sino Bright and persons acting in concert with it would reduce thereby below 50%.

Based on the estimated amount of Creditor claims provided by the Provisional Liquidators as at the Latest Practicable Date, and as shown in the indicative shareholding tables set out above, it is expected that the shareholdings of Sino Bright and persons acting in concert with it will remain above 50% following the issuance of the Creditor Shares.

Accordingly, as the shareholdings of Sino Bright and persons acting in concert with it is expected to remain above 50% at all times, there are no implications under the Takeovers Code arising from the allotment of the Offer Shares or the Creditor Shares to Sino Bright and persons acting in concert with it. If there are any changes to the circumstances which lead to a potential general offer obligation, Sino Bright will take appropriate measures, including applying for a whitewash waiver.

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PREVIOUS FUND RAISING EXERCISE IN THE PRIOR 12 MONTH PERIOD

The Company has not conducted any fund raising activities by way of issuing equity securities in the twelve month period prior to the Latest Practicable Date.

FINANCIAL EFFECT OF THE PROPOSED RESTRUCTURING

Set out below is a summary of the consolidated financial positions of the Group as at 30 June 2015, 31 December 2014, 2013 and 2012:

Consolidated financial positions

	30 June	As at 31 December		
	2015 (Unaudited) <i>HK\$'million</i>	2014 (Audited) <i>HK\$'million</i>	2013 (Audited) <i>HK\$'million</i>	2012 (Audited) <i>HK\$'million</i>
Non-current assets	691	693	786	817
Current assets	659	669	699	706
Total assets	1,350	1,362	1,485	1,523
Current liabilities	(3,940)	(3,827)	(3,857)	(3,716)
Non-current liabilities	–	–	–	–
Total liabilities	(3,940)	(3,827)	(3,857)	(3,716)
Net current liabilities	(3,281)	(3,158)	(3,158)	(3,010)
Net liabilities	(2,590)	(2,465)	(2,372)	(2,193)

As at 30 June 2015, the Group had total liabilities of approximately HK\$3,940 million, of which approximately (i) HK\$565 million was related to the amounts due to former associates of the Group, Sansui Electric Co registered in Japan and Sansui Sales Pte Limited; and HK\$2,306 million were the amounts due to former related companies of the Group. Approximately HK\$3,051 million out of HK\$3,940 million were due to the Scheme Creditors. Such liabilities would be discharged upon the implementation of the Schemes. As at 30 June 2015, the total assets of the Group of approximately HK\$1,350 million mainly comprised (i) brands and trademarks valued at approximately HK\$663 million; and (ii) cash and bank balance of approximately HK\$504 million.

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Upon completion of the Group Reorganisation, the assets and liabilities of the Excluded Companies will no longer be consolidated into the consolidated financial statements of the Restructured Group. In addition, upon the Schemes becoming effective, all the claims against, and liabilities of, the Company (other than intercompany claims) will be discharged and released in full.

As illustrated in the unaudited pro forma statements of financial position of the Group as at 30 June 2015 as set out in Appendix III to this circular, (i) in the event that all the Cash Alternative Creditors accept the Cash Alternatives, the total assets and liabilities would have become approximately HK\$1,209 million and HK\$175 million respectively, and the total net assets would have become approximately HK\$1,034 million, as if Completion had occurred on 30 June 2015; and (ii) assuming none of the Cash Alternative Creditors accept the Cash Alternatives, the total assets and liabilities would have become approximately HK\$1,309 million and HK\$175 million respectively, and the total net assets would have become approximately HK\$1,134 million, as if Completion had occurred on 30 June 2015. The total liabilities of the Group would then comprise accrued liabilities and other payables incurred during the course of ordinary business of the Group, provision for taxation and accounts and bills payables.

For the six months ended 30 June 2015, the loss attributable to the Shareholders was approximately HK\$122 million. The operating results of the Excluded Companies will continue to be consolidated into the financial statements of the Group prior to the completion of the Group Reorganisation. As illustrated in the unaudited pro forma statements of financial position of the Group set out in Appendix III to this circular, the estimated, unaudited gain of the Proposed Restructuring would amount to approximately HK\$3,236 million (assuming all Cash Alternative Creditors accept the Cash Alternative) or approximately HK\$3,316 million (assuming none of the Cash Alternative Creditors accept the Cash Alternative).

REASONS AND BENEFITS FOR THE ENTERING INTO THE RESTRUCTURING AGREEMENT

Given the financial situation of the Group, certain Creditors have proposed a rescue plan which is based on retention of all existing businesses and operations of the Group and a debt to equity swap supported with funds raised by means of the Open Offer to discharge and release in full all liabilities of and claims against the Company (other than intercompany liabilities) under the Schemes. The Open Offer will fund the Cash Alternative under the Scheme and strengthen the financial position and the capital base of the Company. It also provides an opportunity for the Qualifying Shareholders to participate in the future growth and development of the Group upon successful restructuring of the Company.

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Having considered the factors above, the Provisional Liquidators and the Directors consider that the terms of the Restructuring Agreement are on normal commercial terms and are fair and reasonable and the entering into the Restructuring Agreement is in the interests of the Company, the Shareholders and the Creditors as a whole.

BUSINESS OPERATION OF THE GROUP

Appointment of Provisional Liquidators and Suspension

The Company was incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability under the Companies Act. The principal activities of the Group are distribution of household appliances and consumer electronics products and licensing of trademarks. At the request of the Company, trading in the Shares was suspended from 9:00 a.m. on 30 May 2011 and remains suspended. On the same date, Sino Bright (being a substantial Creditor of the Company), filed a winding-up petition against the Company to the Hong Kong Court. Messrs. Roderick John Sutton and Fok Hei Yu, both of FTI Consulting (Hong Kong) Limited were appointed as joint and several Provisional Liquidators of the Company on 31 May 2011.

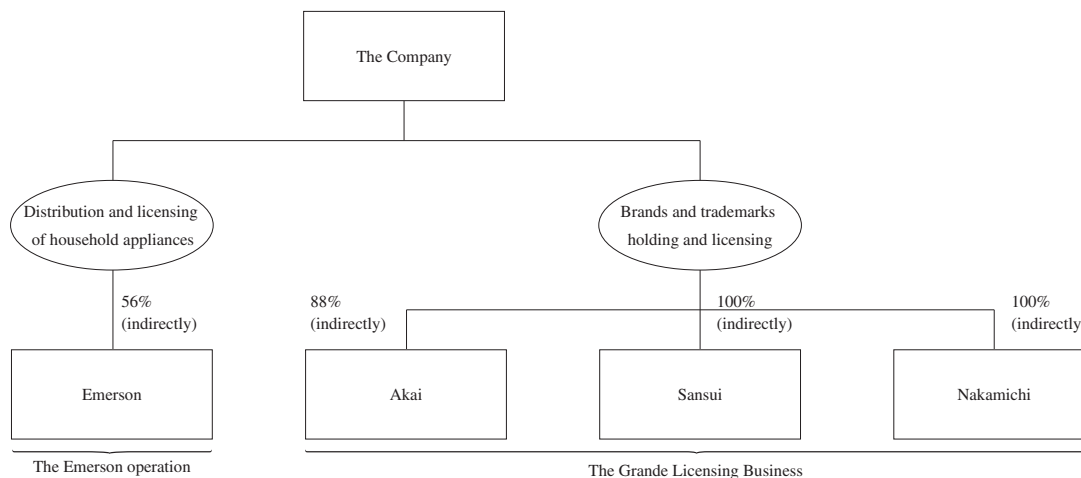
Development since Suspension

Following their appointment, the Provisional Liquidators have continued and maintained the operation of the Grande Licensing Business in respect of the three brands, namely “Akai”, “Sansui” and “Nakamichi”. The Provisional Liquidators have worked closely with the licensing team, this involved collecting license fees, renewing and renegotiating expiring license agreements and maintaining trademarks across various jurisdictions. In some cases, the Provisional Liquidators were able to expand the Group’s existing business by entering into license agreements with new customers.

The Provisional Liquidators informed Emerson, on 1 June, 2011, that Emerson will continue to be operated as usual without interruption. On 8 October 2014, Mr. John Howard Batchelor (“Mr. Batchelor”) of FTI Consulting (Hong Kong) Limited, was elected as the Chairman of Emerson. On behalf of the Company and the Provisional Liquidators, Mr. Batchelor has since attended several regular board meetings of Emerson to discuss with other directors in relation to the financial performance and other operational issues of Emerson. To date, the Provisional Liquidators and Mr. Batchelor have been working closely with the Chief Executive Officer of Emerson to oversee the operation of Emerson.

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The following diagram illustrates the business operations of the Group:



Grande Licensing Business

The Company indirectly owns three renowned trademarks, Akai, Sansui and Nakamichi through its subsidiaries and has also been engaging in managing global licensing operations since 2007. The Akai and Sansui trademarks focus on low-to-medium priced audio, video, display products, home appliances, phones, accessories and in car entertainment. The Nakamichi trademark focuses on brown goods and home entertainment products including visual displays, audio, video and home theatre systems and in-car entertainment. As at 30 June 2015, Grande Licensing Business had 26 licensees.

The trademarks and respective registered owners are listed in the table below.

Trademarks under management

Trademarks	Registered owner
Akai	Phenomenon Agents Limited, incorporated in the BVI
Sansui	Sansui Acoustic Research Corporation, incorporated in the BVI
Nakamichi	TWD Industrial Company Limited, incorporated in the BVI

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Key trademarks registered

Trademarks	Logo	No of jurisdictions
Akai		141
Sansui		124
Nakamichi		102

The product category being licensed by the licensees has been expanded to a large spectrum of consumer electronic products which can be summarised as follow.

Product categories

Trademark	Audio	Video	Displays/ TV	In-Car Entertainment	White Goods	Other accessories
Akai	Y	Y	Y	Y	Y	Y
Sansui	Y	Y	Y	Y	Y	Y
Nakamichi	Y	Y	Y	Y	-	Y

Under the current licensing operation, exclusive licensees for each brand in different geographical regions are appointed and each of them are granted the rights to source, market, promote and distribute approved branded products with their own resources, expertise and knowledge in their respective domestic markets.

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The original business network, customer base, key operation team and supply chain in respect of the Grande Licensing Business have largely been preserved subsequent to the appointment of the Provisional Liquidators. As at 31 December 2014, Akai, Sansui and Nakamichi have presence in numerous countries across Europe, America, Asia, Africa and the Middle East. The table below summarises the key data for the recent three years:

	Year ended 31 Dec 2012 (Audited)	Year ended 31 Dec 2013 (Audited)	Year ended 31 Dec 2014 (Audited)
Revenue (<i>HK\$'000</i>)	81,173	57,839	55,259
No. of licensees	43	27	26
Product categories			
– Audio	✓	✓	✓
– Video	✓	✓	✓
– Flat panel TV	✓	✓	✓
– Batteries and lighting	✓	✓	✓
– White goods	✓	✓	✓
– IT	✓	✓	✓
– Telephones	✓	✓	✓
– In car entertainment	✓	✓	✓
– Digital cameras	✓	✓	✓
Geographical coverage (<i>no. of countries</i>)	155	140	87

Business model

Grande Licensing Business derives two revenue streams under the licensing business. Firstly, every licensee has to pay an annual base licensing fee based on the estimated guaranteed minimum aggregate purchase. Secondly, if the licensee's purchase exceeds the target, the licensee is required to pay an additional fee being a percentage of the excess purchase.

General terms of the licensing agreements and the mechanism for the license fee have been summarised below:

- An agreement generally covers a licensing period between two to ten years. The average licensing period for the existing agreements is 4.7 years.
- In each licensing agreement, the licensee commits to a “*Guaranteed Minimum Aggregate Purchase*” and is obligated to pay a “*Guaranteed Minimum Royalty Fee*”, which is the minimum, non-refundable license fee that the licensee has to pay before the start of each licensing period.

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- The agreement also specifies a “*Royalty Rate*”, which is an agreed rate of royalty fee to be charged on the actual aggregate purchase in excess of the “*Guarantee Minimum Aggregate Purchase*”.
- At the end of each licensing year, the licensees must submit to the licensor the audited value of the actual aggregate purchase made in that licensing year. This value is used to determine whether additional royalty fees are due.
 - Additional royalty fees are payable to the licensor when the “*Actual Aggregate Purchase*” made in that year is greater than the “*Guaranteed Minimum Aggregate Purchase*”. The additional fee is calculated by multiplying the amount that the “*Actual Aggregate Purchase*” is in excess of the “*Guaranteed Minimum Aggregate Purchase*” by the “*Royalty Rate*” as specified in the agreement.
 - In the event that the “*Actual Aggregate Purchase*” made in that year is less than the “*Guaranteed Minimum Aggregate Purchase*”, no further fee is due to the licensor.

Emerson

Emerson was founded in the US in 1948 with its shares listed on the NYSE MKT LLC. Emerson is principally engaged in designing, sourcing, importing, marketing, selling and licensing to certain licensees a variety of housewares and consumer electronic products, both domestically and internationally, under the Emerson® brand name. Emerson has the exclusive right to use the Emerson trademark in certain product categories under the settlement agreement with The Emerson Electric Company. The Emerson trademark focuses on audio, video, display products and home appliances. The Company now holds approximately 56% of the voting rights of Emerson.

Business model

(a) Sales and distribution

Emerson’s Direct Import Program allows its customers to import and receive product directly from its contracted manufacturers located outside the US. Under the Direct Import Program, title for Emerson’s product passes to the customer in the country of origin when the product is shipped by the manufacturer. Emerson also sells product to customers from its US warehoused inventory, which is referred to as the Domestic Program. Under the Domestic Program, title for product typically passes at the time of shipment. Under both programs, Emerson recognizes revenues at the time title passes to the customer.

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Emerson has an integrated system to coordinate the purchasing, sales and distribution aspects of its operations. Emerson receives orders from its major customers via electronic data interface, facsimile, telephone or mail. Emerson does not have long-term contracts with any of its customers, but rather receives orders on an ongoing basis. Products imported by Emerson for the Domestic Program, generally from factories in Asia, are shipped by ocean and/or inland freight and then stored in Emerson's warehouse facilities for shipment to customers. Emerson monitors its inventory levels and goods in transit through the use of an electronic inventory system. When a purchase order under the Domestic Program is received, it is filled from Emerson's inventory and the warehoused product is labeled and prepared for outbound shipment to the customer by common, contract or small package carrier.

(b) Licensing and related activities

Throughout various parts of the world, Emerson is party to numerous distribution and outward license agreements with third party licensees that allow the licensees to manufacture and/or sell various products bearing Emerson's trademarks into defined geographic areas. Emerson believes that such activities have had and will continue to have a positive impact on operating results by generating income with minimal, if any, incremental costs and without any working capital requirements, and intends to pursue additional licensing and distribution opportunities. Emerson continues to protect its brands through rigid license and product selection and control processes.

(c) Manufacturing

Emerson's products are manufactured by original equipment manufacturers in accordance with Emerson's specifications. During its financial years of 2014 and 2015, Emerson sourced finished goods from manufacturers located in the PRC and imported the same into the US. Emerson currently has a satisfactory relationship with its suppliers.

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Customers of the Group

Grande Licensing Business

Grande Licensing Business has developed and maintained business relationships with not less than 26 customers located in 87 countries, which are mainly wholesalers, trading company and distributors and are independent third parties. For the year ended 31 December 2014 the top five customers of Grande Licensing Business of the Group accounted for approximately 56.25% of Grande Licensing Business's revenue. The information regarding Grande Licensing Business's top five customers for the year ended 31 December 2014 is set out below:

Customer	Business nature	Location of customer	% of revenue (approx.)
A	General Trading	South Africa	22.67%
B	General Trading	Asia	17.75%
C	General Trading	Europe	7.37%
D	General Trading	Asia, Europe and Africa	4.42%
E	General Trading	Asia	4.04%

Emerson

The sales of Emerson during the financial year ended 31 March 2015 were highly concentrated among the two largest customers, Target and Wal-Mart, where gross product sales comprised approximately 88.4% of the total gross product sale of Emerson. Emerson has entered into licensing agreements with several licensees, of which the largest licensing agreement is with Funai Corporation, Inc, which accounted for approximately 79% of the total licensing revenue of Emerson in financial year ended 31 March 2015.

Suppliers of the Group

Grande Licensing Business

The Group does not have major supplier for its brands licensing business.

Emerson

Emerson continues to maintain satisfactory relationship with its major suppliers, namely, Midea, Hisense and Wanbao which respectively accounted for 66%, 24% and less than 10% of the total purchase of Emerson in financial year ended 31 March 2015.

The Group's trading terms with customers mainly comprise credit and cash on delivery. For new customers, payment in advance is normally required. The Group maintains strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

The Group maintains inventory level with reference to the level of sales made and the number of placed orders. The Group is exposed to minimal inventory risks.

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None of the existing or proposed Directors or any of their associates or shareholders (which, to the best knowledge of the Provisional Liquidators, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and five largest suppliers.

Competition and competitive strengths of the Group

Grande Licensing Business

Grande Licensing Business possesses an advantage over its competitors in audio and visual products and consumer electronic products market due to the combination of:

- a long history and recognition of the renowned brand names of Akai, Sansui and Nakamichi brands and the general reception and recognition of their origin countries (i.e. Japan) which is highly recognised as an origin of developing and inventing quality consumer electronic equipment;
- established customer/licensee relations;
- an infrastructure with personnel experienced in servicing and providing support to the licensees; and
- extensive experience in establishing licensing agreements on a global basis for a variety of products.

Akai and Sansui brands primarily competes in the low-to-medium-priced sector of the consumer electronics market whilst Nakamichi brand positions in a medium to high end audio products which is well received by the users. Akai, Sansui and Nakamichi compete primarily on the basis of:

- brand recognition;
- reliability;
- quality;
- price;
- design;

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- consumer acceptance of Akai, Sansui and Nakamichi products; and
- support provided to the licensees.

Emerson

Emerson possesses an advantage over its competitors in household appliance market due to the combination of:

- recognition of the Emerson brand;
- distribution base and established customer relations;
- sourcing expertise and established vendor relations;
- an infrastructure with personnel experienced in servicing and providing logistical support to the domestic mass merchant distribution channel; and
- extensive experience in establishing licensing and distribution agreements on a global basis for a variety of products.

Emerson primarily competes in the low-to-medium-priced sector of the housewares and consumer electronics market. Emerson's management estimates that Emerson has several dozen competitors that are manufacturers and/or distributors, many of which are much larger and have greater financial resources than Emerson. Emerson competes primarily on the basis of:

- brand recognition;
- reliability;
- quality;
- price;
- design;
- consumer acceptance of Emerson's products; and
- the quality of service and support provided to retailers and their customers.

Emerson also competes at the retail level for shelf space and promotional displays, all of which have an impact on its success in established and proposed distribution channels.

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Business plan and strategies of the Group

The consumer electronics markets have been affected by the 2008 global financial crisis. The series of economic stimulus policies and measures implemented by the US and European countries over the past few years continue to bear fruit and gradually improve consumers' sentiment. There are strong signs of recovery in major consumer markets. The Group will continue to focus on strengthening its existing businesses and to leverage on its competitive strengths to achieve a leading position in each regional market it enters.

The Directors are of the view that the licensing business of the Group has been, on its own, a sustainable and viable business. The licensing model has proven to be a stable source of revenue deriving respectable profits. The Group will continue to focus on expanding the licensing operations for the Akai, Nakamichi and Sansui trademarks by exploring the potential licensing markets in such emerging countries as the PRC, Brazil, India and Russia which have been widely recognized as the fastest growing consumer markets in the past decade.

By evolving along with the business environment, household appliances manufacturers and distributors have started focusing on licensing its brands for selected categories and identifying the right partners as licensees. In so far as the Grande Licensing Business is concerned, the Group understands that whilst the existing licensing business is profitable despite the Company being in liquidation, it has to beef up its business management the way forward and to address the needs for proper internal control. The Provisional Liquidators have engaged a brand consultant to undertake an assessment of the Grande Licensing Business.

The brand consultant has audited Grande Licensing Business's current trademark licensing process and make recommendations on what Grande Licensing Business needs to do to establish best practice protocols and materials necessary to manage the licensing programme including:

- evaluate the current licensing process;
- optimized process identification;
- best practices in licensing business cycle; and
- operational readiness.

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The Group will establish, targeted by July 2016, a Licensing Business Development Department which will, amongst others, perform the following functions:

- (a) review terms of the existing license agreements to determine if marketing and promotion plans should be devised to enhance licensing revenue;
- (b) research into prospects of new products and/or markets under the pre-existing licenses;
- (c) develop pilot plans for new products/markets;
- (d) implement businesses under (c);
- (e) determine optimal strategies to either continue to run businesses under (c) and (d) or entice/recruit licensees to take over at optimal terms;
- (f) establish avenues to explore targets for acquisitions of new brands to complement existing product categories where the Group has experience and track records; and
- (g) consider and explore the feasibility of establishing new brands to supplement product offerings to existing licensees.

The Licensing Business Development Department is an addition to the existing brand licensing team which will be tasked to provide a value-added service and supplement to the brand licensing team for their growth and penetration into more and different market segments and geographical locations. Industry overviews obtained by the Group suggest that several emerging markets, namely India and Brazil for Akai; the PRC for Sansui; and India for Nakamichi should be looked into as potential new geographic sale territories.

The management of Grande Licensing Business is proposing three step marketing approach:

- (i) Create a Marketing Cooperation Fund to be used for brand marketing in selected countries/regions with licensees.
- (ii) Organize a product event with selected factories to showcase products during the Electronic Fair in Hong Kong.
- (iii) Develop a flagship product for worldwide launch to boost brand image.

It is envisaged that the Licensing Business Development Department will be staffed with a minimum of 5 headcounts, which will include a brand manager, business development manager, two merchandisers and a secretary.

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Based on the assessment provided by the brand consultant, the Provisional Liquidators and the management of the Grande Licensing Business have agreed to retain the consultant for an extended role to assist the management to build a Licensing Business Development Department in Hong Kong and start up a branding program for Akai, Sansui and Nakamichi.

The branding program will involve the engagement of an reputable international branding agency to provide for optimum branding approach.

To address the needs for adequate internal control, an experienced and qualified chief financial officer and company secretary has been assigned.

While the Group is not aware of any potential targets that the Company has planned or is planning to acquire at present, arising from the work done by the Licensing Business Development Department or from other available prospects, the Group may in the future consider potential targets for acquisition of assets or businesses from third parties to enhance its scale of operations, if it is deemed appropriate. As at the Latest Practicable Date, the Company, Sino Bright, Barrican Investments Corporation and their associates and the Directors (including the proposed directors) do not have any present agreement, arrangement, intention, negotiation or plan to carry out a principal business other than the existing business of the Company within 12 months after resumption of the Company.

Accordingly, the Group will, over time:

- generate more revenues through royalty income;
- increase brand awareness;
- enhance brand equity;
- protect and strengthen the trademark on a global basis; and
- extend its product range and its geographical reach cost-effectively, without incurring significant capital investment to maintain manufacturing facilities, distribution network and sales forces, etc.

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RISKS RELATING TO THE BUSINESS OF THE GROUP

Set out below are the major potential operational and market risks which may be faced by the Group:

Dependence on key management personnel

The Group's operations are dependent on the experience and expertise of the key management personnel. Although most of the key management staff have worked with the business for a long time, there is no assurance that separation of any such key management personnel for any reason will not occur, which may have a material adverse effect on the operations of the Group.

Dependence on key customers of the Group

For the year ended 31 December 2014 the top five customers of Grande Licensing Business of the Group accounted for approximately 56.25% of Grande Licensing Business's revenue. Emerson is highly dependent upon sales of its products to Target and Wal-Mart. For the fiscal years ended 31 March 2014 and 2013, Target accounted for approximately 58% and 44%, respectively, of Emerson's net revenues, and Wal-Mart accounted for approximately 22% and 45% of Emerson's net revenues, respectively. No other customer accounted for more than 10% of Emerson's net revenues during these periods. All customer purchases are made through purchase orders and Emerson does not have any long-term contracts with its customers. The complete loss of, or significant reduction in business from, or a material adverse change in the financial condition of, key customers of the Group would cause a material and adverse change in the Group's revenues and operating results.

Dependence on key suppliers of the Group

Although there are multiple suppliers for each of Emerson's products, Emerson relies and is dependent on a limited number of suppliers for its main products, all of which are located outside of the US. This reliance involves a number of significant potential risks, including:

- lack of availability of materials and interruptions in delivery of components and raw materials from suppliers;
- manufacturing delays caused by such lack of availability or interruptions in delivery;

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- fluctuations in the quality and the price of components and raw materials, in particular due to the petroleum price impact on such materials;
- fluctuations in the cost of procuring finished goods inventory; and
- risk related to foreign operations.

If the Group is unable to obtain an ample supply of product from its existing suppliers or alternative sources of supply, it may be unable to satisfy its customers' orders, which could materially and adversely affect the Group's revenues and relationships with its customers. Finding replacement suppliers could be a time consuming process during which the Group's revenues and liquidity could be negatively impacted.

The Group's business could be materially and adversely affected if it cannot protect its intellectual property rights or if it infringes on the intellectual property rights of others

One of the key competitive strengths of the Group is its ability to maintain and protect its proprietary rights. The Group owns Emerson®, Akai®, Sansui® and Nakamichi®, which are materially important to its business, are registered throughout the world. Protections afforded by the laws of some foreign countries in which the Group operates may not be adequate to protect the Group's intellectual property rights. Any litigation, whether successful or not, in protecting the Group's intellectual property rights and claiming the infringement of other parties' proprietary rights, could result in substantial costs and diversion of resources of the Group's business.

Risk relating to licensees and distributors

The Group maintains agreements that allow licensees to use the Group's trademarks for the manufacture and sale of specific consumer electronics and other products. In addition, the Group maintains agreements for the distribution of products bearing its brands into defined geographic areas. The Group cannot assure that any agreements will be renewed in the future or that the Group's relationships with its licensees or distributors will be maintained on satisfactory terms or at all. The failure to maintain its relationships with licensees and distributors on terms satisfactory to the Group, the failure to obtain new licensees or distribution relationships or the failure by the Group's licensees to protect the integrity and reputation of the Group's trademarks could materially and adversely affect the Group's licensing revenues and earnings.

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Social unrest in Eastern Europe and the Middle East could materially and adversely affect the Group's revenue and earnings in those regions

Significant uncertainties remain about the future political and economic environment in Eastern Europe and the Middle East following the recent revolutions, continued hostilities and unrest. The changes in the economic and political environment could have an adverse impact on the legal environment, consumer spending, foreign currency exchange rates fluctuations and other economic conditions. This consequently may have significantly effect on the Group's revenue and earnings.

Low barriers of entry could increase competition in our industry that may affect the financial performance of the Group

The industry in which the Group operates is not capital intensive nor involves areas of advanced technology and therefore has relatively low barriers of entry. With low entry barriers, the Group faces increasing competition from the new entrants. If the Group fails to compete effectively or maintain its competitiveness in the market, the Group's business and its financial performance may be adversely affected.

Risks of changing of economic and regulatory conditions in the PRC could affect Emerson's revenue and earnings materially and adversely

Emerson derives a significant portion of its revenue from sales of products manufactured by third parties located in the PRC. Among the factors that may adversely affect Emerson's revenues and increase its costs are:

- currency fluctuations which could cause an increase in the price of the components and raw materials;
- Labor shortages in manufacturing facilities located in the PRC;
- the elimination or reduction of value-added tax refunds to Chinese factories that manufacture products for export;
- the rise of inflation and substantial economic growth in the PRC;
- more stringent export restrictions, tariffs and other trade barriers in the countries in which Emerson operates which could adversely affect its profitability and ability to deliver its products to its customers; and
- the laws of the PRC that govern many of Emerson's supplier agreements and Chinese labor.

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AUDIT QUALIFICATIONS

As set out in Appendix I to this circular, the auditor of the Company has expressed a disclaimer of opinion on the consolidated financial statements of the Company for the year ended 31 December 2014. The basis for the disclaimer of opinion is also set out in Appendix I to this circular.

The audit qualifications as set out in the audited financial statements for the year ended 31 December 2014 are extracted and the relevant rectifications are summarised below:

Audit qualifications	Rectifications
1. Opening balances and corresponding figures	
<p>The corresponding figures disclosed in the consolidated financial statements are based on the audited financial statements of the Group and the Company for the year ended 31 December 2013 in respect of which the auditor's report dated 29 August 2014 expressed a disclaimer of opinion. The matters which resulted in that disclaimer of opinion included (a) Amounts due to former related companies; (b) Amounts due to a former associate; and (c) Accounts and bills payable, which remain unresolved issues this year. Moreover, as at the date of this report, the audits of the financial statements of several subsidiaries for the years ended 31 December 2011 to 2013 have not been completed by the component auditors. The carrying amount of the balances of these subsidiaries as at 31 December 2014 was derived by aggregating the opening balances as at 1 January 2014 and the net movement resulting from the transactions during the year ended 31 December 2014. There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of the opening balances and corresponding figures shown in the current year's consolidated financial statements.</p>	<p>Upon completion of the Proposed Restructuring, those subsidiaries with uncertain opening balance will be deconsolidated from the Group in 2016, and it is anticipated that all relevant audit qualification will be removed for the year ending 31 December 2018.</p>

LETTER FROM THE PROVISIONAL LIQUIDATORS

Audit qualifications	Rectifications
2. Material uncertainty relating to the going concern basis	
<p>In forming their opinion, Hopkins have considered the adequacy of the disclosures made in note 3 to the consolidated financial statements which states the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the proposed restructuring. Hopkins consider that the disclosures are adequate. However, in view of the extent of the material uncertainty relating to the completion of the proposed restructuring, Hopkins disclaim their opinion in respect of the material uncertainty relating to the going concern basis</p>	<p>Upon completion of the Proposed Restructuring, all the liabilities of the Company would be discharged under the proposed Schemes, the winding-up of the Company would be stayed and the Group will maintain a positive net assets position (as indicated in the pro forma statement of financial position) and it is anticipated that all relevant audit qualification will be removed for the year ending 31 December 2016.</p>
3. Amounts due to former related companies	
<p>Hopkins have not been able to obtain direct audit confirmations or other sufficient evidence in respect of certain amounts due to former related companies of the Group for approximately HK\$13 million. As a result, Hopkins were unable to satisfy themselves that amounts due to former related companies of the Group as disclosed in note 27 to the consolidated financial statements was fairly stated.</p>	<p>Upon completion of the Proposed Restructuring, relevant subsidiaries will be struck off or placed into voluntary liquidation. Accordingly, these subsidiaries will be deconsolidated from the Group and their liabilities will be removed from the Group. Any gain/(loss) to be arose from the deconsolidation will be recognized in the financial results of the Group in 2016, and it is anticipated that all relevant audit qualification (save for the opening balance of the Group's financial position) will be removed for the year ending 31 December 2017.</p>
4. Amounts due to a former associate	
<p>Hopkins have not been able to obtain direct audit confirmation or other sufficient evidence in respect of the amounts due to a former associate of the Group for approximately HK\$566 million. As a result, they were unable to satisfy themselves that amounts due to a former associate of the Group as disclosed in note 27 to the consolidated financial statements was fairly stated.</p>	<p>Upon completion of the Proposed Restructuring, relevant subsidiaries will be struck off or placed into voluntary liquidation. Accordingly, these subsidiaries will be deconsolidated from the Group and their liabilities will be removed from the Group. Any gain/(loss) to be arose from the deconsolidation will be recognized in the financial results of the Group in 2016, and it is anticipated that all relevant audit qualification (save for the opening balance of the Group's financial position) will be removed for the year ending 31 December 2017.</p>

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Audit qualifications	Rectifications
5. Accounts and bills payables	
Hopkins have not been able to obtain direct audit confirmations or other sufficient evidence in respect of certain accounts and bills payable of the Group for approximately HK\$5 million. As a result, they were unable to satisfy themselves that the accounts and bills payable of the Group as disclosed in note 26 to the consolidated financial statements was fairly stated.	Upon completion of the Proposed Restructuring, relevant subsidiaries will be struck off or placed into voluntary liquidation. Accordingly, these subsidiaries will be deconsolidated from the Group and their liabilities will be removed from the Group. Any gain/(loss) to be arose from the deconsolidation will be recognized in the financial results of the Group in 2016, and it is anticipated that all relevant audit qualification (save for the opening balance of the Group's financial position) will be removed for the year ending 31 December 2017.

The Company expects that there will be audit qualifications in the Group's consolidated financial statements for the year ending 31 December 2015 in relation to (i) the opening balances and corresponding figures (i.e. year ended 31 December 2014); (ii) material uncertainty relating to going concern basis; (iii) amounts due to former related companies; (iv) amounts due to former associates; and (v) accounts and bills payable. For the year ending 31 December 2016, the Company expects that except for item (ii), there should be audit qualifications in relation to the matters discussed above. As the completion of the Proposed Restructuring will be taken place in 2016, those subsidiaries with uncertain amounts due to former related companies, amounts due to former associates; and accounts and bills payables will only be deconsolidated at that time, it is expected that the relevant audit qualification (save for the opening balance of the Group's financial position) will be retained for the year ending 31 December 2016.

The consolidated financial statements of the Company for the year ended 31 December 2014 have been prepared on a going concern basis on the assumption that the Proposed Restructuring will be successfully completed, and that, following the Proposed Restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. In relation to the material uncertainty relating to the going concern basis as mentioned in the independent auditor's report for the year ended 31 December 2014, the Company considers that the Restructured Group will become liquid with positive net current assets and net assets following the completion of the Open Offer, the Schemes and the Group Reorganisation as exhibited in the "Unaudited Pro Forma Financial Information of the Group" as included in Appendix III in this circular. Therefore, in the absence of any unforeseen events, the Company expects that this qualification will be removed in the consolidated financial statements for the year ending 31 December 2016.

Crowe Horwath (HK) CPA Limited, the auditor of the Company, has agreed the aforesaid description in relation to the rectification of the audit qualifications. Having considered the above and barring any unforeseen circumstances, the Provisional Liquidators and the Directors consider that the aforesaid audit qualifications (save for the opening balance of the Group's financial position) set out in the year ended 31 December 2014 will no longer remain beyond the financial year ending 31 December 2017.

LETTER FROM THE PROVISIONAL LIQUIDATORS

INTERNAL CONTROLS

On 25 March 2013, the Stock Exchange published the News Release in relation to, among others, sanctions imposed on the Company for its breach of Rule 13.09(1) of the Listing Rules and directions given to certain existing and former Directors for their breach of Director's Undertaking. As disclosed in the News Release, the Listing Appeals Committee directed, among others, that the Company (i) retain an independent professional adviser satisfactory to the Listing Division to conduct a thorough review of and make recommendations to improve the Company's internal control to ensure compliance with Rule 13.09 of the Listing Rules; and (ii) appoint an independent compliance adviser satisfactory to the Listing Division on an ongoing basis for consultation on Listing Rules compliance as conditions for the Company's trading resumption.

On 31 March 2014, the Company has appointed Aoba CPA Limited to perform an independent internal control review of the Group (i) to ensure Rule 13.09 compliance in accordance with the direction of the Listing Appeals Committee; and (ii) to meet the obligations under the Listing Rules. The internal control review report was included in the Resumption Proposal and submitted to the Stock Exchange on 9 July 2014.

The independent internal control review was undertaken in accordance with Hong Kong Standard on Related Services 4400 "Engagement to perform agreed-upon procedures regarding financial information" issued by the HKICPA. Aoba CPA Limited has applied the "Internal Control and Risk Management – A Basic Framework" issued by the HKICPA as the criteria for its evaluation of the effectiveness of the internal control systems of the Group.

The scope of work of the independent internal control review is as follows:

- Review the rules and regulation compliance policies and procedures of the Company;
- Obtain an understanding of the control environment of the Company and identify the Group's information and communication flows;
- Review the entity level control environment of the Company;
- Check whether adequate trainings have been provided to the board members and key management personnel to keep them aware of the up-to-date requirement of the Listing Rules;
- Review the procedure manual, policies and control in place in relation to Rule 13.09 of the Listing Rules and the Inside Information Provisions and to consider if adequate and effective policies have been set out;

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- Check if the policies set out in the procedure manual has been implemented; and
- Review the internal control over the major cycles and areas of the Group.

The internal control review report covers principally the compliance with the Listing Rules. In addition, the review concentrated on the internal control systems of the Group in the following cycles and areas:

- Sales and receipt cycle;
- Subcontractors management;
- Purchase and payment cycle;
- Cash and treasury management;
- Inventory cycle;
- Capital expenditure cycle;
- Human resources;
- General computer control;
- Product liability and insurance;
- Related party transaction; and
- Financial reporting.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Based on the results of the independent internal control review, Aoba CPA Limited has identified the following areas of improvements to the Company's internal control to ensure compliance with Rule 13.09 of the Listing Rules. A brief summary of the findings and key recommendations is set out below:

Ref. number	Findings	Recommendation
1.	<p>We have reviewed the Compliance Manuals and take the view that the Compliance Manuals, if followed properly, are in themselves sufficient for the Company to meet its obligations under the Listing Rules in relation to Rule 13.09 and the Inside Information Provisions.</p> <p>However, some senior management positions and directors mentioned in the compliance manuals were still waiting to be filled up by potential candidates and the procedures had not yet been approved and implemented.</p>	<p>In order to ensure the Manuals are properly implemented and relevant Listing Rules and the Inside Information provisions are properly complied with, the Company should take proactive action to fill up such positions by contacting and contracting with appropriate personnel.</p>

The Provisional Liquidators and the Directors have reviewed the internal control review report prepared by Aoba CPA Limited and agreed with its findings. As the Group is currently under the management of the Provisional Liquidators, under the current proposal, proposed directors will be appointed will ensure that all of the recommendations made by Aoba CPA Limited will be implemented by the New Board upon Resumption.

Subject to the implementation of the recommendations set out in the independent internal control review report, Aoba CPA Limited is of the opinion that the Group has adequate and effective internal control system to meet its obligations under the Listing Rules.

To address the needs for adequate internal control, the Company has appointed an experienced and qualified chief financial officer and company secretary on 29 September 2014. The new appointments strengthen the senior management team within the Company, establishing a robust internal control system and platform for growth.

LETTER FROM THE PROVISIONAL LIQUIDATORS

The Company will also appoint GF Capital (Hong Kong) Limited, an entity licensed under the SFO for Type 6 regulated activity and permitted under its license to undertake work as sponsor, for consultation on compliance with Listing Rules for a period of two years upon Resumption.

MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is an extract of the management discussion and analysis of the Group for the year ended 31 December 2014 as set out in the Company's 2014 annual report. It should be noted that the auditor expressed a disclaimed opinion on the consolidated financial statements for the year ended 31 December 2014 so that the analyses of the financial performance may be of limited value.

BUSINESS REVIEW AND PROSPECTS

For the year ended 31 December 2014 (the "current year"), the revenue of the Group was HK\$663 million as compared to HK\$741 million for 2013 (the "corresponding year"). The Group recorded a net loss attributable to shareholders of HK\$51 million for the current year, as compared to a loss of HK\$191 million for the corresponding year.

The Group comprises the Emerson operations and Licensing operations for Akai, Sansui and Nakamichi brands.

(a) Emerson

The trade name "Emerson" dates back to 1912 and is one of the oldest and most well respected brands in the consumer electronics industry. Emerson has been focusing on offering a broad variety of current and new consumer electronics products and household appliances at low to medium-priced levels to customers.

Emerson's revenue for the current year was HK\$608 million as compared to HK\$683 million for the corresponding year. It recorded an operating profit of HK\$40 million for the current year as compared to HK\$25 million for the corresponding year. Emerson has also entered into distribution and license agreements with third party licensees that allow the licensees to sell various products bearing the Emerson trademarks into defined geographic areas.

(b) Licensing

This segment has the responsibility of managing the global licensing operations of Akai, Sansui and Nakamichi brands. The Group's strategy is to qualify and appoint exclusive licensees for each brand in different geographical regions, granting them the rights to source, market, promote and distribute approved branded products with their own resources, expertise and knowledge in the domestic markets.

LETTER FROM THE PROVISIONAL LIQUIDATORS

The revenue of this segment was HK\$55 million for the current year as compared to HK\$58 million for the corresponding year. The operating profit for the current year was HK\$39 million which comprised mainly the net licensing income received from the licensees, as compared to a profit of HK\$47 million for the corresponding year.

Notwithstanding the net loss attributable to shareholders of HK\$51 million recorded by the Group during the current year (as compared to a net loss of HK\$191 million for the corresponding year), the Provisional Liquidators are of the view that the loss does not affect the Group's existing business and its normal operation. The Group continues to operate its branded distribution business as usual.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had a current ratio of approximately 0.17 as compared to that of approximately 0.18 at 31 December 2013.

