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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in Shenzhen High-Tech Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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**SHENZHEN HIGH-TECH HOLDINGS LIMITED****深 圳 科 技 控 股 有 限 公 司***(Incorporated in Bermuda with limited liability)***(Stock code: 106)****MAJOR AND CONNECTED TRANSACTION  
WHITEWASH WAIVER APPLICATION  
RE-ELECTION OF DIRECTOR AND  
NOTICE OF SPECIAL GENERAL MEETING****Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

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A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 23 of this circular. A letter from Cinda International Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 46 of this circular.

A notice convening a special general meeting (the “SGM”) of the Company to be held at Bridges Executive Centre, 20th Floor, Central Tower, 28 Queen’s Road Central, Hong Kong on Monday, 17 August 2009 at 10:30 a.m. is set out on pages 190 to 191 of this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

31 July 2009

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## DEFINITIONS

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

“Acquisition”	the proposed acquisition by the Purchaser of the Sale Shares and the Loan pursuant to the Supplemented Agreement;
“acting in concert”	has the meaning ascribed to it in the Takeovers Code;
“Agreement”	the sale and purchase agreement dated 4 June 2009 entered into between the Purchaser, the Vendor and the Guarantor in relation to the sale and purchase of the Sale Shares and the assignment of the Loan;
“Announcement”	the announcement of the Company dated 16 June 2009 in relation to, inter alia, the Acquisition;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day (other than Saturday and Sunday) on which banks in Hong Kong are open for general banking transactions;
“Bye-laws”	the bye-laws of the Company as amended, supplemented or modified from time to time;
“Company”	Shenzhen High-Tech Holdings Limited 深圳科技控股有限公司, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, being the direct sole shareholder of the Purchaser;
“Completion”	completion of the sale and purchase of the Sale Shares and the assignment of the Loan;
“Completion Accounts”	the draft unaudited accounts of Yue Tin prepared by the Vendor comprising the balance sheet of Yue Tin as at the Completion Date and the income statement of Yue Tin for the period commencing from 1 April 2009 to the Completion Date;
“Completion Date”	on or before the third Business Day following the date on which the last of the conditions precedent has been fulfilled, or such later date as the Vendor and the Purchaser may agree in writing;
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;

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## DEFINITIONS

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“Consideration”	the consideration of HK\$278,000,000 (subject to adjustment) for the Acquisition payable pursuant to the terms of the Supplemented Agreement;
“Consideration Shares”	a total of 650,000,000 Shares to be allotted and issued by the Company to the Vendor pursuant to the Agreement in partial settlement of the Consideration;
“Deferred Tax Provision”	a deferred tax provision in an amount not exceeding HK\$30,000,000, which will be provided for in the Completion Accounts in light of the upward revaluation of the Properties and their accelerated tax depreciation so arising;
“Director(s)”	the directors of the Company;
“Enlarged Group”	the Company and its subsidiaries (which includes Yue Tin) after Completion;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates;
“Group”	the Company and its subsidiaries;
“Guarantor”	Mr. Wong Chung Tak, an executive Director, the Chairman and substantial Shareholder of the Company, who is also the ultimate sole beneficial owner of the Vendor;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HK Commercial Properties”	collectively, the commercial properties owned by Yue Tin in Hong Kong located at (i) the whole of 24th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong and (ii) Shops Nos. 4 and 5 on the Ground Floor, Flats 1, 2, 3, 4, 5, 6, 7 and 8 on the 1st Floor, Flat 3 and Flat 4 on the 2nd Floor of South Wall Mansion, Nos. 63, 63A, 65, 67, 69 and 71 South Wall Road, Kowloon City, Kowloon;
“HK Properties”	collectively, the HK Commercial Properties and the HK Residential Property;
“HK Residential Property”	the residential property owned by Yue Tin in Hong Kong, being Flat A, 23rd Floor, Block 2, and Car Parking Space No. 31 on 2nd Basement, Ronsdale Garden, 25 Tai Hang Drive, Jardine’s Lookout, Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

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## DEFINITIONS

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“IFA”	Cinda International Capital Limited, a corporation licensed to carry out types 1 and 6 regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Supplemented Agreement, the transactions contemplated thereunder and the Whitewash Waiver;
“Independent Board Committee”	a committee of the Board comprising Mr. Liu and all the independent non-executive Directors established for the purpose of advising and giving recommendation to the Independent Shareholders regarding the Supplemented Agreement, the transactions contemplated thereunder and the Whitewash Waiver;
“Independent Shareholders”	the Shareholders other than (i) the Vendor and parties acting in concert with it; and (ii) those who are involved in or interested in the Acquisition and/or the Whitewash Waiver;
“Independent Third Party(ies)”	party/parties who is/are independent of and not connected with the Company, its subsidiaries, their respective directors, chief executives or substantial shareholders or any of their respective associates;
“July Announcement”	the announcement of the Company dated 22 July 2009;
“Latest Practicable Date”	29 July 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Liabilities”	the total liabilities of Yue Tin other than the Loan and the Deferred Tax Provision, whether actual or contingent, as at Completion, and for the avoidance of doubt, including all provisions for taxation (other than the Deferred Tax Provision) and bad debts;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	the entire principal amount of the shareholder’s loan owing by Yue Tin to the Vendor together with all interest accrued thereon as set out in the Completion Accounts, the aggregate amount of such shareholder’s loan together with interest accrued thereon up to the date of the Agreement and the Latest Practicable Date is HK\$143,241,295.52;
“Mr. Liu”	Mr. Liu Sing Piu, Chris, one of the non-executive Directors;

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## DEFINITIONS

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“New Warrants”	a total number of 240,000,000 units of unlisted warrants issued by the Company on 23 April 2009, each of which entitles the holder thereof to subscribe for one Share at HK\$0.20 (subject to adjustment) at any time during the period of 36 months commencing from 23 April 2009, subject to the terms and conditions set out in the warrant instrument dated 23 April 2009;
“PRC Property”	the property owned by Yue Tin in the PRC located at 中國北京東城區建國門內大街18號(公寓)1611單元;
“Properties”	collectively, (i) the HK Properties and (ii) the PRC Property;
“Purchaser”	Value Shine Limited, a company incorporated in the British Virgin Islands with limited liability, being a direct wholly-owned subsidiary of the Company;
“Recent Period”	the period beginning six months prior to the date of the Announcement and ended on the Latest Practicable Date;
“Sale Shares”	2 ordinary shares of HK\$1.00 each in the share capital of Yue Tin, representing the entire issued share capital of Yue Tin;
“Savills”	Savills Valuation and Professional Services Limited, an independent valuer;
“SFC”	The Securities and Futures Commission of Hong Kong;
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened and held at Bridges Executive Centre, 20th Floor, Central Tower, 28 Queen’s Road Central, Hong Kong on Monday, 17 August 2009 at 10:30 a.m. to consider and approve the Supplemented Agreement, the transactions contemplated thereunder (including the issue and allotment of the Consideration Shares), the Whitewash Waiver and the re-election of Director;
“Share(s)”	ordinary share(s) of HK\$0.20 each in the capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement dated 12 June 2009 entered into between the Purchaser, the Vendor and the Guarantor amending, among others, the definition of Liabilities;

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## DEFINITIONS

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“Supplemented Agreement”	the Agreement as supplemented by the Supplemental Agreement;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“Tenancy Agreements”	the tenancy agreements proposed to be entered into between Yue Tin and the Vendor in relation to: <ol style="list-style-type: none"><li>1. Room 2401, 24th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong; and</li><li>2. the HK Residential Property;</li></ol>
“Vendor”	Junny Diamond Co., Limited (晉利鑽石有限公司), a company incorporated in Hong Kong with limited liability which is ultimately wholly and beneficially owned by the Guarantor, being the sole beneficial shareholder of Yue Tin;
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Vendor and any parties acting in concert with it to make a mandatory general offer for all the Shares not already owned by the Vendor and its parties acting in concert which might otherwise arise as a result of the issue of the Consideration Shares to the Vendor pursuant to the terms of the Agreement;
“Yue Tin”	Yue Tin Development Limited (愉田發展有限公司), a limited company incorporated under the laws of Hong Kong, the legal and beneficial owner of the Properties; and
“%”	per cent.

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## LETTER FROM THE BOARD

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### SHENZHEN HIGH-TECH HOLDINGS LIMITED

深圳 科技 控 股 有 限 公 司

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 106)**

*Executive Directors:*

WONG Chung Tak (*Chairman*)  
TSE Kam Fai

*Non-Executive Directors:*

WONG Ngo, Derick  
LIU Sing Piu, Chris

*Independent Non-Executive Directors:*

LEE Kuo Ching, Stewart  
CHONG Kally  
CHUNG Koon Yan

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton, HM11  
Bermuda

*Head Office and Principal Place  
of Business in Hong Kong:*

2406, 24th Floor  
World-Wide House  
19 Des Voeux Road Central  
Hong Kong

31 July 2009

*To the Shareholders and for information only,  
holders of the New Warrants*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION  
WHITEWASH WAIVER APPLICATION  
RE-ELECTION OF DIRECTOR AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

On 16 June 2009, the Board announced that the Purchaser entered into (i) the Agreement on 4 June 2009 and (ii) the Supplemental Agreement on 12 June 2009 with the Vendor and the Guarantor, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares and the Loan at an aggregate consideration of HK\$278,000,000 (subject to adjustment) which will be satisfied by (a) the issue and allotment of 650,000,000 Consideration Shares and (b) cash payment.