As at 31 December 2014, the Group had HK\$472 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources.

The Group had inventories of approximately HK\$35 million as at 31 December 2014, representing a decrease of HK\$9 million as compared to the previous year.

All the interest bearing borrowings of the Company have been accounted for as non-interest bearing borrowings with effect from 12 September 2013, the date of the winding-up order. As a result, the Group's gearing ratio as at 31 December 2014 was 0% which is calculated based on the Group's net borrowings of HK\$nil (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total deficiency of equity of HK\$2,465 million.

As at 31 December 2014, the Group had net current liabilities of HK\$3,158 million as compared to HK\$3,158 million at 31 December 2013.

CHARGES ON GROUP ASSETS

As at 31 December 2014, certain of the Group's assets with a total carrying value of approximately HK\$23 million were pledged to secure banking and other borrowing facilities granted to the Group. Details are set out in note 33 to the consolidated financial statements.

TREASURY POLICIES

The Group's revenues are mainly in US dollars and major borrowings and payments are in either US dollars or HK dollars. The Group is not exposed to any significant currency risk exposure since the HK dollar is linked with the US dollar.

LETTER FROM THE PROVISIONAL LIQUIDATORS

General and Administrative Expenses

For the twelve months ended 31 December 2014, general and administrative expenses totaled approximately HK\$109 million (twelve months ended 31 December 2013: HK\$112 million), representing a decrease of approximately 3% over the preceding period. The decline was primarily due to a reduction in Directors' remuneration and staff costs of Hong Kong office.

The current management and operational teams are expected to be maintained going forward. A five percent increase in expenses is considered sufficient to factor the impact of inflation. No other material changes are expected in general and administrative expenses.

Finance Costs

For the twelve months ended 31 December 2014, finance costs totaled approximately HK\$Nil (twelve months ended 31 December 2013: HK\$192 million). The decline was due to the fact that the Company had accrued interest up to 12 September 2013, being the winding-up order date of the Company.

No further financial cost is expected to be incurred given the existing debts owed by the Company and related interest payments will be eliminated by the existing proposal.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 31 December 2014 was approximately 50. The Group remunerates its employees mainly based on industry practice, individual's performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance. Other benefits include medical and retirement schemes.

Other than the Directors and Emerson's workforce, the Group has reduced workforce of the Hong Kong and Singapore offices since 2012. The staff costs for these offices have been reduced from HK\$10.5 million to HK\$6.7 million.

The Group will continue to determine remuneration by reference to market pay and individual performance. In addition to salary payments, the Group also provides other employment benefits such as contributions to a provident fund.

Other than the recruitment of additional directors in relation to a new service line, a substantial change in workforce numbers is not anticipated and, as such, staff costs are not expected to affect the profitability of the Group.

LETTER FROM THE PROVISIONAL LIQUIDATORS

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

SIGNIFICANT INVESTMENTS

During 2007, the Group increased its shareholding interests in Sansui Electric Co., Ltd ("SEC"), a company incorporated in Japan and was formerly listed on the First Section of the Tokyo Stock Exchange, from 30% at 31 December 2006 to 40% at 31 December 2007. Since the Group had gained control over SEC's financial and operating policies, the interests in SEC had since June 2007 been accounted for as a subsidiary. There was no movement in the Group's shareholding interests in SEC during the year 2011. However, SEC had been reclassified and accounted for as an associate instead since 1 October 2011 as the Group had lost its control over SEC's financial and operating policies in consequence of the Group's inability to provide continuing financial support to SEC from that time.

SEC became delisted from the Tokyo Stock Exchange on 3 May 2012 and has been put into the Civil Rehabilitation Procedures ("CRP") in Japan with effect from 15 May 2012. Following the commencement of the CRP, SEC has been administered under the supervision of the court appointed supervisor. In consequence of its complete loss of influence over the financial and operational matters of SEC, the Group has accordingly reclassified and accounted for its interests in SEC as available-for-sale investments instead of an associate since 15 May 2012.

On 27 December 2012, the Japan Court endorsed and approved the CRP and discharged the court supervisor. On 4 July 2014, a bankruptcy petition was presented against SEC. On 9 July 2014, SEC was put into bankruptcy and Ms. Aizawa Mitsue was appointed its bankruptcy trustee on the same date.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

LETTER FROM THE PROVISIONAL LIQUIDATORS

CONNECTED TRANSACTIONS

There were no significant related party transactions entered by the Group during the year ended 31 December 2014, which constituted connected transactions under the Listing Rules.

Foreign exchange exposure

The Group has minimal exposure to foreign currency risks as most of its business transactions, assets and liabilities are principally denominated in US dollars. The Group currently does not have a foreign currency hedging policy with respect to its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging foreign currency exposure if necessary.

AUDIT COMMITTEE

Following the resignation of the Company's sole independent non-executive director on 12 March 2013, there has been no replacement of members at the audit committee. No audit committee is therefore maintained as required by Rule 3.21 of the Listing Rules. As a result, the consolidated financial statements of the Group for the current year ended 31 December 2014 have not been reviewed by the audit committee.

CORPORATE GOVERNANCE

As the Company has been under the control of the Provisional Liquidators and a full board of directors has not been constituted, the current directors of the Company is therefore unable to comply with the Code on Corporate Governance Practices (the "CG Code").

However, upon resumption of trading in the shares of the Company, the Company will ensure that the CG Code shall be complied with.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTOR

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Given that the Company is in liquidation and the trading of the Company's shares was suspended since 30 May 2011, the Company is not aware of any non-compliance with the required standards as set out in the Model Code during the year ended 31 December 2014.

LETTER FROM THE PROVISIONAL LIQUIDATORS

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Provisional Liquidators up to the date of this report, the Company has sufficient public float as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 37 to the consolidated financial statements.

INDEPENDENT AUDITOR

Messrs. Moore Stephens were the auditor of the Company for the years ended 31 December 2006 to 2011, Jonten Hopkins CPA Limited was appointed by the Provisional Liquidators as auditor of the Company with effect from 7 May 2014 to fill the causal vacancy arose from the resignation of Messrs. Moore Stephens on 16 April 2014 and audited the consolidated financial statements for the years ended 31 December 2012 and 2013. Since no annual general meeting has been held in 2014, a resolution for the appointment of Jonten Hopkins CPA Limited as auditor of the Company will be ratified by the shareholders at the forthcoming general meeting.

Please also refer to Appendix I in this circular for the management discussion and analysis of the Group for the years ended 31 December 2012 and 2013.

BOARD COMPOSITION OF THE COMPANY AND PROPOSED APPOINTMENT OF NEW DIRECTORS

As at the Latest Practicable Date, the Board comprises of two executive Directors, namely Mr. Tang Hoi Nam and Mr. Eduard William Rudolf Helmuth Will. It is proposed that two executive Directors and three independent non-executive Directors will be appointed upon Resumption. The proposed directors intend to remain with the Company's Board after Resumption.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Set out below are the biographical details of the existing and proposed Directors.

Existing executive Directors

(i) Mr. Tang Hoi Nam

Mr. Tang Hoi Nam (“Mr. Tang”), aged 56, was appointed as an executive Director and a member of each of the remuneration committee and nomination committee of the Company with effect from 19 February 2016. Mr. Tang holds a Bachelor of Accounting degree and a Master of Business Administration degree from the University of Wales, Aberystwyth in the United Kingdom. He is a fellow member of the Association of Chartered Certified Accountants. Mr. Tang is currently serving various manufacturing, sales and distribution companies in the PRC as executive director or consultant. He was a director of ZS Kawa Electronics (Group) Co. Ltd., a manufacturer of consumer electronics products in the PRC, during 2005 to 2012. Mr. Tang has over 20 years of experience in treasury, financial management and accounting.

Save as disclosed above, Mr. Tang (i) did not hold any other positions with the Company or other members of the Group; (ii) did not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas; (iii) did not enter into any service contract with the Company; (iv) was not connected and has no relationship with any existing or proposed Directors, senior management, substantial Shareholders, or controlling Shareholders of the Company; and (v) was not interested in and did not hold any short position in any shares or underlying shares in or any debentures of the Company or any of its associated corporation within the meaning of Part XV of the SFO as at the Latest Practicable Date.

The appointment of Mr. Tang is subject to the re-election and retirement by rotation provisions under the Bye-Laws. Subject to the Bye-Laws, the remuneration of Mr. Tang will be determined by the remuneration committee of the Company and the Board by reference to his duties and responsibilities with the Company.

LETTER FROM THE PROVISIONAL LIQUIDATORS

(ii) Mr. Eduard William Rudolf Helmuth Will

Mr. Will, Eduard William Rudolf Helmuth (“Mr. Will”), aged 74, was appointed as an executive Director with effect from 19 February 2016. Presently, Mr. Will is serving as an independent non-executive director of Lafe Corporation Limited whose shares are listed on the Singapore Exchange Securities Trading Limited, and had been acting as a senior adviser to Ricco Capital (Holdings) Ltd. He also served as a non-executive director of South East Group Limited (“South East Group”) (Stock code: 726), a company listed on the Stock Exchange, from January 2008 to December 2013; and a director of Emerson from July 2006 to November 2013. Mr. Will has more than 40 years of experience as merchant banker, senior advisor and director of various public and private companies.

Save as disclosed above, Mr. Will (i) did not hold any other positions with the Company or other members of the Group; (ii) did not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas; (iii) did not enter into any service contract with the Company; (iv) was not connected and has no relationship with any existing or proposed Directors, senior management, substantial Shareholders, or controlling Shareholders of the Company; and (v) was not interested in and did not hold any short position in any shares or underlying shares in or any debentures of the Company or any of its associated corporation within the meaning of Part XV of the SFO as at the Latest Practicable Date.

The appointment of Mr. Will is subject to the re-election and retirement by rotation provisions under the Bye-Laws. Subject to the Bye-Laws, the remuneration of Mr. Will will be determined by the remuneration committee of the Company and the Board by reference to his duties and responsibilities with the Company.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Proposed executive Directors

(i) Mr. Manjit Singh Gill

Mr. Manjit Singh Gill (“Mr. Manjit”), aged 48, is proposed to be appointed as an executive Director. Mr. Manjit holds a Bachelor of Business (Management) degree from the Royal Melbourne Institute of Technology in Australia and a Master of Business Administration degree from the State University of New York at Buffalo in the United States. Mr. Manjit currently serves as managing director of Vigers Real Estate Pte. Ltd. in Singapore and as director of certain subsidiaries of the Group including Akai Sales Pte. Ltd. (In Liquidation), Affirmed Electronics Pte Ltd, Capetronic Group Pte. Ltd., Capetronic Multimedia Development Pte Ltd, East Coast Works Pte Ltd, E-Zone (Balestier) Pte Ltd, E-Zone (Liat Towers) Pte Ltd, E-Zone Engineering Pte. Ltd., E-Zone Management Pte Ltd, Nakamichi Corporation Limited, Grande N.A.K.S. Pte. Ltd. (Formerly known as Sansui (Singapore) Pte. Ltd.), The Grande Group Limited and Tomei (Singapore) Pte Ltd. He has been director of Sansui (Singapore) Pte Ltd and Nakamichi Corporation Limited since 2000 and 2005, respectively, both of which were major players in the audio-visual consumer electronics industry. Mr. Manjit has abundant management experience in both the consumer electronics industry from manufacturing to distribution and the real estate sector.

Save as disclosed above, Mr. Manjit (i) did not hold any other positions with the Company or other members of the Group; (ii) did not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas; (iii) did not enter into any service contract with the Company; (iv) was not connected and has no relationship with any existing or proposed Directors, senior management, substantial Shareholders, or controlling Shareholders of the Company; and (v) was not interested in and did not hold any short position in any shares or underlying shares in or any debentures of the Company or any of its associated corporation within the meaning of Part XV of the SFO as at the Latest Practicable Date.

The appointment of Mr. Manjit will be subject to the re-election and retirement by rotation provisions under the Bye-Laws. Subject to the Bye-Laws, the remuneration of Mr. Manjit will be determined by the remuneration committee of the Company and the Board by reference to his duties and responsibilities with the Company.

LETTER FROM THE PROVISIONAL LIQUIDATORS

(ii) Mr. Duncan Hon Tak Kwong

Mr. Hon Tak kwong (“Mr. Hon”), aged 55, is proposed to be appointed as an executive Director. Mr. Hon currently serves as the chief executive officer of the Branded Distribution Division of the Company, a position he held since July 2007. Mr. Hon is in charge of the licensing business of Akai, Sansui and Nakamichi since 2007. Mr. Hon served as a Director of the Company from January 2011 to March 2013. Mr. Hon is also a Director of Emerson since February 2009 and he was appointed deputy chief executive officer of Emerson in November 2009 and then chief executive officer in August 2011, a position which he has been holding since then. Mr. Hon is a member of the HKICPA and the Association of Chartered Certified Accountants.

Save as disclosed above, Mr. Hon (i) did not hold any other positions with the Company or other members of the Group; (ii) did not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas; (iii) did not enter into any service contract with the Company; (iv) was not connected and has no relationship with any existing or proposed Directors, senior management, substantial Shareholders, or controlling Shareholders of the Company; and (v) was not interested in and did not hold any short position in any shares or underlying shares in or any debentures of the Company or any of its associated corporation within the meaning of Part XV of the SFO as at the Latest Practicable Date.

The appointment of Mr. Hon will be subject to the re-election and retirement by rotation provisions under the Bye-Laws. Subject to the Bye-Laws, the remuneration of Mr. Hon will be determined by the remuneration committee of the Company and the Board by reference to his duties and responsibilities with the Company.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Proposed independent non-executive Directors

(i) Mr. James Mailer (also known as Jim Mailer)

Mr. James Mailer (also known as Jim Mailer, “Mr. Mailer”), aged 66, is proposed to be appointed as an independent non-executive Director, the chairman of the remuneration committee of the Company and a member of each of the audit committee and nomination committee of the Company. In 1971, Mr. Mailer became a member of the Institute of Bankers in Scotland and in 1974, the Institute of Export, London. Mr. Mailer owns a financial consulting business since 1987. Mr. Mailer served as acting chief executive of The Hong Kong Chinese Bank in 1989. He served as an advisor to the Government of Malaysia Labuan, IBFC. Mr. Mailer has more than 40 years of experience as banker and advisor of various public and private companies. Mr. Mailer was appointed as a member of the Board of Review (Inland Revenue Ordinance) from 1 January 2005 until 31 December 2010. Mr. Mailer is a member of the Advisory Council of Strategic Decisions Group.

Save as disclosed above, Mr. Mailer (i) did not hold any other positions with the Company or other members of the Group; (ii) did not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas; (iii) did not enter into any service contract with the Company; (iv) was not connected and has no relationship with any existing or proposed Directors, senior management, substantial Shareholders, or controlling Shareholders of the Company; and (v) was not interested in and did not hold any short position in any shares or underlying shares in or any debentures of the Company or any of its associated corporation within the meaning of Part XV of the SFO as at the Latest Practicable Date.

The appointment of Mr. Mailer will be subject to the re-election and retirement by rotation provisions under the Bye-Laws. Subject to the Bye-Laws, the remuneration of Mr. Mailer will be determined by the remuneration committee of the Company and the Board by reference to his duties and responsibilities with the Company.

LETTER FROM THE PROVISIONAL LIQUIDATORS

(ii) Mr. Kenneth Deayton

Mr. Kenneth (Ken) Raymond Deayton (“Mr. Deayton”), aged 70, is proposed to be appointed as an independent non-executive Director, and the chairman and a member of the audit committee of the Company. Mr. Deayton is a Fellow of the HKICPA and a Certified Practising Accountant of the Australian Society of Accountants. Mr. Deayton was a Partner of the “Big Four” Hong Kong CPA firm, Deloitte Touche Tohmatsu, for 15 years (from 1986 – 2001) and prior to that was international staff to the HSBC Group. Since 2001, he has been involved in the establishment, ownership and management of several private companies operating in the Corporate Services and Trustee Services sectors in Hong Kong. Mr. Deayton has more than 40 years of experience as a CPA, and has acted as advisor to various public and private companies.

Save as disclosed above, Mr. Deayton (i) did not hold any other positions with the Company or other members of the Group; (ii) did not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas; (iii) did not enter into any service contract with the Company; (iv) was not connected and has no relationship with any existing or proposed Directors, senior management, substantial Shareholders, or controlling Shareholders of the Company; and (v) was not interested in and did not hold any short position in any shares or underlying shares in or any debentures of the Company or any of its associated corporation within the meaning of Part XV of the SFO as at the Latest Practicable Date.

The appointment of Mr. Deayton will be subject to the re-election and retirement by rotation provisions under the Bye-Laws. Subject to the Bye-Laws, the remuneration of Mr. Deayton will be determined by the remuneration committee of the Company and the Board by reference to his duties and responsibilities with the Company.

(iii) Mr. Chen Xiaoping

Mr. Chen Xiaoping (“Mr. Chen”), aged 64, is proposed to be appointed as an independent non-executive Director, the chairman of the nomination committee of the Company and a member of each of the audit committee and remuneration committee of the Company. Mr. Chen graduated with a Master of Art degree from the Graduate School of Chinese Academy of Social Science. He has over 30 years of financial and business management experience in executive and/or management capacity. Mr. Chen currently serves as an executive director of Focus Media Network Ltd. (stock code: 8112), a company listed on the Stock Exchange, and director and chief executive officer of Ricco Capital (Holdings) Limited, a Hong Kong based investment company. He previously served as a executive vice president of Ka Wah Bank Limited; director and investment manager at Kleinwort Benson China Management Limited from 1994 to 1996; from September 2007 to December 2013, an executive director and chief executive officer of South East Group; and from December 2013 to December 2014, a non-executive director of South East Group.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Save as disclosed above, Mr. Chen (i) did not hold any other positions with the Company or other members of the Group; (ii) did not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas; (iii) did not enter into any service contract with the Company; (iv) was not connected and has no relationship with any existing or proposed Directors, senior management, substantial Shareholders, or controlling Shareholders of the Company; and (v) was not interested in and did not hold any short position in any shares or underlying shares in or any debentures of the Company or any of its associated corporation within the meaning of Part XV of the SFO as at the Latest Practicable Date.

The appointment of Mr. Chen will be subject to the re-election and retirement by rotation provisions under the Bye-Laws. Subject to the Bye-Laws, the remuneration of Mr. Chen will be determined by the remuneration committee of the Company and the Board by reference to his duties and responsibilities with the Company.

Save as disclosed above, there is no other matters in relation to existing Directors and the proposed appointment of new Directors that need to be brought to the attention of the Shareholders nor is there any information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Further announcement will be made by the Company when the appointments of the proposed Directors become effective and the audit committee, remuneration committee and nomination committee are formed.

Senior management of the Group

Set out below is the biography of the senior management of the Group.

(i) Mr. Duncan Hon Tak Kwong

Mr. Duncan Hon Tak Kwong, aged 55, a proposed executive Director whose biography is set out above, will be retained as the chief executive officer upon Completion to oversee the Branded Distribution Division of the Company as well as operations of Emerson. He will be supervising the Licensing Business Development Department which will continuously devise strategies and implement actions to support existing licensees, explore new products and markets and develop pilot businesses with an aim to enticing existing and new licensees to take on new products and markets and to enhance licensing revenue.

LETTER FROM THE PROVISIONAL LIQUIDATORS

(ii) Mr. Lim Jew Tim

Mr. Lim Jew Tim (“Mr. Lim”), aged 51, joined the Group in 2005 and currently holds the position of director in the licensing group. He obtained a Master Degree in Business Administration from the California States University, Hayward in 2002 and also holds a Bachelor Degree in Engineering (Mechanical) from the National University of Singapore, and a Graduate Diploma in Marketing from the Marketing Institute of Singapore, which he obtained in 1989 and 1992. Before joining the Group, Mr. Lim acquired experience of sales and marketing management in the information technology and electronics industry. Mr. Lim was between 2003 and 2005 Vice President of Marketing for a Chinese office automation products manufacturing company. Mr. Lim has lived in Singapore, China and Europe throughout his career and managed international markets. He is responsible for the generation of licensing income for the 3 brands, namely Akai, Sansui, and Nakamichi. He manages the day-to-day operations of the licensing group.

Save as disclosed above, Mr. Lim (i) did not hold any other positions with the Company or other members of the Group; (ii) did not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas; (iii) did not enter into any service contract with the Company; (iv) was not connected and has no relationship with any existing or proposed Directors, senior management, substantial Shareholders, or controlling Shareholders of the Company; and (v) was not interested in and did not hold any short position in any shares or underlying shares in or any debentures of the Company or any of its associated corporation within the meaning of Part XV of the SFO as at the Latest Practicable Date.

LETTER FROM THE PROVISIONAL LIQUIDATORS

(iii) Mr. Francis Hui Yick Lok

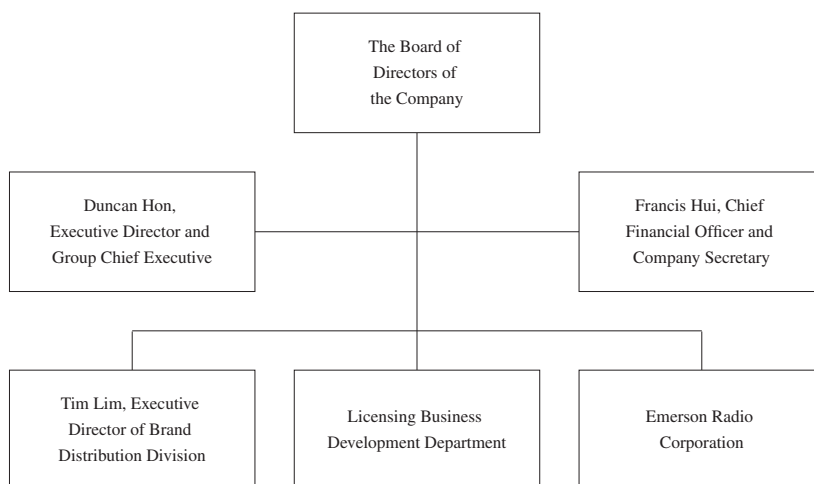
Mr. Francis Hui Yick Lok, (“Mr. Hui”), aged 56, was appointed as the Chief Financial Officer and Company Secretary of the Company on 29 September 2014. Mr. Hui obtained a bachelor degree in Business Administration from University of East Asia, Macau in 1984. He is a member of the HKICPA. He has about 30 years working experience in auditing, accounting and finance, corporate finance and secretarial work. He started his career in a multinational audit firm. He then gained his China experience in a PRC company whose parent company is a blue chip company listed on the Stock Exchange. Mr. Hui has also worked for other listed companies. Before joining the Company, he worked as the financial controller and company secretary of Stone Group Holdings Limited, a company formerly listed on the Stock Exchange. He also co-acted as the Chief Financial Officer and Joint Company Secretary of Stone Resources Australia Limited, a company listed on Australian Securities Exchange, from October 2012 to April 2014. In addition, Mr. Hui has been working as the senior finance manager of China Travel International Investment Hong Kong Limited, a company listed on the Stock Exchange, for five years.

Save as disclosed above, Mr. Hui (i) did not hold any other positions with the Company or other members of the Group; (ii) did not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas; (iii) did not enter into any service contract with the Company; (iv) was not connected and has no relationship with any existing or proposed Directors, senior management, substantial Shareholders, or controlling Shareholders of the Company; and (v) was not interested in and did not hold any short position in any shares or underlying shares in or any debentures of the Company or any of its associated corporation within the meaning of Part XV of the SFO as at the Latest Practicable Date.

LETTER FROM THE PROVISIONAL LIQUIDATORS

Management structure

The following chart illustrates the proposed management structure to be installed upon Resumption:



INFORMATION ON SINO BRIGHT

Sino Bright is an investment holding company principally engaged in corporate finance activities. It is incorporated in the BVI and is wholly-owned by The Ho Family Trust Limited which indirectly owns 328,497,822 Shares, representing approximately 71.38% of the issued share capital of the Company as at the Latest Practicable Date through its wholly owned subsidiary, Barrican Investments Corporation, and Mr. Christopher W. Ho, a former Director, is one of the beneficiaries of a discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited. Sino Bright has filed a claim against the Company in the amount of approximately HK\$2,293 million to the Provisional Liquidators (subject to adjudication) as at the Latest Practicable Date and Sino Bright is the Underwriter to the Open Offer on a fully underwritten basis pursuant to the Underwriting Agreement. As at the Latest Practicable Date, Sino Bright, Barrican Investments Corporation and their associates do not have any intention or plan to dispose of their controlling interest in the Company within 12 months after resumption of the Company.

Sino Bright and other Creditors are supporting in reality a self-restructuring of the Group, with fundamentally all its pre-existing businesses, management and licenses retained.

LETTER FROM THE PROVISIONAL LIQUIDATORS

ADOPTION OF NEW BYE-LAWS

The Existing Bye-Laws of the Company are proposed to be amended with a view to bringing the Bye-Laws in line with amendments to the Listing Rules and the Companies Act and to modernising and updating the Bye-Laws. A summary of the major amendments is set out in Appendix VII of this circular.

IMPLICATION UNDER THE LISTING RULES

Open Offer

Since the Open Offer would increase the issued share capital of the Company by more than 50%, the Open Offer is conditional on the approval by Independent Shareholders at the SGM pursuant to Rule 7.24(5).

Given that Sino Bright is an associate of Mr. Christopher W. Ho (a former director) and the Underwriter, Sino Bright is deemed to be a connected person of the Company, the entering into of the Underwriting Agreement between the Company and Sino Bright also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules subject to the reporting, announcement and approval requirements thereunder. Additionally, as the Company has not made arrangements for the Qualifying Shareholders to apply for Offer Shares in excess of their entitlements under the Open Offer in accordance with Rule 7.26A(1) of the Listing Rules and the Open Offer is underwritten by Sino Bright, which is an associate of Mr. Christopher W. Ho and Barrican Investments Corporation, pursuant to Rule 7.26A(2) of the Listing Rules, specific approval shall be obtained from the Independent Shareholders in respect of the absence of such excess application arrangement.

As at the Latest Practicable Date, Mr. Christopher W. Ho, a former Director, is one of the beneficiaries of a discretionary trust, the trustee of which is Accolade (PTC) Inc, the aforementioned discretionary trust owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary Barrican Investments Corporation, indirectly owns 328,497,822 Shares, representing approximately 71.38% of the issued share capital of the Company. Accordingly, Barrican Investments Corporation and its associates, which collectively control the voting rights of approximately 71.38% of the issued share capital of the Company as the Latest Practicable Date, shall abstain from voting on the resolutions relating to the Open Offer at the SGM.

LETTER FROM THE PROVISIONAL LIQUIDATORS

The allotment and issuance of the Creditors Shares under the Schemes

The issuance of the Creditor Shares requires a specific mandate from the Independent Shareholders under Rule 13.36. In addition, the allotment and issuance of Creditor Shares to Sino Bright and its associates in their capacity as Scheme Creditors or pursuant to their funding of any part of the Cash Alternative, and the execution of the deed of top up undertaking by Sino Bright, are connected transactions of the Company under Chapter 14A of the Listing Rules.

To the best knowledge of the Provisional Liquidators and the Directors, having made all reasonable enquiries, save for Barrican Investments Corporation and its associates, who collectively control the voting rights of approximately 71.38% of the issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting at the SGM on the resolutions relating to the schemes of arrangement, the Provisional Liquidators and the Directors are not aware of any other Shareholders who are required to abstain from voting on the relevant resolutions at the SGM.

As at the Latest Practicable Date, The Ho Family Trust Limited owns the entire issued share capital of Airwave Capital Limited, which through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 328,497,822 Shares, representing approximately 71.38% of the issued share capital of the Company. Hence, The Ho Family Trust Limited and Barrican Investments Corporation are connected persons of the Company under Chapter 14A of the Listing Rules.

In addition, Mr. Christopher W. Ho, a former Director, is deemed to have interests in (i) The Ho Family Trust Limited; (ii) Barrican Investments Corporation; (iii) Sino Bright; (iv) Lafe Corporation Limited; (v) Lafe Development Pte Limited; and (vi) The Grande Properties Management Ltd as he is one of the beneficiaries of a discretionary trust, whose trustee Accolade (PTC) Inc is the ultimate controlling shareholder of the aforesaid companies. Hence, these companies are associates (as defined in the Listing Rules) of Mr. Christopher W. Ho and therefore are connected persons of the Company under the Listing Rules.

Details of the connected relationships are set out below:

- (i) The Ho Family Trust Limited is wholly-owned by a discretionary trust under which Mr. Christopher W. Ho is one of the beneficiaries;
- (ii) Barrican Investments Corporation is a wholly-owned subsidiary of Airwave Capital Limited which is in turn wholly owned by The Ho Family Trust Limited;
- (iii) Sino Bright is a wholly-owned subsidiary of The Ho Family Trust Limited;

LETTER FROM THE PROVISIONAL LIQUIDATORS

- (iv) Lafe Corporation Limited is owned as to approximately 54% by Clarendon Investments Capital Ltd, the entire issued capital of which is owned by a discretionary trust under which Mr. Christopher W. Ho is one of the beneficiaries;
- (v) Lafe Development Pte Limited is a wholly-owned subsidiary of Lafe Corporation Limited;
- (vi) The Grande Properties Management Ltd is an indirect subsidiary wholly-owned by Lafe Corporation Limited.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Board currently comprises two executive Directors and has no independent non-executive Directors. Accordingly, no independent board committee will be established to advise the Independent Shareholders on the transactions contemplated under the Restructuring Agreement, the Open Offer, the Underwriting Agreement and the Schemes. VC Capital Limited has been appointed as the Independent Financial Adviser to directly advise the Independent Shareholders as to whether the terms of the relevant transactions are fair and reasonable and whether such transactions are in the interests of the Company and its Shareholders as a whole and to advise Independent Shareholders on how to vote. Your attention is drawn to its letter of advice set out on pages 89 to 116 of this circular.

SGM

The SGM will be convened by the Company at 10:00 a.m. on 1 April 2016 for the purposes of considering, and if thought fit, approving, among other things, the Capital Reorganisation, the Open Offer, the Underwriting Agreement, the Schemes, the election and re-election of Directors, the adoption of the New Bye-Laws and any other matters as required by law, the Listing Rules, the Stock Exchange and/or the SFC, which are necessary to give effect to the Restructuring Proposal and any transactions contemplated under the Restructuring Agreement at the SGM.

To the best knowledge of the Provisional Liquidators and the Directors, and based on available books and records, as at the Latest Practicable Date, no Shareholder has a material interest in the Capital Reorganisation. As such, no Shareholder is required to abstain from voting in respect of the resolutions to approve the Capital Reorganisation.

In respect of the resolutions to approve the Open Offer, the controlling Shareholder, Barrican Investments Corporation and its associates are required to abstain from voting.

LETTER FROM THE PROVISIONAL LIQUIDATORS

In respect of the resolutions to approve the Schemes, the controlling Shareholder, Barrican Investments Corporation and its associates are required to abstain from voting.

Save as disclosed in this circular, to the best knowledge of the Provisional Liquidators and the Directors having made all reasonable enquiries, the Provisional Liquidators and the Directors are not aware of any other Shareholders who are required to abstain from voting on the relevant resolutions at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instruction printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

Pursuant to 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting shall be taken by poll. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

Based on the above, the Provisional Liquidators and the Directors consider that the terms of the Restructuring Agreement, the Open Offer, the Underwriting Agreement and the Schemes are fair and reasonable and the entering into the Restructuring Agreement and the respective transactions contemplated thereunder is in the best interests of the Company and the Shareholders as a whole, and recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM as set out in the notice of SGM attached to this circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the information contained in the appendices to this circular and the notice of the SGM.

LETTER FROM THE PROVISIONAL LIQUIDATORS

CONTINUED SUSPENSION OF TRADING IN THE SHARES

The transactions contemplated under the Restructuring Proposal are subject to the fulfilment of a number of conditions and therefore may or may not materialise. Shareholders and potential investors of the Company should note that the despatch of this Circular does not mean that the listing of the New Shares, the Offer Shares and the Creditor Shares will be approved by the Stock Exchange.

Trading in the Shares has been suspended since 9:00 a.m. on 30 May 2011 at the request of the Company and will remain suspended until further notice. The release of this circular does not necessarily indicate that the Restructuring Proposal will be successfully implemented and that trading in the Shares will be resumed. Accordingly, Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

For and on behalf of
The Grande Holdings Limited
(In Liquidation in Hong Kong)
Roderick John Sutton
and
Fok Hei Yu
*Joint and Several Provisional Liquidators
acting as agents without personal liability*

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Shareholders from VC Capital Limited in respect of the Restructuring Agreement, the Open Offer, the Underwriting Agreement and the Schemes and the transactions contemplated thereunder prepared for the purpose of incorporation into this circular.



9 March 2016

*To: The Independent Shareholders of
The Grande Holdings Limited
(In Liquidation in Hong Kong)*

Dear Sir or Madam,

**(1) PROPOSED RESTRUCTURING OF THE GRANDE HOLDINGS LIMITED
(IN LIQUIDATION IN HONG KONG)
INVOLVING, INTER ALIA,
PROPOSED CAPITAL REORGANISATION;
OPEN OFFER ON THE BASIS OF FIVE OFFER SHARES FOR
EVERY TWO NEW SHARES HELD ON THE OPEN OFFER RECORD DATE;
AND CREDITORS' SCHEMES OF ARRANGEMENT
IN ACCORDANCE WITH
SECTION 99 OF THE COMPANIES ACT OF BERMUDA AND
SECTION 670 OF THE COMPANIES ORDINANCE OF HONG KONG; AND
(2) CONNECTED TRANSACTIONS INVOLVING
ISSUE OF CREDITOR SHARES UNDER SPECIFIC MANDATE AND
OPEN OFFER UNDERWRITING ARRANGEMENTS**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Shareholders in respect of the Restructuring Agreement, the Open Offer, the Underwriting Agreement and the Schemes and the transactions contemplated thereunder, details of which are set out in the Letter from the Provisional Liquidators (the “**Letter from the Provisional Liquidators**”) contained in the circular of the Company dated 9 March 2016 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

On 2 May 2014, the Company, the Provisional Liquidators and Sino Bright entered into the Restructuring Agreement (as amended and supplemented by the Side Letter dated 7 July 2014 and by the Revised Restructuring Agreement dated 14 December 2015) to implement the Restructuring Proposal which contemplates, among others, the Capital Reorganisation, the Open Offer and the Schemes.

The Capital Reorganisation will involve Capital Cancellation, Capital Reduction, Share Premium Reduction and Authorised Share Capital Increase. To the best knowledge of the Provisional Liquidators and the Directors, and based on available books and records, as at the Latest Practicable Date, no Shareholder has a material interest in the Capital Reorganisation. As such, no Shareholder is required to abstain from voting in respect of the resolutions to approve the Capital Reorganisation.

Subject to the Capital Reorganisation becoming effective, the Open Offer will be implemented on the basis of five Offer Shares for every two New Shares held on the Open Offer Record Date by the Qualifying Shareholders at the Offer Price of HK\$0.087 cash per each Offer Share. It is expected that the gross proceeds raised by the Open Offer would be approximately HK\$100,099,442. As at the Latest Practicable Date, the Company had no other derivatives, outstanding convertible securities, options or warrant in issue which confer any right to subscribe for, convert or exchange into Shares. The Open Offer will be fully underwritten by Sino Bright subject to the terms and conditions set out in the Underwriting Agreement; and it is not available to the Excluded Shareholders. As at the Latest Practicable Date, the Company is not aware of any Shareholders who might be excluded from being Qualifying Shareholders as a result of legal restrictions in their place of domicile. The Open Offer would increase the issued share capital of the Company by more than 50%; as such, the Open Offer is conditional on the approval by Independent Shareholders at the SGM pursuant to Rule 7.24(5)(a) of the Listing Rules. As at the Latest Practicable Date, Barrican Investments Corporation and its associates, collectively control the voting rights of approximately 71.38% of the issued share capital of the Company. Accordingly, Barrican Investments Corporation and its associates shall abstain from voting in favour of the resolutions relating to the Open Offer at the SGM.

Sino Bright is wholly-owned by The Ho Family Trust Limited which indirectly owns 328,497,822 Shares, representing approximately 71.38% of the issued share capital of the Company as at the Latest Practicable Date. Mr. Christopher W. Ho (“**Mr. Ho**”), a former Director, is one of the beneficiaries of a discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited. Sino Bright is therefore a connected person of the Company. The entering into of the Underwriting Agreement between the Company and Sino Bright therefore constitutes a connected transaction for the Company under the Listing Rules.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As the Company has not made arrangements for the Qualifying Shareholders to apply for Offer Shares in excess of their entitlements under the Open Offer in accordance with Rule 7.26A(1) of the Listing Rules, and the Open Offer is underwritten by Sino Bright, pursuant to Rule 7.26A(2) of the Listing Rules, specific approval shall be obtained from the Independent Shareholders in respect of the absence of such excess application arrangement. Barrican Investments Corporation and its associates shall abstain from voting at the SGM to approve the absence of such excess application arrangement.

It is proposed that the Schemes shall be implemented in the following manner: (i) the Bermuda Scheme and Hong Kong Scheme will be implemented under which all the claims of Creditors (including in respect of any security they hold) against the Company will be settled in full and released by the issue of Creditors Shares to Scheme Creditors on the basis of the relative proportion of their respective admitted claims as compared to the total admitted claims (as such claims are determined by the Scheme Administrators and subject to adjudication by the scheme adjudicator), disregarding fractions, credited as fully paid. The Creditor Shares will be issued at the issue price of HK\$0.087 per Creditor Share with par value of HK\$0.01 per share assuming all claims admitted in full. The maximum number of Creditors Shares (assuming no creditors accept the Cash Alternative) is 4,142,045,880 (ii) Cash Alternative Creditors will be provided a Cash Alternative to the Creditors Shares in the amount of 60 cents on the HK\$ of admitted Creditors' claims, to be funded by net proceeds of the Open Offer underwritten by the Underwriter. If the net proceeds of the Open Offer are insufficient to satisfy the payment required for the Cash Alternative, Sino Bright will fund the shortfall and Sino Bright will be entitled to Creditor Shares that would otherwise have been allotted and issued to the Cash Alternative Creditors who have elected to take cash (based on the full value of the admitted creditor claim) to the extent such cash is provided by Sino Bright. The Company will not issue Creditors Shares in respect of any creditor claims to the extent that it funds the Cash Alternative from the proceeds of the Open Offer. Accordingly, assuming all Cash Alternative Creditors accept the Cash Alternative, the total amount of Creditors Shares shall be 3,917,226,052; and (iii) intercompany liabilities within the Group will not be treated as claims qualified to participate in the Schemes. Please also refer to (iv) to (ix) under "The Schemes" in "Letter from the Provisional Liquidators" for details on settlements of relevant costs and expenses and the discharge and release of all claims against and all liabilities of the Company. Barrican Investments Corporation and its associates, being connected persons of the Company and having material interests in the Restructuring Agreement and the Schemes under which Creditors Shares may be issued and allotted to the Scheme Creditors who are associates of Mr. Ho (subject to adjudication of claims), shall abstain from voting in respect of the resolutions to approve the Restructuring Agreement and the transactions contemplated thereunder in which they have material interests, including the grant of the specific mandate for the allotment and issue of Creditor Shares under the Schemes.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Board currently comprises two executive Directors and has no independent non-executive Directors. Accordingly, no independent board committee will be established to advise the Independent Shareholders on the transactions contemplated under the Restructuring Agreement, the Open Offer, the Underwriting Agreement and the Schemes.

In our capacity as the independent financial adviser to the Independent Shareholders, our role is to give an independent opinion as to (i) whether the terms of the Restructuring Agreement, the Open Offer, the Underwriting Agreement and the Schemes are fair and reasonable so far as the Independent Shareholders are concerned, and whether they are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the proposed resolutions at the SGM.

VC Capital Limited (“**VC Capital**”) is not associated with the Company, the Provisional Liquidators, the Underwriter or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the terms of the Restructuring Agreement, the Open Offer, the Underwriting Agreement and the Schemes. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby VC Capital will receive any fees or benefits from the Company, the Provisional Liquidators, the Underwriter or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied and opinions expressed by the management of the Group or the Provisional Liquidators. We have assumed that all information and representations provided by the management of the Group and the Provisional Liquidators, for which they are solely responsible, were true and accurate at the time they were prepared or made and will continue to be so up to the Latest Practicable Date. Should there be any subsequent material changes which occurred during the period from the date of the Circular up to the date of the SGM would affect or alter our opinion on the terms of the Restructuring Agreement, the Open Offer, the Underwriting Agreement and the Schemes, we will notify the Independent Shareholders as soon as possible. We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the management of the Group or the Provisional Liquidators. We have been advised that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the management of the Group or the Provisional Liquidators to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the management of the Group or the Provisional Liquidators.

The Provisional Liquidators jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

The Group is currently engaged in the distribution of household appliances and consumer electronic products and licensing business under the trade name “**Emerson**”, which comprised a group listed on the NYSE Alernext US; and the licencing business which comprised the brands and trademarks namely, Akai, Sansui and Nakamichi. Trading of the Shares on the Stock Exchange has been suspended since 30 May 2011.

As stated in the annual report of the Company for the year ended 31 December 2014 and various announcements of the Company since 30 May 2011:

On 31 May 2011, Provisional Liquidators were appointed as a result of the winding up petition made by Sino Bright, against the Company. On 8 September 2011, the Company was placed in the first stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules. The Stock Exchange was not satisfied with the Company’s resumption proposal submitted on 31 May 2012. The Listing Committee decided to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules with effect from 25 September 2012.

The Stock Exchange informed the Company that the resumption proposal dated 21 June 2013 has not satisfactorily demonstrated sufficiency of operations or assets under Rule 13.24 of the Listing Rules and the Stock Exchange has decided to place the Company in the third stage of delisting under Practice Note 17 to the Listing Rules with effect from 11 July 2013. On 20 December 2013, the Company submitted the resumption proposal of Sino Bright to the Stock Exchange. During January 2014 to June 2014, the Company on various occasions and at the request of the Stock Exchange submitted further information to the Stock Exchange in respect of the resumption proposal.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

On 2 May 2014, the Company, the Provisional Liquidators and Sino Bright entered into the Restructuring Agreement to implement the Restructuring Proposal. Under the terms of the Restructuring Agreement, all existing businesses and operations of the Group, including the operations of Emerson and the licensing operations related to Akai, Nakamichi and Sansui trademarks, will be retained.

On 11 June 2014, the Company received a summons issued by Sino Bright which seeks an order for the removal of the Provisional Liquidators of the Company. A summons seeking equivalent orders has also been served by another creditor of the Company on 17 June 2014 (collectively the “**Removal Summonses**”). According to the interim report for the six months ended 30 June 2015, the hearing for the Removal Summonses scheduled to be heard on 16 November 2015 has been vacated.

On 9 July 2014, the Provisional Liquidators submitted an updated resumption proposal to the Stock Exchange, involving, inter alia, the Capital Reorganisation, the Open Offer and the Schemes. The updated resumption proposal consolidates the resumption proposal and subsequent submissions made by the Company to the Stock Exchange, to reflect the terms of the Restructuring Agreement as amended from time to time in implementing the Restructuring Proposal.

On 29 May 2015, the Stock Exchange approved the Resumption Proposal on the basis that the conditions for its approval would be completed to its satisfaction by 21 December 2015. The Company made an extension application to the Stock Exchange on 14 December 2015 to seek an additional six months for the Company to fully satisfy the resumption conditions. By a letter dated 22 December 2015, the Stock Exchange agreed to extend the deadline for the Company to fully satisfy the Resumption Conditions to 11 May 2016.

The transactions contemplated under the Restructuring Agreement are subject to fulfillment of a number of condition precedents as set out in the Circular including, but not limited to, the passing of the relevant resolutions at the SGM. The release of the Circular is not an indication that the Restructuring Agreement will be successfully implemented and does not necessarily indicate that the trading in the Shares will be resumed.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

2. Financial information of the Group

a. Financial results

The following is a summary of the financial information of the Group as extracted from its published annual reports for the three years ended 31 December 2014 and the interim report for the six months ended 30 June 2015. As mentioned in the annual report of the Company for the year ended 31 December 2014 and the interim report for the six months ended 30 June 2015, the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Group will be successfully completed, and that, following the restructuring the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future:

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
	(Audited)	(Audited)	(Audited)	(Unaudited)
Continuing operations				
Revenue				
– “Emerson”	1,034	683	608	258
– “Grande” Licensing	81	58	55	18
	1,115	741	663	276
Gross Profit	264	188	192	67
Loss before tax	(652)	(187)	(2)	(112)
Tax	(40)	(10)	(37)	(15)
Loss for the year/period	(692)	(197)	(39)	(127)
(Loss)/profit for the year/period attributable to:				
Non-controlling interest	(20)	(6)	12	(5)
Shareholders	(672)	(191)	(51)	(122)

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Emerson Radio Corp. (“Emerson”)

Shares of Emerson are listed on the NYSE Alternext of United States of America (formerly the American Stock Exchange of United States of America). Emerson has been focusing on offering a broad variety of current and new consumer electronics products and household appliances at low to medium-price levels to customers. Emerson has also entered into distribution and license agreements with third party licensees that allow the licensees to sell various products bearing the Emerson trademarks into defined geographic areas. The Company now holds approximately 56% of the voting rights of Emerson.

Due to legal impediments, the Provisional Liquidators are unable to divulge much information about Emerson beyond Emerson’s own statutory disclosure and publicly available information. The following is a summary of the results of licensing and distribution business of Emerson as extracted from its published forms 10-K for the four years ended 31 March 2015 and 10-Q for six months ended 30 September 2014 and 2015:

<i>US\$* million</i>	Year ended 31 March				Six months ended 30 September	
	2012 (Audited)	2013 (Audited)	2014 (Audited)	2015 (Audited)	2014 (Unaudited)	2015 (Unaudited)
Licensing revenue	6.3	6.8	7.6	7.3	2.5	2.4
Net revenue from distribution business	157.0	121.6	70.3	69.0	37.7	26.1
Operating income	11.9	9.3	3.3	4.7	0.8	(0.7)
Operating profit margin	7.3%	7.3%	4.2%	6.2%	2.0%	(2.6%)

Financial years ended 31 March 2012 and 2013

Net revenue from distribution business of Emerson for the year ended 31 March 2013 were approximately US\$121.6 million as compared to approximately US\$157.0 million for the year ended 31 March 2012, a decrease of approximately US\$35.4 million, or approximately 22.5%. The major elements which contributed to the overall decrease in net revenue from distribution business were (i) houseware product net sales decreased principally driven by a decrease in sales of all products offered by Emerson in the category, which is comprised of microwave ovens, compact refrigerators and wine coolers; and (ii) audio product net sales decreased resulting from decreased net sales of all products offered by Emerson in the category, which is comprised of clock radios and portable audio products. On 19 October 2012, Emerson was informed by its customer Wal-Mart, that, commencing with the Spring of 2013, Wal-Mart would discontinue purchasing from Emerson two microwave oven products that had been sold by Emerson to Wal-Mart. Emerson continued shipping these two products throughout the remainder of the year ended 31 March 2013, with sales of

LETTER FROM INDEPENDENT FINANCIAL ADVISER

such products declining through the fourth quarter of the year ended 31 March 2013. During the year ended 31 March 2013, these two microwave oven products comprised, in the aggregate, approximately US\$36.1 million, or approximately 29.7%, of Emerson's net revenue from distribution business.

Licensing revenue of Emerson for the year ended 31 March 2013 was approximately US\$6.8 million as compared to approximately US\$6.3 million for the year ended 31 March 2012, an increase of approximately US\$0.5 million, or approximately 7.8%. The increase in year-over-year licensing revenue for the year ended 31 March 2013 was due to approximately US\$1.2 million of higher year-over-year licensing revenue earned from the Emerson's then largest licensee, Funai Corporation, Inc. ("**Funai**"), on higher year-over-year sales by Funai of products bearing the Emerson® brand name, partially offset by lower aggregate year-over-year licensing revenues earned by Emerson from its other licensees.

Financial years ended 31 March 2013 and 2014

Net revenue from distribution business of Emerson for the year ended 31 March 2014 were approximately US\$70.3 million as compared to approximately US\$121.6 million for the year ended 31 March 2013, a decrease of approximately US\$51.3 million, or approximately 42.2%. The decrease was primarily due to the inclusion in the year ended 31 March 2013's net revenue from distribution business of two microwave products for which there were no sales during the year ended 31 March 2014, ongoing pricing pressures, intense competitive activity and a challenging retail sales environment. Emerson's sales during the year ended 31 March 2014 and the year ended 31 March 2013 were highly concentrated among the Emerson's two largest customers, Target and Wal-Mart, where gross product sales comprised approximately 89.4% and 94.2%, respectively, of Emerson's total gross product sales.

Licensing revenue of Emerson for the two years ended 31 March 2014 were approximately US\$6.8 million and US\$7.6 million respectively. Emerson's largest license agreement is with Funai, which accounted for approximately 87% and 86%, respectively, of Emerson's total licensing revenue for the two years ended 31 March 2014. The license agreement with Funai was amended to extend the term of the agreement until 31 March 2018. The agreement allows Funai to manufacture, market, sell and distribute specified products bearing the Emerson® trademark to customers in the U.S. and Canadian markets. Under the terms of the agreement with Funai, Emerson receives non-refundable minimum annual royalty payments of US\$3.75 million each calendar year and a license fee on sales of product subject to the agreement in excess of the minimum annual royalties. During the year ended 31 March 2014 and the year ended 31 March 2013, licensing revenues of approximately US\$5.0 million and US\$5.9 million, respectively, were earned under this agreement.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Operating income for the year ended 31 March 2014 was approximately US\$3.3 million, a decrease of approximately US\$6.0 million, or approximately 64.6%, from operating income of approximately US\$9.3 million for the year ended 31 March 2013. The decrease is primarily attributable to (i) the decision by Wal-mart to discontinue purchasing, effective Spring 2013, from Emerson's two microwave oven products sold throughout the year ended 31 March 2013; (ii) the approximately US\$2.6 million in higher year-over-year selling, general & administrative expenses; and (iii) ongoing pricing pressures, intense competitive activity and a challenging retail environment faced by Emerson during the year ended 31 March 2014.

Financial years ended 31 March 2014 and 2015

Net revenue from distribution business of Emerson for the year ended 31 March 2015 were approximately US\$69.0 million as compared to approximately US\$70.3 million for the year ended 31 March 2014, a decrease of approximately US\$1.3 million, or approximately 1.8%. The decrease was primarily due to (i) decrease in sales of houseware products principally driven by a decrease in sales of compact refrigerators and the discontinuation of wine coolers, partially offset by an increase in sales of microwave ovens; and (ii) decrease in audio product net sales primarily resulting from decreased net sales of clock radios and portable audio products.

Emerson's license agreement with Funai accounted for approximately 79% of Emerson's total licensing revenue for the year ended 31 March 2015. Licensing revenue of approximately US\$5.0 million and approximately US\$5.8 million were earned under this agreement for the year ended 31 March 2014 and 2015 respectively. Licensing revenue of Emerson was approximately US\$7.6 million for the year ended 31 March 2014 and approximately US\$7.3 million for the year ended 31 March 2015. The decrease was primarily due to the recognition of previously unreported royalty fees by one of Emerson's licensees, which have been collected by Emerson, was lesser for the year ended 31 March 2015 as compared to the year ended 31 March 2014 and this was partly offset by higher year-over-year licensing revenue earned from Emerson's largest licensee, Funai, on higher year-over-year sales by Funai of products bearing the Emerson® brand name.

Operating income for the year ended 31 March 2015 was approximately US\$4.7 million, an increase of approximately US\$1.4 million, or approximately 43.8%, from operating income of approximately US\$3.3 million for the year ended 31 March 2014. The increase is mainly attributable to the decrease in selling, general and administrative expenses. For the year ended 31 March 2015, selling, general and administrative expenses included approximately US\$1.6 million in legal and advisory fees pertaining to work performed for the Special Committee of Emerson's board of directors and approximately US\$0.3 million in tax advisory fees related to the audit of Emerson's tax returns by the Internal Revenue Service ("IRS"). For the

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year ended 31 March 2014, selling, general and administrative expenses included approximately US\$1.2 million in legal and advisory fees pertaining to work performed for the Special Committee of Emerson's board of directors, approximately US\$1.8 million in legal fees related to a lawsuit that Emerson was defending against which it settled in December 2013, approximately US\$0.3 million in tax advisory fees related to the audit of Emerson's tax returns by the IRS, and approximately US\$0.2 million in management consulting fees pertaining to work performed for Emerson's board of directors. Excluding the aforementioned items, selling, general and administrative expenses were approximately US\$6.9 million for both the years ended 31 March 2014 and 2015.

Six months ended 30 September 2014 and 2015

Net revenue from distribution business of Emerson for the six months ended 30 September 2015 were approximately US\$26.1 million as compared to approximately US\$37.7 million for the six months ended 30 September 2014, a decrease of approximately US\$11.6 million, or approximately 30.9%. The decrease was primarily due to (i) decrease in sales of houseware products principally driven by a decrease in year-over-year sales of microwave ovens and wine coolers. The decreases were driven mainly by product discontinuations by Emerson's key customers, lower year-over-year retail sell through on existing models, competitive pricing activity and the effects of the 2014/2015 Los Angeles/Long Beach port strike; and (ii) decrease in sales of audio product resulting from decreased net sales of Emerson's clock radio and portable audio product offerings, driven by competitive activity in the space.

Emerson's license agreement with Funai accounted for approximately 78% of Emerson's total licensing revenue for the six months ended 30 September 2015 and approximately 75% for the six months ended 30 September 2014. Licensing revenue of approximately US\$1.9 million were earned under this agreement for both six months ended 30 September 2014 and 2015. Licensing revenue of Emerson was approximately US\$2.4 million for the six months ended 30 September 2015 and approximately US\$2.5 million for the six months ended 30 September 2014. The decrease was due to lower sales by Emerson's licensees of Emerson® branded products

Emerson realized operating loss of approximately US\$0.7 million for the six months ended 30 September 2015 as compared to operating income of approximately US\$0.8 million for the six months ended 30 September 2014. The decrease is mainly attributable to the decrease in net product sales as mentioned above.

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Loss of a major customer

Emerson was informed in November 2015 by one of its key customers that, commencing with the Spring of 2016, this customer will discontinue retailing in its stores the Emerson-branded microwave oven and compact refrigeration products currently sold to this customer by Emerson. During the year ended 31 March 2015 and the six months ended 30 September 2015, net sales of these products by Emerson to this customer represented approximately 57.3% and 63.4% of Emerson's total net product sales. The loss of the net sales will have a material adverse effect on Emerson's business and results of operations. Emerson is analyzing the impacts to its business of this event and is identifying strategic courses of action for consideration. There can be no assurance that Emerson will be able to increase sales of such products at levels sufficient to offset the adverse impact of the loss of these products to this customer, if at all.

Grande Licensing

This segment covers managing of global licensing operations of Akai, Sansui and Nakamichi brands. The Group's strategy was to qualify and appoint exclusive licensees for each brand in different geographical regions, granting them the rights to source, market, promote and distribute approved branded products with their own resources, expertise and knowledge in the respective markets.

b. Financial position

	As at 31 December			As at
	2012	2013	2014	30 June
	HK\$' million	HK\$' million	HK\$' million	HK\$' million
	(Audited)	(Audited)	(Audited)	(Unaudited)
Total assets	1,523	1,485	1,362	1,350
Total liabilities	3,716	3,857	3,827	3,940
Net current (liabilities)/assets	(3,010)	(3,158)	(3,158)	(3,281)
Net (liabilities)/assets	(2,193)	(2,372)	(2,465)	(2,590)

Total assets remained at approximately HK\$1,500 million as at 31 December 2013; while total liabilities increased slightly from approximately HK\$3,700 million as at 31 December 2012 to approximately HK\$3,900 million as at 31 December 2013 mainly due to approximately HK\$200 million increase in amounts due to former related companies. Amounts due to former related companies were unsecured, non-interest bearing and repayable on demand. The net liabilities remained relatively stable at approximately HK\$2,200 million as at 31 December 2012 and HK\$2,400 million as at 31 December 2013 respectively. Total assets, total liabilities and net liabilities maintained at similar level as at 31 December 2014 and 30 June 2015.

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It is mentioned in the annual report of the Company for the year ended 31 December 2014 and the interim report for the six months ended 30 June 2015 that should the Group be unable to achieve a successful restructuring to continue its business as a going concern, adjustment would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

Audit qualifications

As set out in the independent auditor's report in Appendix I to the Circular, the auditor of the Company has given disclaimed opinions on the consolidated financial statements of the Company for each of the three years ended 31 December 2012, 2013 and 2014.

It was noted from the annual reports of the Company that because of the significance of matters described in the corresponding basis for disclaimer of opinion paragraphs, the auditor of the Company has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, they do not express an opinion on the consolidated financial statements as to whether they given a true and fair view of the state of affairs of the Group as at 31 December 2012, 31 December 2013 and 31 December 2014 and of the Group's loss and cash flows for the respective years then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

3. Reasons for the entering into the Restructuring Agreement

As mentioned in the Letter from the Provisional Liquidators, as at the Latest Practicable Date, to the best knowledge of the Provisional Liquidators and based on the available books and records of the Company or on claims made by Creditors (if the amounts do not match with the records of the Company), and excluding intercompany liabilities, and a claim by The Hong Kong and Shanghai Banking Corporation Limited, which has submitted three proofs of debt, the Company has 21 Creditors with the estimated total amount of claims of approximately HK\$3,054 million, and there are also Costs and Expenses which amount to approximately HK\$45 million. This indebtedness figure is indicative only and the claims of the Creditors will be subject to final determination by the Scheme Administrators and (if applicable) adjudication under the Schemes. According to the annual report and interim report of the Company, the Group recorded consolidated loss for the year ended 31 December 2014 and for the six months ended 30 June 2015 and net liabilities as at respective year/period end.

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Given the financial situation of the Group, certain Creditors have proposed a rescue plan which is based on retention of all existing businesses and operations of the Group and a debt to equity swap supported with funds raised by means of the Open Offer to discharge and release in full all liabilities of and claims against the Company (other than intercompany liabilities) under the Schemes. The gross proceeds from the Open Offer would be approximately HK\$100 million. Open Offer expenses including the costs of printing, registrar's fees, legal fees, fees payable to the Stock Exchange and registrar of companies in Hong Kong or Bermuda, and capital duties if any will be deducted from the gross proceeds. The net proceeds from the Open Offer will be used solely for Cash Alternative under the Schemes. Any residual proceeds of the Open Offer, if any, will be retained by the Company as part of its working capital. We understand from the Provisional Liquidators that if the Restructuring Proposal has been successfully implemented, the followings will be achieved:

- (a) the Restructured Group being able to obtain court orders for the permanent stay of the winding up order against the Company and to continue its existing businesses;
- (b) the Restructured Group being able to attain total net assets value of approximately HK\$1,034 million (assuming all the Cash Alternative Creditors accept the Cash Alternatives) or approximately HK\$1,134 million (assuming none of the Cash Alternative Creditors accept the Cash Alternatives) as if Completion had occurred on 30 June 2015;
- (c) other than intercompany claims, the liabilities of the Company being fully discharged, with certain subsidiaries having negative values to be legally removed from the Group and deconsolidated from the Group's financial statements; and
- (d) trading in the Shares being resumed on the Main Board of the Stock Exchange.

Upon completion of the Group Reorganisation, all the Excluded Companies will cease to be subsidiaries or associated companies of the Company and their results, assets and liabilities will no longer be consolidated into the Groups financial statements. As advised by the Provisional Liquidators, these Excluded Companies, with aggregate net liabilities of approximately HK\$2,104 million, are companies (i) have been dormant for a long time that they did not generate any income nor pose any positive contributions or benefits to the Group; or (ii) have qualified opinion from their auditors on the opening balance and the corresponding figures.

If the Restructuring Proposal is not implemented, it is likely that the Company would be delisted from the Stock Exchange and the Creditors will claim against the Company for any recovery of amounts due and the Company may be forced to be wound up as a result, and the Shareholders would only be entitled to the residual assets, if any, after the realisation of the existing assets of the Group and distributions be made to the Creditors. Given the Group's net current liabilities and net liabilities of approximately HK\$3,158 million and HK\$2,465 million as at 31 December 2014; and net current liabilities and net liabilities of approximately HK\$3,281 million and HK\$2,590 million as at 30 June 2015 respectively, it is likely that there would not be any

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residual value or assets left for the Shareholders in the event of forced sales of assets for realization and distribution to the Creditors as a result of winding up of the Company. The Provisional Liquidators consider that it is in the interests of the Company and the Shareholders as a whole to issue the Creditors Shares in order to discharge all liabilities of and claims against the Company under the Schemes with the support of funds to be raised by means of the issue of Offer Shares.

Having considered the above, we concur with the Provisional Liquidators' view that the entering into the Restructuring Agreement is in the interests of the Company and the Shareholders as a whole.

4. The Restructuring Agreement

(a) Capital Reorganisation

Capital Reorganisation comprises the Capital Cancellation, the Capital Reduction, the Share Premium Reduction and the Authorised Share Capital Increase:

- (i) the Capital Cancellation – cancellation of the existing authorised but unissued share capital of the Company of HK\$53,977,268 in its entirety;
- (ii) the Capital Reduction – reduction of the par value of each of the issued Shares from HK\$0.10 to HK\$0.01. The credit balance arising from the Capital Reduction will be transferred to the contributed surplus account of the Company within the meaning of the Company Act and applied in a manner as permitted by the Companies Act, other applicable laws and the Bye-Laws to set off pro tanto the accumulated losses of the Company as at 30 June 2015;
- (iii) the Share Premium Reduction – reduction of the entire amount standing to the credit of the share premium account in its entirety. The credit balance arising from the Share Premium Reduction will be transferred to the contributed surplus account of the Company within the meaning of the Company Act and applied in a manner permitted by the Company Act, other applicable laws and the Bye-Laws to set off pro tanto the accumulated losses of the Company as at 30 June 2015; and
- (iv) the Authorised Share Capital Increase – increase of the Company's authorised share capital from HK\$4,602,273.20 following completion of the Capital Cancellation and Capital Reduction to HK\$200,000,000 by creating 19,539,772,680 New Shares of HK\$0.01 each.

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The following table sets out the effect of the Capital Reorganisation on the share capital of the Company before and after completion of the Capital Reorganisation:

	Before the Capital Reorganisation	Immediately after the Capital Reorganisation
Nominal value	HK\$0.10 per Share	HK\$0.01 per New Share
Number of authorised shares	1,000,000,000 Shares	20,000,000,000 New Shares
Authorised share capital	HK\$100,000,000	HK\$200,000,000
Number of issued and paid-up shares	460,227,320 Shares	460,227,320 New Shares
Issued and paid-up share capital	HK\$46,022,732	HK\$4,602,273

The total effect of the Capital Reorganisation will set off against the accumulated losses of the Company of an aggregate amount of HK\$1,215 million.

The passing of shareholders' resolution to approve the Capital Cancellation, the Capital Reduction, the Share Premium Reduction and the Authorised Share Capital Increase is one of the condition precedents to the Capital Reorganisation and completion of the Capital Reorganisation is required to address the Resumption Conditions. This means that Capital Reorganisation must be implemented if the Resumption is to take place. Completion of Capital Reorganisation will facilitate the issue of Creditors Shares to the Scheme Creditors pursuant to the Schemes and the issue of Offer Shares under the Open Offer. The net proceeds from the Open Offer will be used for Cash Alternative under the Schemes to discharge the Company's liabilities. The accumulated losses of HK\$1,215 million will be eliminated after the Completion. It is also expected that the Company will be provided with greater flexibility for future fund raising exercise through the issuance of New Shares. Given the above, we concur with the Provisional Liquidators that the Capital Reorganisation is in the interest of the Company and the Shareholders as a whole.

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(b) The Open Offer

As stated in the Letter from the Provisional Liquidators, subject to the Capital Reorganisation becoming effective, the Company will implement the Open Offer on the basis of five (5) Offer Shares for every two (2) New Shares held on the Open Offer Record Date by the Qualifying Shareholders. A total of 1,150,568,300 Offer Shares will be allotted and issued by the Company to the Qualifying Shareholders on a non-renounceable basis for acceptance at the Offer Price of HK\$0.087 cash for each Offer Share. The Open Offer will be underwritten by Sino Bright and the gross proceeds raised via the issuance of the Offer Share will be approximately HK\$100,099,442. As at the Latest Practicable Date, the Company is not aware of any Shareholders who might be excluded from being Qualifying Shareholders as a result of legal restrictions in their place of domicile.

The number of 1,150,568,300 Offer Shares represents:

- (a) approximately 250.00% of the existing issued share capital of the Company;
- (b) approximately 250.00% of the issued share capital of the Company upon completion of the Capital Reorganisation;
- (c) approximately 71.43% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issuance of Offer Shares;
- (d) approximately 20.81% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issuance of Offer Shares and Creditors Shares (assuming all Cash Alternative Creditors having accepted the Cash Alternative); and
- (e) approximately 20.00% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issuance of Offer Shares and Creditors Shares (assuming none of the Cash Alternative Creditors having accepted the Cash Alternative).

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The Offer Price at HK\$0.087 for each of the Offer Shares represents:

- (a) a discount of approximately 78.78% to the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on 27 May 2011, being the Last Trading Day;
- (b) a discount of approximately 80.05% to the average closing price of HK\$0.436 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (c) a discount of approximately 81.00% to the average closing price of HK\$0.458 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (d) a premium of approximately HK\$5.72 over the unaudited consolidated net liabilities per New Share of approximately HK\$5.63 as at 30 June 2015 (based on the Company's unaudited consolidated net liabilities of approximately HK\$2,590 million as at 30 June 2015 and 460,227,320 New Shares in issue upon the Capital Reorganisation becoming effective).

As disclosed in the Letter from the Provisional Liquidators, the Offer Price was determined after arm's length negotiation between the Company and Sino Bright having regard to the fact that the Provisional Liquidators have been appointed and the long suspension of trading in the Shares on the Stock Exchange, the prevailing stock market conditions and prospects of the business operations of the Group.

Open offer for prolonged suspension companies

We have reviewed all open offers (the “**Open Offer Comparables**”) conducted by companies listed on the Stock Exchange with their shares have been suspended for trading for more than one year and have announced their respective open offer transactions during the 12-month period preceding the date of the Underwriting Agreement (i.e. from 5 March 2015 up to and including 4 March 2016, being the date of the Underwriting Agreement). In view that (i) for prolonged suspension companies, it is a common market practice to price the open offer or rights issue at a discount to the market price of relevant shares in order to encourage subscription by their shareholders; and (ii) the market sentiment at the relevant time may also play an important role in the determination of the offer price, we believe that the Open Offer

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Comparables may reflect the recent trend of open offer transactions in the market for prolonged suspension companies. Details of the Open Offer Comparables are summarised in the following table:

Open offer Comparables (Stock code)	Date of announcement	Basis of entitlement	Subscription price (HK\$)	Closing price as quoted on the Stock Exchange on the last trading day (HK\$)	Premium/ (discount) of Offer Price over/(to) the closing price on the last trading day (%)	Theoretical ex-entitlement price (HK\$) <i>Note 1</i>	Premium/ (discount) of Offer Price over/(to) the theoretical ex-entitlement price (%)	Maximum dilution effect to the shareholding of the existing public shareholders after completion of relevant proposed restructuring
China Billion Resources Limited (274)	16-Dec-15	2 for 1	0.030	0.174	(82.76)	0.0780	(61.54)	from 85.44% to 12.37% <i>Note 2</i>
Long Success International (Holdings) Limited (8017)	17-Jun-15	5 for 3	0.430	4.050	(89.38)	1.7875	(75.94)	from 94.55% to 24.75% <i>Notes 2, 3 and 4</i>
				Maximum discount	(89.38)		(75.94)	
				Minimum discount	(82.76)		(61.54)	
				Median	(86.07)		(68.74)	
				Mean	(86.07)		(68.74)	
Company		5 for 2	0.087	0.41	(78.78)	0.1793	(51.47)	from 28.62% to 2.29%

Source: website of the Stock Exchange (www.hkex.com.hk)

Note 1: The theoretical ex-entitlement price is calculated by adding the market value of all the issued shares (based on the closing price of the shares on the last trading day) with the gross amount of subscription proceeds expected to be received from the open offer (before expenses), and then divided by the total number of issued shares as enlarged by the open offer; e.g. in the case of every 1 offered share for every 2 existing shares, $(2 \times \text{closing price on the last trading day} + 1 \times \text{the subscription price}) / (2+1)$.

Note 2: The closing price of China Billion Resources Limited on the last trading day is adjusted to reflect the effect from the share consolidation of every 2 shares into one reorganised share. The closing price of Long Success International (Holdings) Limited on the last trading day is adjusted to reflect the effect from the share consolidation of every 10 shares into one consolidated share.

Note 3: The number of offer shares of Long Success International (Holdings) Limited is not less than 244,699,541 offer shares and not more than 245,445,375 offer shares. The lower limit was used for calculation of the theoretical ex-entitlement price.

Note 4: The Stock Exchange indicated that the last day of listing of the shares of Long Success International (Holdings) Limited will be 17 February 2016. Long Success International (Holdings) Limited has filed an application for a review by the GEM Listing (Review) Committee in relation to the delisting of the shares.

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As shown in the above table, the discounts represented by the offer prices to the closing prices of shares of the Open Offer Comparables on the last trading days prior to the release of the respective announcements ranged from approximately 82.76% to approximately 89.38% (the “**LTD Market Range**”). The discount of approximately 78.78% as represented by the Offer Price to the closing price of the Shares on the Last Trading Day is lower than the LTD Market Range.

The discount represented by the offer prices to the theoretical ex-entitlement prices of the shares of the Open Offer Comparables ranged from approximately 61.54% to approximately 75.94% (the “**TEP Market Range**”). The discount of approximately 51.47% as represented by the Offer Price to the theoretical ex-entitlement price is lower than the TEP Market Range. In general, we consider that it is common for the listed issuers in Hong Kong to issue offer shares at a discount to the market price in order to enhance the attractiveness of an open offer transaction.

Nevertheless, in view of trading of the Shares on the Stock Exchange has been suspended since 30 May 2011 which is more than four years ago, we consider that it is inappropriate to use the closing price of the Shares prior to the suspension of trading as reference for the evaluation of the Offer Price as this would not reflect the current financial condition and value of the Company. We also consider that it is inappropriate to compare the Offer Price with those for other restructured companies as different restructuring proposals have different terms and conditions such as the amount of investment to be injected by the relevant investors and the percentage of shareholdings to be held by such investors after the respective restructuring has been completed, which may be factors for determining the offer prices. Under the Proposed Restructuring, if the net proceeds of the Open Offer is insufficient to satisfy the amount required for the Cash Alternative, Sino Bright has undertaken to fund the shortfall, Sino Bright will be entitled to Creditor Shares that would otherwise have been allotted and issued to the Cash Alternative Creditors who have elected to take cash (based on the full value of the admitted creditor claim) to the extent such cash is provided by Sino Bright. We understand from the Provisional Liquidators that the amount of funds which may be required from Sino Bright to finance the shortfall mentioned above and the percentage of shareholding which Sino Bright may be able to maintain in the Company after the Proposed Restructuring are factors considered in determining the Offer Price.

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Having considered that (i) the Shares have been suspended for trading for more than 4 years and hence, it is inevitable to set the Offer Price at deep discount in order to enhance the attractiveness of the Open Offer and to encourage the existing Shareholders to participate in the Open Offer; (ii) the Offer Price was determined after arm's length negotiations between the Company and Sino Bright; (iii) the Offer Price represents a premium over the unaudited consolidated net liabilities per New Share; (iv) the significant net liabilities of the Company of approximately HK\$2,465 million as at 31 December 2014 and approximately HK\$2,590 million as at 30 June 2015; (v) the imminent need to discharge the Company's liabilities to the Creditors; (vi) the Open Offer will enable the Company to raise additional capital to facilitate the Cash Alternative under the Schemes, (vii) long suspension of trading of Shares on the Stock Exchange. Completion of the Open Offer is required to address the Resumption Conditions and failing which, the Company will be delisted; (viii) each Qualifying Shareholder will be given an equal opportunity to participate in the Company's future development by subscribing for his/her/its assured entitlements under the Open Offer; and (ix) the Open Offer allows the existing Shareholders to participate in the Proposed Restructuring and as a result, it would help to reduce the dilution of their shareholding under the Resumption Proposal, we are of the view that the Open Offer, including the Offer Price, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Dilution effect of the Resumption Proposal

We have reviewed the dilution effect to the shareholding of the existing public shareholders of the Open Offer Comparables under their respective restructuring proposals and considered that the dilution effect of the Resumption Proposal is reasonable as compared with such comparables. Please refer to the table under "Open offer for prolonged suspension companies" above for the Open Offer Comparables for details.

As illustrated in the section headed "Effect on shareholding structure of the Company" of the Letter from the Provisional Liquidators of the Circular, the shareholding of the existing public Shareholders would reduce from approximately 28.62% to the possible lowest shareholding of approximately 2.29% under Scenario D which assumed none of the existing Shareholders take up their respective entitlements to the Offer Shares under the Open Offer; and none of the Cash Alternative Creditors accept the Cash Alternative under the Schemes. We are of the view that the dilution effect on the shareholding of the existing Independent Shareholders is acceptable after having considered (i) the net liabilities financial position of the Group and its

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imminent need to discharge the liabilities to Creditors; (ii) implementation of the Restructuring Agreement, which comprises Capital Reorganisation, Open Offer, Schemes and Group Reorganisation, is required to address the Resumption Conditions such that the Group will be able to obtain court orders for the permanent stay of the winding up order against the Company and avoid the situation where the Creditors would have precedence over the Shareholders in the claims over the Company's assets; and (iii) the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned.

No excess application

As mentioned in the Letter from the Provisional Liquidators, subject to approval at the SGM the Qualifying Shareholders will not be entitled to subscribe for any Offer Shares in excess of their assured entitlements. For comparison purpose, we have reviewed relevant components of all open offer transactions announced by the companies listed on the Stock Exchange (long suspension is not a criteria for selecting comparables) during the two-month period preceding the date of the Underwriting Agreement (i.e. from 5 January 2016 to 4 March 2016):

Comparables (Stock code)	Date of announcement	Excess application
Sunway International Holdings Limited (58)	26-Feb-16	No
China Demeter Investments Limited (8120)	23-Feb-16	No
China Ruifeng Renewable Energy Holdings Limited (527)	28-Jan-16	Yes
AMCO United Holding Limited (630)	20-Jan-16	No
China Culiangwang Beverages Holdings Limited (904)	19-Jan-16	No
Creative Energy Solutions Holdings Limited (8109)	14-Jan-16	No
QPL International Holdings Limited (243)	7-Jan-16	No
China CBM Group Company Limited (8270)	7-Jan-16	No

Source: website of the Stock Exchange (www.hkex.com.hk)

We noted that the absence of excess application arrangement in an open offer is not uncommon in the market. Considering that each Qualifying Shareholder will be given equal and fair opportunities to participate in the Company's future development by subscribing for their respective entitlements under the Open Offer, we concur with the view of the Company that it is appropriate not to put in additional effort and costs to administer the excess application procedures.

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(c) *The Schemes*

It is proposed that the Schemes shall be implemented in the following manner:

- (i) the Bermuda Scheme and Hong Kong Scheme will be implemented under which all the claims of Creditors (including in respect of any security they hold) against the Company will be settled in full and released by the issue of Creditor Shares to Scheme Creditors on the basis of the relative proportion of their respective admitted claims as compared to the total admitted claims (as such claims are determined by the Scheme Administrators and subject to adjudication by the scheme adjudicator), disregarding fractions, credited as fully paid. The Creditor Shares will be issued at the issue price of HK\$0.087 per Creditor Share with par value of HK\$0.01 per share assuming all claims admitted in full. The maximum number of Creditors Shares (assuming no creditors accept the Cash Alternative) is 4,142,045,880;
- (ii) Cash Alternative Creditors, to whom the Company is estimated to be indebted to the amount of approximately HK\$247 million, will be provided a Cash Alternative to the Creditors Shares in the amount of 60 cents on the HK\$ of admitted Creditors' claims, to be funded by net proceeds of the Open Offer underwritten by the Underwriter. If the net proceeds of the Open Offer are insufficient to satisfy the payment required for the Cash Alternative, Sino Bright will fund the shortfall, Sino Bright will be entitled to the Creditor Shares that would otherwise have been allotted and issued to the Cash Alternative Creditors who have elected to take cash (based on the full value of the admitted creditor claim) to the extent such cash is provided by Sino Bright. The Company will not issue Creditors Shares in respect of any creditor claims to the extent that it funds the Cash Alternative from the proceeds of the Open Offer. Accordingly, assuming all Cash Alternative Creditors accept the Cash Alternative, the total amount of Creditors Shares shall be 3,917,226,052;
- (iii) intercompany liabilities within the Group will not be treated as claims qualified to participate in the Schemes;
- (iv) Sino Bright shall bear all Costs and Expenses up to HK\$20 million and has paid such amount, into court on the basis that it will be treated as part of its admitted claim under the Schemes that qualifies for exchange into Creditor Shares;

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- (v) all costs and expenses of the Company and the fees of the Provisional Liquidators incurred after 16 December 2013 in and about the finalisation and/ or implementation of the Restructuring Proposal, which are capped at HK\$45 million, shall save to the extent they are related to the Open Offer and have been deducted out of the gross proceeds therefrom, or are paid for by Sino Bright and admitted as a scheme debt, be paid out of the cash resources of the Group prior to Resumption, including but not limited to all reasonable fees and expenses owed to auditors, legal counsel and other professionals;
- (vi) if the Restructuring Proposal is unsuccessful, McVitie covenants to reimburse the Company on demand for such Costs and Expenses as taxed and paid by the Company to the Provisional Liquidators;
- (vii) as of the effective date of the Schemes, the Creditors are barred from taking any action or proceedings against the Company or its property or assets or for the winding up of the Company or for the purposes of exercising any right of set-off;
- (viii) upon completion of the Schemes, all claims against the Company in respect of which no notices of claim have been received by the deadline set under the Schemes, or which have not been not been admitted, so as to enable the Company to return to solvency and continue operation of its remaining viable businesses, shall be discharged and released in full; and
- (ix) insofar as the Provisional Liquidators are concerned, there shall be a discharge and release of the Provisional Liquidators as provisional liquidators or liquidators of the Company under section 205 of the Companies (WUMP) Ordinance.

The Schemes, which are subject to the passing of the necessary resolutions at the SGM, shall become effective and legally binding on the Company and all the Creditors, including those voting against the Schemes and those not voting, if the requisite majority (being a majority in number representing three-fourths in value of the Creditors who, either in person or by proxy, attend and vote at the scheme meetings convened with the leave of the relevant courts) votes in favour of the Schemes, the Bermuda Court and the Hong Kong Court sanction the Schemes, and a copy of each of the relevant court orders sanctioning the Schemes is filed or as the case may be registered with the relevant Registrars of Companies in Bermuda and Hong Kong respectively.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The implementation of the Schemes is conditional on the Capital Reorganisation having been completed and the fulfilment of the other conditions to Resumption as described in this circular.

We have discussed with the Provisional Liquidators and understood that the issuance of Creditors Shares and the Cash Alternative were commercial terms agreed between Sino Bright and the Company offering flexibility to those Scheme Creditors who wish to support the restructuring of the Group, basically the retention of all its existing businesses, management and licenses that remain profitable. Having considered that (i) the Company would need to implement measures to repay or restructure its outstanding indebtedness given its financial difficulties; (ii) the issue of Creditors Shares and Cash Alternatives would settle the total amount of claims of approximately HK\$3,054 million and Costs and Expenses which amount to approximately HK\$45 million; (iii) number of New Shares to be issued for settlement of each dollar of admitted claim was a result of negotiation and the Scheme Creditors in totality will receive 4,142,045,880 New Shares (assuming none of the Cash Alternative Creditors accept the Cash Alternative), representing 72% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issuance of Creditors Shares and Offer Shares, we are of the view that the terms of the Schemes, including the settlement of such amount of claims of Creditors on the basis of the relative proportion of their respective admitted claims as compared to the total admitted claims by the issue of 4,142,045,880 New Shares (for illustrative purpose only, each dollar of admitted claim would be settled by the issue of approximately 1.34 New Shares), are fair and reasonable and are in the interest of the Company and the Shareholders as whole.