The purpose of this circular is to provide you with further information in relation to the Acquisition, the Supplemented Agreement, the Whitewash Waiver and the re-election of Director, and a notice of SGM to approve the Supplemented Agreement, the transactions contemplated thereunder, the issue of the Consideration Shares, the Whitewash Waiver and the re-election of Director.

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## LETTER FROM THE BOARD

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### THE ACQUISITION

#### The Agreement

Date: 4 June 2009

Purchaser: Value Shine Limited, a direct wholly-owned subsidiary of the Company

Vendor: Junny Diamond Co., Limited

Guarantor: Mr. Wong Chung Tak

The Vendor is ultimately wholly and beneficially owned by the Guarantor, an executive Director, the Chairman and a substantial shareholder of the Company, who is thus a connected person of the Company under the Listing Rules.

#### Supplemental Agreement

According to the Agreement, the Consideration shall be adjusted by deducting the total liabilities of Yue Tin other than the Loan, whether actual or contingent, as at Completion as shown in the Completion Accounts.

After entering into the Agreement, the auditors of the Company have proceeded to prepare the Completion Accounts and have reviewed the relevant accounting records and documents in connection with the Company and the Properties and have come to the view that the Deferred Tax Provision should be included in the Completion Accounts in light of the upward revaluation of the Properties and their accelerated tax depreciation so arising. However, the Purchaser has also been verbally advised by the auditors of the Company that the amount of the tax covered in the Deferred Tax Provision would be written back in the accounts of the Company upon its sale of the Properties.

The parties to the Agreement have thus agreed that the Deferred Tax Provision should not be taken into account in the adjustment of the Consideration. In this regard, the Vendor, the Purchaser and the Guarantor entered into the Supplemental Agreement on 12 June 2009, pursuant to which:

- (a) the definition of “Liabilities” was amended to exclude the Deferred Tax Provision; and
- (b) subject to the amendments as set out therein, all the terms and conditions of the Agreement shall remain in full force and effect.

#### Assets to be acquired

According to the Agreement, the Vendor has conditionally agreed to sell the Sale Shares and assign the Loan, and the Purchaser has conditionally agreed to purchase the Sale Shares and take up the Loan pursuant to the terms and conditions contained therein.

Yue Tin is principally engaged in investment in and holding of the Properties.

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## LETTER FROM THE BOARD

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The respective audited net profits (loss) before and after taxation of Yue Tin for each of the two years ended 31 March 2009 were as follows:

	<b>For the year ended 31 March 2008</b>	<b>For the year ended 31 March 2009</b>
Net profits (loss) before taxation	HK\$98,924,000	(HK\$99,964,000)
Net profits (loss) after taxation	HK\$81,745,000	(HK\$81,247,000)

The net asset value of Yue Tin as at 31 March 2009 was HK\$85,327,000.

The original costs of the Properties to the Vendor were approximately HK\$147,296,217.

Yue Tin was incorporated by the Vendor and the Guarantor in 1990. The Vendor is the sole beneficial owner of Yue Tin. Yue Tin is legally owned as to 50% (or one share) by the Vendor and the remaining 50% (or one share) in the share capital of Yue Tin is legally held by the Guarantor on trust for the Vendor.

The Directors confirm that there is no restriction on the subsequent sale of the entire issued share capital of Yue Tin.

### **Consideration**

The Consideration is HK\$278,000,000 (comprising the consideration for the assignment of the Loan calculated up to the Completion Date on a dollar-for-dollar basis (the "Loan Consideration") and the consideration for the sale of the Sale Shares, the amount of which is equivalent to the Consideration minus the Loan Consideration), subject to adjustment as detailed in the paragraph headed "Adjustment to the Consideration" below and shall be satisfied by:

- (i) the issue and allotment of the Consideration Shares by the Company to the Vendor at an agreed issue price of HK\$0.265 per Share with an aggregate value of HK\$172,250,000, which is calculated with reference to the recent trading prices of the Shares; and
  - (ii) cash payment in the sum of HK\$105,750,000 by the Purchaser to the Vendor,
- on Completion.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to (i) the unaudited net asset value of Yue Tin as at 30 April 2009; (ii) the director's assessment of the valuation of the Properties; and (iii) the principal amount of the Loan as at the date of the Agreement.

A property valuation report containing the valuation of the Properties has been included in this circular as Appendix V in accordance with the requirements of the Listing Rules and the Takeovers Code.

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## LETTER FROM THE BOARD

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The Consideration Shares represent approximately 53.43% of the existing entire issued share capital of the Company as at the Latest Practicable Date, and approximately 34.83% of the entire issued share capital of the Company as enlarged by the issue of the Consideration Shares.

### **Adjustment to the Consideration**

The Vendor shall procure that the Completion Accounts be drawn up and delivered to the Purchaser on the Completion Date. Completion shall take place on the basis of the Completion Accounts. If the Completion Accounts shall show that Yue Tin has any Liabilities, the portion of the Consideration in the sum of HK\$105,750,000 payable by the Purchaser to the Vendor in cash shall be adjusted by deducting the amount of such Liabilities, with no limit on the amount to be so adjusted. The portion of the Consideration to be satisfied by the issue of the Consideration Shares will not be subject to any adjustment. If the Completion Accounts shall show that Yue Tin has any net profits, no adjustment shall be made to the Consideration. The Purchaser and the Vendor do not foresee that the Liabilities will exceed HK\$105,750,000 given the nature of business of Yue Tin and that there is no bank loan secured by the Properties. The Vendor and the Guarantor have also undertaken in the Agreement that no mortgage or charge will be created against the Properties before Completion.

### **Issue price of the Consideration Shares**

The issue price of HK\$0.265 per Consideration Share represents:

- (1) a discount of approximately 10.17% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on 3 June 2009, being the last trading day prior to the signing of the Agreement;
- (2) a discount of approximately 7.34% to the average closing price of HK\$0.286 per Share as quoted on the Stock Exchange over the last 5 consecutive trading days up to and including 3 June 2009;
- (3) a discount of approximately 1.85% to the average closing price of HK\$0.27 per Share as quoted on the Stock Exchange over the last 15 consecutive trading days up to and including 3 June 2009; and
- (4) a discount of approximately 3.64% to the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The issue price of the Consideration Shares was negotiated on an arm's length basis between the Company, the Purchaser and the Vendor with reference to the prevailing market prices of the Shares. The Directors consider that the terms of the Supplemented Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

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## LETTER FROM THE BOARD

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Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange. The Consideration Shares will rank pari passu in all respects among themselves and with all other Shares in issue on the date of such issue but will not participate in any dividend or other distribution which has been or may be declared with a record date prior to the date of issue and allotment of the Consideration Shares.

### Conditions

Completion is conditional upon the fulfilment of the following conditions:

- (a) the representations, warranties and undertakings given by the Vendor and the Guarantor to the Purchaser in the Agreement (the “**Warranties**”) remaining true and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Agreement and Completion;
- (b) the Purchaser notifying the Vendor in writing that in reliance of the Warranties and upon inspection and investigation of the documents in respect of Yue Tin which may be required by the Purchaser after the signing of the Agreement and due diligence carried out by the Purchaser on the Properties and Yue Tin after the signing of the Agreement, it is fully satisfied:
  - (i) with the conditions of the Properties and Yue Tin (both financial and operational); and
  - (ii) that Yue Tin has good titles to the Properties without any encumbrances;
- (c) the passing by the Independent Shareholders at the SGM by way of poll ordinary resolutions to approve (i) the Supplemented Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares) and (ii) the Whitewash Waiver;
- (d) the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares;
- (e) the granting by the Executive to the Vendor of the Whitewash Waiver;
- (f) the obtaining of all other necessary consents and approvals in connection with the Supplemented Agreement, including but not limited to the consents, authorizations or approvals of the Stock Exchange, any regulatory or other governmental authorities as may be required under the Listing Rules or the applicable laws; and
- (g) the obtaining, at the costs of the Vendor, by the Purchaser of:
  - (i) a legal opinion, in form and substance satisfactory to the Purchaser in all respects, issued by a lawyer qualified to practice the laws of the PRC, regarding, inter alia, the PRC Property; and

## LETTER FROM THE BOARD

- (ii) a valuation report, in form and substance satisfactory to the Purchaser in all respects, issued by an independent valuer showing the aggregate current market value of the Properties to be not less than HK\$282,000,000.