(d) Group Reorganisation

As set out in Appendix I to the Circular, the auditor of the Company has given disclaimer of opinions on the consolidated financial statements of the Company for the year ended 31 December 2014. These audit qualifications related to (i) amounts due to former related companies of the Group for approximately HK\$13 million; (ii) amounts due to a former associate of the Group for approximately HK\$566 million; (iii) the auditor has not been able to obtain direct audit confirmations or other sufficient evidence in respect of certain accounts and bills payable of the Group for approximately HK\$5 million; (iv) the audits of the financial statements of several subsidiaries for the years ended 31 December 2011 to 2013 had not been completed by the component auditors. The carrying amount of the balances of these subsidiaries as at 31 December 2014 was derived by aggregating the opening balances as at 31 January 2014 and the net movement resulting from the transactions during the year ended 31 December 2014. There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of the opening balances and corresponding figures shown in the consolidated financial statements for the year ended 31 December 2014 and (v) in view of the extent of the material uncertainty relating to the completion of the proposed restructuring, the auditor disclaimed opinion in respect in the material uncertainty relating to the going concern basis.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

In order to reduce the gearing and liabilities of the Group, and as agreed with Sino Bright, it is proposed that the Excluded Companies shall either be struck off or placed into liquidation (as appropriate) in accordance with the laws and rules of the jurisdictions where these companies were incorporated and registered on or before Resumption. As advised by the Provisional Liquidators, these Excluded Companies, with aggregate net liabilities of approximately HK\$2,104 million, are companies (i) have been dormant for a long time that they did not generate any income nor pose any positive contributions or benefits to the Group; or (ii) have qualified opinion from their auditors on the opening balance and the corresponding figures. Upon completion of the Group Reorganisation, all the Excluded Companies will cease to be subsidiaries or associated companies of the Company and their results, assets and liabilities will no longer be consolidated into the Group's financial statements. Auditor of the Company concurred that subject to the Company receives the approval from the Stock Exchange, all the liabilities of the Company would be discharged under the proposed Schemes, the winding-up of the Company would be stayed and the Group will maintain a positive net assets position (as indicated in the pro forma statement of financial position). In such situation, there should not be any qualification in respect of the Company's going concern. As mentioned in the Letter from the Provisional Liquidators of the Circular, the audit qualification in respect of the Company's going concern will be removed in the consolidated financial statements for the year ending 31 December 2016. As the completion of the Proposed Restructuring will be taken place in 2016, those subsidiaries with uncertain opening balances, amounts due to former related companies, amounts due to former associates; and accounts and bills payables will only be deconsolidated at that time, it is expected that the relevant audit qualification (save for the opening balance of the Group's financial position) will be retained for the year ending 31 December 2016. Having considered the above and barring any unforeseen circumstances, the Provisional Liquidators and the Directors consider that the aforesaid audit qualifications (save for the opening balance of the Group's financial position) set out in the year ended 31 December 2014 will no longer remain beyond the financial year ending 31 December 2017.

Based on the above, we are of the view that the Group Reorganisation is in the interests of the Company and the Shareholders as a whole.

5. Financial effects of the Proposed Restructuring

5.1 Net assets

Based on the information set out in the "Unaudited pro forma financial information of the Group" contained in Appendix III to the Circular, assuming the Proposed Restructuring had been effective on 30 June 2015, the Group's financial position would turn from the net liabilities of approximately HK\$2,590 million as at 30 June 2015 to adjusted net assets of approximately HK\$1,034 million (assuming all the Cash Alternative Creditors accept the Cash Alternatives) or adjusted net assets of approximately HK\$1,134 million (assuming none of the Cash Alternative Creditors accept Cash Alternatives), which will mainly comprise brands and trademarks, cash and bank balances.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

5.2 Working capital

According to the interim report of the Company for the six months ended 30 June 2015, the Group had cash and bank balances of approximately HK\$504 million as at 30 June 2015 and net current liabilities of approximately HK\$3,281 million. Based on the information set out in the “Unaudited pro forma financial information of the Group” contained in Appendix III to the Circular, assuming the Proposed Restructuring had been effective on 30 June 2015, the Group would have cash and bank balances of approximately HK\$364 million and net current assets of approximately HK\$343 million (assuming all the Cash Alternative Creditors accept the Cash Alternatives) or cash and bank balances of approximately HK\$464 million and net current assets of approximately HK\$444 million (assuming none of the Cash Alternative Creditors accept Cash Alternatives). The working capital position of the Group will be largely improved.

5.3 Debt to asset

According to the interim report of the Company for the six months ended 30 June 2015, the Group had total assets of approximately HK\$1,350 million and total liabilities of approximately HK\$3,940 million. The debt to asset ratio of the Group was approximately 291.9%. According to the “Unaudited pro forma financial information of the Group” contained in Appendix III to the Circular, assuming the Proposed Restructuring had been completed on 30 June 2015 and the all the Cash Alternative Creditors accept the Cash Alternatives, the Group would have total assets of approximately HK\$1,209 million and total liabilities of approximately HK\$175 million; and the debt to asset ratio of the Group would be reduced to approximately 14.5%. Assuming the Proposed Restructuring had been completed on 30 June 2015 and the none of the Cash Alternative Creditors accept the Cash Alternatives, the Group would have total assets of approximately HK\$1,309 million and total liabilities of approximately HK\$175 million; and the debt to asset ratio of the Group would be reduced to approximately 13.4%.

Having considered the abovementioned financial effects on the Group’s financial position, the working capital and the debt to asset position arising upon completion of the Proposed Restructuring, we are of the view that the Proposed Restructuring will have an overall positive financial effect on the Group. It should be noted that the aforementioned analysis is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Proposed Restructuring and does not imply trading in Shares will be resumed. Trading resumption of the Shares is subject to the fulfillment of all the Resumption Conditions.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, in particular:

- (i) the Group Reorganisation and the Schemes will enable the Group to discharge its and release in full all liabilities of the claims against the Company (other than intercompany liabilities), which we consider to be important to the Group's survival given its current financial difficulties;
- (ii) the net proceeds from the Open Offer will be used for Cash Alternative under the Schemes to facilitate the implementation of the Proposed Restructuring;
- (iii) each Qualifying Shareholder will be given the opportunities to participate in the Company's future development by subscribing for their respective entitlements under the Open Offer;
- (iv) the likelihood of winding up the Company if it fails to implement the Proposed Restructuring;
- (v) Shareholders will be unlikely to receive any return in the event of a winding-up of the Company;
- (vi) the Cash Alternative Creditors will be provided with flexibility to choose between Cash Alternative and acceptance of Creditors Shares;
- (vii) the material uncertainty relating to going concern basis of the Company if the Proposed Restructuring is not successfully implemented; and
- (viii) the overall positive financial effect upon completion of Proposed Restructuring.

We consider that the terms of the Restructuring Agreement, the Open Offer, the Underwriting Agreement and the Schemes are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the proposed resolutions at the SGM to approve the Proposed Restructuring.

Yours faithfully,
For and on behalf of
VC Capital Limited

Philip Chau
Managing Director

Evelyn Fan
Director

1. SUMMARY OF FINANCIAL INFORMATION

Financial information of the Group for the years ended 31 December 2012, 31 December 2013, 31 December 2014 and the six months ended 30 June 2015 are set out in the annual reports of the Company for the years ended 31 December 2012 (pages 16 to 23), 31 December 2013 (pages 14 to 20), 31 December 2014 (pages 14 to 19) and interim report of the Company for the six months ended 30 June 2015 (pages 3 to 8) respectively. The annual reports and the interim report of the Company are available on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at <http://www.grandholdings.com>.

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2014 and the six months ended 30 June 2015, details of which were extracted from the annual reports of the Company for each of the years ended 31 December 2014, 2013 and 2012 and the interim report for the six months ended 30 June 2015.

The consolidated financial statements for the years ended 31 December 2014, 2013 and 2012 were audited by Jonten Hopkins CPA Limited. Disclaimers of opinion were issued by the auditor of the Company in relation to each of the financial years.

Results of the Group

	For the six months ended 30 June 2015	For the year ended 31 December		
	2015	2014	2013	2012
	<i>HK\$ million</i> (Unaudited)	<i>HK\$ million</i> (Audited)	<i>HK\$ million</i> (Audited)	<i>HK\$ million</i> (Audited)
REVENUE	276	663	741	1,115
Cost of sales	(209)	(471)	(553)	(851)
Gross profit	67	192	188	264
Other income	2	5	10	6
Gain on disposal of subsidiaries	–	–	–	3
Distribution costs	(6)	(14)	(15)	(14)
Administrative expenses	(70)	(95)	(106)	(111)
Allowance for doubtful debts	(1)	(1)	(1)	(44)
Non recurring cost	(102)	(14)	(6)	(12)
Impairment loss recognised in respect of interests in an associate	–	–	–	(95)
Impairment loss recognised in respect of available-for-sale investments	–	–	–	(9)
Impairment loss recognised in respect of brands and trademarks	–	(75)	(33)	(327)
Loss on settlement of litigation	–	–	(31)	–
Settlement of tax dispute	–	–	–	(29)
Other expenses	(2)	–	(1)	(13)
Finance costs	–	–	(192)	(268)
Share of results of an associate	–	–	–	(3)

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	For the six months ended 30 June 2015	For the year ended 31 December		
	<i>HK\$ million</i> (Unaudited)	2014 <i>HK\$ million</i> (Audited)	2013 <i>HK\$ million</i> (Audited)	2012 <i>HK\$ million</i> (Audited)
Loss before income tax	(112)	(2)	(187)	(652)
Income tax expenses	(15)	(37)	(10)	(40)
Loss for the period/year	(127)	(39)	(197)	(692)
(Loss)/profit attributable to:				
Shareholders of the Company	(122)	(51)	(191)	(672)
Non-controlling interests	5	12	(6)	(20)
	<u>(127)</u>	<u>(39)</u>	<u>(197)</u>	<u>(692)</u>
Other comprehensive income	2	10	18	11
Total comprehensive loss for the period/year	<u>(125)</u>	<u>(29)</u>	<u>(179)</u>	<u>(681)</u>
Total comprehensive (loss)/income attributable to:				
Shareholders of the Company	(122)	(54)	(195)	(676)
Non-controlling interests	(3)	25	16	(5)
	<u>(125)</u>	<u>(29)</u>	<u>(179)</u>	<u>(681)</u>
Basic and diluted loss per share for loss attributable to the Shareholders of the Company during the period/year (<i>HK\$</i>)	<u>(0.27)</u>	<u>(0.11)</u>	<u>(0.42)</u>	<u>(1.46)</u>

Financial position of the Group

	As at six months ended 30 June 2015		As at 31 December	
	2015 <i>HK\$ million</i> (Unaudited)	2014 <i>HK\$ million</i> (Audited)	2013 <i>HK\$ million</i> (Audited)	2012 <i>HK\$ million</i> (Audited)
Assets and liabilities				
Non-current assets	691	693	786	817
Current assets	659	669	699	706
Total assets	1,350	1,362	1,485	1,523
Current liabilities	3,940	3,827	3,857	3,716
Non-current liabilities	–	–	–	–
Total liabilities	3,940	3,827	3,857	3,716
Deficiency of equity attributable to Shareholders of the Company	(2,989)	(2,867)	(2,813)	(2,618)

2. AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

Set out below is the auditor's report extracted from the annual report of the Company for the year ended 31 December 2012 in which the auditor expressed a disclaimer of opinion. In this section, reference to the page numbers are those appeared in the annual report of the Company for the year ended 31 December 2012.

**Jonten Hopkins CPA Limited**

中天運浩勤會計師事務所有限公司

Independent Auditors' Report**to the Shareholders of****The Grande Holdings Limited (In Liquidation)**

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of The Grande Holdings Limited (In Liquidation) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 76 which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

PROVISIONAL LIQUIDATORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Provisional Liquidators of the Company are responsible for the preparation and the true and fair presentation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Provisional Liquidators determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matter described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION**1. Opening balances and corresponding figures**

The consolidated financial statements of the Company for the year ended 31 December 2011 which form the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us, and were disclaimed by the predecessor auditors in their report dated 30 April 2012. In addition, for certain subsidiaries, the audited financial statements for the year ended 31 December 2011 have not been made available to us. There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of the opening balances and corresponding figures shown in the current year's consolidated financial statements.

2. Consolidation of principle subsidiaries

The financial statements of Emerson Radio Corp. and its subsidiaries ("Emerson Group") have been consolidated in the Group's consolidated financial statements as at and for the year ended 31 December 2012. Emerson Group is considered to be one of the significant components of the Group. Although the financial statements of Emerson Group have been reviewed by the component auditors, we have not received adequate reply from the component auditors in respect of their work done. Consequently, we were unable to obtain sufficient appropriate audit evidence in respect of the financial information of Emerson Group as set out below which has been included in the consolidated financial statements of the Group for the year ended 31 December 2012.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

Included in the consolidated statement of comprehensive income:

	<i>HK\$ million</i>
Revenue	1,034
Cost of sales	850
Other income	2
Distribution costs	13
Administrative expenses	80
Impairment loss recognised in respect of brands and trademarks	10
Other expenses	1
Tax	7
Non-controlling interests – Profit for the year from continuing operations	33

Included in the consolidated statement of financial position:

	<i>HK\$ million</i>
Property, plant and equipment	2
Deferred tax assets	28
Brands and trademarks	466
Inventories	100
Accounts receivable	60
Prepayment, deposits and other receivables	9
Tax recoverable	3
Cash and bank balances	453
Accounts payable	26
Other payables and accruals	43
Tax liabilities	4

There were no other satisfactory audit procedures that we could adopt to ascertain whether the above transactions and balances were free from material misstatement. Accordingly, we were unable to satisfy ourselves as to the completeness and existence of any other significant transactions, intra-group transactions, contingent liabilities, commitments, related party transactions and subsequent events relating to Emerson Group.

3. Material uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 3 to the consolidated financial statements which states the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the proposed restructuring. We consider that the disclosures are adequate. However, in view of the extent of the material uncertainty relating to the completion of the proposed restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

4. Amounts due to former related companies

We have not been able to obtain direct audit confirmations or other sufficient evidence in respect of certain amounts due to former related companies of the Company and of the Group for approximately HK\$2,135 million and HK\$2,149 million respectively. As a result, we were unable to satisfy ourselves that amounts due to former related companies of the Company and of the Group as disclosed in notes 43 and 30 to the consolidated financial statements respectively were fairly stated.

5. Amounts due to a former associate

We have not been able to obtain direct audit confirmation or other sufficient evidence in respect of the amounts due to a former associate of the Group for approximately HK\$578 million. As a result, we were unable to satisfy ourselves that amounts due to a former associate of the Group as disclosed in note 30 to the consolidated financial statements was fairly stated.

6. Other payables

We have not been able to obtain direct audit confirmations or other sufficient evidence in respect of certain other payables of the Company and of the Group for approximately HK\$224 million and HK\$332 million respectively. As a result, we were unable to satisfy ourselves that accrued liabilities and other payables of the Company and other payables of the Group as disclosed in notes 43 and 30 to the consolidated financial statements respectively were fairly stated.

7. Related party transactions and balances

We have not been provided with the details of the compensation to key management personnel to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions and balances as required by Hong Kong Accounting Standard 24 (Revised) “Related Party Disclosures”.

8. Directors’ remuneration and employee costs

We have not been able to obtain direct audit confirmations from all the directors of the Company or other sufficient audit evidence to satisfy ourselves as to whether the directors’ remuneration and employee costs were free from material misstatement. Hence, we have not been able to determine whether the disclosures in respect of directors’ remuneration and employee costs set out in note 11 to the consolidated financial statements were appropriate and in compliance with the disclosure requirements of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

9. Accounts and bills payable

Due to the time constraint, we have not been able to obtain direct audit confirmations or other sufficient evidence in respect of certain accounts and bills payable of the Group for approximately HK\$5 million. As a result, we were unable to satisfy ourselves that the accounts and bills payable of the Group as disclosed in note 28 to the consolidated financial statements was fairly stated.

10. Tax payables

We have not been provided with adequate information to ascertain certain tax payables of approximately HK\$79 million as included in the tax liabilities of approximately HK\$83 million in the consolidation statement of financial position.

11. Lawyers’ letters

Due to the time constraint, we have not obtained replies from several lawyers of the Company concerning, among other things, the status of the legal cases of the Company and the Group. Accordingly, we are unable to determine whether adequate provision or proper disclosure of contingent liabilities had been made in the consolidated financial statements.

12. Bank confirmations

Due to the time constraint, we have not received replies from several bankers of the Company and the Group concerning, among other things, the existence of contingent liabilities or any pledge of assets as at the end of the reporting period. Accordingly, we are unable to determine whether proper disclosure of contingent liabilities or pledge of assets had been made in the consolidated financial statements.

Any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Company and the Group as at 31 December 2012 and 2011 and the financial performance and cash flows of the Group for the years then ended and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant subsequent events related to the Company and the Group.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 December 2011 were audited by previous auditors who expressed a disclaimer of opinion on those statements on 30 April 2012 as a result of uncertainties relating to going concern.

Jonten Hopkins CPA Limited*Certified Public Accountants*

Hong Kong

30 June 2014

3. AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Set out below is the auditor's report extracted from the annual report of the Company for the year ended 31 December 2013 in which the auditor expressed a disclaimer of opinion. In this section, reference to the page numbers are those appeared in the annual report of the Company for the year ended 31 December 2013.

**Jonten Hopkins CPA Limited**

中天運浩勤會計師事務所有限公司

Independent Auditors' Report**to the Shareholders of****The Grande Holdings Limited (In Liquidation)**

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of The Grande Holdings Limited (In Liquidation) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 72 which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

PROVISIONAL LIQUIDATORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Provisional Liquidators of the Company are responsible for the preparation and the true and fair presentation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Provisional Liquidators determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matter described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION**1. Opening balances and corresponding figures**

The comparative figures disclosed in the consolidated financial statements are based on the audited financial statements of the Group and the Company for the year ended 31 December 2012 in respect of which the auditor's report dated 30 June 2014 expressed a disclaimer of opinion. The matters which resulted in that disclaimer of opinion included (a) Amounts due to former related companies; (b) Amounts due to a former associate; (c) Directors' remuneration and employee costs; (d) Accounts and bills payable and (e) Tax liabilities, which remain unresolved issues this year. Moreover, as at the date of this report, the audit of several subsidiaries for the years ended 31 December 2011 and 2012 was not completed by the component auditors. The carrying amount of the balances of these subsidiaries as at 31 December 2013 was derived by aggregating the opening balances as at 1 January 2013 and the net movement resulting from the transactions during the year ended 31 December 2013. There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of the opening balances and corresponding figures shown in the current year's consolidated financial statements.

2. Material uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 3 to the consolidated financial statements which states the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the proposed restructuring. We consider that the disclosures are adequate. However, in view of the extent of the material uncertainty relating to the completion of the proposed restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

3. Amounts due to former related companies

We have not been able to obtain direct audit confirmations or other sufficient evidence in respect of certain amounts due to former related companies of the Group for approximately HK\$13 million. As a result, we were unable to satisfy ourselves that amounts due to former related companies of the Group as disclosed in notes 28 to the consolidated financial statements was fairly stated.

4. Amounts due to a former associate

We have not been able to obtain direct audit confirmation or other sufficient evidence in respect of the amounts due to a former associate of the Group for approximately HK\$571 million. As a result, we were unable to satisfy ourselves that amounts due to a former associate of the Group as disclosed in note 28 to the consolidated financial statements was fairly stated.

5. Accounts and bills payable

Due to the time constraint, we have not been able to obtain direct audit confirmations or other sufficient evidence in respect of certain accounts and bills payable of the Group for approximately HK\$5 million. As a result, we were unable to satisfy ourselves that the accounts and bills payable of the Group as disclosed in note 27 to the consolidated financial statements was fairly stated.

6. Tax liabilities

We have not been provided with adequate information to ascertain certain tax liabilities of approximately HK\$42 million as included in the tax liabilities of approximately HK\$82 million in the consolidation statement of financial position.

Any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Company and the Group as at 31 December 2013 and 2012 and the financial performance and cash flows of the Group for the years then ended and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant subsequent events related to the Company and the Group.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Jonten Hopkins CPA Limited*Certified Public Accountants*

Hong Kong

29 August 2014

4. AUDITOR’S REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Set out below is the auditor’s report extracted from the annual report of the Company for the year ended 31 December 2014 in which the auditor expressed a disclaimer of opinion. In this section, reference to the page numbers are those appeared in the annual report of the Company for the year ended 31 December 2014.

**Jonten Hopkins CPA Limited**

中天運浩勤會計師事務所有限公司

Independent Auditor’s Report**to the Shareholders of****The Grande Holdings Limited (In Liquidation)**

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of The Grande Holdings Limited (In Liquidation) (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 14 to 66 which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

PROVISIONAL LIQUIDATORS’ RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Provisional Liquidators of the Company are responsible for the preparation and the true and fair presentation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Provisional Liquidators determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matter described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION**1. Opening balances and corresponding figures**

The corresponding figures disclosed in the consolidated financial statements are based on the audited financial statements of the Group and the Company for the year ended 31 December 2013 in respect of which the auditor's report dated 29 August 2014 expressed a disclaimer of opinion. The matters which resulted in that disclaimer of opinion included (a) Amounts due to former related companies; (b) Amounts due to a former associate; and (c) Accounts and bills payable, which remain unresolved issues this year. Moreover, as at the date of this report, the audits of the financial statements of several subsidiaries for the years ended 31 December 2011 to 2013 have not been completed by the component auditors. The carrying amount of the balances of these subsidiaries as at 31 December 2014 was derived by aggregating the opening balances as at 1 January 2014 and the net movement resulting from the transactions during the year ended 31 December 2014. There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of the opening balances and corresponding figures shown in the current year's consolidated financial statements.

2. Material uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 3 to the consolidated financial statements which states the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the proposed restructuring. We consider that the disclosures are adequate. However, in view of the extent of the material uncertainty relating to the completion of the proposed restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

3. Amounts due to former related companies

We have not been able to obtain direct audit confirmations or other sufficient evidence in respect of certain amounts due to former related companies of the Group for approximately HK\$13 million. As a result, we were unable to satisfy ourselves that amounts due to former related companies of the Group as disclosed in note 27 to the consolidated financial statements was fairly stated.

4. Amounts due to a former associate

We have not been able to obtain direct audit confirmation or other sufficient evidence in respect of the amounts due to a former associate of the Group for approximately HK\$566 million. As a result, we were unable to satisfy ourselves that amounts due to a former associate of the Group as disclosed in note 27 to the consolidated financial statements was fairly stated.

5. Accounts and bills payable

We have not been able to obtain direct audit confirmations or other sufficient evidence in respect of certain accounts and bills payable of the Group for approximately HK\$5 million. As a result, we were unable to satisfy ourselves that the accounts and bills payable of the Group as disclosed in note 26 to the consolidated financial statements was fairly stated.

Any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Company and the Group as at 31 December 2014 and 2013 and the financial performance and cash flows of the Group for the years then ended and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant subsequent events related to the Company and the Group.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Jonten Hopkins CPA Limited

Certified Public Accountants

Lo Shung Chi

Practising certificate number: P04668

Hong Kong

31 March 2015

5. AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2014

Set out below is the financial information extracted from the annual report of the Company for the year ended 31 December 2014 and reference to the page numbers (where applicable) are those appeared in the annual report of the Company for the year ended 31 December 2014.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	<i>Notes</i>	2014 <i>HK\$</i> <i>million</i>	2013 <i>HK\$</i> <i>million</i>
REVENUE	<i>9</i>	663	741
Cost of sales		<u>(471)</u>	<u>(553)</u>
Gross profit		192	188
Other income		5	10
Distribution costs		(14)	(15)
Administrative expenses		(109)	(112)
Allowance for doubtful debts		(1)	(1)
Impairment loss recognised in respect of			
brands and trademarks	<i>19</i>	(75)	(33)
Loss on settlement of litigation	<i>29</i>	–	(31)
Other expenses		–	(1)
Finance costs		<u>–</u>	<u>(192)</u>
LOSS BEFORE TAX		(2)	(187)
Tax	<i>12</i>	<u>(37)</u>	<u>(10)</u>
LOSS FOR THE YEAR	<i>10</i>	<u>(39)</u>	<u>(197)</u>
OTHER COMPREHENSIVE INCOME, NET OF TAX:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		<u>10</u>	<u>18</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

		2014	2013
		<i>HK\$</i>	<i>HK\$</i>
	<i>Notes</i>	<i>million</i>	<i>million</i>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(29)</u>	<u>(179)</u>
(LOSS)/PROFIT FOR THE YEAR			
ATTRIBUTABLE TO:			
Shareholders of the Company		(51)	(191)
Non-controlling interests		<u>12</u>	<u>(6)</u>
		<u>(39)</u>	<u>(197)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		(54)	(195)
Non-controlling interests		<u>25</u>	<u>16</u>
		<u>(29)</u>	<u>(179)</u>
LOSS PER SHARE	<i>14</i>	<i>HK\$</i>	<i>HK\$</i>
Basic		<u>(0.11)</u>	<u>(0.42)</u>
Diluted		<u>(0.11)</u>	<u>(0.42)</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****CONSOLIDATED STATEMENT OF FINANCIAL POSITION***31 December 2014*

		2014	2013
		<i>HK\$</i>	<i>HK\$</i>
	<i>Notes</i>	<i>million</i>	<i>million</i>
NON-CURRENT ASSETS			
Plant and equipment	<i>15</i>	1	2
Investment properties	<i>16</i>	1	1
Available-for-sale investments	<i>17</i>	–	–
Deferred tax assets	<i>18(a)</i>	14	31
Brands and trademarks	<i>19, 21</i>	663	738
Other assets	<i>20</i>	1	1
Goodwill	<i>21</i>	13	13
		<u>693</u>	<u>786</u>
CURRENT ASSETS			
Inventories	<i>22</i>	35	44
Accounts and bills receivable	<i>23</i>	109	94
Prepayments, deposits and other receivables	<i>24</i>	40	38
Tax recoverable		9	3
Pledged deposits with banks		4	–
Cash and bank balances	<i>25</i>	472	520
		<u>669</u>	<u>699</u>
CURRENT LIABILITIES			
Bank overdraft		2	2
Accounts and bills payable	<i>26</i>	16	12
Accrued liabilities and other payables	<i>27, 33</i>	3,274	3,309
Tax liabilities		83	82
Provision for legal claims	<i>28</i>	452	452
		<u>3,827</u>	<u>3,857</u>
NET CURRENT LIABILITIES		<u>(3,158)</u>	<u>(3,158)</u>
NET LIABILITIES		<u>(2,465)</u>	<u>(2,372)</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

		2014	2013
		<i>HK\$</i>	<i>HK\$</i>
	<i>Notes</i>	<i>million</i>	<i>million</i>
CAPITAL AND RESERVES			
Share capital	30	46	46
Share premium	30	1,173	1,173
Reserves		<u>(4,086)</u>	<u>(4,032)</u>
DEFICIENCY OF EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY			
		(2,867)	(2,813)
NON-CONTROLLING INTERESTS			
		<u>402</u>	<u>441</u>
TOTAL DEFICIENCY OF EQUITY			
		<u><u>(2,465)</u></u>	<u><u>(2,372)</u></u>

Fok Hei Yu

and

Roderick John Sutton

*Joint and Several Provisional Liquidators
acting as agents without personal liability*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share capital <i>HK\$ million</i>	Share premium <i>HK\$ million</i>	Contributed reserve <i>HK\$ million</i>	Exchange fluctuation deficits <i>HK\$ million</i>	Other deficits <i>HK\$ million</i>	Accu- mulated deficits <i>HK\$ million</i>	Deficiency of equity attributable to the shareholders of the Company <i>HK\$ million</i>	Non- controlling interests <i>HK\$ million</i>	Total deficiency of equity <i>HK\$ million</i>
At 1 January 2013	46	1,173	193	(152)	(7)	(3,871)	(2,618)	425	(2,193)
Loss for the year	-	-	-	-	-	(191)	(191)	(6)	(197)
Other comprehensive (loss)/income	-	-	-	(4)	-	-	(4)	22	18
Total comprehensive (loss)/income for the year	-	-	-	(4)	-	(191)	(195)	16	(179)
At 31 December 2013 and 1 January 2014	46	1,173	193	(156)	(7)	(4,062)	(2,813)	441	(2,372)
(Loss)/profit for the year	-	-	-	-	-	(51)	(51)	12	(39)
Other comprehensive (loss)/income	-	-	-	(3)	-	-	(3)	13	10
Total comprehensive (loss)/income for the year	-	-	-	(3)	-	(51)	(54)	25	(29)
Dividend to non- controlling interests	-	-	-	-	-	-	-	(64)	(64)
At 31 December 2014	46	1,173	193	(159)	(7)	(4,113)	(2,867)	402	(2,465)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	<i>Notes</i>	2014 <i>HK\$</i> <i>million</i>	2013 <i>HK\$</i> <i>million</i>
OPERATING ACTIVITIES			
Loss before tax		(2)	(187)
Adjustments for:			
Interest income		(3)	(6)
Finance costs		–	192
Depreciation		1	1
Loss on settlement of litigation	29	–	31
Allowance for doubtful debts		1	1
Impairment loss recognised in respect of brands and trademarks	19	<u>75</u>	<u>33</u>
Operating cash flows before working capital changes		72	65
Decrease in inventories		9	57
Increase in accounts and bills receivable		(15)	(33)
Increase in prepayments, deposits and other receivables		(2)	(22)
Increase/(decrease) in accounts and bills payable		4	(19)
Decrease in accrued liabilities and other payables		<u>(25)</u>	<u>(43)</u>
Cash generated from operations		43	5
Overseas profits tax paid		<u>(25)</u>	<u>(13)</u>
Net cash generated from/(used in) operating activities		<u>18</u>	<u>(8)</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

		2014	2013
		<i>HK\$</i>	<i>HK\$</i>
	<i>Notes</i>	<i>million</i>	<i>million</i>
INVESTING ACTIVITIES			
Decrease/(increase) in bank certificates of deposit	25	172	(17)
(Increase)/decrease in pledged deposits with banks		(4)	1
Interest received		2	7
		<u> </u>	<u> </u>
Net cash generated from/(used in) investing activities		170	(9)
		<u> </u>	<u> </u>
FINANCING ACTIVITIES			
Dividend paid to non-controlling interests		(64)	–
Net decrease in capital element of finance leases		–	(1)
		<u> </u>	<u> </u>
Net cash used in financing activities		(64)	(1)
		<u> </u>	<u> </u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		124	(18)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		229	247
		<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		353	229
		<u> </u>	<u> </u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash	25	1	1
Cash in transit	25	–	3
Bank balances	25	264	149
Deposits with maturing date within three months	25	90	78
Bank overdraft		(2)	(2)
		<u> </u>	<u> </u>
		353	229
		<u> </u>	<u> </u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS*31 December 2014***1. General**

The Company was incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability under the Companies Act. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and have been suspended from trading since 30 May 2011.

The Company’s immediate holding company is Barrican Investments Corporation, a company incorporated in the British Virgin Islands. In the opinion of the Provisional Liquidators, the ultimate holding company is Accolade (PTC) Inc, a company incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal activities of the principal subsidiaries are set out in note 36.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company, and all values are rounded to nearest million (HK\$ million) unless otherwise stated.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information on page 2 of the annual report.

2. Suspension of Trading of the Company Shares, Appointment of Joint and Several Provisional Liquidators, Winding-up Petition, Group Restructuring and Removal Summonses

Trading in the shares of the Company has been suspended from trading on the Stock Exchange since 30 May 2011.

On 31 May 2011, pursuant to an order of the High Court of the Hong Kong Special Administrative Region (the “High Court”), Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited (“FTI Consulting”) were appointed as the provisional liquidators to the Company (the “Provisional Liquidators”) as a result of the winding up petition made by Sino Bright Enterprises Co., Ltd. (“Sino Bright”), one of the creditors, against the Company. Upon the appointment of the Provisional Liquidators, the power of the directors were suspended with regard to the affairs and business of the Company.

On 26 July 2011, an exclusivity and escrow agreement was entered into amongst the Provisional Liquidators on behalf of the Company, FTI Consulting and Sunny Faith Investments Limited (the “Investor”) (the “Escrow Agreement”). Pursuant to the Escrow Agreement, the Provisional Liquidators have granted the Investor and exclusivity period up to nine months to negotiate a legally binding agreement for the implementation of a viable restructuring proposal. The Provisional Liquidators have also appointed Emperor Capital Limited as the financial adviser to the Company regarding the restructuring of the Group.

On 8 September 2011, the Company was placed in the first stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules. On 31 May 2012, the Company submitted a resumption proposal, which was prepared by the Investor and accepted by the Provisional Liquidators, to the Stock Exchange to address the following:

- (a) that the Company had a sufficient level of operations or has assets of sufficient value as required under Rule 13.24 of the Listing Rules; and
- (b) that the Company had adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules.

The Stock Exchange was not satisfied with the Company’s resumption proposal submitted on 31 May 2012, and by a letter dated 5 July 2012, the Stock Exchange informed the Company its decision to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules with effect from that date.

On 4 October 2012, the Provisional Liquidators announced that after a review hearing held by Listing Committee on 25 September 2012, the Listing Committee decided to uphold the Listing Division’s decision to place the Company in the second stage of delisting. Accordingly, the Listing Committee further decided to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules with effect from 25 September 2012.

On 30 January 2013, the Provisional Liquidators announced that the exclusivity and the Escrow Agreement has lapsed. The Provisional Liquidators and the Investor have discussed and agreed to submit a revised resumption proposal to the Stock Exchange prior to the expiry of the second stage of delisting.

On 13 March 2013, a revised resumption proposal was submitted to the Stock Exchange.

On 21 June 2013, the Company provided further information to the Stock Exchange.

By a letter dated 28 June 2013 (the “Letter”), the Stock Exchange informed the Company that the resumption proposal dated 21 June 2013 has not satisfactorily demonstrated sufficiency of operations or assets under Rule 13.24 of the Listing Rules and the Stock Exchange has decided to place the Company in the third stage of delisting under Practice Note 17 to the Listing Rules with effect from 11 July 2013. The third stage of delisting will expire on 10 January 2014. At the end of the third stage of delisting, the Stock Exchange intends to cancel the listing if the Company fails to provide a viable resumption proposal.

It is set out in the Letter that the Stock Exchange requests the Company to submit a viable resumption proposal to address the following issues at least 10 business days before the aforesaid expiry date of the third stage of delisting, among other things, that:

- (i) demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules;
- (ii) publish outstanding financial results and address any audit qualifications;
- (iii) demonstrate sufficient working capital for at least twelve months from resumption date; and
- (iv) demonstrate adequate and effective internal control system to meet the obligations under the Listing Rules.

According to an announcement made by the Stock Exchange on 11 July 2013, the Company has a period of six months to submit a viable resumption proposal to the Stock Exchange. If the Company has not submitted a viable resumption proposal as requested, the Stock Exchange intends to cancel the listing of the Company on the expiry of the six months from the date of that announcement (i.e. by 10 January 2014).

The winding-up petition against the Company was originally scheduled to be heard by the High Court on 3 August 2011. Upon several applications by the Provisional Liquidators, the High Court has consecutively adjourned the hearing of winding-up petition against the Company to a further date. The hearing of the petition was finally rescheduled to 3 September 2013 and a winding-up order was granted against the Company by the High Court on 12 September 2013.

On 12 November 2013, the Provisional Liquidators received a preliminary restructuring proposal from Sino Bright. The Provisional Liquidators received a revised restructuring proposal from Sino Bright on 2 December 2013.

On 20 December 2013, the Company submitted the resumption proposal of Sino Bright to the Stock Exchange. During January 2014 to June 2014, the Company on various occasions and at the request of the Stock Exchange submitted further information to the Stock Exchange in respect of the resumption proposal.

On 2 May 2014, the Company, the Provisional Liquidators and Sino Bright entered into the restructuring agreement to implement the restructuring proposal. Under the terms of the restructuring agreement, all existing businesses and operations of the Group, including the operations of Emerson and the licensing operations related to the Akai, Sansui and Nakamichi trademarks, will be retained.

On 11 June 2014, the Company received a summons issued by Sino Bright which seeks an order for the removal of the Provisional Liquidators of the Company. A summons seeking equivalent orders has also been served by another creditor of the Company on 17 June 2014 (collectively the “Removal Summonses”).

The court hearing for the Removal Summonses was originally scheduled on 22, 23 and 26 January 2015 and the Court has adjourned the hearing to 16 November 2015.

On 9 July 2014, the Provisional Liquidators submitted an updated resumption proposal (the “Updated Resumption Proposal”) to the Stock Exchange, involving, *inter alia*, the capital reorganisation, creditors’ schemes of arrangement in accordance with Section 99 of the Companies Act and section 670 of the Hong Kong Companies Ordinance and a proposed open offer. The Updated Resumption Proposal consolidates the resumption proposal and subsequent submissions made by the Company to the Stock Exchange, to reflect the terms of the restructuring agreement as amended from time to time in implementing the restructuring proposal.

Up to the date of this report, the Company has been addressing to queries raised by the Listing Division of the Stock Exchange in regards to the Updated Resumption Proposal.

3. Going concern basis of preparation of consolidated financial statements

As at 31 December 2014, the Group had net current liabilities of approximately HK\$3,158 million (2013: HK\$3,158 million) and net liabilities of approximately HK\$2,465 million (2013: HK\$2,372 million). Despite the significant deficiency of equity attributable to the shareholders of the Company, the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring to continue its business as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

4. Application of Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for accounting periods beginning on or after 1 January 2014:

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

(a) Amendments to HKFRS 10, HKFRS 12 and HKAS 27 – Investment entities:

The amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27. The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group has applied the amendments retrospectively without material impact.

(b) Amendments to HKAS 32 – Offsetting financial assets and financial liabilities:

The amendments to HKAS 32 clarified that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract. The amendments also clarify the rights of set-off must not be contingent on a future event. Gross settlement mechanisms with specific features would meet the net settlement criterion. The Group has applied the amendments retrospectively without material impact.

(c) Amendments to HKAS 36 – Recoverable amount disclosures for non-financial assets:

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or a cash-generating unit whose recoverable amount is based on fair value less costs of disposal. The amendments have insignificant impact to the Group.

(d) Amendments to HKAS 39 – Novation of derivatives and continuation of hedge accounting:

The amendments to HKAS 39 provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives.

(e) HK(IFRIC) – Int 21 – Levies:

HK(IFRIC) – Int 21 provides guidance on when a liability to pay a levy imposed by a government should be recognised. It defines what “Levies” are and clarifies that the obligating event that gives rise to such liability is the activity that triggers the payment of the levy as identified by the legislation. The Group has applied the amendments retrospectively without material impact.

The Group has not early applied the following new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2014, and is in the process of assessing their impact on future accounting periods:

HKFRS 9	(v)	Financial instruments
Amendments to HKFRS 10 and HKAS 28	(iii)	Sale or contribution of assets between an investor and its associate or joint venture
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	(iii)	Investment entities: Applying the consolidation exception
HKFRS 11 (Amendments)	(iii)	Accounting for acquisitions of interests in joint operations
HKFRS 14	(vi)	Regulatory deferral accounts
HKFRS 15	(iv)	Revenue from contracts with customers
HKFRSs (Amendments)	(i)	Improvements to HKFRSs 2010 – 2012 cycle
HKFRSs (Amendments)	(ii)	Improvements to HKFRSs 2011 – 2013 cycle
HKFRSs (Amendments)	(iii)	Improvements to HKFRSs 2012 – 2014 cycle
HKAS 1 (Amendments)	(iii)	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	(iii)	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	(iii)	Agriculture: Bearer plants
HKAS 19 (Amendments)	(ii)	Defined benefit plans: Employees contributions
HKAS 27 (Amendments)	(iii)	Equity method in separate financial statements

(i) Effective for annual periods beginning on or transactions occurring on, or after 1 July 2014.

(ii) Effective for annual periods beginning on or after 1 July 2014.

(iii) Effective for annual periods beginning on or after 1 January 2016.

(iv) Effective for annual periods beginning on or after 1 January 2017.

(v) Effective for annual periods beginning on or after 1 January 2018.

(vi) Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

5. Summary of significant accounting policies

Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

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

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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. Judgments made by management in the application of HKFRSs that have significant effect in the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 6.

Basis of consolidation

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

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

- has the ability to use its power to affect its returns.

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary. Intra-group balances and transactions, cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

- on the sale of goods, when the goods are delivered and title, significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount; and
- licensing income is recognised on cash basis in accordance with the substance of the relevant agreement.

Goodwill

Goodwill arising on acquisitions represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than

the carrying amount of the unit, 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 pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Gain on bargain purchase

A gain on bargain purchase arising on an acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Gain on bargain purchase is recognised immediately in the profit and loss.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

In accordance with the Group's internal management reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Inter-segment transfer pricing is based on cost plus an appropriate margin.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before inter-segment balances and inter-segment transactions are eliminated as part of the consolidation.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

An item of plant and equipment is derecognised upon disposal or when future economic benefits are not expected to arise from the continued use of the asset. 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 item) is included in the profit or loss in the year in which the item is derecognised.

Investment properties

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such finance leases are charged to the profit or loss so as to provide a constant periodic rate of charge over the lease terms.