As at the Latest Practicable Date, the conditions as set out in paragraphs (b) and (g) have been fulfilled. The Purchaser may waive the condition as set out in paragraph (a) above and none of the conditions as set out in paragraphs (c) to (f) above can be waived. If any of the above conditions are not fulfilled or waived by the Purchaser (as the case may be) within 6 calendar months after the date of the Agreement (or such later date as the Vendor and the Purchaser may agree in writing), the Purchaser shall not be bound to proceed with the purchase of the Sale Shares and/or the assignment of the Loan and the Supplemented Agreement shall cease to have any effect.

### Completion

Completion shall take place on the Completion Date.

After Completion, Yue Tin will become a wholly-owned subsidiary of the Company and its financial results will be consolidated in the Group's financial statements after Completion.

### Effect on shareholding of the Company

As at the Latest Practicable Date, none of the New Warrants has been exercised. Upon issuance of the Consideration Shares, the shareholdings of the Company will be as follows:

Name of Shareholders	As at the		Upon Completion		Upon Completion	
	Latest Practicable Date		assuming no		assuming that the	
	<i>No. of</i>		New Warrants and		New Warrants and	
	<i>Shares held</i>	<i>%</i>	share options		share options are	
			are exercised		exercised in full	
			<i>No. of</i>		<i>(Note 1)</i>	
			<i>Shares held</i>	<i>%</i>	<i>No. of</i>	<i>%</i>
			<i>Shares held</i>		<i>Shares held</i>	
<i>The Vendor and parties</i>						
<i>acting in concert with it :</i>						
- Thing On Group Limited						
<i>(Note 2)</i>	356,589,589	29.31	356,589,589	19.10	356,589,589	16.65
- The Vendor <i>(Note 2)</i>	-	-	650,000,000	34.83	650,000,000	30.35
<i>Sub-total:</i>	356,589,589	29.31	1,006,589,589	53.93	1,006,589,589	47.00
<i>Directors:</i>						
Tse Kam Fai	-	-	-	-	7,100,000	0.33
Wong Ngo, Derick	-	-	-	-	6,900,000	0.32
Chong Kally	-	-	-	-	6,900,000	0.32
<i>Sub-total:</i>	-	-	-	-	20,900,000	0.97

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## LETTER FROM THE BOARD

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Name of Shareholders	As at the		Upon Completion		Upon Completion	
	Latest Practicable Date		assuming no		assuming that the	
			New Warrants and		New Warrants and	
	No. of	%	No. of	%	No. of	%
	Shares held		Shares held		Shares held	
					(Note 1)	
					No. of	
					Shares held	%
<i>Public Shareholders :</i>						
Power Ace Limited (Note 3)	–	–	–	–	120,000,000	5.61
Willfame Group Limited (Note 3)	60,000,000	4.93	60,000,000	3.21	60,000,000	2.80
Time Favour Limited (Note 4)	–	–	–	–	120,000,000	5.61
Year Top Limited (Note 4)	30,524,000	2.51	30,524,000	1.64	30,524,000	1.43
Other public Shareholders	769,492,470	63.25	769,492,470	41.22	783,492,470	36.58
	<u>1,216,606,059</u>	<u>100.00</u>	<u>1,866,606,059</u>	<u>100.00</u>	<u>2,141,506,059</u>	<u>100.00</u>

*Notes :*

- (1) The assumption does not take into account any exercise of the share options by the Guarantor or his spouse, Ms. Ng Ka Fong Jenny. The Guarantor and Ms. Ng Ka Fong Jenny have undertaken that they will not exercise their respective options from the date of the Agreement up to and inclusive of the Completion Date.
- (2) The entire issued share capital of the Vendor is wholly and beneficially owned by Thing On Holdings International Limited, a company wholly and beneficially owned by Thing On Group Limited which is in turn wholly and beneficially owned by Mr. Wong Chung Tak, an executive Director and the Chairman of the Company.
- (3) Each of Power Ace Limited and Willfame Group Limited is wholly-owned by Ms. Juvy Ngo Ting.
- (4) Each of Time Favour Limited and Year Top Limited is wholly-owned by Ms. Lucy Tin Chua.

### Information of the Group

The Group is principally engaged in property investment and trading.

As disclosed in the July Announcement, the financial results of the Group for the six months ended 30 June 2009 are expected to decrease significantly as compared to those for the six months ended 30 June 2008. The Company considers that the significant decrease in the financial results of the Group for the six months ended 30 June 2009 was mainly attributable to the significant decrease in the revenue generated from property trading as compared to those in the first half year of 2008.

Such statements as disclosed in the July Announcement constitute a profit estimate under Rule 10 of the Takeovers Code and therefore has been reported on by Grant Thornton, the reporting accountants of the Company, and Cinda International Capital Limited, the IFA in accordance with Rule 10 of the Takeovers Code. Please refer to Appendix IV to this circular for the opinions expressed by Grant Thornton and Cinda International Capital Limited, respectively.

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## LETTER FROM THE BOARD

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### **Information on the Vendor**

The Vendor is an investment holding company. Other than Yue Tin, the Vendor also owns another subsidiary which is principally engaged in the business of money lending.

### **Reasons for the Acquisition**

Yue Tin is the legal and beneficial owner of the Properties and:

- (a) the HK Commercial Properties will be used by the Group either for self-use or investment purposes. As at the date hereof, the Group is using one of the HK Commercial Properties, i.e. Room 2406, 24th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong as its office under a tenancy agreement dated 11 August 2008. Further, the Board considers that, given that the relevant HK Commercial Properties at World-Wide House are located at the prime office area in Hong Kong and all of the HK Commercial Properties are currently leased out, the Acquisition is a good opportunity for the Group to acquire good quality commercial properties in order to strengthen its investment base and provide a steady income stream to the Group;
- (b) the HK Residential Property will be leased to the Vendor upon Completion to provide a steady income stream to the Group; and
- (c) the PRC Residential Property may be leased to other third party or parties after Completion, but it will be used by the Group as the accommodation of the Directors and management staff when they travel to Beijing for business before the same has been leased out. The Board considers that the intended use of the PRC Residential Property will enhance the possible rental income of the Group and will enhance the utility of the PRC Residential Property as well as provide flexibility to the Group's management for their travel to Beijing before the PRC Residential Property has been leased out which is in the interests of the Company and its Shareholders as a whole.

None of the tenants of the Properties is a Shareholder.

The Directors consider that the Acquisition will benefit the Group with the anticipated growth in the value of the Properties.

Taking into account the above factors, the Directors consider that the Acquisition is in the interests of the Company and the terms of the Supplemented Agreement are on normal commercial terms and were arrived at after arm's length negotiations, which are fair and reasonable and are in the interests of the Shareholders as a whole.

### **Management discussion and analysis of the results of Yue Tin**

Set out in Appendix II to this circular is the accountants' report on the consolidated financial information of Yue Tin for each of the three years ended 31 March 2007, 2008 and 2009. Below is the management discussion and analysis on the performance of Yue Tin during such period.

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## LETTER FROM THE BOARD

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Yue Tin is principally engaged in property investment. As at 31 March 2007, 2008 and 2009, Yue Tin had net assets of approximately HK\$84,829,000, HK\$166,574,000 and HK\$85,327,000 respectively. For each of the three years ended 31 March 2007, 2008 and 2009, the turnover of Yue Tin was approximately HK\$7,359,000, HK\$7,010,000 and HK\$7,519,000 respectively. The turnover was contributed from the rental income and property management fee income generated from the investment properties in Hong Kong.

The respective gross profit and net profit after tax (net loss) of Yue Tin for each of the three years ended 31 March 2009 extracted from the accountants' report of Yue Tin as set out in Appendix II to this circular are set out as follows:

	<b>Gross profit</b>	<b>Net profit after tax (net loss)</b>
Year ended 31 March 2007	HK\$6,312,000	HK\$24,056,000
Year ended 31 March 2008	HK\$6,165,000	HK\$81,745,000
Year ended 31 March 2009	HK\$6,164,000	(HK\$81,247,000)

The net loss incurred during the year ended 31 March 2009 was mainly attributable to the loss in fair value of investment properties of approximately HK\$100,541,000 as a result of the economic downturn in the second half of 2008.

In the opinion of Grant Thornton, the financial information of Yue Tin including the balance sheets of Yue Tin as at 31 March 2007, 2008 and 2009, the income statements, the cash flow statements and the statements of changes in equity for each of the three years ended 31 March 2007, 2008 and 2009 (the "Relevant Periods"), for the purpose of the accountants' report of Yue Tin as set out in Appendix II to this circular, give a true and fair view of the state of affairs of Yue Tin as at 31 March 2007, 2008 and 2009 and the results and cash flows of Yue Tin for each of the Relevant Periods.

As stated on page 125 of this circular, without qualifying the opinion of Grant Thornton (the reporting accountant of Yue Tin), Grant Thornton draw attention to note 3.1 to the Financial Information (as defined in Appendix II to this circular) which discloses that as at 31 March 2009, Yue Tin had net current liability position of HK\$146,559,000. This condition as disclosed in note 3.1 to the Financial Information indicates the existence of a material uncertainty which may cast significant doubt about Yue Tin's ability to continue as a going concern.

### **Financial effects of the Acquisition**

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial impact of the Acquisition on the assets and liabilities of the Group, assuming the Acquisition had been completed on 31 December 2008. Immediately upon Completion, the entire issued share capital of Yue Tin will be owned by the Group. Accordingly, the Group's interests in Yue Tin will be consolidated into the financial statements of the Group and Yue Tin will become a wholly-owned subsidiary of the Group immediately upon Completion.

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## LETTER FROM THE BOARD

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According to the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma consolidated total assets of the Group would increase from approximately HK\$1,257 million as at 31 December 2008 to approximately HK\$1,407 million (as the Enlarged Group) as at 31 December 2008. The increase would be primarily due to the consolidation of the assets of Yue Tin. The unaudited pro forma consolidated total liabilities of the Group would increase from approximately HK\$95 million as at 31 December 2008 to approximately HK\$116 million (as the Enlarged Group) as at 31 December 2008 due to the consolidation of the liabilities of Yue Tin.

The unaudited pro forma consolidated net assets of the Group would increase from approximately HK\$1,163 million as at 31 December 2008 to approximately HK\$1,292 million (as the Enlarged Group), due to consolidation of net assets of Yue Tin. The net asset value per Share decreased from HK\$0.96 to HK\$0.69 (as the Enlarged Group) assuming no New Warrants and share options of the Company are exercised. In addition, the Directors believe that the Acquisition will provide a steady income stream to the Group.

### **Intention of the Vendor**

It is the intention of the Vendor that the Group will continue its current business. The Vendor has no intention to make any major changes to the existing business or to the continuation of the employment of the employees of the Group or to redeploy the fixed assets of the Group.

### **Financial and trading prospects of the Enlarged Group**

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group as at 31 December 2008. Below is the financial and trading prospects of the Enlarged Group.

#### *Financial and business performance*

As at 31 December 2008, the non-current assets of the Enlarged Group amounted to approximately HK\$497,288,000, which included investment properties of approximately HK\$480,115,000 and prepaid lease payments of approximately HK\$14,300,000.

As at 31 December 2008, the Enlarged Group had current assets amounting to approximately HK\$909,996,000. The major components in current assets were properties held for sale (approximately HK\$486,500,000), loans and receivables (approximately HK\$13,000,000), financial assets at fair value through profit or loss (approximately HK\$65,263,000) and cash and cash equivalents (approximately HK\$336,228,000).

As at 31 December 2008, the current liabilities of the Enlarged Group amounted to approximately HK\$80,864,000, of which derivative financial instruments accounted for HK\$96,000, other payables (including receipts in advance of HK\$2,057,000, and sundry creditors of HK\$1,942,000) accounted for HK\$3,999,000, deposits received accounted for HK\$60,524,000, accrued charges accounted for HK\$4,222,000, and taxable payable (including profits tax payable in Hong Kong amounted to HK\$7,829,000 and enterprise income tax payable in the PRC amounted to HK\$4,194,000) accounted for HK\$12,023,000.

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## LETTER FROM THE BOARD

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As at 31 December 2008, the Enlarged Group had non-current liabilities of approximately HK\$34,789,000 representing the deferred tax liabilities of the Enlarged Group.

Before the Acquisition, the businesses of property investments, property development and trading, and the provision of financial services generated profits of approximately HK\$13,926,000, HK\$84,818,000 and HK\$7,228,000 to the Group for the year ended 31 December 2008 respectively. The business of securities investment and securities trading generated a loss of approximately HK\$19,902,000 for the year ended 31 December 2008.

### *Financial resources and liquidity*

The net assets of the Enlarged Group as at 31 December 2008 amounted to approximately HK\$1,291,631,000. As at 31 December 2008, the current ratio (i.e. current assets to current liabilities ratio) and gearing ratio (calculated on the basis of total borrowings divided by shareholders' equity) of the Enlarged Group were 11.2 times and zero respectively. The Enlarged Group is financially sound as its working capital is sufficient.

### *Cash and cash equivalent*

As at 31 December 2008, cash and bank balances amounted to approximately HK\$336,228,000, which were mainly denominated in Hong Kong dollars, Renminbi and US dollars. No assets and deposits of the Enlarged Group had been pledged to secure banking facilities.

### *Foreign exchange and currency risks*

All income and funds applied to the direct costs, the purchases of equipment and the payments of salaries were denominated in Hong Kong dollars and Renminbi and hence, the risk of exposure to fluctuation in foreign exchange was relatively low.

### *Employees and remuneration policies*

The Enlarged Group employed about 60 full time employees, including management executive, staff and workers in the PRC and Hong Kong as at 31 December 2008. The level of remuneration, the promotion prospect and the increment in remuneration are justified according to their respective job duties, work performance and professional experience. All staff and executive directors in the Hong Kong office have participated in the mandatory provident fund scheme. Other employees' benefits include the granting of share options by the Board under the share option scheme adopted by the Company.

### *Treasury management*

With respect to the financial resources management, the Enlarged Group will continue the diversification of its investment portfolio to accommodate more current assets with higher liquidity, including securities, in order to enhance the return of its current assets. The aggressive and yet prudent financial resources management policy will be continued to maximize investments return within a reasonable risk level.

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## LETTER FROM THE BOARD

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### *Trading prospects of the Enlarged Group*

After Completion, the Enlarged Group will be principally engaged in property investments, property development and trading, securities investments and trading, and provision of financial services. As at 31 December 2008, the Enlarged Group held investment properties with an aggregate value of approximately HK\$480,115,000 and properties held for sale with an aggregate value of approximately HK\$486,500,000. The Directors contemplate that the turnover of the Enlarged Group derived from the rental income and property management fee income will be increased, as the Properties held by Yue Tin will generate extra revenue to the Enlarged Group. The rental and property management fee to be received by the Group will provide steady incoming cash flow and favourable return to the Enlarged Group as readily a yield of approximately 4.0% will be generated from the Properties. The yield of approximately 4.0% is the product of the aggregate of the annualized gross income of HK\$11,030,000 from the existing tenancy agreements and the Tenancy Agreements to be entered into between Yue Tin and the Vendor upon Completion divided by the Consideration of HK\$278,000,000 (without taking into account any adjustment to the Consideration). Details of the Tenancy Agreements including the rental have been disclosed in the Announcement.

### **RE-ELECTION OF DIRECTOR**

Mr. Chung Koon Yan, who was appointed on 4 June 2009 as an independent non-executive Director, shall be subject to re-election at the SGM pursuant to Bye-law 86(2) of the Bye-laws. Mr. Chung, being eligible, offers himself for re-election at the SGM.

Below are the biographical information of Mr. Chung:

Mr. Chung, aged 45, is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, and a member of The Institute of Chartered Accountants in England and Wales. He graduated from The Hong Kong Polytechnic University with a Master of Professional Accounting. Mr. Chung is a director of an accounting firm, Chiu, Choy & Chung CPA Ltd., and has more than 18 years' experience in accounting, auditing and taxation. Mr. Chung is currently an independent non-executive director of (i) China Financial Leasing Group Limited, a company listed on the Main Board of the Stock Exchange, (ii) Trasy Gold Ex Limited and (iii) Great World Company Holdings Limited, both of which are listed on The Growth Enterprise Market of the Stock Exchange. Save for the aforesaid, Mr. Chung did not hold any directorship in other listed public companies in the past three years.

There is no service contract entered into between Mr. Chung and the Company and there is no specific term of appointment. Mr. Chung is subject to retirement by rotation at least once every three years in accordance with the Bye-laws. Mr. Chung's emolument is HK\$200,000 per annum, which is determined by the Board with reference to the recommendation of the Remuneration Committee of the Company, the Company's performance and profitability, as well as the remuneration benchmark in the industry and the prevailing market conditions.

Mr. Chung does not have any relationship with any other Director, senior management, substantial Shareholders or controlling Shareholders. He does not have any interest in the Shares within the meaning of Part XV of the SFO.

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## LETTER FROM THE BOARD

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Save as disclosed herein, there is no other matter relating to Mr. Chung needed to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

### REGULATORY REQUIREMENTS

#### Takeovers Code

##### *Application for Whitewash Waiver*

As at the Latest Practicable Date, the Vendor and the parties acting in concert with it (including the Guarantor and Thing On Group Limited) hold an aggregate of 356,589,589 Shares, representing approximately 29.31% of the entire existing issued share capital of the Company. Upon Completion and the issue of the Consideration Shares, the Vendor and the parties acting in concert with it will hold an aggregate of 1,006,589,589 Shares, representing approximately 53.93% of the entire issued share capital of the Company as enlarged by the issue of the Consideration Shares. In the circumstances, an obligation on the part of the Vendor and the parties acting in concert with it to make a general offer for all the Shares not already owned or agreed to be acquired by the Vendor and parties acting in concert with it will arise under Rule 26 of the Takeovers Code as a result of the issue of the Consideration Shares to the Vendor. An application has been made by the Vendor to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the prior approval by the Independent Shareholders at the SGM.