All other leases are classified as operating leases. The rentals applicable to such operating leases are charged to the profit or loss on straight-line basis over the lease terms.

Financial instruments***(a) Financial assets –***

Financial assets are recognised and derecognised on a trade date basis where the purchase or disposal of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

- (i) Investments in equity securities are classified as either held-for-trading investments or as available-for-sale investments, and are remeasured to fair value at the end of each reporting period. For investments in equity available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is derecognised or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale investments are not subsequently reversed through profit or loss.
- (ii) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each reporting date subsequent to initial recognition, loans and receivables (including accounts and bills receivable, other receivables, deposits and cash and bank balances) are carried at amortised cost using the effective interest method less any identified impairment losses. An impairment loss is recognised in the profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

(b) *Financial liabilities and equity instruments –*

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

An equity instrument is any contract that evidences as residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below:

- Financial liability at fair value through profit or loss (“FVTPL”):

Financial liability is designated as at FVTPL upon initial recognition if:

- (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- (iii) 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 FVTPL.

At each reporting date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

- Other financial liabilities:

Other financial liabilities including bank borrowings, other borrowings, accounts and bills payable, accrued liabilities and other payables are subsequently measured at amortised cost, using the effective interest rate method.

Brands and trademarks

The brands and trademarks with indefinite lives are not subject to amortisation, but are tested for impairment annually or more frequently when there are indications of impairment.

Gains or losses arising from derecognition of brands and trademarks are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

Impairment of assets

– *Tangible assets:*

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of individual assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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 of disposal 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

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

– *Intangible assets:*

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

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

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

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 its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates

prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit and loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity (the exchange fluctuation reserve) in the consolidated financial statements.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange fluctuation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

Provision for retirement and long service payments

The provision for retirement and long service payments is provided based on the employees' basic salaries and their respective length of service in accordance with the applicable rules and regulations in their respective countries of employment. The amounts credited in the profit and loss represent the reversal of previous provisions no longer necessary.

Borrowing costs

Borrowing costs are expensed when incurred except for borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs include interest charge and other costs incurred in connection with the borrowing funds, including amortisation of discounts or premiums relating to the borrowing, and amortisation of ancillary incurred in connection with arranging the borrowing.

Provision and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditure expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Tax

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group as the parent 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 and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition, less advances from banks repayable within three months from the date of the advance. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person –
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group;
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies –
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

6. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies which are described in note 5, the management has made the following estimates that have most significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

(a) Going concern:

On 31 May 2011, an Order was granted by the High Court to appoint Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited, to act as provisional liquidators to the Company (the "Provisional Liquidators"). The Provisional Liquidators have been assessing the operations of the Company and its subsidiaries in consultation with the management, creditors, regulatory authorities and other relevant parties in order to determine the optimal strategy to maximise the return to stakeholders. Notwithstanding that the Group had net current liabilities of HK\$3,158 million as at 31 December 2014, the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company would be successfully completed. Based on the assessment of the information available at this time, the Provisional Liquidators are of the view that the proposed restructuring of the Company would likely be successfully completed barring any unforeseen circumstances. Based further on the assumption that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future and, accordingly, the Group continues to adopt the going concern basis in preparing these consolidated financial statements.

(b) Impairment of assets:

In considering the impairment losses that may be required for the Group's assets which include plant and equipment, interests in an associate and unlisted available-for-sale investments, the recoverable amounts of the assets need to be

determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate the fair value less costs to sell because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgment. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount.

Any increase or decrease in impairment losses, recognised as set out above, would affect the net profit or loss in future years.

(c) Depreciation of plant and equipment:

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and the estimated residual values, if any, of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Impairment loss for bad and doubtful debts:

The Group maintains an impairment loss for bad and doubtful debts for estimated losses resulting from the inability of the debtors to make required payments. The Group bases the estimates of future cash flows on the ageing of the trade receivables balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs could be higher than estimated.

(e) Write down of inventories:

The Group performs regular review of the carrying amounts of inventories with reference to aged inventories analysis, expected future sales and management judgment. Based on this review, write down of inventories will be made when the estimated net realisable value of inventories declines below the carrying amount. However, actual sales may be different from estimation and profit or loss could be affected by differences in this estimation.

(f) Estimated impairment of goodwill, brands and trademarks:

Determining whether goodwill, brands and trademarks are impaired requires an estimation of the value in use of the cash-generating units to which goodwill, brands and trademarks have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amounts of goodwill, brands and trademarks are HK\$13 million and HK\$663 million respectively. Particulars of the impairment test are disclosed in note 21.

(g) Income taxes:

As at 31 December 2014, deferred tax assets of HK\$14 million in relation to accelerated tax depreciation and unused tax losses has been recognised in the Group's consolidated statement of financial position. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal takes place.

As at 31 December 2014, there is a tax dispute between Emerson Radio Corp. ("Emerson"), which is listed on the NYSE Alternext US and is a 56% owned subsidiary of the Group, and the US Internal Revenue Service ("IRS"). Since Emerson's current assessment suggested that its appeal of the tax dispute is more likely than not to be successful, it is suggested to the Group that no provision should be made.

7. Financial instruments**(a) Categories of financial instruments:**

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
Financial assets –		
Available-for-sale financial assets	–	–
Loans and receivables (including cash and bank balances)	602	636
Financial liabilities –		
At amortised cost	3,744	3,775

(b) Financial risk management objectives and policies:

The Group's major financial instruments include equity investments, borrowings, accounts receivables, accounts payable and other 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.

(i) Currency risk:

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Foreign currency denominated financial assets/(liabilities) are as follows:

	United States Dollar <i>HK\$</i> <i>million</i>	Great British Pound <i>HK\$</i> <i>million</i>	Renminbi Yuan <i>HK\$</i> <i>million</i>	New Taiwan Dollar <i>HK\$</i> <i>million</i>	Japanese Yen <i>HK\$</i> <i>million</i>	Singapore Dollar <i>HK\$</i> <i>million</i>
As at 31 December 2014						
Accounts and bills receivable	108	-	-	-	1	-
Prepayments, deposits and other receivables	8	-	1	-	-	-
Cash and bank balances and pledged deposits	466	-	2	3	-	3
Bank overdraft	(2)	-	-	-	-	-
Accounts and bills payable	(11)	-	-	-	-	-
Provision for legal claims	(452)	-	-	-	-	-
Accrued liabilities and other payables	(837)	(2)	(10)	-	(78)	(1)
	<u>(720)</u>	<u>(2)</u>	<u>(7)</u>	<u>3</u>	<u>(77)</u>	<u>2</u>

	United States Dollar <i>HK\$</i> <i>million</i>	Great British Pound <i>HK\$</i> <i>million</i>	Renminbi Yuan <i>HK\$</i> <i>million</i>	New Taiwan Dollar <i>HK\$</i> <i>million</i>	Japanese Yen <i>HK\$</i> <i>million</i>	Singapore Dollar <i>HK\$</i> <i>million</i>
As at 31 December 2013						
Accounts and bills receivable	93	-	-	-	1	-
Prepayments, deposits and other receivables	8	-	2	-	-	-
Cash and bank balances	507	-	1	5	-	2
Bank overdraft	(2)	-	-	-	-	-
Accounts and bills payable	(7)	-	-	-	-	-
Provision for legal claims	(452)	-	-	-	-	-
Accrued liabilities and other payables	(857)	(2)	(10)	-	(89)	(1)
	<u>(710)</u>	<u>(2)</u>	<u>(7)</u>	<u>5</u>	<u>(88)</u>	<u>1</u>

(ii) Sensitivity analysis:

The Group's major financial assets and liabilities are denominated in United States Dollar and Hong Kong Dollar. The Group is therefore not exposed to any significant currency risk exposure since the Hong Kong Dollar is linked with United States Dollar.

(iii) Fair value interest rate risk:

No significant fair value interest rate risk was noted as at the end of the reporting period.

(iv) Credit risk:

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2014 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover

overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Provisional Liquidators consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk for bank balances is considered minimal as such amounts are placed with banks with good credit ratings.

(v) *Liquidity risk:*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The maturity profile of the Group's financial liabilities based on the contractual undiscounted payments was as follows:

	Payable less than 1 year <i>HK\$</i> <i>million</i>	Payable between 1 to 5 years <i>HK\$</i> <i>million</i>	Total contractual undiscounted cash flows <i>HK\$</i> <i>million</i>	Carrying amount <i>HK\$</i> <i>million</i>
As at 31 December 2014				
Bank overdraft	2	–	2	2
Accounts and bills payable	16	–	16	16
Accrued liabilities and other payables	3,274	–	3,274	3,274
Provision for legal claims	452	–	452	452
	<u>3,744</u>	<u>–</u>	<u>3,744</u>	<u>3,744</u>

	Payable less than 1 year HK\$ million	Payable between 1 to 5 years HK\$ million	Total contractual undiscounted cash flows HK\$ million	Carrying amount HK\$ million
As at 31 December 2013				
Bank overdraft	2	–	2	2
Accounts and bills payable	12	–	12	12
Accrued liabilities and other payables	3,309	–	3,309	3,309
Provision for legal claims	452	–	452	452
	<u>3,775</u>	<u>–</u>	<u>3,775</u>	<u>3,775</u>

(vi) Fair value:

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

The Provisional Liquidators consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in these consolidated financial statements approximate their fair values.

(vii) Interest rate risk:

As at 31 December 2014, it is estimated that a general increase or decrease of one percentage point in interest rates, with all other variables held constant, would decrease or increase the Group's loss after tax by approximately HK\$3 million (2013: HK\$4 million) and HK\$2 million (2013: HK\$4 million) respectively.

8. Related party transactions

- (a) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. There were no significant related party transactions entered by the Group during the year ended 31 December 2014.

(b) Compensation of key management personnel:

The remuneration of directors and other members of key management during the year was as follows:

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
Short-term employee benefits	<u>12</u>	<u>12</u>

9. Revenue

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts, and licensing income from the Group's brands and trademarks, but excludes intra-group transactions.

An analysis of the Group's revenue by principal activity for the year is as follows:

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
By principal activity:		
Sales of goods	540	638
Licensing income	<u>123</u>	<u>103</u>
	<u>663</u>	<u>741</u>

10. Loss for the year

The Group's loss for the year is arrived at after charging/(crediting):

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
Depreciation of owned plant and equipment	<u>1</u>	<u>1</u>
Operating lease rentals in respect of land and buildings	<u>7</u>	<u>7</u>
Finance costs	<u>–</u>	<u>192</u>
Auditors' remuneration:		
Current year	<u>5</u>	<u>7</u>
Staff costs:		
Salaries and other benefits	37	38
Retirement benefit costs	<u>5</u>	<u>5</u>
	<u>42</u>	<u>43</u>
Cost of inventories recognised as expense	471	553
Interest income	<u>(3)</u>	<u>(6)</u>

11. Directors' remuneration and employee costs

Directors' Remuneration

	Fees <i>HK\$</i> <i>million</i>	Basic salaries, housing allowances and other benefits <i>HK\$</i> <i>million</i>	Discretionary bonuses <i>HK\$</i> <i>million</i>	Total emoluments <i>HK\$</i> <i>million</i>
2014				
Mr. Christopher W. Ho	-	-	-	-
2013				
Mr. Christopher W. Ho	0.6	-	-	0.6
Mrs. Christine L. S. Asprey (resigned on 1 February 2013)	-	0.2	-	0.2
Mr. Duncan T. K. Hon (resigned on 11 March 2013)	-	1.0	-	1.0
Mr. Martin I. Wright (resigned on 12 March 2013)	-	-	-	-
	<u>0.6</u>	<u>1.2</u>	<u>-</u>	<u>1.8</u>

The Group paid the directors' remuneration of Mr. Christopher W. Ho and Mrs. Christine L. S. Asprey for the year ended 31 December 2013 via Caprice Group International Limited ("Caprice"), a company held by The Ho Family Trust Limited, for reimbursement of payroll and related expenses for certain directors and key management members of the Group. There are discrepancies between the above table and the Group's records in the possession of the Provisional Liquidators in respect of certain directors' remuneration in 2013. However, no reimbursement of payroll and related expenses for sole director and key management members of the Group were made via Caprice for the year ended 31 December 2014.

Employee Costs

During the year, the five highest paid individual include no (2013: one) director, detail of whose emoluments are set out above. The emoluments of the remaining highest paid individual were as follows:

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
Basic salaries, housing, other allowances and benefits in kind	12	10
Bonuses paid and payable	—	—
	<u>12</u>	<u>10</u>

The numbers of non-director whose remuneration fell within the bands set out below is as follows:

	2014	2013
<i>HK\$</i>	<i>Numbers of non-director</i>	<i>Numbers of non-director</i>
Nil – 1,000,000	2	1
2,000,001 – 2,500,000	2	1
3,000,001 – 3,500,000	—	1
4,500,001 – 5,000,000	—	1
6,500,001 – 7,000,000	1	—
	<u>1</u>	<u>—</u>

Staff are entitled to receive a basic salary according to their contracts which are reviewed annually by the Group. In addition, staff are entitled to receive a discretionary bonus which is decided by the Group at its absolute discretion having regard to his/her performance.

12. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	2014 <i>HK\$</i> <i>million</i>	2013 <i>HK\$</i> <i>million</i>
The tax charge/(credit) comprises:		
Current year provision		
Overseas	34	(1)
(Over)/under provision in prior year		
Overseas	(14)	14
Deferred tax (<i>note 18</i>)		
Overseas	17	(3)
	<u>37</u>	<u>10</u>

Reconciliation between tax charge and loss before tax at applicable tax rates is as follows:

	2014 <i>HK\$</i> <i>million</i>	2013 <i>HK\$</i> <i>million</i>
Loss before tax	<u>(2)</u>	<u>(187)</u>
Notional tax calculated at Hong Kong profits tax rate of 16.5%	–	(31)
Effect of different tax rates in overseas jurisdictions	13	–
Income and expenses not subject to tax	21	29
Unused tax losses not recognised	–	1
(Over)/under provision in prior year	(14)	14
Others (<i>note 18</i>)	17	(3)
	<u>37</u>	<u>10</u>

13. Dividend

The Provisional Liquidators do not recommend the payment of a final dividend for the year ended 31 December 2014.

14. Loss per Share

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

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
Loss:		
Loss attributable to shareholders of the Company used in the basic loss per share calculation	<u>(51)</u>	<u>(191)</u>
	2014	2013
	<i>Number of</i>	<i>Number of</i>
	<i>ordinary</i>	<i>ordinary</i>
	<i>shares</i>	<i>shares</i>
	<i>million</i>	<i>million</i>
Shares:		
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	<u>460.2</u>	<u>460.2</u>

The Company did not have any potential ordinary shares during the above two years.

15. Plant and equipment

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
Cost:		
At 1 January	117	118
Foreign currency adjustment	(1)	–
Disposals	<u>(3)</u>	<u>(1)</u>
At 31 December	<u>113</u>	<u>117</u>
Accumulated depreciation and impairment:		
At 1 January	115	115
Foreign currency adjustment	(1)	–
Provided during the year	1	1
Disposals	<u>(3)</u>	<u>(1)</u>
At 31 December	<u>112</u>	<u>115</u>
Carrying values at 31 December	<u><u>1</u></u>	<u><u>2</u></u>

The above plant and equipment are depreciated on a straight-line basis at the rates from 14.3% to 33.3% (2013: 14.3% to 33.3%) per annum.

16. Investment properties

The carrying amount of investment properties comprises medium term leasehold land in Hong Kong.

The investment property in Hong Kong was valued at HK\$1 million (2013: HK\$1 million), by opinions of the Provisional Liquidators, with reference to market evidence of transaction prices for similar properties.

17. Available-for-sale investments

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
Unlisted investments outside Hong Kong:		
Interests in available-for-sale investments	9	9
Impairment loss recognised	<u>(9)</u>	<u>(9)</u>
At 31 December	<u><u>—</u></u>	<u><u>—</u></u>

The available-for-sale investments represent the Group's 40% shareholding interests in Sansui Electric Co., Ltd ("SEC"), a company incorporated in Japan and was formerly listed on the First Section of the Tokyo Stock Exchange.

During 2007, the Group increased its shareholding interests in SEC from 30% at 31 December 2006 to 40% at 31 December 2007. Since the Group had gained control over SEC's financial and operating policies, the interests in SEC had since June 2007 been accounted for as a subsidiary. SEC had subsequently been reclassified as an associate as a result of the Group's loss of its control over SEC's financial and operating policies with effect from 1 October 2011.

SEC became delisted from the Tokyo Stock Exchange on 3 May 2012 and has been put into the Civil Rehabilitation Procedures ("CRP") in Japan with effect from 15 May 2012. Following the commencement of the CRP, SEC has been administered under the supervision of the court appointed supervisor. In consequence of its complete loss of influence over the financial and operational matters of SEC, the Group has accordingly reclassified and accounted for its interests in SEC as available-for-sale investments instead of an associate since 15 May 2012.

On 27 December 2012, the Japan Court endorsed and approved the CRP and discharged the court supervisor. On 4 July 2014, a bankruptcy petition was presented against SEC. On 9 July 2014, SEC was put into bankruptcy and Ms. Aizawa Mitsue was appointed its bankruptcy trustee on the same date.

The full impairment loss of HK\$9 million was made during the financial year 2012.

18. Deferred tax assets

(a) Deferred tax assets recognised:

The major components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Decelerated tax depreciation	Tax losses	Total
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
At 1 January 2013	10	18	28
Credited to profit or loss <i>(note 12)</i>	—	3	3
At 31 December 2013 and 1 January 2014	10	21	31
Charged to profit or loss <i>(note 12)</i>	(1)	(16)	(17)
At 31 December 2014	9	5	14

(b) Deferred tax assets not recognised:

The deferred tax assets have not been recognised in respect of the following items:

	2014	2013
	<i>HK\$ million</i>	<i>HK\$ million</i>
Tax losses carried forward	547	568
Decelerated depreciation allowances	43	45
	590	613

The above tax losses are available indefinitely for offsetting against future taxable profits of the subsidiaries.

In accordance with the accounting policy set out in note 5, the Group has not recognised deferred tax assets of approximately HK\$101 million (2013: HK\$105 million) in respect of total cumulative tax losses and decelerated depreciation allowances of HK\$590 million (2013: HK\$613 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The above tax losses and decelerated depreciation allowances do not expire under current tax legislation.

19. Brands and trademarks

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
Gross amount		
At 1 January	966	999
Impairment loss recognised during the year	<u>(75)</u>	<u>(33)</u>
At 31 December	891	966
Accumulated amortisation at 31 December	<u>(228)</u>	<u>(228)</u>
Carrying amount at 31 December	<u><u>663</u></u>	<u><u>738</u></u>

Prior to 1 January 2005, brands and trademarks were amortised over their estimated useful lives but not more than 20 years and stated at their cost less accumulated amortisation and impairment losses. On 1 January 2005, the Group reassessed the useful lives of the brands and trademarks and concluded that all brands and trademarks have indefinite useful lives.

The various brands and trademarks held by the Group have been legally registered in the worldwide countries for certain years and the trademarks registration is renewable at minimal cost. The management of the Company is of the opinion that the Group will renew these trademarks continuously and has the ability to do so. Various assessments including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by the management of the Group, which supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the brands and trademarks are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually or more frequently when there are indications of impairment. Particulars of the impairment testing are disclosed in note 21.

The Group recorded a non-cash impairment charge of HK\$2 million associated with the full provision of its H.H. Scott trademark as at 31 December 2013 with reference to the valuation prepared by the management on the basis of the fair value under income approach.

The Group recorded a non-cash impairment charge of HK\$34 million (2013: HK\$31 million) associated with the partial provision of its Akai trademark as at 31 December 2014 with reference to the valuation prepared by the management on the basis of the fair value under income approach.

The Group further recorded a non-cash impairment charge of HK\$41 million associated with the partial provision of its Nakamichi trademark as at 31 December 2014 with reference to the valuation report prepared by an independent professional valuer on the basis of the fair value under income approach.

20. Other assets

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
Other deferred assets:		
Gross amount	11	11
Accumulated amortisation and impairment	<u>(11)</u>	<u>(11)</u>
Carrying amount of other deferred assets at beginning and end of year	–	–
Other receivables	<u>1</u>	<u>1</u>
Total other assets at end of year	<u><u>1</u></u>	<u><u>1</u></u>

21. Impairment testing on goodwill, brands and trademarks

Goodwill, brands and trademarks are allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	Goodwill		Brands and trademarks	
	2014	2013	2014	2013
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Emerson	13	13	463	463
Licensing	—	—	200	275
	<u>13</u>	<u>13</u>	<u>663</u>	<u>738</u>

The recoverable amount of the CGU is determined based on value-in-use calculations. Cash flow projections are used in these calculations, which are based on financial projections approved by management. The brands and trademarks are considered by management as having indefinite useful lives. The licensing operation will command a long-term commitment over a time horizon of more than five years in building, nurturing and growing the brand recognition and establishing and expanding the distribution network in any geographical region. A ten-year financial budget, based on management's approved long-term plans of product development and business expansion, is therefore used for testing the impairment of these brands and trademarks.

The discount rates used for value-in-use calculations are in a range of 10% to 20% (2013: 10% to 19%). The management determines the budgeted gross margin based on past performance and its expectation of market development. The growth rates used to extrapolate cash flow projections beyond the ten-year financial budget are in a range of 3% to 5% (2013: 2% to 5%).

22. Inventories

The inventories represent finished goods stated at lower of cost and net realisable values.

23. Accounts and bills receivable

The Group allows an average credit period of 30 to 60 days to its trade customers.

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
Gross amount	167	155
Less: allowance for doubtful debts	<u>(58)</u>	<u>(61)</u>
Net amount	<u><u>109</u></u>	<u><u>94</u></u>

The Provisional Liquidators considered that the carrying amounts of accounts and bills receivable approximate to their fair values.

The movement of allowance for doubtful debts is as follows:

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
At beginning of year	61	68
Foreign currency adjustment	(1)	(1)
Written off	(3)	(6)
Impairment loss recognised	<u>1</u>	<u>–</u>
At end of year	<u><u>58</u></u>	<u><u>61</u></u>

Included in the above allowance for doubtful debts is a provision for individually impaired accounts and bills receivable of HK\$58 million (2013: HK\$61 million). The individually impaired accounts and bills receivable in respect of receivables are not expected to be recovered.

The aged analysis of accounts and bills receivable (net of allowance for doubtful debts) is as follows:

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
0 – 3 months	<u><u>109</u></u>	<u><u>94</u></u>

In addition, some of the unimpaired accounts and bills receivable are past due as at the end of the reporting period. The aged analysis of accounts and bills receivable past due but not impaired is as follows:

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
0 – 3 months	<u>4</u>	<u>24</u>

Before accepting any new customer, the management assesses the potential customer's credit quality with reference to the customer's reputation and market standing and defines the credit limits accordingly. Continuity of the credit limits to the customers is reviewed by management as and when necessary. Based on the aforesaid assessment, the above past due but not impaired accounts and bills receivable are still considered to be fully recoverable.

24. Prepayments, deposits and other receivables

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
Prepayments	24	17
Deposits	2	2
Other receivables	<u>14</u>	<u>19</u>
	<u>40</u>	<u>38</u>

25. Cash and bank balances

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
Cash	1	1
Cash in transit	–	3
Bank balances	264	149
Money market deposit with maturing date within three months	90	78
Bank certificates of deposit with maturing date more than three months	<u>117</u>	<u>289</u>
	<u>472</u>	<u>520</u>

26. Accounts and bills payable

The aged analysis of accounts and bills payable is as follows:

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
0 – 3 months	10	7
3 – 6 months	1	–
Over 6 months	5	5
	<u>16</u>	<u>12</u>
	<u><u>16</u></u>	<u><u>12</u></u>

To the extent of HK\$11 million (2013: HK\$7 million) of accounts and bills payable of Emerson, the Provisional Liquidators considered that the carrying amounts of accounts and bills payable approximate to their fair values.

27. Accrued liabilities and other payables

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
Accrued expenses and provisions	79	102
Amounts due to a former associate (<i>Note (i)</i>)	566	571
Amounts due to former related companies (<i>Note (ii)</i>)	2,306	2,306
Other payables (<i>Note (iii)</i>)	323	330
	<u>3,274</u>	<u>3,309</u>
	<u><u>3,274</u></u>	<u><u>3,309</u></u>

Note (i)

The amounts due to a former associate in aggregate of HK\$566 million (2013: HK\$571 million) are secured, non-interest bearing and have no fixed terms of repayment.

On 9 January 2014, the Provisional Liquidators caused the subsidiaries of the Company to commence legal proceedings against (1) SEC and (2) Sansui Sales Pte. Limited (“SSPL”). Both SEC and SSPL were former associates of the Group.

The legal proceedings are to set aside or rescind a deed of share pledge between Sansui Electric Co. Limited, registered in the BVI (“Sansui BVI”), a wholly owned subsidiary of the Group, and SEC dated 3 March 2009 (the “Share Pledge”) which purports to pledge to SEC all of the shares of Sansui Acoustics Research Corporation, registered in the BVI (“SARC”), a wholly owned subsidiary of the Group. SARC owns worldwide rights to the Sansui trademarks. Based on the material currently available, the Provisional Liquidators are of the view that the deposits and debts that the Share Pledge purports to secure are not genuine and bona fide and therefore the Share Pledge should be rescinded or declared void. Accordingly, the Provisional Liquidators have obtained an injunction order prohibiting SEC and SSPL from dealing with or exercising any right in the shares of SARC, whether under the Share Pledge or otherwise. The injunction order will remain in place until further order of the Court.

On 9 January 2014, the Provisional Liquidators took out a summons under section 221 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) against former members of the management and accounting functions of the Company and its subsidiaries to obtain information and documents relating to the Share Pledge (the “Section 221 Summons”). The respondents opposed the action as set out in the Section 221 Summons. On 2 July 2014, the Court adjourned the Section 221 Summons sine die pending determination of the Removal Summons, which will be heard before the Court on 16 November 2015.

A Concurrent Writ of Summons is being served on SEC and has been served on SSPL. The statement of claims was filed with the High Court on 13 August 2014. Both SEC and SSPL had issued their Summons on 9 December 2014 contesting the jurisdiction of the Hong Kong Court to try these proceedings.

Note (ii)

All the interest bearing borrowings of the Company have been accounted for as non-interest bearing borrowings with effect from 12 September 2013, the date of the winding-up order.

The amounts due to former related companies in aggregate of HK\$2,306 million (2013: HK\$2,306 million) are unsecured, non-interest bearing and repayable on demand.

Note (iii)

Included in the other payables are amounts in aggregate of HK\$262 million (2013: HK\$262 million) which have been overdue for payment since 2010. Such balances are non-interest bearing, in which HK\$200 million (2013: HK\$200 million) are secured by the Group’s shareholding interest in its certain subsidiaries and available-for-sale investments.

Certain claims and liabilities would be subject to the determination of the Court in accordance with section 194 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and rule 45 of the Companies (Winding-Up) Rules.

28. Provision for legal claims

In 2005, certain plaintiffs obtained a default judgment against a defunct entity, GrandeTel Technologies, Inc., which was an associate of the Group before its disposal in 2004, for approximately US\$37 million in the United States of America (“USA”). In December 2006, an action was filed by these plaintiffs claiming that the Company should be responsible for the amount of the default judgment. The case went to trial in December 2010 and January 2011. On 16 May 2011, a Statement of Decision was handed down by the Superior Court for the State of California, under which the Company is obliged to settle a total amount of US\$48 million with interest at the rate of 10% per annum.

The amount was sold to another party, by way of an assignment dated 10 January 2014, who then filed their claim against the Company in place of the aforesaid creditor.

29. Loss on settlement of litigation

Emerson has been a defendant in a lawsuit known as *Fred Kayne, et al., vs. Christopher Ho, et al.* (the “Kayne Litigation”) since July 2011, which was filed in the United States District Court for the Central District of California alleging, among other things, that Emerson, certain of its present and former directors and other entities or individuals now or previously associated with the Company, intentionally interfered with the ability of the plaintiffs to collect on a judgment they had against the Company.

After the commencement of the Kayne Litigation trial, which began on 3 December 2013, Emerson entered into a settlement agreement with the Plaintiffs, effective as of 19 December 2013, for reasons of economy and finality, whereby Emerson provided for a cash payment of US\$4 million (approximately HK\$31 million) and terms and facts of the settlement agreement might not be construed as an admission by any party as to the merits of any of the claims or defenses resolved therein, which fully resolved and settled all outstanding and potential claims against Emerson in the Kayne Litigation without acknowledging or attributing fault or liability on the part of Emerson.

30. Share capital and share premium

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
<i>Authorised share capital:</i>		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100</u>	<u>100</u>
<i>Issued and fully paid share capital:</i>		
460,227,320 ordinary shares of HK\$0.10 each	<u>46</u>	<u>46</u>
Share premium	<u>1,173</u>	<u>1,173</u>

31. Contingent liabilities

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
Guarantee of trade finance banking facilities granted to former subsidiaries	<u>–</u>	<u>1</u>

On 15 April 2013 and 5 June 2013, Emerson received correspondence from the IRS including a Form 5701 and Form 886-A regarding Adjusted Sales Income (“NOPA 1”). Emerson is disputing the proposed adjustment with the IRS. In the event that Emerson is not successful in its dispute, Emerson estimates that it could be liable for a maximum in taxes, penalties and interest of approximately US\$14.9 million (approximately HK\$116 million) pertaining to NOPA 1, in the aggregate, for its Fiscal 2010 to Fiscal 2014 periods. However, because Emerson’s current assessment is that its appeal of NOPA 1 is more likely than not to be successful, Emerson has not recorded any liability and as a result, the Group has not recorded any liability in related to NOPA 1 as at 31 December 2014.

32. Operating lease commitments

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
The future minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:		
Not later than one year	1	1
Later than one year and not later than five years	—	1
	<u>1</u>	<u>2</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 years (2013: 2 years) and rentals are fixed for an average of 2 years (2013: 2 years).

33. Banking and other borrowing facilities

Certain banking and other borrowing facilities available to the Group were secured by assets for which the aggregate carrying values were as follows:

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
(a) Pledge of unlisted shares of a subsidiary	19	19
(b) Pledge of bank deposits	4	—
	<u>23</u>	<u>19</u>

34. Provident fund schemes

From 1 December 2000 onwards, all the staff of the Group in Hong Kong were offered the opportunity to join the Mandatory Provident Fund Scheme (the “MPF Scheme”), introduced by the Government of the Hong Kong Special Administrative Region. Under the MPF Scheme, both employees and the employers are required to contribute 5% of the employees’ monthly salaries up to a maximum of HK\$1,500 (HK\$1,250 prior to 1 June 2014) (the “Mandatory Contribution”), the employees can choose to make additional contributions. The employees are entitled to 100% of the employer’s Mandatory Contributions upon their retirement at the age of 65 years old, death or total incapacity.

The staff in United States of America who wish to participate in the plan may contribute up to the legal limits, to which a specified percentage is matched by the subsidiaries in accordance with their plans.

The Group also operates various retirement benefit schemes for qualifying employees of its overseas subsidiaries in Singapore. The assets of the retirement benefit schemes are held separately from those of the Group, in funds under control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the schemes, which contribution is matched by employees.

35. Segment reporting

The Group currently organises its operations into the following reportable operating segments.

Operating segments	Principal activities
Emerson	Distribution of audio and video products and licensing business – Comprising a group listed on the NYSE Alternext US
Licensing	Licensing business – Comprising the brands and trademarks, namely of, Akai, Sansui and Nakamichi

(a) Segment information

	Emerson <i>HK\$</i> <i>million</i>	Licensing <i>HK\$</i> <i>million</i>	Inter- segment elimination <i>HK\$</i> <i>million</i>	Unallocated <i>HK\$</i> <i>million</i>	Consolidated <i>HK\$</i> <i>million</i>
2014					
Revenue:					
Sales of goods to external customers	540	–	–	–	540
Licensing income from external customers	68	55	–	–	123
Total	<u>608</u>	<u>55</u>	<u>–</u>	<u>–</u>	<u>663</u>
Results:					
Segment results	<u>40</u>	<u>39</u>	<u>–</u>		79
Unallocated corporate expenses				(8)	<u>(8)</u>
Impairment loss recognised in respect of brands and trademarks	–	(75)		–	(75)
Allowance for doubtful debts				(1)	(1)
Loss on settlement of litigation				–	–
Interest income				3	3
Finance costs				–	–
Tax				(37)	<u>(37)</u>
Loss for the year					<u>(39)</u>
Assets:					
Segment assets	<u>1,128</u>	<u>2,706</u>	<u>(2,584)</u>	<u>112</u>	<u>1,362</u>
Liabilities:					
Segment liabilities	<u>604</u>	<u>3,413</u>	<u>(3,602)</u>	<u>3,412</u>	<u>3,827</u>
Other information:					
Revenue from:					
– the first largest customer	<u>293</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>293</u>
– the second largest customer	<u>180</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>180</u>
Depreciation	<u>1</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1</u>

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	Emerson <i>HK\$</i> <i>million</i>	Licensing <i>HK\$</i> <i>million</i>	Inter- segment elimination <i>HK\$</i> <i>million</i>	Unallocated <i>HK\$</i> <i>million</i>	Consolidated <i>HK\$</i> <i>million</i>
2013					
Revenue:					
Sales of goods to external customers	638	–	–	–	638
Licensing income from external customers	45	58	–	–	103
Total	<u>683</u>	<u>58</u>	<u>–</u>	<u>–</u>	<u>741</u>
Results:					
Segment results	<u>25</u>	<u>47</u>	<u>–</u>		72
Unallocated corporate expenses				(8)	<u>(8)</u>
					64
Impairment loss recognised in respect of brands and trademarks	(2)	(31)		–	(33)
Allowance for doubtful debts				(1)	(1)
Loss on settlement of litigation				(31)	(31)
Interest income				6	6
Finance costs				(192)	(192)
Tax				(10)	<u>(10)</u>
Loss for the year					<u>(197)</u>
Assets:					
Segment assets	<u>1,189</u>	<u>2,781</u>	<u>(2,624)</u>	<u>139</u>	<u>1,485</u>
Liabilities:					
Segment liabilities	<u>620</u>	<u>3,425</u>	<u>(3,603)</u>	<u>3,415</u>	<u>3,857</u>
Other information:					
Revenue from:					
– the first largest customer	<u>375</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>375</u>
– the second largest customer	<u>210</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>210</u>
Depreciation	<u>1</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1</u>

(b) Geographical information

	Revenue		Carrying amount of segment assets	
	2014 <i>HK\$</i> <i>million</i>	2013 <i>HK\$</i> <i>million</i>	2014 <i>HK\$</i> <i>million</i>	2013 <i>HK\$</i> <i>million</i>
Asia	41	51	338	257
North America	611	687	249	351
Europe	11	3	–	–
Unallocated	–	–	663	738
	<u>663</u>	<u>741</u>	<u>1,250</u>	<u>1,346</u>

36. Particulars of principal subsidiaries

The table below lists the subsidiaries of the Company which, in the opinion of the Provisional Liquidators, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

Name of subsidiaries	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities/ place of operation
			2014	2013	
Directly held by the Company:					
The Grande (Nominees) Limited	British Virgin Islands	US\$1	100%	100%	Investment holding/ Hong Kong
Grande N.A.K.S. Ltd	British Virgin Islands	US\$10,000	100%	100%	Investment holding/ Hong Kong
Unijoy Limited	British Virgin Islands	US\$1	100%	100%	Investment holding/ Hong Kong
Indirectly held by the Company:					
Innovative Capital Ltd	British Virgin Islands	US\$100	100%	100%	Corporate finance and investment holding/ Hong Kong

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Name of subsidiaries	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group		Principal activities/ place of operation
			2014	2013	
Indirectly held by the Company: (Continued)					
Tomei Kawa Electronics International Limited	British Virgin Islands	US\$1	100%	100%	Trademarks licensing/ Hong Kong
Sansui Enterprises Limited	British Virgin Islands	US\$1	100%	100%	Investment holding/ Hong Kong
Nakamichi Enterprises Limited	British Virgin Islands	US\$10,001	100%	100%	Investment holding/ Hong Kong
TWD Industrial Company Limited	British Virgin Islands	US\$1	100%	100%	Brands and trademarks holding and licensing/Hong Kong
Hi-Tech Precision Products Ltd	British Virgin Islands	US\$1	100%	100%	Investment holding/ Hong Kong
Sansui Acoustics Research Corporation	British Virgin Islands	US\$1,000	100%	100%	Brands and trademarks holding and licensing/Hong Kong
Capetronic Display Devices Holdings Limited	British Virgin Islands	US\$100	100%	100%	Investment holding/ Hong Kong
Akai Electric Co., Ltd.	Japan	JPY10,000,000	88%	88%	Investment holding/ Japan
Phenomenon Agents Limited	British Virgin Islands	US\$50,000	88%	88%	Brands and trademarks holding and licensing/Hong Kong
S&T International Distribution Limited	British Virgin Islands	US\$1	100%	100%	Investment holding/ Hong Kong
Emerson Radio Corp. [#]	United States of America	US\$529,000	56%	56%	Distribution of household appliances and products/United States of America

[#] *Listed on the NYSE Alternext US.*

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

Name of subsidiaries	Place of incorporation/ registration/ and operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) attributable to non-controlling interests		Other comprehensive income attributable to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	2014	2013	2014	2013	2014	2013
				<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Akai Electric Co., Ltd.	Japan	12%	12%	(3)	(2)	13	22	(4)	(14)
Emerson Radio Corp.	United States of America	44%	44%	15	(4)	-	-	406	455
				12	(6)	13	22	402	441

- (b) Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Akai Electric Co., Ltd.		Emerson Radio Corp.	
	2014 <i>HK\$ million</i>	2013 <i>HK\$ million</i>	2014 <i>HK\$ million</i>	2013 <i>HK\$ million</i>
Non-current assets	122	156	479	496
Current assets	549	667	484	591
Current liabilities	(1,052)	(1,280)	(35)	(47)
(Deficiency)/balance of equity attributable to shareholders of the Company	(377)	(443)	522	585
Revenue	21	22	608	683
Expenses	(44)	(40)	(565)	(683)
Tax	-	-	(8)	(8)
(Loss)/profit for the year	(23)	(18)	35	(8)
Other comprehensive income for the year	99	163	-	-
Net cash inflow/(outflow) from operating activities	13	5	18	(23)
Net cash inflow/(outflow) from investing activities	-	-	170	(10)
Net cash inflow/(outflow) from financing activities	-	1	(147)	(1)
Net cash inflow/(outflow)	13	6	41	(34)

37. Events after the reporting period

By a letter dated 28 June 2013 (the “Letter”), the Stock Exchange informed the Company that the resumption proposal dated 21 June 2013 has not satisfactorily demonstrated sufficiency of operations or assets under Rule 13.24 of the Listing Rules and the Stock Exchange has decided to place the Company in the third stage of delisting under Practice Note 17 to the Listing Rules with effect from 11 July 2013. The third stage of delisting will expire on 10 January 2014. At the end of the third stage of delisting, the Stock Exchange intends to cancel the listing if the Company fails to provide a viable resumption proposal.

It is set out in the Letter that the Stock Exchange requests the Company to submit a viable resumption proposal to address the following issues at least 10 business days before the aforesaid expiry date of the third stage of delisting, among other things, that:

- (i) demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules;
- (ii) publish outstanding financial results and address any audit qualifications;
- (iii) demonstrate sufficient working capital for at least twelve months from resumption date; and
- (iv) demonstrate adequate and effective internal control system to meet the obligations under the Listing Rules.

According to an announcement made by the Stock Exchange on 11 July 2013, the Company has a period of six months to submit a viable resumption proposal to the Stock Exchange. If the Company has not submitted a viable resumption proposal as requested, the Stock Exchange intends to cancel the listing of the Company on the expiry of the six months from the date of that announcement (i.e. by 10 January 2014).

The winding-up petition against the Company was originally scheduled to be heard by the High Court on 3 August 2011. Upon several applications by the Provisional Liquidators, the High Court has consecutively adjourned the hearing of winding-up petition against the Company to a further date. The hearing of the petition was finally rescheduled to 3 September 2013 and a winding-up order was granted against the Company by the High Court on 12 September 2013.

On 12 November 2013, the Provisional Liquidators received a preliminary restructuring proposal from Sino Bright. The Provisional Liquidators received a revised restructuring proposal from Sino Bright on 2 December 2013. On 20 December 2013, the Company submitted the resumption proposal of Sino Bright to the Stock Exchange. During January 2014 to June 2014, the Company on various occasions and at the request of the Stock Exchange submitted further information in respect of the resumption proposal.