As already mentioned above, Completion shall be subject to the conditions precedent that, inter alia, the Whitewash Waiver having been granted by the Executive and approved by the Independent Shareholders at the SGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Purchaser shall not be bound to proceed with the purchase of the Sale Shares and/or the assignment of the Loan and the Supplemented Agreement shall cease to have any effect. The Executive has indicated that the Whitewash Waiver will be granted and will be subject to, among others, approval by the Independent Shareholders at the SGM by way of poll.

The Vendor, Thing On Group Limited (being the indirect sole shareholder of the Vendor) and the Guarantor (being the ultimate sole beneficial owner of the Vendor), have confirmed that:

- (a) none of the Vendor and any parties acting in concert with it (including the Guarantor and Thing On Group Limited) has acquired any voting rights in the Company or dealt with any securities of the Company (save for the issue of the Consideration Shares) in the 6 months prior to the date of the Announcement but subsequent to the negotiations, discussions or the reaching of understandings or agreements with the Directors (which would include informal discussions) in relation to the proposed issue of the Consideration Shares; and
- (b) none of the Vendor and any parties acting in concert with it (including the Guarantor and Thing On Group Limited) has acquired or disposed of any voting rights in the Company or dealt with any securities of the Company during the period between the date of the Announcement and the date of this circular or will acquire or dispose of any voting rights

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## LETTER FROM THE BOARD

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in the Company or deal with any securities of the Company (save for the issue of the Consideration Shares) during the period between the date of this circular and the completion of the proposed issue of the Consideration Shares.

The Guarantor and Ms. Ng Ka Fong Jenny (being the spouse of the Guarantor) have also jointly and severally undertaken that they will not exercise their respective share options to subscribe for an aggregate of 14,000,000 Shares from the date of the Agreement up to and inclusive of the Completion Date.

Shareholders and public investors should note that immediately upon Completion (assuming that no share options or the New Warrants will be exercised), the shareholding of the Vendor and the parties acting in concert with it in the Company will exceed 50% of the voting rights of the Company and that the Vendor and the parties acting in concert with it may increase their holding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

### *Other arrangements*

- (i) As at the Latest Practicable Date, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of the Vendor which might be material to the Acquisition or the Whitewash Waiver;
- (ii) As at the Latest Practicable Date, save for the Supplemented Agreement, there is no other agreement or arrangement to which the Vendor is a party which relates to the circumstances in which it may or may not invoke or seek to invoke as a precondition or a condition to the Acquisition or the Whitewash Waiver;
- (iii) As at the Latest Practicable Date, there is no outstanding derivative in respect of relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company which has been entered into by the Vendor or any person acting in concert with it;
- (iv) As at the Latest Practicable Date, save as disclosed in the paragraph headed “Effect on shareholding of the Company” and other than share options to subscribe for an aggregate of 14,000,000 Shares, neither the Vendor nor any of the parties acting in concert with it nor the directors of the Vendor holds any other Shares, convertible securities, derivatives, warrants or options of the Company;
- (v) As at the Latest Practicable Date, there is no relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company which the Vendor or any person acting in concert with it has borrowed or lent;
- (vi) As at the Latest Practicable Date, there was no shareholding in the Company which any of the Company or the Directors has borrowed or lent;
- (vii) As at the Latest Practicable Date, no persons had irrevocably committed themselves to vote for or against the resolutions to be proposed at the SGM and no such person had dealt for value in any shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or the Vendor during the Recent Period;

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## LETTER FROM THE BOARD

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- (viii) As at the Latest Practicable Date, neither the Vendor nor any of the parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
- (ix) As at the Latest Practicable Date, no person had any arrangement of the kind as described in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code and no such person had dealt for value in any shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or the Vendor during the Recent Period;
- (x) As at the Latest Practicable Date, save for the Supplemented Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Vendor or any parties acting in concert with it and any Director, recent Director, shareholder or recent shareholder of the Company which had any connection with or dependence upon the Acquisition or the Whitewash Waiver;
- (xi) No Shares acquired by the Vendor or parties acting in concert with it in pursuance of the Acquisition will be transferred, charged or pledged to any other persons;
- (xii) None of the Vendor or any parties acting in concert with it had dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Company during the Recent Period;
- (xiii) As at the Latest Practicable Date, the Company had no shareholding interest in the Vendor nor had the Company dealt for value in any Shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Vendor during the Recent Period;
- (xiv) As at the Latest Practicable Date, no shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group and none of the advisers to the Company as specified in class (2) of the definition of associate in the Takeovers Code owned or had any interests in any Shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company and no such person had dealt for value in any shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or the Vendor during the Recent Period;
- (xv) As at the Latest Practicable Date, no shareholding in the Company was managed on a discretionary basis by fund managers connected with the Company and no such person had dealt for value in any shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or the Vendor during the Recent Period; and
- (xvi) As at the Latest Practicable Date, none of the Directors had any beneficial shareholdings in the Shares which would entitle him/her to vote in respect of the ordinary resolutions approving the Supplemented Agreement and the Whitewash Waiver.

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## LETTER FROM THE BOARD

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### **Listing Rules**

Since the consideration test represents more than 25% but less than 100% of the market capitalisation of the Company, the entering into of the Supplemented Agreement constitutes a major transaction for the Company according to Rule 14.06(3) of the Listing Rules. Further, since the Vendor is ultimately wholly and beneficially owned by the Guarantor, an executive Director, the Chairman and a substantial shareholder of the Company, the Vendor is thus a connected person of the Company under the Listing Rules. As such, the entering into of the Supplemented Agreement also constitutes a connected transaction of the Company pursuant to Rule 14A.13(1)(a) of the Listing Rules. Accordingly, the Supplemented Agreement and the transactions contemplated thereunder are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

### **Voting**

By reason of the requirements of the Takeovers Code and the Listing Rules, the Vendor and the parties acting in concert with it and their respective associates and those Shareholders who are involved in or interested in the Supplemented Agreement and/or the Whitewash Waiver are required to abstain from voting at the SGM in respect of the resolutions to approve the Supplemented Agreement, the transactions contemplated thereunder, the issue of the Consideration Shares and the Whitewash Waiver. Accordingly, Thing On Group Limited, the Shareholder holding 356,589,589 Shares, will abstain from voting at the SGM in respect of all such resolutions. The Vendor has confirmed with the Company that none of (i) Willfame Group Limited and Year Top Limited (the subscribers of the New Warrants); (ii) Power Ace Limited and Time Favour Limited (the holders of the New Warrants) and (iii) Ideal China International Limited, Growth Time Holdings Limited, Trade Magic Limited and Topfirm Limited (the holders of the unlisted warrants of the Company issued in October 2007 and cancelled in April 2009) is a party acting in concert with the Vendor or with the parties acting in concert with the Vendor.

Save for the aforesaid, no other Shareholder is required to abstain from voting in respect of the proposed ordinary resolution(s) to approve the Supplemented Agreement, the transactions contemplated thereunder, the issue of the Consideration Shares and the Whitewash Waiver.

### **SPECIAL GENERAL MEETING**

Set out on pages 190 to 191 of this circular is a notice convening the SGM to consider and, if appropriate, to approve the ordinary resolutions relating to the Supplemented Agreement, the transactions contemplated thereunder, the issue of the Consideration Shares, the Whitewash Waiver and the re-election of Director.

A form of proxy for the SGM is enclosed herewith. Whether or not you intend to attend and/or vote at the SGM in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, all the resolutions set out in the notice of the SGM will be voted by poll.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to the letter of the Independent Board Committee set out on page 23 of this circular. The members of the Independent Board Committee are Mr. Liu and all the independent non-executive Directors who are independent of and not acting in concert with the Vendor and parties acting in concert with the Vendor. As Mr. Wong Ngo, Derick, a non-executive Director, is the son of the brother of the Guarantor, he has not been appointed as a member of the Independent Board Committee. Your attention is also drawn to the letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemented Agreement and the Whitewash Waiver set out on pages 24 to 46 of this circular.

The Independent Board Committee, having taken into account the advice of the IFA, considers that the Acquisition, the terms of the Supplemented Agreement and the Whitewash Waiver 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. The Independent Board Committee also considers that the terms of the Supplemented Agreement are on normal commercial terms and that it was entered into in the ordinary and usual course of business of the Company and recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Supplemented Agreement, the transactions contemplated thereunder, the issue of the Consideration Shares and the Whitewash Waiver at the SGM.

The Directors consider that the re-election of Director are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of such resolution at the SGM.

### GENERAL

Your attention is also drawn to the appendices to this circular.

By Order of the Board  
**Shenzhen High-Tech Holdings Limited**  
**Wong Chung Tak**  
*Chairman*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**SHENZHEN HIGH-TECH HOLDINGS LIMITED**

**深圳科技控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 106)**

31 July 2009

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION  
WHITEWASH WAIVER APPLICATION**

We refer to the circular issued by the Company to the Shareholders dated 31 July 2009 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you as to whether the terms of the Supplemented Agreement, the transactions contemplated thereunder and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole.

Cinda International Capital Limited has also been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders in respect thereof. We wish to draw your attention to the “Letter from the Board” and the “Letter from the Independent Financial Adviser” set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of the IFA set out in its letter of advice, we consider that the terms of the Supplemented Agreement and the Whitewash Waiver 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. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the Supplemented Agreement and the Whitewash Waiver at the SGM.

Yours faithfully,

**Independent Board Committee**

**Lee Kuo Ching, Stewart    Chong Kally    Chung Koon Yan**

*Independent non-executive Directors*

**Liu Sing Piu, Chris**

*Non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders for the purpose of inclusion in this circular:*



45th Floor, COSCO Tower  
183 Queen's Road Central  
Hong Kong

31 July 2009

*To the Independent Board Committee and the Independent Shareholders of  
Shenzhen High-tech Holdings Limited*

Dear Sirs/Madams,

### **MAJOR AND CONNECTED TRANSACTION WHITEWASH WAIVER APPLICATION**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Supplemented Agreement, the transactions contemplated thereunder and the Whitewash Waiver, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 31 July 2009, of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

The Purchaser, the Vendor and the Guarantor entered into the Agreement and the Supplemental Agreement on 4 June 2009 and 12 June 2009 respectively, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares and the Loan at an aggregate consideration of HK\$278,000,000 (subject to adjustment) which will be satisfied by (i) the issue and allotment of 650,000,000 new Shares by the Company at an issue price of HK\$0.265 per Share; and (ii) cash payment of HK\$105,750,000 on Completion. The Acquisition constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules. Given the Vendor is ultimately wholly and beneficially owned by the Guarantor, who is also the Chairman, and executive Director and a substantial shareholder of the Company, the Vendor is a connected person of the Company under the Listing Rules and therefore the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, the Vendor and the parties acting in concert with it (including the Guarantor and Thing On Group Limited) hold an aggregate of 356,589,589 Shares which represent approximately 29.31% of the existing issued share capital of the Company. Immediately after Completion, the Vendor and the parties acting in concert with it will hold an aggregate of 1,006,589,589 Shares which will represent approximately 53.93% of the enlarged issued share capital of the Company after the issue of the Consideration Shares. In such circumstances, an obligation on the part of the Vendor and the parties acting in concert with it to make a general offer for all the Shares not already owned or agreed to be

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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acquired by the Vendor and the parties acting in concert with it will arise under Rule 26 of the Takeovers Code as a result of the issue of the Consideration Shares to the Vendor. An application has been made by the Vendor to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the prior approval by the Independent Shareholders at the SGM.

Pursuant to Note 1 on the Notes on Dispensations from Rule 26 of the Takeovers Code and Rule 14A.18 of the Listing Rules, (i) the Vendor and the parties acting in concert with it (including the Guarantor and Thing On Group Limited) and (ii) any Shareholders who are involved in or interested in the Acquisition and/or the Whitewash Waiver will be required to abstain from voting for the approval of the Acquisition and the transactions contemplated thereunder, the allotment and issue of the Consideration Shares and the Whitewash Waiver at the SGM.

The Independent Board Committee comprising a non-executive Director, namely Mr. Liu Sing Piu, Chris and three independent non-executive Directors, namely Mr. Lee Kuo Ching, Stewart, Miss Chong Kally and Mr. Chung Koon Yan, have been appointed to advise the Independent Shareholders in relation to the Supplemented Agreement, the transactions contemplated thereunder and the Whitewash Waiver. Mr. Wong Ngo, Derick, a non-executive Director, was not appointed as a member of the Independent Board Committee, as the Board does not consider him to be independent in light of the fact that he is a son of the elder brother of Mr. Wong Chung Tak, the Guarantor and the beneficial owner of the Vendor as well as the Chairman, an executive Director and a substantial shareholder of the Company. Our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee.

### **BASIS OF OUR ADVICE**

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate as at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statements in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group, the Vendor, Yue Tin and the Guarantor.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS TAKEN INTO ACCOUNT

The principal factors and reasons that we have taken into consideration in arriving at our opinion are set out as follows:

#### 1. Background of the Acquisition

##### *Information on the Group*

The Group is principally engaged in property investment and trading. Based on the information set out in the annual report of the Company for the year ended 31 December 2008 (“**2008 Annual Report**”), the audited financial results of the Company for each of the three years ended 31 December 2008 are summarised as follows:

	2008	2007	2006
	HK\$'000	HK\$'000	HK\$'000
Turnover	352,469	31,778	311,458
Profit/(loss) attributable to equity holders of the Company	68,565	102,222	(114,598)
Total assets	1,257,321	1,156,188	790,025
Total liabilities	94,515	64,497	27,363
Equity attributable to equity holders of the Company	1,162,806	1,091,691	762,662
Cash and cash equivalents	439,762	228,138	218,262

For the year ended 31 December 2006, the Group recorded an audited turnover of approximately HK\$311.5 million, which comprises (i) turnover of approximately HK\$293.9 million from discontinued operations in high-tech computer and server manufacturing and related business operations; and (ii) turnover of approximately HK\$17.5 million from continuing operations. The loss for the year ended 31 December 2006 was mainly attributable to (i) provision of allowance of approximately HK\$40.8 million for the properties held for sale in the PRC as a result of the macro-economic austerity control measures implemented by the PRC government; (ii) share of results of associates and jointly controlled entities which recorded a loss of approximately HK\$17.9 million and HK\$13.6 million respectively; and (iii) provision of allowance for the amount due from a jointly controlled entity, and for loans to the jointly controlled entity, and for impairment loss of the investments in the PRC which all in aggregate amounted to approximately HK\$33.9 million. The business of manufacture and sale of high-tech computers and servers was discontinued in the year ended 31 December 2006 and the Group has been principally engaged in property investment and property holding thereafter.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For the year ended 31 December 2007, the Group recorded an audited turnover of approximately HK\$31.8 million, representing a decrease of approximately 89.80% as compared to that for the year ended 31 December 2006. The significant decrease was mainly due to the absence of turnover contribution from the discontinued operation as compared to approximately HK\$293.9 million recorded in the year ended 31 December 2006. Despite the decrease in turnover for the year ended 31 December 2007, there was an increase in the profit for the year from the loss of approximately HK\$114.6 million for the year ended 31 December 2006 to the profit of approximately HK\$102.2 million for the year ended 31 December 2007. Such increase was mainly due to (i) the write back of provision for properties held for sale in the PRC of approximately HK\$40.8 million as mentioned in the above paragraph; (ii) the increase in profit achievement from the Company's capital market investments to approximately HK\$28.7 million from approximately HK\$1.1 million in previous year, representing an increase of over 26 times; (iii) the substantial drop of the total expenses of the Group to HK\$0.9 million as compared to HK\$9.5 million recorded in the year ended 31 December 2006 as a consequence of the realignment of the operating strategies in respect of the property business in the PRC; and (iv) the increase in gain in fair value of investment properties from approximately HK\$1.5 million for the year ended 31 December 2006 to approximately HK\$47.3 million for the year ended 31 December 2007, representing an increase of approximately HK\$40.8 million.

For the year ended 31 December 2008, the Group's turnover increased by over ten times to HK\$352.5 million from approximately HK\$31.8 million for the year ended 31 December 2007. The substantial increase was mainly due to the increase in turnover from the sale of properties held for sale. Despite the increase in turnover for the year ended 31 December 2008, the profit for the year decreased by approximately 32.9% to approximately HK\$68.6 million from approximately HK\$102.2 million for the year ended 31 December 2007, the decrease was mainly attributable to (i) allowances of properties held for sale of approximately HK\$53.4 million; (ii) the loss in fair value of investment properties of approximately HK\$6.3 million as compared to the gain in fair value of approximately HK\$47.3 million for the year ended 31 December 2007; and (iii) other financial net expense of approximately HK\$20.9 million as compared to the other financial net income of approximately HK\$28.7 million generated in the year ended 31 December 2007.

The Company has made the July Announcement on 22 July 2009 that the financial results of the Group for the six months ended 30 June 2009 are expected to decrease significantly as compared to those for the six months ended 30 June 2008. The Company considers that the significant decrease in the financial results of the Group for the six months ended 30 June 2009 was mainly attributable to the significant decrease in the revenue generated from property trading as compared to those in the first half year of 2008. The above statements as disclosed in the July Announcement constitute a profit estimate under Rule 10 of the Takeovers Code. Shareholders are advised to refer to Appendix IV to the Circular for the opinions expressed by Grant Thornton and us on the estimate of the financial results of the Group for the six months ended 30 June 2009. Save as disclosed in the July Announcement, the Directors confirmed that as at the Latest Practicable Date there is no material change in the financial or trading position or outlook of the Company since 31 December 2008, being the date on which the latest published audited accounts of the Company were made up. Based on our review on the unaudited management accounts of the Group for the six months ended 30 June 2009 which has been prepared on a basis consistent in all material respects with the accounting policies and calculations normally adopted by the Group, we note that (i) there is no material impact to the available financial resources of the Group as at 30 June 2009 comparing with 31 December 2008 (being the latest audited accounts were made up); and (ii) the decrease in

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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revenue for the six months ended 30 June 2009 resulting from decrease in revenue generated from property trading is in line with the Group's strategy that the Group is holding its portfolio of trading properties pending for an ideal price to sell. Based on no material impact to the Group's available financial resources as stated above and the recent positive performance of the property markets in Hong Kong and the PRC as stated in the paragraph headed "Overview of the property markets in Hong Kong and Beijing, the PRC" below, we are of the view that the profit warning as disclosed in the July Announcement would not have material impact to the Group for the Acquisition so far as the Independent Shareholders are concerned.