On 2 May 2014, the Company, the Provisional Liquidators and Sino Bright entered into the restructuring agreement to implement the restructuring proposal. Under the terms of the restructuring agreement, all existing businesses and operations of the Group, including the operations of Emerson and the licensing operations related to the Akai, Sansui and Nakamichi trademarks, will be retained.

On 11 June 2014, the Company received a summons issued by Sino Bright which seeks an order for the removal of the Provisional Liquidators of the Company. A summons seeking equivalent orders has also been served by another creditor of the Company on 17 June 2014 (collectively the “Removal Summonses”).

The court hearing for the Removal Summonses was originally scheduled on 22, 23 and 26 January 2015 and the Court has adjourned the hearing to 16 November 2015.

On 9 July 2014, the Provisional Liquidators submitted an updated resumption proposal (the “Updated Resumption Proposal”) to the Stock Exchange, involving, *inter alia*, the capital reorganisation, creditors’ schemes of arrangement in accordance with Section 99 of the Companies Act and section 670 of the Hong Kong Companies Ordinance and a proposed open offer. The Updated Resumption Proposal consolidates the resumption proposal and subsequent submissions made by the Company to the Stock Exchange, to reflect the terms of the restructuring agreement as amended from time to time in implementing the restructuring proposal.

Up to the date of this report, the Company has been addressing to queries raised by the Listing Division of the Stock Exchange in regards to the Updated Resumption Proposal.

38. Statement of financial position of the Company

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
	<i>million</i>	<i>million</i>
NON-CURRENT ASSETS		
Amount due from a subsidiary	1,260	1,260
CURRENT ASSETS		
Prepayments, deposits and other receivables	10	15
Cash in transit	–	3
Cash and bank balances	1	–
	<u>11</u>	<u>18</u>
CURRENT LIABILITIES		
Amounts due to subsidiaries	187	183
Amounts due to former related companies	2,293	2,293
Accrued liabilities and other payables	219	224
Provision for legal claims	452	452
	<u>3,151</u>	<u>3,152</u>
NET CURRENT LIABILITIES	<u>(3,140)</u>	<u>(3,134)</u>
NET LIABILITIES	<u><u>(1,880)</u></u>	<u><u>(1,874)</u></u>
CAPITAL AND RESERVES		
Share capital	46	46
Share premium	1,173	1,173
Reserves	(3,099)	(3,093)
DEFICIENCY OF EQUITY	<u><u>(1,880)</u></u>	<u><u>(1,874)</u></u>

39. Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the Provisional Liquidators on 31 March 2015.

6. UNAUDITED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2015

Set out below is the financial information extracted from the interim report of the Company for the six months ended 30 June 2015 and reference to the page numbers (where applicable) are those appeared in the interim report of the Company for the six months ended 30 June 2015.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	(Unaudited)	
		Six months ended	
		30 June 2015	30 June 2014
		<i>HK\$ million</i>	<i>HK\$ million</i>
REVENUE	8	276	344
Cost of sales		<u>(209)</u>	<u>(251)</u>
Gross profit		67	93
Other income		2	3
Distribution costs		(6)	(6)
Administrative expenses		(70)	(59)
Allowance for doubtful debts		(1)	–
Other expenses		<u>(104)</u>	<u>–</u>
(LOSS)/PROFIT BEFORE TAX		(112)	31
Tax	9	<u>(15)</u>	<u>–</u>
(LOSS)/PROFIT FOR THE PERIOD	10	<u>(127)</u>	<u>31</u>
OTHER COMPREHENSIVE INCOME/ (LOSS), NET OF TAX:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		<u>2</u>	<u>(3)</u>
		<u>2</u>	<u>(3)</u>
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD		<u><u>(125)</u></u>	<u><u>28</u></u>

		(Unaudited)	
		Six months ended	
	<i>Notes</i>	30 June 2015 <i>HK\$ million</i>	30 June 2014 <i>HK\$ million</i>
(LOSS)/PROFIT FOR THE PERIOD			
ATTRIBUTABLE TO:			
Shareholders of the Company		(122)	25
Non-controlling interests		(5)	6
		<u>(127)</u>	<u>31</u>
TOTAL COMPREHENSIVE (LOSS)/			
INCOME FOR THE PERIOD			
ATTRIBUTABLE TO:			
Shareholders of the Company		(122)	26
Non-controlling interests		(3)	2
		<u>(125)</u>	<u>28</u>
(LOSS)/EARNINGS PER SHARE			
	<i>11</i>	<i>HK\$</i>	<i>HK\$</i>
Basic		<u>(0.27)</u>	<u>0.05</u>
Diluted		<u>(0.27)</u>	<u>0.05</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) As at 30 June 2015	(Audited) As at 31 December 2014
	<i>Notes</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
NON-CURRENT ASSETS			
Plant and equipment		1	1
Investment properties		1	1
Deferred tax assets		12	14
Brands and trademarks		663	663
Other assets		1	1
Goodwill		13	13
		<u>691</u>	<u>693</u>
CURRENT ASSETS			
Inventories	<i>12</i>	35	35
Accounts and bills receivable	<i>13</i>	87	109
Prepayments, deposits and other receivables	<i>14</i>	28	40
Tax recoverable		1	9
Pledged deposits with banks		4	4
Cash and bank balances	<i>15</i>	504	472
		<u>659</u>	<u>669</u>
CURRENT LIABILITIES			
Bank overdraft		2	2
Accounts and bills payable	<i>16</i>	11	16
Accrued liabilities and other payables	<i>17</i>	3,385	3,274
Tax liabilities		90	83
Provision for legal claims	<i>18</i>	452	452
		<u>3,940</u>	<u>3,827</u>
NET CURRENT LIABILITIES		<u>(3,281)</u>	<u>(3,158)</u>
NET LIABILITIES		<u>(2,590)</u>	<u>(2,465)</u>

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		(Unaudited)	(Audited)
		As at	As at
		30 June	31 December
		2015	2014
	<i>Notes</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
CAPITAL AND RESERVES			
Share capital	20	46	46
Share premium		1,173	1,173
Reserves		<u>(4,208)</u>	<u>(4,086)</u>
DEFICIENCY OF EQUITY			
ATTRIBUTABLE TO THE			
SHAREHOLDERS OF			
THE COMPANY			
		(2,989)	(2,867)
NON-CONTROLLING INTERESTS			
		<u>399</u>	<u>402</u>
TOTAL DEFICIENCY OF EQUITY			
		<u><u>(2,590)</u></u>	<u><u>(2,465)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$ million</i>	Share premium <i>HK\$ million</i>	Contributed reserve <i>HK\$ million</i>	Exchange fluctuation deficits <i>HK\$ million</i>	Other deficits <i>HK\$ million</i>	Accumulated deficits <i>HK\$ million</i>	Deficiency of equity attributable to the shareholders of the Company <i>HK\$ million</i>	Non- controlling interests <i>HK\$ million</i>	(Unaudited) Total deficiency of equity <i>HK\$ million</i>
At 1 January 2015	46	1,173	193	(159)	(7)	(4,113)	(2,867)	402	(2,465)
Loss for the period	-	-	-	-	-	(122)	(122)	(5)	(127)
Other comprehensive income	-	-	-	-	-	-	-	2	2
Total comprehensive loss for the period	-	-	-	-	-	(122)	(122)	(3)	(125)
At 30 June 2015	46	1,173	193	(159)	(7)	(4,235)	(2,989)	399	(2,590)
At 1 January 2014	46	1,173	193	(156)	(7)	(4,062)	(2,813)	441	(2,372)
Profit for the period	-	-	-	-	-	25	25	6	31
Other comprehensive income/(loss)	-	-	-	1	-	-	1	(4)	(3)
Total comprehensive income for the period	-	-	-	1	-	25	26	2	28
At 30 June 2014	46	1,173	193	(155)	(7)	(4,037)	(2,787)	443	(2,344)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	Six months ended	
	30 June 2015	30 June 2014
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net cash generated from/(used in) operating activities	31	(49)
Net cash generated from investing activities	1	289
	<u> </u>	<u> </u>
Net increase in cash and cash equivalents	32	240
Cash and cash equivalents at 1 January	353	229
	<u> </u>	<u> </u>
Cash and cash equivalents at 30 June	<u> </u> <u> </u>	<u> </u> <u> </u>
Analysis of balances of cash and cash equivalents:		
Cash	1	1
Bank balances	296	229
Deposit with maturing date within three months	90	241
Bank overdraft	(2)	(2)
	<u> </u>	<u> </u>
	<u> </u> <u> </u>	<u> </u> <u> </u>

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS***30 June 2015***1. Basis of preparation**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and compliance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair value as appropriate.

These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollar, which is the same as the functional currency of the Company, and all values are rounded to nearest million (HK\$ million) unless otherwise stated.

2. Suspension of trading of the company shares, appointment of joint and several provisional liquidators, winding-up petition, group restructuring and removal summonses

Trading in the shares of the Company has been suspended from trading on the Stock Exchange since 30 May 2011.

On 31 May 2011, pursuant to an order of the High Court of the Hong Kong Special Administrative Region (the “High Court”), Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited (“FTI Consulting”) were appointed as the provisional liquidators to the Company (the “Provisional Liquidators”) as a result of the winding up petition made by Sino Bright Enterprises Co., Ltd. (“Sino Bright”), one of the creditors, against the Company. Upon the appointment of the Provisional Liquidators, the power of the directors were suspended with regard to the affairs and business of the Company.

On 26 July 2011, an exclusivity and escrow agreement was entered into amongst the Provisional Liquidators on behalf of the Company, FTI Consulting (the “Escrow Agent”) and Sunny Faith Investments Limited (the “Investor”) (the “Escrow Agreement”). Pursuant to the Escrow Agreement, the Provisional Liquidators have granted the Investor an exclusivity period up to nine months to negotiate a legally binding agreement for the implementation of a viable restructuring proposal. The Provisional Liquidators have also appointed Emperor Capital Limited as the financial adviser to the Company regarding the restructuring of the Group.

On 8 September 2011, the Company was placed in the first stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules on the Stock Exchange. On 31 May 2012, the Company submitted a resumption proposal, which was prepared by the Investor and accepted by the Provisional Liquidators, to the Stock Exchange to address the following:

- (i) that the Company had a sufficient level of operations or has assets of sufficient value as required under Rule 13.24 of the Listing Rules; and
- (ii) that the Company had adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules.

The Stock Exchange was not satisfied with the Company’s resumption proposal submitted on 31 May 2012, and by a letter dated 5 July 2012, the Stock Exchange informed the Company its decision to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules with effect from that date.

On 4 October 2012, the Provisional Liquidators announced that after a review hearing held by Listing Committee on 25 September 2012, the Listing Committee decided to uphold the Listing Division’s decision to place the Company in the second stage of delisting. Accordingly, the Listing Committee further decided to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules with effect from 25 September 2012.

On 30 January 2013, the Provisional Liquidators announced that the exclusivity and the Escrow Agreement has lapsed. The Provisional Liquidators and the Investor have discussed and agreed to submit a revised resumption proposal to the Stock Exchange prior to the expiry of the second stage of delisting.

On 13 March 2013, a revised resumption proposal was submitted to the Stock Exchange. On 21 June 2013, the Company provided further information to the Stock Exchange.

By a letter dated 28 June 2013 (the “Letter”), the Stock Exchange informed the Company that the resumption proposal dated 21 June 2013 has not satisfactorily demonstrated sufficiency of operations or assets under Rule 13.24 of the Listing Rules and the Stock Exchange has decided to place the Company in the third stage of delisting under Practice Note 17 to the Listing Rules with effect from 11 July 2013. The third stage of delisting will expire on 10 January 2014. At the end of the third stage of delisting, the Stock Exchange intends to cancel the listing if the Company fails to provide a viable resumption proposal.

It is set out in the Letter that the Stock Exchange requests the Company to submit a viable resumption proposal to address the following issues at least 10 business days before the aforesaid expiry date of the third stage of delisting, among other things, that:

- (i) demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules;
- (ii) publish outstanding financial results and address any audit qualifications;
- (iii) demonstrate sufficient working capital for at least twelve months from resumption date; and
- (iv) demonstrate adequate and effective internal control system to meet the obligations under the Listing Rules.

According to an announcement made by the Stock Exchange on 11 July 2013, the Company has a period of six months to submit a viable resumption proposal to the Stock Exchange. If the Company has not submitted a viable resumption proposal as requested, the Stock Exchange intends to cancel the listing of the Company on the expiry of the six months from the date of that announcement (i.e. by 10 January 2014).

The winding-up petition against the Company was originally scheduled to be heard by the High Court on 3 August 2011. Upon several applications by the Provisional Liquidators, the High Court has consecutively adjourned the hearing of winding-up petition against the Company to a further date. The hearing of the petition was finally rescheduled to 3 September 2013 and a winding-up order was granted against the Company by the High Court on 12 September 2013.

On 12 November 2013, the Provisional Liquidators received a preliminary restructuring proposal from Sino Bright. The Provisional Liquidators received a revised restructuring proposal from Sino Bright on 2 December 2013.

On 20 December 2013, the Company submitted the resumption proposal of Sino Bright to the Stock Exchange. During January 2014 to June 2014, the Company on various occasions and at the request of the Stock Exchange submitted further information to the Stock Exchange in respect of the resumption proposal.

On 2 May 2014, the Company, the Provisional Liquidators and Sino Bright entered into the restructuring agreement to implement the restructuring proposal. Under the terms of the restructuring agreement, all existing businesses and operations of the Group, including the operations of Emerson and the licensing operations related to the Akai, Sansui and Nakamichi trademarks, will be retained.

On 11 June 2014, the Company received a summons issued by Sino Bright which seeks an order for the removal of the Provisional Liquidators of the Company. A summons seeking equivalent orders has also been served by another creditor of the Company on 17 June 2014 (collectively, the “Removal Summonses”).

The hearing for the Removal Summonses scheduled to be heard on 16 November 2015 has been vacated.

On 9 July 2014, the Provisional Liquidators submitted an updated resumption proposal (the “Updated Resumption Proposal”) to the Stock Exchange, involving, *inter alia*, the capital reorganisation, creditors’ schemes of arrangement in accordance with Section 99 of the Companies Act and section 670 of the Hong Kong Companies Ordinance and a proposed open offer. The Updated Resumption Proposal consolidates the resumption proposal and subsequent submissions made by the Company to the Stock Exchange, to reflect the terms of the restructuring agreement as amended from time to time in implementing the restructuring proposal.

By a letter dated 29 May 2015, the Stock Exchange has decided to allow the Company to proceed with the Updated Resumption Proposal subject to satisfying the following conditions by 21 December 2015:

- (i) completion of all transaction contemplated under the Updated Resumption Proposal, including the open offer, the creditors’ schemes of arrangements and the appointment of compliance officer; and
- (ii) inclusion in the Shareholders’ Circular:
 - (a) the Group’s profit forecast for the year ending 31 December 2015 together with reports from the auditor and the financial adviser under paragraph 29(2) of Appendix 1b; and

- (b) an audited balance sheet of the Group as at 31 December 2014 adjusted to reflect the effects of completion of the Updated Resumption Proposal and a comfort letter from its auditor under Rule 4.29.

The Listing Committee may modify the resumption conditions as set out above if the Company's situation changes.

Up to the date of this report, the Shareholders' Circular is expected to be dispatched to the shareholders on or before 30 September 2015.

3. Going concern basis of preparation of the unaudited condensed consolidated interim financial statements

As at 30 June 2015, the Group had net current liabilities of approximately HK\$3,281 million (As at 31 December 2014: HK\$3,158 million) and net liabilities of approximately HK\$2,590 million (As at 31 December 2014: HK\$2,465 million). Despite the significant deficiency of equity attributable to the shareholders of the Company, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring to continue its business as a going concern, adjustments would have to be made to the unaudited condensed consolidated interim financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in the unaudited condensed consolidated interim financial statements.

4. Accounting policies

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those adopted in preparing the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (new "HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2015:

HKAS 19 (Amendment)	Defined Benefit Plans
Annual Improvement 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014
Annual Improvement 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014

The Group has assessed the impact of the adoption of the new HKFRSs above and considered that there was no significant impact on the Group's results and financial position for the current and prior periods, nor any substantial changes in the Group's accounting policies.

The Group has not early applied the following new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2015, and is in the process of assessing their impact on future accounting periods:

HKAS 1 (Amendment) ⁽¹⁾	Disclosure initiative
HKAS 16 and HKAS 38 (Amendment) ⁽¹⁾	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (Amendment) ⁽¹⁾	Property, Plant and Equipment and Agriculture
HKAS 27 (Amendment) ⁽¹⁾	Separate Financial Statements
HKFRS 10 and HKAS 28 (Amendment) ⁽¹⁾	Consolidated Financial Statements and Investments in Associates
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment) ⁽¹⁾	Investment entities: applying the consolidation exception
HKFRS 9 ⁽³⁾	Financial Instruments
HKFRS 11 (Amendment) ⁽¹⁾	Joint Arrangements
HKFRS 14 ⁽¹⁾	Regulatory Deferred Accounts
HKFRS 15 ⁽²⁾	Revenue from Contracts with Customers
Annual Improvement 2012 – 2014 Cycle ⁽¹⁾	Amendments to a number of HKFRSs issued in October 2014

⁽¹⁾ Effective for financial periods beginning on or after 1 January 2016

⁽²⁾ Effective for financial periods beginning on or after 1 January 2017

⁽³⁾ Effective for financial periods beginning on or after 1 January 2018

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the unaudited condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the unaudited condensed consolidated interim financial statements, the critical accounting judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

6. Financial instruments

(a) Categories of financial instruments:

	(Unaudited) 30 June 2015 <i>HK\$ million</i>	(Audited) 31 December 2014 <i>HK\$ million</i>
Financial assets –		
Loans and receivables (including cash and bank balances)	<u>613</u>	<u>602</u>
Financial liabilities –		
At amortised cost	<u>3,850</u>	<u>3,744</u>

(b) Financial risk management objectives and policies:

The Group's major financial instruments include equity investments, accounts receivable, accounts payable and other borrowings. Details of these financial instruments are disclosed in respective notes.

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2014.

There have been no changes in the policies on how to mitigate these risks since the year ended 31 December 2014.

7. Segment information

The Group currently organises its operations into the following reportable operating segments.

Operating segments	Principal activities
Emerson	Distribution of audio and video products and licensing business – Comprising a group listed on the NYSE Alternext US
Licensing	Licensing business – Comprising the brands and trademarks, namely of, Akai, Sansui and Nakamichi

(a) Unaudited revenue and results of the Group by operating segment:

For the six months ended 30 June 2015

	Emerson HK\$ million	Licensing HK\$ million	Unallocated HK\$ million	Consolidated HK\$ million
Revenue:				
Sale of goods to external customers	236	–	–	236
Licensing income from external customers	22	18	–	40
Total	<u>258</u>	<u>18</u>	<u>–</u>	<u>276</u>
Results:				
Segment results	<u>2</u>	<u>13</u>		15
Unallocated corporate expenses			(25)	<u>(25)</u>
				(10)
Other expenses			(102)	(102)
Allowance for doubtful debts			(1)	(1)
Interest income			1	1
Tax			(15)	<u>(15)</u>
Loss for the period				<u>(127)</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

For the six months ended 30 June 2014

	Emerson <i>HK\$ million</i>	Licensing <i>HK\$ million</i>	Unallocated <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
Revenue:				
Sale of goods to external customers	283	–	–	283
Licensing income from external customers	31	30	–	61
Total	<u>314</u>	<u>30</u>	<u>–</u>	<u>344</u>
Results:				
Segment results	<u>11</u>	<u>19</u>		30
Unallocated corporate expenses			(1)	<u>(1)</u>
Interest income			2	<u>2</u>
Profit for the period				<u>31</u>

(b) Geographical segments:

	(Unaudited)	
	Six months ended	
	30 June 2015	30 June 2014
	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue:		
Asia	15	23
North America	258	314
Europe	3	7
Total	<u>276</u>	<u>344</u>

8. Revenue

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts, and licensing income from the Group's brands and trademarks, but excludes intra-group transactions.

An analysis of the Group's revenue by principal activity for the period is as follows:

	(Unaudited)	
	Six months ended	
	30 June 2015	30 June 2014
	<i>HK\$ million</i>	<i>HK\$ million</i>
By principal activity:		
Sales of goods	236	283
Licensing income	40	61
	<u>276</u>	<u>344</u>

9. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	(Unaudited)	
	Six months ended	
	30 June 2015	30 June 2014
	<i>HK\$ million</i>	<i>HK\$ million</i>
The tax charge/(credit) comprises:		
Current period provision		
Overseas	–	1
Under/(over) provision in prior period		
Overseas	13	(8)
Deferred tax		
Overseas	2	7
	<u>15</u>	<u>–</u>

10. (Loss)/profit for the period

The Group's (loss)/profit for the period is arrived at after charging/(crediting):

	(Unaudited)	
	Six months ended	
	30 June 2015	30 June 2014
	<i>HK\$ million</i>	<i>HK\$ million</i>
Operating lease rentals in respect of land and buildings	5	4
Staff costs:		
Salaries and other benefits	19	19
Retirement benefits costs	2	3
	<u>21</u>	<u>22</u>
Auditor's remuneration	6	2
Cost of inventories recognised as expense	209	251
Interest income	(1)	(2)

11. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the following data:

	(Unaudited)	
	Six months ended	
	30 June 2015	30 June 2014
	<i>HK\$ million</i>	<i>HK\$ million</i>
(Loss)/earnings:		
(Loss)/earnings attributable to shareholders of the Company used in the basic (loss)/earnings per share calculation	<u>(122)</u>	<u>25</u>

	30 June 2015	30 June 2014
	Number of ordinary shares million	Number of ordinary shares million
Shares:		
Weighted average number of ordinary shares for the purposes of calculating basic (loss)/earnings per share	<u>460.2</u>	<u>460.2</u>

The Company did not have any potential ordinary shares during the above two periods.

12. Inventories

The inventories represent finished goods stated at lower of cost and net realisable values.

13. Accounts and bills receivable

The Group allows an average credit period of 30 to 60 days to its trade customers.

	(Unaudited)	(Audited)
	30 June 2015	31 December 2014
	<i>HK\$ million</i>	<i>HK\$ million</i>
Gross amount	144	167
<i>Less:</i> allowance for doubtful debts	<u>(57)</u>	<u>(58)</u>
Net amount	<u>87</u>	<u>109</u>

The Provisional Liquidators considered that the carrying amounts of accounts and bills receivable approximate to their fair values.

The aged analysis of accounts and bills receivable (net of allowance for doubtful debts) is as follows:

	(Unaudited) 30 June 2015 <i>HK\$ million</i>	(Audited) 31 December 2014 <i>HK\$ million</i>
0 – 3 months	<u>87</u>	<u>109</u>

In addition, some of the unimpaired accounts and bills receivable are past due as at the end of the reporting period. The aged analysis of accounts and bills receivable past due but not impaired is as follows:

	(Unaudited) 30 June 2015 <i>HK\$ million</i>	(Audited) 31 December 2014 <i>HK\$ million</i>
0 – 3 months	<u>35</u>	<u>4</u>

Before accepting any new customer, the management assesses the potential customer's credit quality with reference to the customer's reputation and market standing and defines the credit limits accordingly. Continuity of the credit limits to the customers is reviewed by management as and when necessary. Based on the aforesaid assessment, the above past due but not impaired accounts and bills receivable are still considered to be fully recoverable.

14. Prepayments, deposits and other receivables

	(Unaudited) 30 June 2015 <i>HK\$ million</i>	(Audited) 31 December 2014 <i>HK\$ million</i>
Prepayments	11	24
Deposits	2	2
Other receivables	<u>15</u>	<u>14</u>
	<u>28</u>	<u>40</u>

15. Cash and bank balances

	(Unaudited) 30 June 2015 <i>HK\$ million</i>	(Audited) 31 December 2014 <i>HK\$ million</i>
Cash	1	1
Bank balances	296	264
Money market deposit with maturing date within three months	90	90
Bank certificates of deposit with maturing date more than three months	117	117
	<u>504</u>	<u>472</u>

16. Accounts and bills payable

The aged analysis of accounts and bills payable is as follows:

	(Unaudited) 30 June 2015 <i>HK\$ million</i>	(Audited) 31 December 2014 <i>HK\$ million</i>
0 – 3 months	6	10
3 – 6 months	–	1
Over 6 months	5	5
	<u>11</u>	<u>16</u>

To the extent of HK\$6 million (As at 31 December 2014: HK\$11 million) of accounts and bills payable of Emerson, the Provisional Liquidators considered that the carrying amounts of accounts and bills payable approximate to their fair values.

17. Accrued liabilities and other payables

	(Unaudited) 30 June 2015 <i>HK\$ million</i>	(Audited) 31 December 2014 <i>HK\$ million</i>
Accrued expenses and provisions	194	79
Amounts due to a former associate (<i>Note (i)</i>)	565	566
Amounts due to former related companies (<i>Note (ii)</i>)	2,306	2,306
Other payables (<i>Note (iii)</i>)	320	323
	<u>3,385</u>	<u>3,274</u>

Note (i)

The amounts due to a former associate in aggregate of HK\$565 million (As at 31 December 2014: HK\$566 million) are secured, non-interest bearing and have no fixed terms of repayment.

On 9 January 2014, the Provisional Liquidators caused the subsidiaries of the Company to commence legal proceedings against (1) Sansui Electric Co. Limited, registered in Japan (“SEC”) and (2) Sansui Sales Pte. Limited (“SSPL”). Both SEC and SSPL were former associates of the Group.

The legal proceedings are to set aside or rescind a deed of share pledge between Sansui Electric Co. Limited, registered in the BVI (“Sansui BVI”), a wholly owned subsidiary of the Group, and SEC dated 3 March 2009 (the “Share Pledge”) which purports to pledge to SEC all of the shares of Sansui Acoustics Research Corporation, registered in the BVI (“SARC”), a wholly owned subsidiary of the Group. SARC owns worldwide rights to the Sansui trademarks. Based on the material currently available, the Provisional Liquidators are of the view that the deposits and debts that the Share Pledge purports to secure are not genuine and bona fide and therefore the Share Pledge should be rescinded or declared void. Accordingly, the Provisional Liquidators have obtained an injunction order prohibiting SEC and SSPL from dealing with or exercising any right in the shares of SARC, whether under the Share Pledge or otherwise. The injunction order will remain in place until further order of the Court.

On 9 January 2014, the Provisional Liquidators took out a summons under section 221 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) against former members of the management and accounting functions of the Company and its subsidiaries to obtain information and documents relating to the Share Pledge (the “Section 221 Summons”). The respondents opposed the action as set out in the Section 221 Summons. On 2 July 2014, the Court adjourned the Section 221 Summons sine die pending determination of the Removal Summons.

A Concurrent Writ of Summons is being served on SEC and has been served on SSPL. The statement of claims was filed with the High Court on 13 August 2014. Both SEC and SSPL had issued their Summons on 9 December 2014 contesting the jurisdiction of the Hong Kong Court to try these proceedings.

Note (ii)

All the interest bearing borrowings of the Company have been accounted for as non-interest bearing borrowings with effect from 12 September 2013, the date of the winding-up order.

The amounts due to former related companies in aggregate of HK\$2,306 million (As at 31 December 2014: HK\$2,306 million) are unsecured, non-interest bearing and repayable on demand.

Note (iii)

Included in the other payables are amounts in aggregate of HK\$262 million (As at 31 December 2014: HK\$262 million) which have been overdue for payment since 2010. Such balances are non-interest bearing, in which HK\$88 million (As at 31 December 2014: HK\$88 million) are secured by the Group's available-for-sale investments.

Certain claims and liabilities would be subject to the determination of the Court in accordance with section 194 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and rule 45 of the Companies (Winding Up) Rules.

18. Provision for legal claims

In 2005, certain plaintiffs obtained a default judgment against a defunct entity, GrandeTel Technologies, Inc., which was an associate of the Group before its disposal in 2004, for approximately US\$37 million in the United States of America. In December 2006, an action was filed by these plaintiffs claiming that the Company should be responsible for the amount of the default judgment. The case went to trial in December 2010 and January 2011. On 16 May 2011, a Statement of Decision was handed down by the Superior Court for the State of California, under which the Company is obliged to settle a total amount of US\$48 million with interest at the rate of 10% per annum.

The amount was sold to another party, by way of an assignment dated 10 January 2014, who then filed their claim against the Company in place of the aforesaid creditor.

19. Contingent liabilities

On 31 May 2011, Sino Bright presented a winding-up petition against the Company in the High Court and Mr Roderick John Sutton and Mr Fok Hei Yu were appointed Joint and Several Provisional Liquidators of the Company. On 20 March 2013, the High Court ordered that another group of creditors be substituted as petitioners ("Substituted Petitioners") in place of Sino Bright ("Substitution Order"). On 12 September 2013, the Company was wound up. On 21 October 2013, the High Court ordered that the costs incurred by the Petitioners (being Sino Bright prior to 20 March 2013 and the Substituted Petitioners after 20 March 2013) in respect of the various adjournments of the petition prior to the Substitution Order and a directions hearing after the Substitution Order be paid out of the assets the

Company as an expense of the liquidation (“Costs Order”). The Petitioners have not yet made a claim against the Company pursuant to the Costs Order or informed the Company of the quantum of their claim.

20. Share capital

	(Unaudited) 30 June 2015 <i>HK\$ million</i>	(Audited) 31 December 2014 <i>HK\$ million</i>
Authorised share capital:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100</u>	<u>100</u>
Issued and fully paid share capital:		
460,227,320 ordinary shares of HK\$0.10 each	<u>46</u>	<u>46</u>

21. Operating lease commitments

	(Unaudited) 30 June 2015 <i>HK\$ million</i>	(Audited) 31 December 2014 <i>HK\$ million</i>
The future minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:		
Not later than one year	2	1
Later than one year and not later than five years	<u>2</u>	<u>–</u>
	<u>4</u>	<u>1</u>

22. Banking and other borrowing facilities

Certain banking and other borrowing facilities available to the Group were secured by assets for which the aggregate carrying values were as follows:

	(Unaudited) 30 June 2015 <i>HK\$ million</i>	(Audited) 31 December 2014 <i>HK\$ million</i>
(a) Pledge of unlisted shares of a subsidiary	19	19
(b) Pledge of bank deposits	4	4
	<u>23</u>	<u>23</u>

23. Events after the reporting period

By a letter dated 28 June 2013 (the “Letter”), the Stock Exchange informed the Company that the resumption proposal dated 21 June 2013 has not satisfactorily demonstrated sufficiency of operations or assets under Rule 13.24 of the Listing Rules and the Stock Exchange has decided to place the Company in the third stage of delisting under Practice Note 17 to the Listing Rules with effect from 11 July 2013. The third stage of delisting will expire on 10 January 2014. At the end of the third stage of delisting, the Stock Exchange intends to cancel the listing if the Company fails to provide a viable resumption proposal.

It is set out in the Letter that the Stock Exchange requests the Company to submit a viable resumption proposal to address the following issues at least 10 business days before the aforesaid expiry date of the third stage of delisting, among other things, that:

- (i) demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules;
- (ii) publish outstanding financial results and address any audit qualifications;
- (iii) demonstrate sufficient working capital for at least twelve months from resumption date; and
- (iv) demonstrate adequate and effective internal control system to meet the obligations under the Listing Rules.

According to an announcement made by the Stock Exchange on 11 July 2013, the Company has a period of six months to submit a viable resumption proposal to the Stock Exchange. If the Company has not submitted a viable resumption proposal as requested, the Stock Exchange intends to cancel the listing of the Company on the expiry of the six months from the date of that announcement (i.e. by 10 January 2014).

The winding-up petition against the Company was originally scheduled to be heard by the High Court on 3 August 2011. Upon several applications by the Provisional Liquidators, the High Court has consecutively adjourned the hearing of winding-up petition against the Company to a further date. The hearing of the petition was finally rescheduled to 3 September 2013 and a winding-up order was granted against the Company by the High Court on 12 September 2013.

On 12 November 2013, the Provisional Liquidators received a preliminary restructuring proposal from Sino Bright. The Provisional Liquidators received a revised restructuring proposal from Sino Bright on 2 December 2013. On 20 December 2013, the Company submitted the resumption proposal of Sino Bright to the Stock Exchange. During January 2014 to June 2014, the Company on various occasions and at the request of the Stock Exchange submitted further information in respect of the resumption proposal.

On 2 May 2014, the Company, the Provisional Liquidators and Sino Bright entered into the restructuring agreement to implement the restructuring proposal. Under the terms of the restructuring agreement, all existing businesses and operations of the Group, including the operations of Emerson and the licensing operations related to the Akai, Sansui and Nakamichi trademarks, will be retained.

On 11 June 2014, the Company received a summons issued by Sino Bright which seeks an order for the removal of the Provisional Liquidators of the Company. A summons seeking equivalent orders has also been served by another creditor of the Company on 17 June 2014 (collectively, the “Removal Summonses”).

The hearing for the Removal Summonses scheduled to be heard on 16 November 2015 has been vacated.

On 9 July 2014, the Provisional Liquidators submitted an updated resumption proposal (the “Updated Resumption Proposal”) to the Stock Exchange, involving, *inter alia*, the capital reorganisation, creditors’ schemes of arrangement in accordance with Section 99 of the Companies Act and section 670 of the Hong Kong Companies Ordinance and a proposed open offer. The Updated Resumption Proposal consolidates the resumption proposal and subsequent submissions made by the Company to the Stock Exchange, to reflect the terms of the restructuring agreement as amended from time to time in implementing the restructuring proposal.

By a letter dated 29 May 2015, the Stock Exchange has decided to allow the Company to proceed with the Updated Resumption Proposal subject to satisfying the following conditions by 21 December 2015:

- (i) completion of all transaction contemplated under the Updated Resumption Proposal, including the open offer, the creditors' schemes of arrangements and the appointment of compliance officer; and
- (ii) inclusion in the Shareholders' Circular:
 - (a) the Group's profit forecast for the year ending 31 December 2015 together with reports from the auditor and the financial adviser under paragraph 29(2) of Appendix 1b; and
 - (b) an audited balance sheet of the Group as at 31 December 2014 adjusted to reflect the effects of completion of the Updated Resumption Proposal and a comfort letter from its auditor under Rule 4.29.

The Listing Committee may modify the resumption conditions as set out above if the Company's situation changes.

Up to the date of this report, the Shareholders' Circular is expected to be dispatched to the shareholders on or before 30 September 2015.

24. Approval of the interim financial statements

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Provisional Liquidators on 31 August 2015.

7. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2012

Set out below is an extract of the management discussion and analysis of the Group for the year ended 31 December 2012 as set out in the Company's 2012 annual report.

SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION AND GROUP RESTRUCTURING

Details of the Group's suspension of trading of the Company shares, appointment of joint and several provisional liquidators, winding-up petition and group restructuring are set out in note 2 to the consolidated financial statements.

BUSINESS REVIEW AND PROSPECTS

For the year ended 31 December 2012 (the "current year"), the revenue of the Group was HK\$1,115 million as compared to HK\$1,484 million for 2011 (the "corresponding year"). The Group recorded a net loss attributable to shareholders of HK\$672 million for the current year, as compared to a loss of HK\$1,322 million for the corresponding year.

The Group comprises the Emerson operations and Licensing operations for Akai, Sansui and Nakamichi brands.

(a) Emerson

The trade name "Emerson" dates back to 1912 and is one of the oldest and most well respected brand in the consumer electronics industry. Emerson has been focusing on offering a broad variety of current and new consumer electronics products and household appliances at low to medium-priced levels to customers.

Emerson's revenue for the current year was HK\$1,034 million as compared to HK\$1,404 million for the corresponding year. It recorded an operating profit of HK\$91 million for the current year as compared to HK\$113 million for the corresponding year. Emerson has also entered into distribution and license agreements with third party licensees that allow the licensees to sell various products bearing the Emerson trademarks into defined geographic areas.

(b) Licensing

This segment has the responsibility of managing the global licensing operations of Akai, Sansui and Nakamichi brands. The Group's strategy is to qualify and appoint exclusive licensees for each brand in different geographical regions, granting them the rights to source, market, promote and distribute approved branded products with their own resources, expertise and knowledge in the domestic markets.

The revenue of this segment was HK\$81 million for the current year as compared to HK\$80 million for the corresponding year. The operating profit for the current year was HK\$56 million which comprised mainly the net licensing income received from the licensees, as compared to a profit of HK\$52 million for the corresponding year.

Notwithstanding the net loss attributable to shareholders of HK\$672 million recorded by the Group during the current year (as compared to a net loss of HK\$1,322 million for the corresponding year), the Provisional Liquidators are of the view that the loss does not affect the Group's existing business and its normal operation. The Group continues to operate its branded distribution business as usual.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group had a current ratio of approximately 0.19 as compared to that of approximately 0.21 at 31 December 2011.

As at 31 December 2012, the Group had HK\$521 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources, borrowings from former related companies and former associate as detailed in note 30 to the consolidated financial statements.

The Group had inventories of approximately HK\$101 million as at 31 December 2012 representing a decrease of HK\$46 million as compared to the previous year.

As at 31 December 2012, the Group's gearing ratio was -96% which is calculated based on the Group's net borrowings of HK\$2,115 million (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total deficiency of equity of HK\$2,193 million.

As at 31 December 2012, the Group had net current liabilities of HK\$3,010 million as compared to HK\$2,756 million at 31 December 2011.

CHARGES ON GROUP ASSETS

As at 31 December 2012, certain of the Group's assets with a total carrying value of approximately HK\$151 million were pledged to secure banking and other borrowing facilities granted to the Group. Details are set out in note 38 to the consolidated financial statements.

TREASURY POLICIES

The Group's major borrowings are in US dollars and HK dollars. The Group's revenues are mainly in US dollars and major borrowings and payments are in either US dollars or HK dollars. The Group is not exposed to any significant currency risk exposure since the HK dollar is linked with the US dollar.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 31 December 2012 was approximately 70. The Group remunerates its employees mainly based on industry practice, individual's performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance. Other benefits include medical and retirement schemes.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

SIGNIFICANT INVESTMENTS

During 2007, the Group increased its shareholding interests in SEC from 30% at 31 December 2006 to 40% at 31 December 2007. Since the Group had gained control over SEC's financial and operating policies, the interests in SEC had since June 2007 been accounted for as a subsidiary. There was no movement in the Group's shareholding interests in SEC during the year 2011. However, SEC had been reclassified and accounted for as an associate instead since 1 October 2011 as the Group had lost its control over SEC's financial and operating policies in consequence of the Group's inability to provide continuing financial support to SEC from that time.

SEC became delisted from the Tokyo Stock Exchange on 3 May 2012 and has been put into the Civil Rehabilitation Procedures (“CRP”) in Japan with effect from 15 May 2012. Following the commencement of the CRP, SEC has been administered under the supervision of the court appointed supervisor. In consequence of its complete loss of influence over the financial and operational matters of SEC, the Group has accordingly reclassified and accounted for its interests in SEC as available-for-sale investments instead of an associate since 15 May 2012.

On 27 December 2012, the Japan Court endorsed and approved the CRP and discharged the court supervisor. Despite the discharge of the court supervisor, SEC is still subject to certain terms and conditions under the CRP.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s Bye-laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CONNECTED TRANSACTIONS

The Group had been providing certain administrative services to Lafe and its subsidiaries. Mr. Christopher W. Ho, a former Director, is deemed to have interests in Lafe as he is one of the beneficiaries of a discretionary trust which owns the entire issued capital of Clarendon Investments Capital Ltd that owns approximately 54% of the issued capital of Lafe and therefore Lafe is a connected person of the Company under the Listing Rules before 31 May 2011 on which the Provisional Liquidators were appointed. The transactions before that date constituted continuing connected transactions of the Company.

There were no significant related party transactions entered by the Group during the year ended 31 December 2012, which constituted connected transactions under the Listing Rules.

AUDIT COMMITTEE

Following the resignations of all of the Company’s independent non-executive directors during the last financial year up to date of this report, there has been no replacement of members at the audit committee. No audit committee is therefore maintained as required by Rule 3.21 of the Listing Rules. As a result, the consolidated financial statements of the Group for the current year ended 31 December 2012 have not been reviewed by the audit committee.

CORPORATE GOVERNANCE

As the Company has been under the control of the Provisional Liquidators and a full board of directors has not been constituted, the current directors of the Company is therefore unable to comply with the Code on Corporate Governance Practices (the “CG Code”).

However, upon resumption of trading in the shares of the Company, the Company will ensure that the CG Code shall be complied with.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Given that the Company is in liquidation and the trading of the Company’s shares were suspended from trading since 30 May 2011, the Company is not aware of any non-compliance with the required standards as set out in the Model Code during the year ended 31 December 2012.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Provisional Liquidators up to the date of this report, the Company has sufficient public float as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 42 to the consolidated financial statements.