As disclosed in the 2008 Annual Report, the current major property project of the Group in the PRC is Shun Jing Yuan in Chaoyang, Beijing which is a high-end residential apartment project with an European-style luxury design. In addition, the Company will continue to specialize in property investment and trading in the PRC and Hong Kong with prudent strategy in anticipation of steady returns. Further, the Company will also continue to look for suitable investment opportunities in other areas with stable returns, i.e. projects characterized by stable cash inflows and simple management mechanism. However, after discussion with the management of the Company, we understand that the Group prefers to focus on the property market for the time being and would not actively look for investment opportunities in other areas in 2009. As the Group is principally engaged in property investment and trading and all properties of the Group are located in Hong Kong and the PRC, we are of the view that the prospects of the Group will depend on the performance of the property markets in Hong Kong and the PRC. Based on the statistics and factors as mentioned in the section headed "Overview of the property markets in Hong Kong and Beijing, the PRC" below including, in particular (i) the recovery of price indices of private properties in Hong Kong from March 2009 to May 2009; and (ii) the general increasing trend in the average selling prices of private residential properties in Beijing in 2009, we consider that the future prospects of the property markets in Hong Kong and Beijing are positive and therefore it is appropriate for the Group to enhance its property portfolio through the Acquisition.

### *Background of the Supplemented Agreement*

The Purchaser, the Vendor and the Guarantor entered into the Agreement and the Supplemental Agreement on 4 June 2009 and 12 June 2009 respectively, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares and the Loan at an aggregate consideration of HK\$278,000,000 (subject to adjustment) which will be satisfied by (i) the issue and allotment of 650,000,000 Shares by the Company at an issue price of HK\$0.265 per Share; and (ii) cash payment of HK\$105,750,000 on Completion.

The Sale Shares include 2 ordinary shares of HK\$1 each in the share capital of Yue Tin, which represent the entire issued share capital of Yue Tin while the Loan represents the entire principal amount of the shareholder's loan owing by Yue Tin to the Vendor together with all interest thereon as set out in the Completion Accounts. The Loan amounted to HK\$143,241,295.52 as at the date of the Agreement and remained the same as at the Latest Practicable Date.

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### *Information on Yue Tin*

Yue Tin was established by the Vendor and the Guarantor in 1990 and is legally and beneficially owned as to 50% (i.e. 1 share) by the Vendor and the remaining 50% (i.e. 1 share) of the issued share capital of Yue Tin is legally held by the Guarantor on trust for the Vendor. Yue Tin is principally engaged in investment in and holding of the Properties, details of which are as follows:

<b>Location</b>	<b>Use</b>	<b>Market value as at 31 May 2009</b>
(i) Office Units 1 and 2 on 24th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong	Office	HK\$242,000,000
(ii) Shops Nos. 4 and 5 on Ground Floor, Flats 1, 2, 3, 4, 5, 6, 7 and 8 on the 1st Floor, Flats 3 and 4 on the 2nd Floor, South Wall Mansion, 63, 63A, 65, 67, 69 and 71 South Wall Road, Kowloon City, Kowloon, Hong Kong	Shops and residential	HK\$28,000,000
(iii) Flat A on 23rd Floor of Block 2 and Car Parking Space No. 31 on 2nd Basement, Ronsdale Garden, 25 Tai Hang Drive, Jardine's Lookout, Hong Kong	Residential	HK\$8,900,000
(iv) Unit No. 1611, Beijing Henderson Centre, 18 Jian Guo Men Nei Da Jie, Dong Cheng District, Beijing, the PRC	Residential	HK\$3,177,125 (RMB2,800,000)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Further details of the Properties are included in the valuation report as disclosed in Appendix V of the Circular. As disclosed in the audited accountants' report of Yue Tin set out in Appendix II of the Circular, Yue Tin had audited net assets of approximately HK\$84,829,000, HK\$166,574,000 and HK\$85,327,000 as at 31 March 2007, 2008 and 2009 respectively. For each of the three years ended 31 March 2009, the audited turnover of Yue Tin was approximately HK\$7,359,000, HK\$7,010,000 and HK\$7,519,000 respectively. The turnover was contributed from the rental income and the property management fee income generated from the investment properties in Hong Kong. Save for the property located at Room 2401, 24th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong and the HK Residential Property to be leased to the Vendor at market rent upon Completion, all HK Properties were leased out and have generated rental income to Yue Tin.

The audited net profits after tax of Yue Tin for each of the two years ended 31 March 2008 were HK\$24,056,000 and HK\$81,745,000 respectively and the audited net loss after tax of Yue Tin for the year ended 31 March 2009 was HK\$81,247,000. The results for the three years ended 31 March 2009 were mainly influenced by the change in the fair value of investment properties which the audited net gain in the fair value of investment properties for each of the two years ended 31 March 2008 were HK\$28,304,000 and HK\$98,589,000 respectively while the audited net loss in the fair value for the year ended 31 March 2009 was HK\$100,541,000. Having discussed with the management of the Company, we understand that the net loss in the fair value of investment properties for the year ended 31 March 2009 was mainly attributable to the financial crisis in the second half of 2008 which affected the property values. Shareholders should note that the value of the investment properties may fluctuate and the future performance of Yue Tin will mainly depend on the valuations of the Properties as at the relevant balance sheet dates and the amount of rental income and property management fee income generated from the Properties during the relevant periods.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Overview of the property markets in Hong Kong and Beijing, the PRC

The following table illustrates the price indices of various private properties (domestic, office and retail) in Hong Kong from November 2007 to May 2009:

	Domestic	Office	Retail
November 2007	113.9	191.3	186.4
December 2007	117.9	199.0	188.8
January 2008	123.2	203.3	193.5
February 2008	125.5	207.6	197.2
March 2008	126.4	208.4	200.8
April 2008	124.7	208.5	202.9
May 2008	126.4	211.5	203.8
June 2008	126.6	211.3	205.9
July 2008	124.9	205.6	200.7
August 2008	122.9	200.0	195.6
September 2008	121.9	207.4	185.5
October 2008	114.3	186.0	178.4
November 2008	104.9	173.5 *	172.4 *
December 2008	104.8	165.4 *	170.2 *
January 2009	107.1	157.5 *	163.1 *
February 2009	107.8 *	154.1 *	162.8 *
March 2009	109.1 *	150.4 *	164.9 *
April 2009	113.1 *	159.3 *	167.7 *
May 2009	115.5 *	163.5 *	173.7 *

\* *provision figures*

*Source: Hong Kong Property Review – Monthly Supplement July 2009 prepared by Rating and Valuation Department, The Government of Hong Kong*

The property market in Hong Kong had grown since 2003 and reached the peak in mid-2008. Since then, as reflected by the above indices, the property prices in Hong Kong have dropped dramatically until March 2009 due to the global financial crisis in the second half of 2008. However, the price indices of domestics, office, and retail properties showed a recovery from March 2009 to May 2009 by increase of approximately 5.9%, 8.7% and 5.3% respectively.

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The table below shows the latest available average selling prices of private residential properties in different areas in Beijing in 2009:

<b>Location in Beijing</b>	<b>Period from January 2009 to February 2009 RMB/Sq.m.</b>	<b>Period from January 2009 to March 2009 RMB/Sq.m.</b>	<b>Period from January 2009 to April 2009 RMB/Sq.m.</b>	<b>Period from January 2009 to May 2009 RMB/Sq.m.</b>	<b>Period from January 2009 to June 2009 RMB/Sq.m.</b>
Within the 4th Ring	14,226	15,124	15,593	16,510	16,967
Between the 4th Ring and the 5th Ring	14,447	14,797	15,204	15,744	15,748
Between the 5th Ring and the 6th Ring	7,206	8,258	8,941	9,308	9,296
Outside the 6th Ring	6,703	6,836	7,226	7,550	7,603

*Source: Beijing Statistical Information Net compiled by Beijing Municipal Bureau of Statistics*

We note that the PRC Property is located in the prime central area which is within the 4th Ring of Beijing. The above table shows that the average selling prices of private residential properties in Beijing in each area was in a general increasing trend from February 2009 to June 2009.

Based on the above statistics and factors, including, in particular (i) the recovery of price indices in private properties in Hong Kong from March 2009 to May 2009; and (ii) the general increasing trend in the average selling prices of private residential properties in Beijing in 2009, we are of the view that the future prospects of the property markets in Hong Kong and Beijing are positive and therefore it is appropriate for the Group to enhance its property portfolio through the Acquisition.