INDEPENDENT AUDITORS

During the year, Messrs. Moore Stephens, who acted as auditors of the Company for the past 6 years, resigned and Jonten Hopkins CPA Limited was appointed as auditors of the Company. A resolution for the appointment of Jonten Hopkins CPA Limited as auditors of the Company will be ratified by the shareholders at the forthcoming general meeting.

8. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

Set out below is an extract of the management discussion and analysis of the Group for the year ended 31 December 2013 as set out in the Company's 2013 annual report.

SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION AND GROUP RESTRUCTURING

Details of the Group's suspension of trading of the Company shares, appointment of joint and several provisional liquidators, winding-up petition and group restructuring are set out in note 2 to the consolidated financial statements.

BUSINESS REVIEW AND PROSPECTS

For the year ended 31 December 2013 (the "current year"), the revenue of the Group was HK\$741 million as compared to HK\$1,115 million for 2012 (the "corresponding year"). The Group recorded a net loss attributable to shareholders of HK\$191 million for the current year, as compared to a loss of HK\$672 million for the corresponding year.

The Group comprises the Emerson operations and Licensing operations for Akai, Sansui and Nakamichi brands.

(a) Emerson

The trade name "Emerson" dates back to 1912 and is one of the oldest and most well respected brands in the consumer electronics industry. Emerson has been focusing on offering a broad variety of current and new consumer electronics products and household appliances at low to medium-priced levels to customers.

Emerson's revenue for the current year was HK\$683 million as compared to HK\$1,034 million for the corresponding year. It recorded an operating profit of HK\$25 million for the current year as compared to HK\$91 million for the corresponding year. Emerson has also entered into distribution and license agreements with third party licensees that allow the licensees to sell various products bearing the Emerson trademarks into defined geographic areas.

(b) Licensing

This segment has the responsibility of managing the global licensing operations of Akai, Sansui and Nakamichi brands. The Group's strategy is to qualify and appoint exclusive licensees for each brand in different geographical regions, granting them the rights to source, market, promote and distribute approved branded products with their own resources, expertise and knowledge in the domestic markets.

The revenue of this segment was HK\$58 million for the current year as compared to HK\$81 million for the corresponding year. The operating profit for the current year was HK\$47 million which comprised mainly the net licensing income received from the licensees, as compared to a profit of HK\$56 million for the corresponding year.

Notwithstanding the net loss attributable to shareholders of HK\$191 million recorded by the Group during the current year (as compared to a net loss of HK\$672 million for the corresponding year), the Provisional Liquidators are of the view that the loss does not affect the Group's existing business and its normal operation. The Group continues to operate its branded distribution business as usual.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In 2013, sales to the Group's largest customer and five largest customers accounted for approximately 51% and 85% respectively, of the Group's total revenue for the year.

Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 67% and 98% respectively, of the Group's total purchases for the year.

None of the directors, their associates or any shareholders (which to the knowledge of the Provisional Liquidators owns more than 5% of the Company's issued share capital) had any interest in the Group's major customers and suppliers.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had a current ratio of approximately 0.18 as compared to that of approximately 0.19 at 31 December 2012.

As at 31 December 2013, the Group had HK\$520 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources.

The Group had inventories of a approximately HK\$44 million as at 31 December 2013 representing a decrease of HK\$57 million as compared to the previous year.

Following the winding-up order was granted against the Company by the High Court on 12 September 2013, all the interest bearing borrowings of the Group has since 12 September 2013 been accounted for as non-interest bearing borrowings of the Group. As a result, the Group's gearing ratio as at 31 December 2013 was 0% which is calculated based on the Group's net borrowings of HK\$0 million (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total deficiency of equity of HK\$2,372 million.

As at 31 December 2013, the Group had net current liabilities of HK\$3,158 million as compared to HK\$3,010 million at 31 December 2012.

CHARGES ON GROUP ASSETS

As at 31 December 2013, certain of the Group's assets with a total carrying value of approximately HK\$19 million were pledged to secure banking and other borrowing facilities granted to the Group. Details are set out in note 36 to the consolidated financial statements.

TREASURY POLICIES

The Group's major borrowings are in US dollars and HK dollars. The Group's revenues are mainly in US dollars and major borrowings and payments are in either US dollars or HK dollars. The Group is not exposed to any significant currency risk exposure since the HK dollar is linked with the US dollar.

GENERAL AND ADMINISTRATIVE EXPENSES

For the twelve months ended 31 December 2013, general and administrative expenses totaled approximately HK\$112 million (twelve months ended 31 December 2012: HK\$123 million), representing a decrease of 10% over the preceding period. The decline was primarily due to a reduction in Directors' remuneration and staff costs of Hong Kong offices.

The current management and operational teams are expected to be maintained going forward. A five percent increase in expenses is considered sufficient to factor the impact of inflation. No other material changes are expected in general & administrative expenses.

FINANCE COSTS

For the twelve months ended 31 December 2013, finance costs totaled approximately HK\$192 million (twelve months ended 31 December 2012: HK\$268 million), representing a decrease of 29% over the period. The decline was due to the fact that the Company had accrued interest up to 12 September 2013, being the winding-up order date of the Company.

No further financial cost is expected to be incurred given the existing debts owed by the Company and related interest payments will be eliminated by the existing proposal.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 31 December 2013 was approximately 50. The Group remunerates its employees mainly based on industry practice, individual's performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance. Other benefits include medical and retirement schemes.

Other than the Directors and Emerson's workforce, the Group has reduced workforce of the Hong Kong and Singapore offices since 2012. The staff costs for these offices have been reduced from HK\$10.5 million to HK\$6.8 million.

The Group will continue to determine remuneration by reference to market pay and individual performance. In addition to salary payments, the Group also provides other employment benefits such as contributions to a provident fund.

Other than the recruitment of additional directors in relation to a new service line, a substantial change in workforce numbers is not anticipated and, as such, staff costs are not expected to affect the profitability of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

SIGNIFICANT INVESTMENTS

During 2007, the Group increased its shareholding interests in SEC from 30% at 31 December 2006 to 40% at 31 December 2007. Since the Group had gained control over SEC's financial and operating policies, the interests in SEC had since June 2007 been accounted for as a subsidiary. There was no movement in the Group's shareholding interests in SEC during the year 2011. However, SEC had been reclassified and accounted for as an associate instead since 1 October 2011 as the Group had lost its control over SEC's financial and operating policies in consequence of the Group's inability to provide continuing financial support to SEC from that time.

SEC became delisted from the Tokyo Stock Exchange on 3 May 2012 and has been put into the Civil Rehabilitation Procedures ("CRP") in Japan with effect from 15 May 2012. Following the commencement of the CRP, SEC has been administered under the supervision of the court appointed supervisor. In consequence of its complete loss of influence over the financial and operational matters of SEC, the Group has accordingly reclassified and accounted for its interests in SEC as available-for-sale investments instead of an associate since 15 May 2012.

On 27 December 2012, the Japan Court endorsed and approved the CRP and discharged the court supervisor. On 4 July 2014, a bankruptcy petition was presented against SEC. On 9 July 2014, SEC was put into bankruptcy and Ms. Aizawa Mitsue was appointed its bankruptcy trustee on the same date.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CONNECTED TRANSACTIONS

There were no significant related party transactions entered by the Group during the year ended 31 December 2013, which constituted connected transactions under the Listing Rules.

FOREIGN EXCHANGE EXPOSURE

The Group has minimal exposure to foreign currency risks as most of its business transactions, assets and liabilities are principally denominated in US dollars. The Group currently does not have a foreign currency hedging policy with respect to its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging foreign currency exposure if necessary.

AUDIT COMMITTEE

Following the resignation of the Company's sole independent non-executive director during the year, there has been no replacement of members at the audit committee. No audit committee is therefore maintained as required by Rule 3.21 of the Listing Rules. As a result, the consolidated financial statements of the Group for the current year ended 31 December 2013 have not been reviewed by the audit committee.

CORPORATE GOVERNANCE

As the Company has been under the control of the Provisional Liquidators and a full board of directors has not been constituted, the current directors of the Company is therefore unable to comply with the Code on Corporate Governance Practices (the "CG Code").

However, upon resumption of trading in the shares of the Company, the Company will ensure that the CG Code shall be complied with.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Given that the Company is in liquidation and the trading of the Company's shares were suspended from trading since 30 May 2011, the Company is not aware of any non-compliance with the required standards as set out in the Model Code during the year ended 31 December 2013.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Provisional Liquidators up to the date of this report, the Company has sufficient public float as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 40 to the consolidated financial statements.

INDEPENDENT AUDITORS

On 16 April 2014, the Provisional Liquidators were informed by Moore Stephens that they decided to tender their resignation as the auditors of the Company after taking into factors including the professional risk associated with the audit and the level of audit fees.

In order to fill the casual vacancy arising from the resignation of Moore Stephens, the Provisional Liquidators have appointed Jonten Hopkins CPA Limited as the new auditors of the Company on 7 May 2014 to hold office until the conclusion of the next annual general meeting of the Company.

9. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

Set out below is an extract of the management discussion and analysis of the Group for the year ended 31 December 2014 as set out in the Company's 2014 annual report.

SUSPENSION OF TRADING OF THE COMPANY SHARES, APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS, WINDING-UP PETITION, GROUP RESTRUCTURING AND REMOVAL SUMMONSES

Details of the Group's suspension of trading of the Company shares, appointment of the joint and several provisional liquidators, winding-up petition, group restructuring and removal summonses are set out in note 2 to the consolidated financial statements.

BUSINESS REVIEW AND PROSPECTS

For the year ended 31 December 2014 (the "current year"), the revenue of the Group was HK\$663 million as compared to HK\$741 million for 2013 (the "corresponding year"). The Group recorded a net loss attributable to shareholders of the Company of HK\$51 million for the current year, as compared to a loss of HK\$191 million for the corresponding year.

The Group comprises the Emerson operations and Licensing operations for Akai, Sansui and Nakamichi brands.

(a) Emerson

The trade name "Emerson" dates back to 1912 and is one of the oldest and most well respected brand in the consumer electronics industry. Emerson has been focusing on offering a broad variety of current and new consumer electronics products and household appliances at low to medium-priced levels to customers.

Emerson's revenue for the current year was HK\$608 million as compared to HK\$683 million for the corresponding year. It recorded an operating profit of HK\$40 million for the current year as compared to HK\$25 million for the corresponding year. Emerson has also entered into distribution and license agreements with third party licensees that allow the licensees to sell various products bearing the Emerson trademarks into defined geographic areas.

(b) Licensing

This segment has the responsibility of managing the global licensing operations of Akai, Sansui and Nakamichi brands. The Group's strategy is to qualify and appoint exclusive licensees for each brand in different geographical regions, granting them the rights to source, market, promote and distribute approved branded products with their own resources, expertise and knowledge in the respective markets.

The revenue of this segment was HK\$55 million for the current year as compared to HK\$58 million for the corresponding year. The operating profit for the current year was HK\$39 million which comprised mainly the net licensing income received from the licensees, as compared to an operating profit of HK\$47 million for the corresponding year.

Notwithstanding the net loss attributable to shareholders of the Company of HK\$51 million recorded by the Group during the current year (as compared to a net loss of HK\$191 million for the corresponding year), the Provisional Liquidators are of the view that the loss does not affect the Group's existing business and its normal operation. The Group continues to operate its branded distribution business as usual.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group's largest customer and five largest customers accounted for approximately 44% and 79% respectively, of the Group's total revenue for the year.

Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 65% and 100% respectively, of the Group's total purchases for the year.

None of the directors, its associates or any shareholders (which to the knowledge of the Provisional Liquidators owns more than 5% of the Company's issued share capital) had any interest in the Group's major customers and suppliers.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had a current ratio of approximately 0.17 as compared to that of approximately 0.18 at 31 December 2013.

As at 31 December 2014, the Group had HK\$472 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources.

The Group had inventories of approximately HK\$35 million as at 31 December 2014, representing a decrease of HK\$9 million as compared to the previous year.

All the interest bearing borrowings of the Company have been accounted for as non-interest bearing borrowings with effect from 12 September 2013, the date of the winding-up order. As a result, the Group's gearing ratio as at 31 December 2014 was 0% which is calculated based on the Group's net borrowings of HK\$nil (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total deficiency of equity of HK\$2,465 million.

As at 31 December 2014, the Group had net current liabilities of HK\$3,158 million as compared to HK\$3,158 million at 31 December 2013.

CHARGES ON GROUP ASSETS

As at 31 December 2014, certain of the Group's assets with a total carrying value of approximately HK\$23 million were pledged to secure banking and other borrowing facilities granted to the Group. Details are set out in note 33 to the consolidated financial statements.

TREASURY POLICIES

The Group's revenues are mainly in US dollars and major borrowings and payments are in either US dollars or HK dollars. The Group is not exposed to any significant currency risk exposure since the HK dollar is linked with the US dollar.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 31 December 2014 was approximately 50. The Group remunerates its employees mainly based on industry practice, individual's performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance. Other benefits include medical and retirement schemes.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

SIGNIFICANT INVESTMENTS

During 2007, the Group increased its shareholding interests in Sansui Electric Co., Ltd ("SEC"), a company incorporated in Japan and was formerly listed on the First Section of the Tokyo Stock Exchange, from 30% at 31 December 2006 to 40% at 31 December 2007. Since the Group had gained control over SEC's financial and operating policies, the interests in SEC had since June 2007 been accounted for as a subsidiary. There were no movement in the Group's shareholding interests in SEC during the year 2011. However, SEC had been reclassified and accounted for as an associate instead since 1 October 2011 as the Group had lost its control over SEC's financial and operating policies in consequence of the Group's inability to provide continuing financial support to SEC from that time.

SEC became delisted from the Tokyo Stock Exchange on 3 May 2012 and has been put into the Civil Rehabilitation Procedures ("CRP") in Japan with effect from 15 May 2012. Following the commencement of CRP, SEC has been administered under the supervision of the court appointed supervisor. In consequence of its complete loss of influence over the financial and operational matters of SEC, the Group has accordingly reclassified and accounted for its interests in SEC as available-for-sale investments instead of an associate since 15 May 2012.

On 27 December 2012, the Japan Court endorsed and approved the CRP and discharged the court supervisor. On 4 July 2014, a bankruptcy petition was presented against SEC. On 9 July 2014, SEC was put into bankruptcy and Ms. Aizawa Mitsue was appointed its bankruptcy trustee on the same date.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CONNECTED TRANSACTIONS

There were no significant related party transactions entered by the Group during the year ended 31 December 2014, which constituted connected transactions under the Listing Rules.

AUDIT COMMITTEE

Following the resignation of the Company's sole independent non-executive director on 12 March 2013, there has been no replacement of members at the audit committee. No audit committee is therefore maintained as required by Rule 3.21 of the Listing Rules. As a result, the consolidated financial statements of the Group for the current year ended 31 December 2014 have not been reviewed by an audit committee.

CORPORATE GOVERNANCE

As the Company has been under the control of the Provisional Liquidators and a full board of directors has not been constituted, the current directors of the Company is therefore unable to comply with the Code on Corporate Governance Practices (the "CG Code").

However, upon resumption of trading in the shares of the Company, the Company will ensure that the CG Code shall be complied with.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Given that the Company is in liquidation and the trading of the Company's shares were suspended since 30 May 2011, the Company is not aware of any non-compliance with the required standards as set out in the Model Code during the year ended 31 December 2014.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Provisional Liquidators up to the date of this report, the Company has sufficient public float as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 37 to the consolidated financial statements.

INDEPENDENT AUDITOR

Messrs. Moore Stephens were the auditor of the Company for the years ended 31 December 2006 to 2011. Jonten Hopkins CPA Limited was appointed by the Provisional Liquidators as auditor of the Company with effect from 7 May 2014 to fill the causal vacancy arose from the resignation of Messrs. Moore Stephens on 16 April 2014 and audited the consolidated financial statements for the years ended 31 December 2012 and 2013. Since no annual general meeting has been held in 2014, a resolution for the appointment of Jonten Hopkins CPA Limited as auditor of the Company will be ratified by the shareholders at the forthcoming general meeting.

10. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2015**BUSINESS REVIEW**

The revenue of the Group for the six months ended 30 June 2015 (the “current period”) was HK\$276 million as compared to HK\$344 million for the six months ended 30 June 2014 (the “corresponding period”), decreased by 19.8%. The Group recorded an unaudited net loss attributable to shareholders of the Company of HK\$122 million for the current period, as compared to an unaudited net profit attributable to shareholders of the Company of HK\$25 million for the corresponding period.

The operations of the Group can be divided into Emerson operations and Licensing operations for Akai, Sansui and Nakamichi brands.

Emerson

The trade name “Emerson” dates back to 1912 and is one of the oldest and most well respected brand in the consumer electronics industry. Emerson has been focusing on offering a broad variety of current and new consumer electronics products and household appliances at low to medium-priced levels to customers.

Emerson’s revenue for the current period was HK\$258 million as compared to HK\$314 million for the corresponding period. It recorded an operating profit of HK\$2 million for the current period as compared to HK\$11 million for the corresponding period. Emerson has also entered into distribution and license agreements with third party licensees that allow the licensees to sell various products bearing the Emerson trademarks into defined geographic areas.

Licensing

This segment has the responsibility of managing the global licensing operations of Akai, Sansui and Nakamichi brands. The Group’s strategy is to qualify and appoint exclusive licensees for each brand in different geographical regions, granting them the rights to source, market, promote and distribute approved branded products with their own resources, expertise and knowledge in the respective markets.

The revenue of this segment was HK\$18 million for the current period as compared to HK\$30 million for the corresponding period, a drop of 40%. The operating profit for the current period was HK\$13 million which comprised mainly the net licensing income received from the licensees, as compared to a operating profit of HK\$19 million for the corresponding period.

PROSPECT

The Company has been under the control of the Provisional Liquidators since 31 May 2011. However, it does not, in large extent, affect the daily business operations of the Group, as the major income of the Group are generated by its overseas subsidiaries. The Group has generated HK\$1,115 million, HK\$741 million and HK\$663 million of revenue during the years of 2012, 2013 and 2014 respectively. Although the revenue of the Group is decreasing, the loss attributable to shareholders of the Company is reducing from the loss of HK\$672 million in 2012 to HK\$191 million and HK\$51 million in 2013 and 2014 respectively. It was mainly due to the decrease of finance costs and impairment loss recognised in respect of brands and trademarks of the Group. However, the Group has made a loss of HK\$122 million attributable to the shareholders of the Company for the six months ended 30 June 2015 which was mainly caused by the recognition of certain non-recurring other expenses, *inter alia*, liquidation and restructuring costs. As announced on 1 June 2015, by a letter dated 29 May 2015, the Stock Exchange has decided to allow the Company to proceed with the Updated Resumption Proposal subject to satisfying the certain conditions by 21 December 2015. The Group is not expected to incur further liquidation and restructuring costs once the Resumption Proposal has been successfully implemented and the liquidation proceedings have been permanently stayed.

Up to the date of this report, the Shareholders' Circular is expected to be dispatched to the shareholders on or before 30 September 2015.

Should the proposed restructuring of the Company have been successfully implemented and completed and that the resumption in trading of the shares of the Company have been approved by the Stock Exchange, (i) all existing businesses and operations of the Group, including the operations of Emerson and licensing operations of Akai, Nakamichi and Sansui trademarks, would be retained; (ii) all the claims of the creditors against the Company, and the liabilities of the Company will be discharged and released in full; (iii) the winding up order against the Company would be kept in a permanent stay and the Provisional Liquidators of the Company would be discharged and released; and (iv) a full board of directors would be restored to manage the Company; then the operations of the Group could be resumed back to normal.

OTHER INFORMATION

30 June 2015

DIVIDENDS

The Provisional Liquidators do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group had a current ratio of approximately 0.17 as compared to that of approximately 0.17 at 31 December 2014.

As at 30 June 2015, the Group had HK\$504 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources.

The Group had inventories of approximately HK\$35 million as at 30 June 2015, no change as compared to that at 31 December 2014.

As at 30 June 2015, the Group had net current liabilities of HK\$3,281 million as compared to HK\$3,158 million at 31 December 2014.

CHARGES ON GROUP ASSETS

As at 30 June 2015, certain of the Group's assets with a total carrying value of approximately HK\$23 million (As at 31 December 2014: HK\$23 million) were pledged to secure banking and other borrowing facilities granted to the Group. Details are set out in note 22 to the unaudited condensed consolidated interim financial statements.

TREASURY POLICIES

The Group's revenues are mainly in US dollars and major borrowings and payments are in either US dollars or HK dollars. The Group is not exposed to any significant currency risk exposure since the HK dollar is linked with the US dollar.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 30 June 2015 was approximately 50. The Group remunerates its employees mainly based on industry practice, individual's performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance. Other benefits include medical and retirement schemes.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's director, his spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 June 2015, the interests of the director and chief executives of the Company in the shares and underlying shares of the Company or its associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares:

Name of director	Capacity	Number of issued ordinary shares of HK\$0.10 each in the Company held	% of the issued share capital
Mr. Christopher W. Ho	Beneficiary of a discretionary trust	328,497,822*	71.38%

* *Mr. Christopher W. Ho is deemed to have interests in these shares as he is one of the beneficiaries of a discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 328,497,822 ordinary shares in the Company.*

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, the following persons (other than the director or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of substantial shareholders	Capacity	Number of issued ordinary shares of HK\$0.10 each in the Company held	% of the issued share capital
Ms. Rosy L. S. Yu	Interest as Mr. Ho's spouse	328,497,822*	71.38%
Barrican Investments Corporation	Beneficial owner	328,497,822 [#]	71.38%
Accolade (PTC) Inc	Trustee	328,497,822 [#]	71.38%

* *Ms. Rosy L. S. Yu is deemed to have interests in these shares by virtue of being the spouse to Mr. Christopher W. Ho.*

[#] *Accolade (PTC) Inc is deemed to have interests in these shares as the trustee to the discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 328,497,822 ordinary shares in the Company.*

Save as disclosed above, as at 30 June 2015, none of the Provisional Liquidators knew of any person (other than the director or chief executives of the Company) who had, or was deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

As the Company has been under the control of the Provisional Liquidators and a full board of directors has not been constituted, the current director of the Company is therefore unable to comply with the Code on Corporate Governance Practices (the "CG Code").

However, upon resumption of trading in the shares of the Company, the Company will ensure that the CG Code shall be complied with.

MODEL CODE FOR SECURITIES TRANSACTIONS BY SOLE DIRECTOR

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the director of the Company. Given that the Company is in liquidation and the trading of the Company's shares were suspended since 30 May 2011, the Company is not aware of any non-compliance with the required standards as set out in the Model Code during the six months ended 30 June 2015.

AUDIT COMMITTEE

Following the resignation of the Company's sole independent non-executive director on 12 March 2013, there has been no replacement of members at the audit committee. No audit committee is therefore maintained as required by Rule 3.21 of the Listing Rules. As a result, the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015 have not been reviewed by an audit committee.

APPENDIX II ADDITIONAL FINANCIAL INFORMATION OF THE GROUP

1. INDEBTEDNESS

As at the close of business on January 2016, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had in aggregate outstanding borrowings of approximately HK\$3,683 million, which comprised of bank borrowings and bond of approximately HK\$64 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Group did not have any debt securities which are issued and outstanding, or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, mortgage, charges, guarantees or other material contingent liabilities as at the close of business on 31 January 2016.

2. WORKING CAPITAL

The Provisional Liquidators, after due and careful consideration, are of the opinion that in the absence of unforeseen circumstances and taking into account of the internal financial resources and the cash flows generated from the business operations of the Group, upon Completion, the Group will have sufficient working capital for the twelve months from the expected date of Resumption.

3. MATERIAL CHANGE

As at the Latest Practicable Date, the Provisional Liquidators confirmed that, save for the Proposed Restructuring, there is no material change in the financial or trading position or outlook of the Group since 31 December 2014, the date to which the latest published audited financial statements of the Company were made up.

4. FINANCIAL AND TRADING PROSPECTS

It is anticipated that the financial position of the Group will be substantially improved upon the successful implementation of the Proposed Restructuring and the resumption of trading in the New Shares of the Company on the Stock Exchange. The Provisional Liquidators anticipate that all the claims against, and liabilities of, the Company (other than intercompany liabilities) will be compromised and discharged in full through the Schemes.

**INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE GROUP**

The accompanying unaudited pro forma consolidated statement of financial position and the unaudited pro forma statement of adjusted consolidated net tangible assets (collectively the “**Unaudited Pro Forma Financial Information**”) of the Group has been prepared to illustrate the effect of the Proposed Restructuring might have affected the financial position and net tangible assets of the Group assuming (i) all the Cash Alternative Creditors accept the Cash Alternatives; and (ii) none of the Cash Alternative Creditors accept the Cash Alternatives.

The Unaudited Pro Forma Financial Information of the Group as at 30 June 2015 is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2015 as extracted from the 2015 interim report of the Company, as if the Proposed Restructuring had been completed on 30 June 2015.

The Unaudited Pro Forma Financial Information of the Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information of the Group, it may not give a true picture of the actual financial position and net tangible assets of the Group that would have been attained had the Proposed Restructuring actually occurred on the date indicated herein. Furthermore, the Unaudited Pro Forma Financial Information of the Group does not purport to predict the Group’s future financial position and net tangible assets.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the financial information of the Group as set out in Appendix I to this circular and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AS AT
30 JUNE 2015

(i) Assuming all the Cash Alternative Creditors accept the Cash Alternatives

The Grande Holdings Limited (In Liquidation)**Unaudited Pro Forma Consolidated Statement of Financial Position of the Group***(Assuming all the Cash Alternative Creditors accept Cash Alternatives)**(HK\$'000)*

	The Group as at 30 Jun 2015 (Unaudited)	Pro Forma Adjustment <i>(note 1)</i>	Pro Forma Adjustment <i>(note 2)</i>	Pro Forma Adjustment <i>(note 3)</i>	Pro Forma Adjustment <i>(note 4)</i>	Pro Forma Adjustment <i>(note 5)</i>	Pro Forma Adjustment <i>(note 6)</i>	Adjusted Total (Unaudited)
NON-CURRENT ASSETS								
PLANT AND EQUIPMENT	871					(217)	(18)	636
INVESTMENT PROPERTIES AVAILABLE FOR SALES	1,100						(1,100)	-
INVESTMENTS	143							143
DEFERRED TAXATION	11,721							11,721
GOODWILL	13,334							13,334
OTHER ASSETS	1,090							1,090
BRANDS AND TRADEMARKS	663,589							663,589
	691,848							690,513
CURRENT ASSETS								
INVENTORIES	35,265							35,265
ACCOUNTS & BILLS RECEIVABLE	86,917					39	(23)	86,933
PREPAYMENT, DEPOSITS & OTHER RECEIVABLES	27,789					(47)	(1,052)	26,690
TAX RECOVERABLE	1,146							1,146
PLEDGED DEPOSITS WITH BANKS	4,078							4,078
CASH & BANK BALANCES	504,091		100,099	(235,699)		(73)	(4,378)	364,040
	659,286							518,152

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

	The Group as at 30 Jun 2015 (Unaudited)	Pro Forma Adjustment <i>(note 1)</i>	Pro Forma Adjustment <i>(note 2)</i>	Pro Forma Adjustment <i>(note 3)</i>	Pro Forma Adjustment <i>(note 4)</i>	Pro Forma Adjustment <i>(note 5)</i>	Pro Forma Adjustment <i>(note 6)</i>	Adjusted Total (Unaudited)
CURRENT LIABILITIES								
BANK OVERDRAFT	(2,298)							(2,298)
ACCOUNTS & BILLS PAYABLE	(10,712)						4,687	(6,025)
ACCRUED LIABILITIES AND OTHER PAYABLES	(3,386,278)			2,634,869	89,600	574,845	8,643	(78,321)
PROVISION FOR TAXATION	(90,314)					713	1,520	(88,081)
PROVISION FOR LEGAL CLAIMS	(452,038)			452,038				-
	(3,941,640)							(174,725)
TOTAL NET (LIABILITIES) / ASSETS	(2,590,506)							1,033,940
SHARE CAPITAL	46,023	(41,421)	11,506	39,172				55,280
SHARE PREMIUM	1,173,143	(1,173,143)	88,593	301,626				390,219
RESERVES	(4,209,057)	1,214,564		2,510,410	89,600	575,260	11,425	192,202
	(3,989,891)							637,701
NON-CONTROLLING INTERESTS	399,385						(3,146)	396,239
TOTAL (DEFICIENCY) / EQUITY	(2,590,506)							1,033,940
								<i>HK\$</i>
Unaudited consolidated net tangible liabilities per Share before completion of the Proposed Restructuring								<u>(7.13)</u>
Unaudited pro forma adjusted consolidated net tangible assets per New Share after completion of the Proposed Restructuring								<u>0.06</u>

(ii) Assuming none of the Cash Alternative Creditors accept the Cash Alternatives

The Grande Holdings Limited (In Liquidation)**Unaudited Pro Forma Consolidated Statement of Financial Position of the Group***(Assuming none of the Cash Alternative Creditors accept Cash Alternatives)**(HK\$'000)*

	The Group as at 30 Jun 2015 (Unaudited)	Pro Forma Adjustment <i>(note 1)</i>	Pro Forma Adjustment <i>(note 2)</i>	Pro Forma Adjustment <i>(note 3)</i>	Pro Forma Adjustment <i>(note 4)</i>	Pro Forma Adjustment <i>(note 5)</i>	Pro Forma Adjustment <i>(note 6)</i>	Adjusted Total (Unaudited)
NON-CURRENT ASSETS								
PLANT AND EQUIPMENT	871					(217)	(18)	636
INVESTMENT PROPERTIES	1,100						(1,100)	-
AVAILABLE FOR SALES								
INVESTMENTS	143							143
DEFERRED TAXATION	11,721							11,721
GOODWILL	13,334							13,334
OTHER ASSETS	1,090							1,090
BRANDS AND TRADEMARKS	663,589							663,589
	691,848							690,513
CURRENT ASSETS								
INVENTORIES	35,265							35,265
ACCOUNTS & BILLS								
RECEIVABLE	86,917					39	(23)	86,933
PREPAYMENT, DEPOSITS & OTHER RECEIVABLES	27,789					(47)	(1,052)	26,690
TAX RECOVERABLE	1,146							1,146
PLEDGED DEPOSITS								
WITH BANKS	4,078							4,078
CASH & BANK BALANCES	504,091		100,099	(135,600)		(73)	(4,378)	464,139
	659,286							618,251

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

	The Group as at 30 Jun 2015 (Unaudited)	Pro Forma Adjustment <i>(note 1)</i>	Pro Forma Adjustment <i>(note 2)</i>	Pro Forma Adjustment <i>(note 3)</i>	Pro Forma Adjustment <i>(note 4)</i>	Pro Forma Adjustment <i>(note 5)</i>	Pro Forma Adjustment <i>(note 6)</i>	Adjusted Total (Unaudited)
CURRENT LIABILITIES								
BANK OVERDRAFT	(2,298)							(2,298)
ACCOUNTS & BILLS PAYABLE	(10,712)						4,687	(6,025)
ACCRUED LIABILITIES AND OTHER PAYABLES	(3,386,278)			2,634,869	89,600	574,845	8,643	(78,321)
PROVISION FOR TAXATION	(90,314)					713	1,520	(88,081)
PROVISION FOR LEGAL CLAIMS	(452,038)			452,038				-
	(3,941,640)							(174,725)
TOTAL NET (LIABILITIES) / ASSETS	(2,590,506)							1,134,039
SHARE CAPITAL	46,023	(41,421)	11,506	41,422				57,530
SHARE PREMIUM	1,173,143	(1,173,143)	88,593	318,938				407,531
RESERVES	(4,209,057)	1,214,564		2,590,947	89,600	575,260	11,425	272,739
	(2,989,891)							737,800
NON-CONTROLLING INTERESTS	399,385						(3,146)	396,239
TOTAL (DEFICIENCY) / EQUITY	(2,590,506)							1,134,039
								<i>HK\$</i>
Unaudited consolidated net tangible liabilities per Share before completion of the Proposed Restructuring								<u>(7.13)</u>
Unaudited pro forma adjusted consolidated net tangible assets per New Share after completion of the Proposed Restructuring								<u>0.08</u>

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**(ALL CASH ALTERNATIVE CREDITORS ACCEPT THE CASH ALTERNATIVES)**

1. This adjustment represents the financial effect of the Capital Reorganisation comprising of (i) Capital Reduction and (ii) Share Premium Reduction, totally approximately to HK\$1,215 million. Capital Reduction is that the par value of each of the issued Share shall be reduced from HK\$0.10 to HK\$0.01. The credit balance arising from the Capital Reduction of approximately HK\$42 million will be applied to set off part of the accumulated losses of the Company as at 30 June 2015. Share Premium Reduction is that the entire amount standing to the credit of the share premium account of the Company shall be cancelled. The credit arising from the Share Premium Reduction of approximately HK\$1,173 million will be applied to set off part of the accumulated losses of the Company as at 30 June 2015.
2. This adjustment represents the issue of 1,150,568,300 Offer Shares on the basis of five Offer Shares for every two New Shares held on the Open Offer Record Date by the Qualifying Shareholders at the Offer Price of HK\$0.087 per Offer Share with the par value of HK\$0.01 each. As a result of the Open Offer, the Group will raise gross proceeds of approximately HK\$100 million and will increase its share capital and its share premium of approximately HK\$12 million and HK\$89 million respectively.
3. This adjustment represents the settlement of the total amount of claims against, and the liabilities of the Company of approximately HK\$2,960 million (including McVitie's claim of HK\$452 million) and the Costs and Expenses of HK\$45 million. By assuming all the Cash Alternative Creditors accept Cash Alternative, a total sum of approximately HK\$2,980 million shall be settled by way of the issue of 3,917,226,052 Creditors Shares at the issuing price of HK\$0.087 per share with the par value of HK\$0.01 per share and the remaining balance of HK\$25 million Costs and Expenses will be settled by the cash held by the Company. Approximately HK\$235 million out of the cash reserves of the Company will be used to finance (i) the Cash Alternative of approximately HK\$100 million from the Open Offer proceeds; (ii) liquidation costs and expenses of approximately HK\$110 million; and (iii) restructuring cost and expenses of approximately HK\$25 million.

The accrued liabilities and other payables of Company amounts to approximately HK\$2,634 million which includes the Creditors' claims of approximately HK\$2,508 million, the restructuring cost and expenses of approximately HK\$25 million and the liquidation costs and expenses of approximately HK\$101million.

The Company's share capital will be increased by approximately HK\$39 million and its share premium account will be increased by approximately HK\$302 million respectively.

Estimated additional liquidation costs and expenses of HK\$9.2 million will be recognised. Liquidation costs and expenses of approximately HK\$110 million will be settled.

Upon the discharge of the liabilities arising from the Company's Creditors under the Schemes, the Company will recognise a net gain of approximately HK\$2,539 million, representing the difference between the total liabilities of approximately HK\$2,980 million to be compromised and discharged under the Schemes and the total settlement amount of approximately HK\$441 million to be made (including the Cash Alternatives and the issue of Creditors Shares under the Schemes).

4. This adjustment represents deconsolidation of the first lot of dormant subsidiary of the Company, which will be placed into voluntarily liquidation for the benefit of the Creditors before completion of the Restructuring. An amount totaling of approximately HK\$90 million of guarantee provided by the Company to this subsidiary will be discharged under the Schemes. The deconsolidation of this subsidiary will lead to a gain on deconsolidation of approximately HK\$90 million and will be recognised in reserves of the Group, assuming it has taken place on or before the completion of the Group Reorganisation.
5. This adjustment represents deconsolidation of the second lot of dormant subsidiaries of the Company, which shall be placed into voluntarily liquidation for the benefit of the Creditors before completion of the Restructuring. An aggregate of net liabilities of approximately HK\$575 million of these subsidiaries will be derecognised and that will improve the financial position of the Restructured Group. The deconsolidation of these subsidiaries will lead to a gain on deconsolidation of approximately HK\$575 million and will be recognised in reserves of the Group, assuming it has taken place on or before the completion of the Group Reorganisation.
6. This adjustment represents deconsolidation of the third lot of dormant subsidiaries of the Company, which shall be placed into voluntarily liquidation for the benefit of the Creditors before completion of the Restructuring. An aggregate of net liabilities of approximately HK\$8 million will be derecognised. The deconsolidation of these subsidiaries will lead to a decrease of non-controlling interests of approximately HK\$3.1 million and a gain on deconsolidation of these subsidiaries of approximately HK\$11 million will be recognised in reserves of the Group, assuming it has taken place on or before the completion of the Group Reorganisation.

(NO CASH ALTERNATIVE CREDITORS ACCEPT THE CASH ALTERNATIVES)

1. This adjustment represents the financial effect of the Capital Reorganisation comprising of (i) Capital Reduction and (ii) Share Premium Reduction, totally approximately to HK\$1,215 million. Capital Reduction is that the par value of each of the issued Share shall be reduced from HK\$0.10 to HK\$0.01. The credit balance arising from the Capital Reduction of approximately HK\$42 million will be applied to set off part of the accumulated losses of the Company as at 30 June 2015. Share Premium Reduction is that the entire amount standing to the credit of the share premium account of the Company shall be cancelled. The credit arising from the Share Premium Reduction of approximately HK\$1,173 million will be applied to set off part of the accumulated losses of the Company as at 30 June 2015.
2. This adjustment represents the issue of 1,150,568,300 Offer Shares on the basis of five Offer Shares for every two New Shares held on the Open Offer Record Date by the Qualifying Shareholders at the Offer Price of HK\$0.087 per Offer Share with the par value of HK\$0.01 each. As a result of the Open Offer, the Group will raise gross proceeds of approximately HK\$100 million and will increase its share capital and its share premium of approximately HK\$12 million and HK\$89 million respectively.
3. This adjustment represents the settlement of the total amount of claims against, and the liabilities of the Company of approximately HK\$2,960 million (including McVitie's claim of HK\$452 million) and the Costs and Expenses of HK\$45 million. By assuming none of the Cash Alternative Creditors accept the Cash Alternative, a total sum of approximately HK\$2,980 million shall be settled by way of the issue of 4,142,045,880 Creditors Shares at the issuing price of HK\$0.087 per share with the par value of HK\$0.01 per share and the remaining balance of HK\$25 million Costs and Expenses will be settled by the cash held by the Company. Approximately HK\$135 million out of the cash reserves of the Company will be used to settle (i) liquidation costs and expenses of approximately HK\$110 million; and (iii) restructuring cost and expenses of approximately HK\$25 million.

The accrued liabilities and other payables of Company amounts to approximately HK\$2,635 million which includes the Creditors' claims of approximately HK\$2,508 million, the restructuring cost and expenses of approximately HK\$25 million and the liquidation costs and expenses of approximately HK\$101million.

The Company's share capital will be increased by approximately HK\$41 million and its share premium account will be increased by approximately HK\$319 million respectively.

Estimated additional liquidation costs and expenses in a total sum of HK\$9.2 million will be recognised. Liquidation costs and expenses of approximately HK\$110 million will be settled.

Upon the discharge of the liabilities arising from the Company's Creditors under the Schemes, the Company will recognise a net gain of approximately HK\$2,620 million, representing the difference between the total liabilities of approximately HK\$2,980 million to be compromised and discharged under the Schemes and the total settlement amount of approximately HK\$360 million by the issue of Creditors Shares under the Schemes to be made.

4. This adjustment represents deconsolidation of the first lot of dormant subsidiary of the Company, which will be placed into voluntarily liquidation for the benefit of the Creditors before completion of the Restructuring. An amount totaling of approximately HK\$90 million of guarantee provided by the Company to this subsidiary will be discharged under the Schemes. The deconsolidation of this subsidiary will lead to a gain on deconsolidation of approximately HK\$90 million and will be recognised in reserves of the Group, assuming it has taken place on or before the completion of the Group Reorganisation.
5. This adjustment represents deconsolidation of the second lot of dormant subsidiaries of the Company, which will be placed into voluntarily liquidation for the benefit of the Creditors before completion of the Restructuring. An aggregate of net liabilities of approximately HK\$575 million of these subsidiaries will be derecognised and that will improve the financial position of the Restructured Group. The deconsolidation of these subsidiaries will lead to a gain on deconsolidation of approximately HK\$575 million and will be recognised in reserves of the Group, assuming it has taken place on or before the completion of the Group Reorganisation.
6. This adjustment represents deconsolidation of the third lot of dormant subsidiaries of the Company, which shall be placed into voluntarily liquidation for the benefit of the Creditors before completion of the Restructuring. An aggregate of net liabilities of approximately HK\$8 million will be derecognised. The deconsolidation of these subsidiaries will lead to a decrease of non-controlling interests of approximately HK\$3.1 million and a gain on deconsolidation of these subsidiaries of approximately HK\$11 million will be recognised in reserves of the Group, assuming it has taken place on or before the completion of the Group Reorganisation.

**ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

9 March 2016

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE
CIRCULAR****TO THE GRANDE HOLDINGS LIMITED (IN LIQUIDATION)**

Attention: The Joint and Several Provisional Liquidators of The Grande Holdings Limited
(In Liquidation)

We have completed our assurance engagement to report on the compilation of pro forma financial information of The Grande Holdings Limited (In Liquidation) (the "Company") and its subsidiaries (collectively the "Group") by the joint and several provisional liquidators (without personal liabilities) of the Company (the "Provisional Liquidators") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position and the unaudited pro forma statement of adjusted consolidated net tangible assets, and related notes as set out in Appendix III of the Circular issued by the Company. The applicable criteria on the basis of which the Provisional Liquidators have compiled the pro forma financial information are described in Appendix III.

The pro forma financial information has been compiled by the Provisional Liquidators to illustrate the impact of the Group's financial position as at 30 June 2015 as if the transaction had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the Provisional Liquidators from the Group's financial statements for the period ended 30 June 2015, on which an interim report has been published.

**PROVISIONAL LIQUIDATORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL
INFORMATION**

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

REPORTING ACCOUNTANT'S RESPONSIBILITIES

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

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

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

The purpose of pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2015 would have been as presented.

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

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

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

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

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

OPINION

In our opinion:

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

Yours faithfully

For and on behalf of
Crowe Horwath (HK) CPA Limited
Alvin Yeung
Director

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2015

On the bases and assumptions as set forth below, and in the absence of unforeseen circumstances, the Company estimates the consolidated profit attributable to Shareholders and earnings per Share for the year ended 31 December 2015 would be:

Profit attributable to shareholders for the year ended 31 December 2015 HK\$12 million

Earning per Share for the year ended 31 December 2015 HK\$2.61 cents

The profit estimate has been prepared by the Provisional Liquidators, based on the Group's audited results for the year ended 31 December 2014 (which were approved by the Provisional Liquidators and the estimated performance of the Group for the 12 months ended 31 December 2015. Further announcement(s) will be made by the Company as and when necessary should there be any material event which would have caused any profit estimate assumptions to have been materially different or any unanticipated event that would materially affect the profit estimate.

BASES AND ASSUMPTION

The profit estimate has been prepared on the basis of accounting policies consistent in all material respects with the Hong Kong Financial Reporting Standards and accounting policies adopted by the Company as set out in its annual report for the year ended 31 December 2014, and on the following assumptions:

1. There will be no material changes in the Group's operation save for the disposal of Excluded Companies;
2. There will be no material changes in the existing political, legal, fiscal, market or economic conditions in United States of America, Singapore or Hong Kong where the Group currently operates or which are otherwise material to the Group's business;
3. There will be no changes in legislation, regulations or rules in United States of America, Singapore, Hong Kong or any other countries or territories in which the Group operates or with which the Group has arrangements or agreements, which may materially adversely affect the Group's business or operations;

4. The licensing income is offshore-sourced and is therefore not subject to Hong Kong profits tax. The withholding tax, if any, payable on the trademark licensing income generated in any of the countries or territories in which the brands have engaged or will engage its licensees will be entirely borne by the licensees pursuant to the requirements of the respective trademark licensing agreements;
5. There will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in the countries or territories in which the Group operates;
6. There will be no material changes in the inflation rates, interest rates or foreign currency exchange rates from those currently prevailing;
7. There will be no other unforeseen circumstances, including but not limited to the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents, beyond the control of the Group that will have a material adverse effect on the results of operations of the Group;
8. There will be no material changes in accounting standards or financial reporting requirements;
9. It is assumed that the licensees of the Group will pay according to the agreed payment terms; and
10. It is reported that approximately HK\$30 million restructuring costs had been incurred as at 31 December 2015.

For illustrative purpose, if the Completion of the Proposed Restructuring of the Company is completed on 31 December 2015.

	Consolidated profit attributable to Shareholders	Earnings per New Share (assuming all of the Cash Alternative Creditors accept the Cash Alternative)	Earning per New Share (assuming none of the Cash Alternative Creditors accept the Cash Alternative)
Including all effects of the Resumption related costs, income and gain and liquidation costs and expenses (<i>Note 1</i>)	Not less than HK\$3,113 million	Not less than HK\$0.56	Not less than HK\$0.54
Excluding all effects of the Resumption related costs, income and gain and liquidation costs and expenses (<i>Note 1</i>)	Not less than HK\$12 million	Not less than HK0.22 cents	Not less than HK0.21 cents

Notes:

- The adjustments refer to the effects of (i) expected net gain on deconsolidation upon completion of the Schemes and the Group Reorganisation approximately HK\$676 million; (ii) gain on restructuring approximately HK\$2,539 million; (iii) restructuring cost approximately HK\$24 million accounted for in 2015; (iv) liquidation costs and expenses borne by Sino Bright of approximately HK\$20 million and (v) liquidation costs and expenses of approximately HK\$110 million. The estimate for the consolidated profit attributable to the Shareholders for the year ended 31 December 2015 is prepared based on the assumption to include/exclude the effects of the Resumption related costs, income and gain as aforesaid.
- The estimate for the consolidated profit attributable to the Shareholders for the year ended 31 December 2015 is prepared based on the assumptions summarized in the paragraphs below.

The calculation of unaudited forecast earning per New Share is based on the estimate consolidated profit attributable to the Shareholders for the year ended 31 December 2015 and as if there were 5,528,021,672 New Shares in issue (assuming all the Cash Alternative Creditors accept the Cash Alternative) or 5,752,841,500 New Share in issue (assuming none of the Cash Alternative Creditors accept the Cash Alternative) immediately following the Completion.

BASES AND ASSUMPTION

The profit estimate has been prepared on the basis of accounting policies consistent in all material respects with the Hong Kong Financial Reporting Standards and accounting policies adopted by the Company as set out in its annual report for the year ended 31 December 2014, and on the following assumptions:

1. There will be no material changes in the Group's operation save for the disposal of Excluded Companies;
2. There will be no material changes in the existing political, legal, fiscal, market or economic conditions in United States of America, Singapore or Hong Kong where the Group currently operates or which are otherwise material to the Group's business;
3. There will be no changes in legislation, regulations or rules in United States of America, Singapore, Hong Kong or any other countries or territories in which the Group operates or with which the Group has arrangements or agreements, which may materially adversely affect the Group's business or operations;
4. The licensing income is offshore-sourced and is therefore not subject to Hong Kong profits tax. The withholding tax, if any, payable on the trademark licensing income generated in any of the countries or territories in which the brands have engaged or will engage its licensees will be entirely borne by the licensees pursuant to the requirements of the respective trademark licensing agreements;
5. There will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in the countries or territories in which the Group operates;
6. There will be no material changes in the inflation rates, interest rates or foreign currency exchange rates from those currently prevailing;
7. There will be no other unforeseen circumstances, including but not limited to the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents, beyond the control of the Group that will have a material adverse effect on the results of operations of the Group;
8. There will be no material changes in accounting standards or financial reporting requirements;

9. Given the series of events required for the Completion of the Proposed Restructuring of the Company, the Completion is expected to be taken place in May 2016;
10. It is assumed that the licensees of the Group will pay according to the agreed payment terms;
11. Upon Completion, the Group is expected to record an accounting gain of approximately HK\$3,113 million for the year ended 31 December 2015 from the Proposed Restructuring;
12. The net proceeds from the Open Offer will be used solely for Cash Alternative under the Schemes. Any residual proceeds of the Open Offer will be retained by the Company as part of its working capital; and
13. It is reported that approximately HK\$30 million had been incurred as restructuring costs for the year ended 31 December 2015.

APPENDIX VI LETTERS IN RELATION TO THE PROFIT ESTIMATE

LETTER FROM THE REPORTING ACCOUNTANTS ON THE PROFIT ESTIMATE



國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

9 March 2016

The Grande Holdings Limited (In Liquidation)
Level 22, The Center
99 Queen's Road Central
Hong Kong

Attention: The Joint and Several Provisional Liquidators
of the Grande Holdings Limited (In Liquidation)

Dear Sirs

**THE GRANDE HOLDINGS LIMITED (IN LIQUIDATION)
("THE COMPANY") PROFIT ESTIMATE FOR THE
YEAR ENDED 31 DECEMBER 2015**

We refer to the estimate of the consolidated profit attributable to shareholders of the Company for the year ended 31 December 2015 (the "Profit Estimate") as attached in the Appendix.

RESPONSIBILITIES

The Profit Estimate has been prepared by the joint and several provisional liquidators (without personal liabilities) of the Company (the "Provisional Liquidators") based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014 and the estimated performance of the Group for the 12 months ended 31 December 2015.

The Provisional Liquidators are solely responsible for the Profit Estimate. It is our responsibility to form an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

BASIS OF OPINION

We carried out our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Board has properly compiled the Profit Estimate in accordance with the assumptions made by the Board and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

OPINION

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases and assumptions adopted by the Board as attached in the Appendix and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group.

Yours faithfully

For and on behalf of

Crowe Horwath (HK) CPA Limited

Alvin Yeung

Director

LETTER FROM THE FINANCIAL ADVISER ON THE PROFIT ESTIMATE

The following is the text of a letter, prepared for inclusion in this circular, received by the Provisional Liquidators from Asian Capital (Corporate Finance) Limited, the financial adviser to the Company, in connection with the forecast of the consolidated profit attributable to Shareholders for the year ending 31 December 2015.

**ASIAN CAPITAL****(CORPORATE FINANCE) LIMITED****卓亞 (企業融資) 有限公司**

9 March 2016

The Provisional Liquidators
The Grande Holdings Limited (In Liquidation)
22nd Floor, the Center
99 Queen's Road Central, Central
Hong Kong

Dear Sirs,

We refer to the consolidated profit estimate of The Grande Holdings Limited (In Liquidation) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the financial year ended 31 December 2015 (the "**Profit Estimate**") as set out in the Appendix V "Profit Estimate for the year ended 31 December 2015" in the circular dated 9 March 2016 issued by the Company to its Shareholders (the "**Circular**"). Terms used in this letter, unless otherwise defined, shall have the same meanings as those used in the Circular.

The Profit Estimate, for which the Directors and the provisional liquidators of the Company are responsible, has been prepared based on the Group's audited consolidated financial statements of the Company for the year ended 31 December 2014 and the estimate of the results of the Group for the year ended 31 December 2015. We have not been engaged to report on the arithmetical calculations or the adoption of accounting policy thereof. Our work has been undertaken for the purpose of reporting to the Board under paragraph 29(2) of Appendix 1b of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

APPENDIX VI LETTERS IN RELATION TO THE PROFIT ESTIMATE

We have discussed with you the bases and assumptions, as set forth in the paragraph headed “BASES AND ASSUMPTION” of Appendix V to the Circular, upon which the Profit Estimate has been made. We have also considered the letter dated 9 March 2016 addressed to you from Crowe Horwath (HK) CPA Limited regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the foregoing, and in the absence of unforeseeable circumstances, we are of the opinion that the Profit Estimate, for which the Directors and the provisional liquidators of the Company are responsible, has been made after due care and consideration.

Yours faithfully,

For and on behalf of
Asian Capital (Corporate Finance) Limited
Larry Chan
Executive Director

The Bye-laws of the Company have not been amended since June 2006. The Provisional Liquidators consider that it is appropriate to make corresponding amendments to the Bye-laws to bring them in line with the amendments to the Listing Rules and the Companies Act between 2006 and now, including the following major changes:

(A) VOTING AT GENERAL MEETINGS

The Listing Rules have been amended, whereby any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The New Bye-laws will put this into effect.

(B) VOTING AT BOARD MEETINGS

The Listing Rules have been amended, whereby subject to certain exceptions, a director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting. The New Bye-laws will put this into effect, and the exception that a director may vote on such board resolution provided he or any of his associates are not beneficially interested in more than 5% in the party with which the company proposes to enter into a contract or arrangement will be removed from the Bye-laws.

(C) PHYSICAL BOARD MEETINGS

The Listing Rules have been amended, whereby if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. The New Bye-laws will put this into effect.

(D) NOTICES OF GENERAL MEETINGS

Appendix 14 to the Listing Rules (The Corporate Governance Code) has been amended to stipulate that notices to shareholders be sent in the case of annual general meetings at least twenty clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings. The proposed changes to the Bye-laws will provide that the notice period for annual general meetings must be not less than twenty-one clear days and not less than twenty clear business days, and the notice period for any other special general meeting must be not less than fourteen clear days and not less than ten clear business days.

(E) SHARE TRANSFERS

The Companies Act permits the transfer of shares of a listed company in any manner permitted by and in accordance with the rules of the Stock Exchange. The New Bye-laws will be in line with this.

(F) REGISTER OF MEMBERS

The register of members and the branch register of members of the Company shall be open for inspection between 10 a.m. and 12 noon during business hours by members of the public without charge at the registered office of the Company or such other place at which the register is kept in accordance with the Companies Act.

(G) FINANCIAL ASSISTANCE

The prohibition against a company giving financial assistance for the acquisition of shares in the company has been removed from the Companies Act. The New Bye-laws will be in line with this change.

(H) CHAIRMAN OR DEPUTY CHAIRMAN

The requirement to have a chairman or deputy chairman under the Listing Rules has been dispensed with. The New Bye-laws will be in line with this change.

The Board noted that Rule 13.90 of the Listing Rules requires a listed company to publish an updated and consolidated version of its constitutional documents on the websites of both the Company and the Stock Exchange. Therefore, instead of carrying out piecemeal modifications on the existing Bye-laws, the Board proposes to adopt a new set of amended and restated Bye-laws to conform with the latest amendments to the Listing Rules and the Companies Act.

Shareholders should note that the major changes in the Bye-laws consequential upon the changes in the Listing Rules and the Companies Act described above are not exhaustive. The New Bye-laws also contain other changes which are primarily in line with the standard provisions of the bye-laws of other public listed companies incorporated in Bermuda. Copies of the Existing Bye-laws and the draft New Bye-laws are also available for inspection at the Company's principal place of business in Hong Kong up to and including the date of the AGM, and at the AGM.

The adoption of the New Bye-laws is subject to the approval of Shareholders by way of a special resolution.

The New Bye-laws are available only in English and the Chinese translation is for reference only. In case of any inconsistency, the English version of the New Bye-laws shall prevail.

The Company confirms that there is nothing unusual about the proposed adoption of the New Bye-laws for the Company as a Bermuda company listed on the Stock Exchange.

1. RESPONSIBILITY STATEMENT

Each of the Directors accepts full responsibility for the information relating to such Director which is set out in this circular and confirms, having made all reasonable enquiries, that to the best of such Director's knowledge, information and belief, such information is true, accurate and complete in all material respects and not misleading or deceptive in any material respect and there are no other matters the omission of which make any such information misleading or incorrect, and to the extent such information consists of opinions, such opinions have been arrived at after due and careful consideration.

The Directors individually and collectively accept full responsibility for the information relating to the period after resumption of trading in the Shares which is set out in this circular, such as the statement of working capital or profit forecast or statements of future intention with regard to the operations or employees of the Group, and they confirm, having made all reasonable enquiries, that to the best of their knowledge, information and belief, such information is true, accurate and complete in all material respects and not misleading or deceptive in any material respect and there are no other matters the omission of which make any such information misleading or incorrect, and to the extent such information consists of opinions, such opinions have been arrived at after due and careful consideration.

Sino Bright accepts full responsibility for the information relating to Sino Bright and its associates, including for the avoidance of doubt, Barrican Investments Corporation and Mr. Christopher W. Ho, to the Group prior to 31 May 2011 when the order for the appointment of the Provisional Liquidators was made, and to the Directors, including the curriculum vitae of the Directors, and their statements as to the period after resumption, which is set out in this circular, and confirms, having made all reasonable enquiries, that to the best of Sino Bright's knowledge, information and belief, such information is true, accurate and complete in all material respects and not misleading or deceptive in any material respect and there are no other matters the omission of which make any such information misleading or incorrect, and to the extent such information consists of opinions, such opinions have been arrived at after due and careful consideration.

The Provisional Liquidators individually and collectively accept full responsibility for the other information set out in this circular and they confirm, having made all reasonable enquiries, that to the best of their knowledge, information and belief, such information is true, accurate and complete in all material respects and not misleading or deceptive in any material respect and there are no other matters the omission of which make any such information misleading or incorrect, and to the extent such information consists of opinions, such opinions have been arrived at after due and careful consideration.

2. SHARE CAPITAL

The authorised issued share capital of the Company as at the Latest Practicable Date and immediately following (i) the Capital Reorganisation becoming effective; (ii) the issue of the Offer Shares; and (iii) the issue of Creditors Shares under the Scheme:

Before Capital Reorganisation

<i>Authorised share capital:</i>		<i>HK\$</i>
1,000,000,000	Shares of HK\$0.10 each as at the Latest Practicable Date	100,000,000.00
<u>1,000,000,000</u>		<u>100,000,000.00</u>
<i>Issued and fully paid or credited as fully paid:</i>		
460,227,320	Shares of HK\$0.10 each in issue as at the Latest Practicable Date	46,022,732.00
<u>460,227,320</u>		<u>46,022,732.00</u>

Upon Capital Reorganisation becoming effective

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>20,000,000,000</u>	New Shares of HK\$0.01 each	<u>200,000,000.00</u>
<i>Issued and fully paid or credited as fully paid (assuming all the Cash Alternative Creditors accept the Cash Alternative):</i>		
460,227,320	New Shares of HK\$0.01 each in issue immediately after the Capital Reorganisation becoming effective	4,602,273.20
1,150,568,300	Offer Shares of HK\$0.01 each to be allotted and issued	11,505,683.00
3,917,226,052	Creditors Shares of HK\$0.01 each to be allotted and issued	39,172,260.52
<u>5,528,021,672</u>		<u>55,280,216.72</u>

Issued and fully paid or credited as fully paid (assuming none of the Cash Alternative Creditors accept the Cash Alternative):

460,227,320	New Shares of HK\$0.01 each in issue immediately after the Capital Reorganisation becoming effective	4,602,273.20
1,150,568,300	Offer Shares of HK\$0.01 each to be allotted and issued	11,505,683.00
4,142,045,880	Creditors Shares of HK\$0.01 each to be allotted and issued	41,420,458.80
<u>5,752,841,500</u>		<u>57,528,415.00</u>

When fully paid and allotted, the Offer Shares and the Creditors Shares, which will be allotted and issued under a specific mandate to be sought from the Independent Shareholders at the SGM, will rank pari passu in all aspects, including all rights as to dividend, voting and interest in capital, among themselves and with the New Shares in issue (after the Capital Reorganisation becomes effective) as at the date of allotment and issuance of the Offer Shares and the Creditors Shares.

The Shares in issue are listed on the Main Board of the Stock Exchange. No part of the equity or debt securities of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived.

As at the Latest Practicable Date, no capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

As at the Latest Practicable Date, no shares, options, warrants, conversion rights or any equity or debt securities of the Company was outstanding or was proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the Offer Shares and the Creditors Shares.

Since 31 December 2014, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, no Shares have been allotted and issued by the Company. No part of the equity or debt securities of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

3. MARKET PRICES

As trading in the Shares has been suspended since 9:00 a.m. on 30 May 2011, information about the closing prices of the Shares on the Stock Exchange on the Relevant Period are not available, and neither are the highest and lowest closing prices of the Shares during the Relevant Period. The last closing price before suspension of trading was HK\$0.41.

4. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, so far as is known to the Provisional Liquidators, none of the Directors (there is no chief executive of the Company) had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Provisional Liquidators, the following persons (other than the Directors and there is no chief executive of the Company) had, or were deemed to have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any option in respect of such capital:

Long position in Shares and underlying Shares

Name of Shareholder	Capacity	Number of Shares held/ interested	Approximate percentage of shareholding
Accolade (PTC) Inc. <i>(Note 1)</i>	Trustee	328,497,822	71.38%
Airwave Capital Limited <i>(Note 1)</i>	Interest of corporation Controlled	328,497,822	71.38%
Barrican Investments Corporation <i>(Note 1)</i>	Beneficial owner	328,497,822	71.38%
Mr. Christopher W. Ho <i>(Note 2)</i>	Beneficiary of a discretionary trust	328,497,822	71.38%
Ms. Rosy Lo Si Yu <i>(Note 3)</i>	Interest as Mr. Christopher W. Ho's spouse	328,497,822	71.38%

Notes:

1. Accolade (PTC) Inc, is deemed to have interests in these Shares as the trustee to the discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 328,497,822 Shares.
2. Mr. Christopher W. Ho is deemed to have interests in these shares as he is one of the beneficiaries of a discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 328, 497,822 ordinary shares in the Company.
3. Ms. Rosy Lo Si Yu is deemed to have interests in these Shares by virtue of being the spouse to Mr. Christopher W. Ho, a former Director.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Provisional Liquidators, none of the person (other than the Directors and there is no chief executives of the Company) who had, or was deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2014 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by, or lease to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at the Latest Practicable Date, save for the Restructuring Agreement and the Underwriting Agreement, the Directors were not materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed services contract with any members of the Group which is not expiring or determinable by the Group within one year without payment of compensations other than statutory compensation.

7. POTENTIAL CLAIMS AND LITIGATIONS**Claim against GrandeTel Technologies, Inc.**

In 2005, certain plaintiffs obtained a default judgment against a defunct entity, GrandeTel Technologies, Inc., which was an associate of the Group before its disposal in 2004, for approximately US\$37 million in the US. In December 2006, an action was filed by these plaintiffs claiming that the Company should be responsible for the amount of the default judgment. The case went to trial in December 2010 and January 2011. On 16 May 2011, a Statement of Decision was handed down by the Superior Court for the State of California, under which the Company is obliged to settle a total amount of US\$48 million with interest at the rate of 10% per annum.

The amount was allegedly sold to another party, by way of an assignment dated 10 January 2014, who then filed their claim against the Company in place of the aforesaid creditor. The amount would be subject to the determination of the Court in accordance with section 194 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and rule 45 of the Companies (Winding-Up) Rules.

The claim will be dealt with under the Schemes and the Provisional Liquidators are of the view that the claim will have no material impact on the Company.

Winding up order against the Company

Pursuant to an order of the Hong Kong Court on 31 May 2011, Messrs. Fok Hei Yu and Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited, were appointed as the Provisional Liquidators. A winding-up order was granted against the Company by the High Court on 12 September 2013.

Upon the appointment of the Provisional Liquidators, no action or proceeding shall be proceeded with or commenced against the Company except by leave of Hong Kong Court, and subject to such terms as the Hong Kong Court may impose. Claims and potential claims against the Company (other than intercompany liabilities) will be compromised under the Schemes to be implemented by the Company and sanctioned by the Hong Kong Court and Bermuda Court.

High Court Action No. 48/2014

On 9 January 2014 the Provisional Liquidators caused (1) Sansui Electric Co Limited, registered in the BVI ("**Sansui BVI**") (2) The Alpha Capital Services Limited (3) The Grande Capital Group Limited and (4) The Grande (Nominees) Limited, all wholly owned subsidiaries of the Company (together, the "**Plaintiffs**"), to commence legal proceedings against (1) Sansui Electric Co. Limited, registered in Japan ("**Sansui Japan**") and (2) Sansui Sales Pte. Limited ("**SSPL**") (together, the "**Defendants**").

The legal proceedings are to set aside or rescind a deed of share pledge between Sansui BVI and Sansui Japan dated 3 March 2009 (the "**Share Pledge**") which purports to pledge to Sansui Japan all of the shares of Sansui Acoustics Research Corporation ("**SARC**"). SARC owns worldwide rights to the Sansui trademarks. In parallel, the Provisional Liquidators are also prosecuting a summons under section 221 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) against former members of the management and accounting functions of the Company and its subsidiaries to obtain information and documents relating to the Share Pledge (the "**Section 221 Summons**"). On 2 July 2014 the Honourable Mr Justice Harris adjourned the Section 221 Summons sine die with liberty to restore. As at the Latest Practicable Date, the Section 221 Summons remains to be adjourned.

Based on the material currently available to them and subject to any further information or documents to be obtained from the Section 221 Summons, the Provisional Liquidators are of the view that the deposits and debts that the Share Pledge purports to secure are not genuine and bona fide and therefore the Share Pledge should be rescinded or declared void.

A Concurrent Writ of Summons was served on SSPL on 14 April 2014. The Provisional Liquidators advise that the statement of claim has been filed with the High Court on 13 August 2014. Both Sansui Japan and SSPL have indicated that they intend to challenge the jurisdiction of the Hong Kong Court to hear the dispute. On 9 December 2014, the Defendants made an application for an order, inter alia, that the Eastern Caribbean Supreme Court, British Virgin Islands or the State Court, Singapore are the more convenient and appropriate forum for the trial of these proceedings. As at the Latest Practicable Date, the Defendants have yet to file their evidence to support their application to challenge the jurisdiction of the Hong Kong Court. In the meantime, the Plaintiffs have obtained an injunction order prohibiting the Defendants from dealing with or exercising any right in the shares of SARC, whether under the Share Pledge or otherwise. The injunction order will remain in place until further order of the court.

As advised by the legal advisor of the Provisional Liquidators, the Provisional Liquidators are of the view that they have a good claim for setting aside the share pledge in the Sansui trademark litigation.

Save as disclosed above, as at the Latest Practicable Date, the Provisional Liquidators and the Directors were not aware of any other litigation or claims of material importance which were pending or threaten against any member of the Group.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates were considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his close associates were appointed to represent the interests of the Company and/or the Group.

9. MATERIAL CONTRACTS

The following contracts had been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date, which are or may be material:

- (i) the Restructuring Agreement (supplemented by side letter dated 7 July 2014 and the Revised Restructuring Agreement dated 14 December 2015); and
- (ii) the Underwriting Agreement.

10. EXPENSES

The expenses in connection with the Open Offer, including financial advisory fees, printing, registration, translation, legal and accountancy charges and other related expenses are estimated to be HK\$2 million, which are payable by the Company from the Open Offer proceeds.

11. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Asian Capital	a licensed corporation to carry on type 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
VC Capital Limited ("VC Capital")	a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO
Crowe Horwath (HK) CPA Limited ("Crowe Horwath")	Certified Public Accountants

Each of Asian Capital, VC Capital and Crowe Horwath has given and has not withdrawn its consent to the issue of this circular with the inclusion of its report or letter, as the case may be, dated 9 March 2016 and reference to its names and/or its advice in the form and context in which it respectively appears.

As at the Latest Practicable Date, each of Asian Capital, VC Capital and Crowe Horwath did not have any shareholding, directly or indirectly, in any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any interest, either direct or indirect, in any assets which had been, since 31 December 2014 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

12. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE OPEN OFFER

The Company

Registered office:	Wessex House, 5th Floor 45 Reid Street Hamilton HM12 Bermuda
Principal place of business:	Level 22, The Center, 99 Queen's Road Central, Central, Hong Kong
Authorised representative:	Fok Hei Yu
Auditor and reporting accountant:	Crowe Horwath (HK) CPA Limited 9/F Leighton Centre, 77 Leighton Road, Causeway Bay, HK
Legal adviser as to Hong Kong laws:	Sidley Austin Level 39 Two International Financial Centre 8 Finance Street, Central, Hong Kong
Legal adviser as to Bermuda laws:	Conyers Dill & Pearman 29th Floor, One Exchange Square 8 Connanght Road Central, Hong Kong
Financial adviser:	Asian Capital (Corporate Finance) Limited Suite 601, Bank of America Tower 12 Harcourt Road, Central, Hong Kong
Independent financial adviser:	VC Capital Limited 28/F, The Centrium, 60 Wyndham Street, Central, Hong Kong

Underwriter:	Sino Bright PO Box 438, Beaufort House, Road Town, Tortola, British Virgin Islands
Hong Kong branch share registrar:	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banks (before appointment of the Provisional Liquidators):	The Hongkong and Shanghai Banking Corporation Limited

13. PARTICULARS OF DIRECTOR, MEMBERS OF SENIOR MANAGEMENT AND PROPOSED DIRECTORS

(a) Name and address of Director and members of the senior management

Address

Executive Directors:

Mr. Tang Hoi Nam	No.16, Fui Sha Wai Ping Shan, Yuen Long New Territories
Mr. Eduard William Rudolf Helmuth Will	21/F, 193 Kings Road Hong Kong

Senior Management:

Mr. Duncan Hon Tak Kwong	11/F, The Grande Building 398, Kwun Tong Road Kwun Tong, Kowloon Hong Kong
Mr. Lim Jew Tim	33 Hume Avenue, #10-11, Singapore 598734
Mr. Francis Hui Yick Lok	Unit 9E, Joint Venture Factory Building, 76 Hung To Road, Kwun Tong, Kowloon, Hong Kong

(b) Name and address of proposed Directors*Executive Directors:*

Mr. Manjit Singh Gill
57 Cantonment Road,
Singapore 089755

Mr. Duncan Hon Tak Kwong
11/F, The Grande Building
398, Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Independent non-executive Directors:

Mr. James Mailer
3A, CNT Building, 28 Bisney Road,
Pokfulam, Hong Kong

Mr. Kenneth Deayton
Unit 903, Seaview Commercial Building
21-24 Connaught Road West
Sheung Wan
Hong Kong

Mr. Chen Xiaoping
12/F, Entertainment Building
30 Queen's Road Central
Hong Kong

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 5:00 p.m. on any weekday (Monday to Friday, except public holidays) at the principal office of business of the Company in Hong Kong at Level 22, The Center, 99 Queen's Road Central, Central, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of continuance of the Company and Bye-Laws;
- (b) the service contract disclosed under the paragraph headed "Directors' service contracts" in this appendix;
- (c) the annual reports of the Company for the two financial years ended 31 December 2013 and 2014;

- (d) the “Letter from the Provisional Liquidators” as set out in this circular;
- (e) the “Letter from Independent Financial Adviser” as set out in this circular;
- (f) the report from Crowe Horwath (HK) CPA Limited, on unaudited pro forma financial information of the Group dated 9 March 2016, the text of which is appended to this circular as Appendix IV;
- (g) the letters in relation to the profit estimate for the year ended 31 December 2015 issued by Crowe Horwath (HK) CPA Limited and Asian Capital both dated 9 March 2016, the texts of which are appended as Appendix VI to this circular;
- (h) the written consents referred to in the paragraph headed “Experts and Consents” in this appendix;
- (i) the material contracts as referred to in the paragraph head “Material contracts” in this appendix; and
- (j) this circular.

15. GENERAL

If there is any inconsistency or ambiguity between the English version and the Chinese version of this circular, the English version shall prevail.

NOTICE OF SGM

GRANDE
THE GRANDE HOLDINGS LIMITED
嘉域集團有限公司
(In Liquidation in Hong Kong)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 186)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of The Grande Holdings Limited (In Liquidation in Hong Kong) (the “**Company**”) will be held at Level 22, The Center, 99 Queen’s Central, Central, Hong Kong on Friday, 1 April 2016, at 10:00 a.m. (or any adjournment thereof will be held at the duly notified place, day and time) for the purpose of considering and, if thought fit, passing the following resolutions of the Company:

SPECIAL RESOLUTION 1: CAPITAL REORGANISATION

THAT subject to the applicable laws of Bermuda and Hong Kong and any applicable directions (if any) of the Supreme Court of Bermuda and the High Court of Hong Kong, with effect from the day following the date this resolution is passed:

- (1) the existing authorised but unissued share capital of the Company in the amount of HK\$53,977,268, comprising 539,772,680 shares of HK\$0.10 each in the share capital of the Company each of which has not been taken up or agreed to be taken up by any person, be and is hereby cancelled in its entirety and the amount of the authorised share capital be diminished accordingly by HK\$53,977,268, from HK\$100,000,000 to HK\$46,022,732;
- (2) the par value of each of the issued shares of HK\$0.10 each (“**Shares**”) in the existing share capital of the Company be and is hereby reduced from HK\$0.10 each to HK\$0.01 each (“**New Shares**”) by cancelling the capital paid-up thereon to the extent of HK\$0.09 on each of the Shares, such that the par value of each Share shall be reduced from HK\$0.10 to HK\$0.01 (the “**Capital Reduction**”), and the credit arising from the Capital Reduction be transferred to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda (the “**Contributed Surplus Account**”) and the provisional liquidators of the Company in Hong Kong be and are hereby authorised to use the amount then standing to the credit of the Contributed Surplus Account in any manner as may be permitted under the Bye-Laws and all applicable laws including, without limitation, eliminating or

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setting off the accumulated losses of the Company as at 30 June 2015 without further authorisation from the shareholders of the Company and all such actions in relation thereto be and are hereby authorized, approved, ratified and confirmed;

- (3) the share premium account of the Company be and is hereby reduced by the amount of HK\$1,173,000,000 (the “**Share Premium Reduction**”), with the credit arising therefrom being credited to the Contributed Surplus Account, and the provisional liquidators of the Company in Hong Kong be and are hereby authorized to apply the amount standing to the credit of the Contributed Surplus Account in any manner as may be permitted under the Bye-Laws and all applicable laws including, without limitation, eliminating or setting off the accumulated losses of the Company as at 30 June 2015 without further authorisation from the shareholders of the Company and all such actions in relation thereto be and are hereby authorised approved, ratified and confirmed;
- (4) subject to and immediately following the Capital Reduction and the Share Premium Reduction, the Company’s authorised share capital be and is hereby increased from HK\$4,602,273.20 to HK\$200,000,000 by the creation of an additional 19,539,772,680 shares of HK\$0.01 each ranking pari passu with the existing shares of the Company after the Capital Reduction and Share Premium Reduction; and
- (5) the provisional liquidators of the Company in Hong Kong be and are hereby authorised generally to take all necessary steps and to do all acts and things and to execute all documents, including to affix the common seal of the Company to any documents, as may be necessary and desirable for the purpose of giving effect to or implementing the foregoing capital reorganisation.

SPECIAL RESOLUTION 2: ADOPTION OF NEW BYE-LAWS

THAT subject to (i) Special Resolution 1 and Ordinary Resolution 1 being passed and the capital reorganisation and the open offer therein provided for taking effect and (ii) the resumption of the trading of the shares of HK\$0.01 each in the share capital of the Company on The Stock Exchange of Hong Kong Limited, the Bye-Laws tabled at the special general meeting and marked “A” and signed by the chairman of the special general meeting for the purpose of identification, be and are hereby approved and adopted as the Bye-Laws of the Company in substitution for and to the exclusion of all the existing Bye-Laws of the Company with effect from the date of such resumption.

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ORDINARY RESOLUTION 1: CREDITOR SCHEMES OF ARRANGEMENT

THAT subject to the applicable laws of Bermuda and Hong Kong and the directions and sanction of the Supreme Court of Bermuda and the High Court of Hong Kong, the approval of the relevant creditors and to Special Resolution 1 and Ordinary Resolution 1 being passed and the capital reorganisation and open offer therein provided for taking effect:

- (1) the schemes of arrangement material particulars whereof are disclosed in the circular to shareholders of the Company dated 9 March 2016 (the “**Circular**”), which are to be effected as a scheme under section 99 of the Companies Act 1981 of Bermuda and sections 670, 673 and 674 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as parallel and concurrent schemes of arrangement, be and are hereby approved, subject to any modification thereof or addition thereto approved or imposed by the Supreme Court of Bermuda or the High Court of Hong Kong (if any);
- (2) the issue of up to 3,917,226,052 shares of the Company (assuming all creditors of the Company other than Sino Bright Enterprises Co., Ltd., McVitie Group Holdings Limited and Gain Alpha Finance Limited or their associates and persons acting in concert with any of them accept the cash alternative (as defined in the Circular)) or 4,142,045,880 shares of the Company (assuming none of such creditors accept the cash alternative), of HK\$0.01 each, representing approximately 851% or 900% as the case may be of the enlarged issued share capital of the Company after the aforementioned capital reorganisation and open offer, to the creditors under the schemes of arrangement in full and final discharge and release of all their claims against the Company and the provisional liquidators of the Company at the issue price of HK\$0.087 per share, be and is hereby approved;
- (3) the allotment and issue of shares of the Company under the schemes of arrangement to Sino Bright Enterprises Co., Ltd. (which is a connected person of the Company) and its associates in their capacity as scheme creditors under the schemes of arrangement, including shares that would otherwise have been allotted and issued to creditors who have elected to take cash in accordance with the terms of the schemes of arrangement to the extent such cash is funded from cash provided by Sino Bright Enterprises Co., Ltd., be and is hereby approved;
- (4) the payment of cash in lieu of the issue of shares of the Company to creditors who so elect to take cash in accordance with the terms of the schemes of arrangement, funded from the net proceeds of the open offer provided for in Ordinary Resolution 1 and the cash provided by Sino Bright Enterprises Co., Ltd., be and is hereby approved;

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- (5) the entering into of a deed of top up undertaking with Sino Bright Enterprises Co., Ltd. (which is a connected person of the Company) pursuant to which cash will be provided to the Company to meet all elections by creditors to take cash in lieu of new shares, to the extent not met from the net proceeds of the open offer provided for in Ordinary Resolution 1, be and is hereby approved;
- (6) the provisional liquidators of the Company in Hong Kong be and are hereby authorised generally to take all necessary steps and to do all acts and things and to execute all documents, including to affix the common seal of the Company to any documents, as may be necessary and desirable for the purpose of giving effect to or implementing the foregoing schemes of arrangement, including to disregard fractions of shares arising from the allocation of shares to creditors under the schemes of arrangement.

ORDINARY RESOLUTION 2: OPEN OFFER

THAT subject to the applicable laws of Bermuda and Hong Kong and the directions (if any) of the Supreme Court of Bermuda and the High Court of Hong Kong and to Special Resolution 1 and Ordinary Resolution 1 being passed:

- (1) the issue of 1,150,568,300 shares of HK\$0.01 each, representing 250% of the enlarged share capital of the Company after the capital reorganisation provided for in Special Resolution 1, but before the issue of any shares of the Company under the schemes of arrangement provided for in Ordinary Resolution 1, by way of non-renounceable open offer to the existing shareholders of the Company other than those whose addresses as shown on the register of members of the Company as of the stipulated record date are in places outside Hong Kong and are determined by the provisional liquidators of the Company in Hong Kong to be shareholders that need as a consequence to be excluded, on the basis of five (5) shares for every two (2) existing shares held on such record date at the offer price of HK\$0.087 per share, be and is hereby approved;
- (2) the absence of arrangements for applications by qualifying shareholders for shares under the open offer in excess of their pro rata entitlements be and is hereby approved; and
- (3) the provisional liquidators of the Company in Hong Kong be and are hereby authorised generally to take all necessary steps and to do all acts and things and to execute all documents, including to affix the common seal of the Company to any documents, as may be necessary and desirable for the purpose of giving effect to or implementing the foregoing open offer, including to disregard fractions of shares arising from the open offer and to aggregate such fractions and require the underwriter to take them up in accordance with the terms and conditions of the underwriting agreement.

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ORDINARY RESOLUTION 3: ELECTION AND RE-ELECTION OF DIRECTORS

THAT:

- (1) Mr Manjit Singh Gill be elected as a director of the Company;
- (2) Mr Duncan Hon Tak Kwong be elected as a director of the Company;
- (3) Mr James Mailer be elected as an independent non-executive director of the Company;
- (4) Mr Kenneth Deayton be elected as an independent non-executive director of the Company;
- (5) Mr Victor Chen Xiaoping be elected as an independent non-executive director of the Company;

in each case with effect from the date of resumption of the trading of the shares of the Company on The Stock Exchange of Hong Kong Limited; and

- (6) Mr Tang Hoi Nam having offered himself for re-election be re-elected as a director of the Company; and
- (7) Mr Eduard William Rudolf Helmuth Will having offered himself for re-election be and is hereby re-elected as a director of the Company;

in each case with effect from the date this resolution is passed.

For and on behalf of
The Grande Holdings Limited
(In Liquidation in Hong Kong)

Roderick John Sutton

and

Fok Hei Yu

*Joint and Several Provisional Liquidators
acting as agents without personal liability*

Hong Kong, 9 March 2016

Registered office:

Wessex House, 5th Floor
45 Reid Street
Hamilton HM12
Bermuda

Principal place of business:

Level 22, The Center,
99 Queen's Road Central,
Central, Hong Kong

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Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if such member is the holder of two or more shares) to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. A form of proxy for use in connection with the SGM is enclosed with this circular. To be valid, the form of proxy, and (if required by the Board) the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the branch share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. As at the date of this notice, the board of directors of the Company comprises of two executive directors, being Messrs Tang Hoi Nam and Eduard William Rudolf Helmuth Will.