As disclosed in the audited accountants' report of Yue Tin set out in Appendix II of the Circular, the income of Yue Tin for each of the three years ended 31 March 2009 were approximately HK\$7,359,000, HK\$7,010,000 and HK\$7,519,000 respectively. In addition, the net gains in fair value of investment properties of Yue Tin for each of the two years ended 31 March 2008 were approximately HK\$28,304,000 and HK\$98,589,000 respectively while the net loss in fair value of investment properties of Yue Tin for the year ended 31 March 2009 was approximately HK\$100,541,000. Given (i) the financial performance of Yue Tin was mainly affected by the change in fair value of investment properties instead of rental income generated from the investment properties; and (ii) Yue Tin has secured the tenancy agreements in respect of the HK Properties and such payment terms (including the rentals) are in line with the market standard as disclosed in the paragraph headed "Reasons for and benefits of the Acquisition" below, we are of the view that the inclusion of the rental market figures in this letter is not essential.

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### 3. Reasons for and benefits of the Acquisition

After Completion, the Group intends to use the Properties as follows:

- (a) the HK Commercial Properties will be used by the Group either for self-use or investment purposes. The Group has used one of the HK Commercial Properties i.e. Room 2406, 24th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong as its office under a tenancy agreement dated 11 August 2008. Further, the Board considers that, given that the relevant HK Commercial Properties at World-Wide House are located at the prime office area in Hong Kong and all of the HK Commercial Properties have currently been leased out or will be leased out upon Completion, the Acquisition is a good opportunity for the Group to acquire good quality commercial properties in order to strengthen its investment portfolio and provide a steady income stream to the Group;
- (b) the HK Residential Property will be leased to the Vendor upon Completion to provide a steady income stream to the Group; and
- (c) the PRC Property may be leased to other third party or parties after Completion, but it will be used by the Group as the accommodation of the Directors and management staff when they travel to Beijing for business before the same has been leased out.

The Directors consider that the Acquisition will benefit the Group with the anticipated growth in the value of the Properties. The Directors also consider that the Acquisition is in the interests of the Company and the terms of the Supplemented Agreement are on normal commercial terms and were arrived at after arm's length negotiations, which are fair and reasonable and are in the interests of the Shareholders as a whole.

As disclosed in the 2008 Annual Report, the Company will continue to specialize in property investment and trading in the PRC and Hong Kong with prudent strategy in anticipation of steady returns. Further, the Company will also continue to look for suitable investment opportunities in other areas with stable returns, i.e. projects characterized by stable cash inflows and simple management mechanism. However, after discussion with the management of the Company, we understand that the Group prefers to focus on property market for the time being and would not actively look for investment opportunities in other areas in 2009. Based on the aforesaid, we consider the Acquisition is in line with the Group's business and development strategy and will provide steady income to the Group in the future as all the HK Properties (except the one to be used as the Group's office which will reduce its rental expenses) will generate rental income to the Group. We have discussed with the management of the Company on the terms of the tenancy agreements in respect of the HK Properties and obtained relevant market rental comparables from Savills. Based on the discussion with the management of the Company and review on the comparables provided by Savills, we are of the view that the payment terms under the relevant tenancy agreements for the HK Properties are in line with the market standard. In addition, as also disclosed in the 2008 Annual Report, the current major property project of the Group in the PRC is Shun Jing Yuan in Chaoyang, Beijing which is a high-end residential apartment project with an European-style luxury design. The PRC Property may be leased to other third party or parties after

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Completion and will be used by the Group as the accommodation of the Directors and management staff when they travel to Beijing for business before such lease. We consider the intended use of the PRC Property will enhance the possible rental income of the Group and will enhance the utility of the PRC Property as well as provide flexibility to the Group's management for their travel to Beijing before such lease which is in the interests of the Company and its Shareholders as a whole.

Based on the aforesaid and taking into account that, in particular, (i) the Acquisition is in line with the Group's business and development strategy; (ii) the Acquisition is expected to strengthen the Group's earnings base with respect to the rental income attributable to the HK Properties as mentioned above; (iii) the PRC Property provides flexibility to the Group's management for their work in Beijing before leasing to third party or parties; and (iv) the improving figures in the statistics of both the Hong Kong and Beijing property markets as shown above, we concur with the Directors that the Acquisition is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

#### **4. Terms of the Supplemented Agreement**

##### *Consideration*

The Consideration of HK\$278,000,000 (subject to adjustment) comprises the consideration for the assignment of the Loan calculated up to the Completion Date on a dollar-to-dollar basis and the consideration for the sale of the Sale Shares (the amount of which is equivalent to the Consideration minus the Loan Consideration) and will be satisfied by:

- (i) the issue and allotment of the Consideration Shares by the Company to the Vendor at an agreed issue price of HK\$0.265 per Share with an aggregate value of HK\$172,250,000; and
- (ii) cash payment in the sum of HK\$105,750,000 by the Purchaser to the Vendor,

on Completion.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to (i) the unaudited net asset value of Yue Tin as at 30 April 2009; and (ii) the principal amount of the Loan as at the date of the Agreement.

As disclosed in the audited accountants' report of Yue Tin as set out in Appendix II to the Circular, the audited net assets of Yue Tin as at 31 March 2009 were approximately HK\$85,327,000. Taking into account the fact that (i) the Consideration includes the assignment of the Loan in the amount of approximately HK\$144,811,000 as at 31 March 2009 (HK\$143,241,295.52 as at the Latest Practicable Date); (ii) the Liabilities (other than the Loan and the Deferred Tax Provision) in the amount of approximately HK\$2,091,000, which will be deducted from the Consideration; (iii) the audited book value of the Properties as at 31 March 2009 in the amount of approximately HK\$250,933,000 which has not yet reflected the updated value of the Properties as shown in the valuation report as disclosed in Appendix IV to the Circular, which is HK\$282,077,125 as at 31 May 2009, the difference of which amounts to approximately

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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HK\$31,144,125; and (iv) the major component of the deferred tax liabilities recognised by Yue Tin were mainly attributable to the upward revaluation of the investment properties as well as the leasehold land and buildings and their accelerated tax depreciation so arising, and such deferred tax liabilities recognised in respect of the revaluation of the Properties which amounted to approximately HK\$19,047,000 as at 31 March 2009 will be released upon disposal of the Properties as disclosed in note 17 to the audited accountants' report of Yue Tin as set out in Appendix II of the Circular, the adjusted net assets of Yue Tin would be approximately HK\$282,420,125 (which was arrived at based on the net asset value of Yue Tin of HK\$85,327,000 adjusted by adding the Loan in the amount of HK\$144,811,000 as at 31 March 2009, the Liabilities in the amount of HK\$2,091,000 as at 31 March 2009, the valuation difference in the amount of HK\$31,144,125 and the release of deferred tax liabilities in the amount of HK\$19,047,000 as at 31 March 2009 upon disposal of the Properties). We note that the Consideration of HK\$278,000,000 represents a slight discount (approximately 1.6%) to the adjusted net assets of Yue Tin.

In order to assess the valuation of the Properties (the "**Valuation**"), we have reviewed the relevant valuation report and enquired Savills, the independent valuer on the methodology adopted and assumptions made in arriving at the Valuation. We noted that Savills has applied the market approach in the determination of the Valuation. The market value of the Properties is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer which is consistent with the market practice in valuation of properties. We also noted that the Valuation is prepared in accordance with The HKIS Valuation Standards on Properties published by The Hong Kong Institute of Surveyors. Having discussed with Savills, we understand that:

- (i) the rationale of adopting the market approach as the valuation methodology is that the market approach is the most common method in the determination of the value of the Properties; and
- (ii) the basis and assumptions include (a) the market value means the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion; (b) the transferable land use rights in respect of the PRC Property for specific terms at nominal land use fees have been granted and that any land grant premium payable has been fully paid; and (c) Yue Tin has enforceable title to the PRC Property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the unexpired term as granted.

Having considered the above-mentioned rationale, basis and assumptions in arriving at the Valuation, we are satisfied that the methodology applied by Savills is reasonable.

The Properties were valued at HK\$282,077,125 by Savills as at 31 May 2009 and the Consideration represents approximately 1.4% discount of the Valuation. Based on our review and discussion with Savills, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the methodology adopted and the basis used in arriving at the value of the Properties in particular the market approach is the most common method adopted in

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the determination of the value of the Properties. Having considered all of the above, we are of the opinion that the Valuation provides a valid benchmark for the Directors to assess the fairness and reasonableness of the Consideration.

As stated on page 125 of the Circular, without qualifying their opinion, Grant Thornton (the reporting accountant of Yue Tin) draws attention to note 3.1 to the Financial Information (as defined in Appendix II to the Circular) which discloses that as at 31 March 2009, Yue Tin had net current liability position of HK\$146,559,000. This condition as disclosed in note 3.1 to the Financial Information, indicates the existence of a material uncertainty which may cast significant doubt about Yue Tin's ability to continue as a going concern. We note that the net current liability position of Yue Tin as at 31 March 2009 was mainly attributable to the accruals and other payables amounted approximately HK\$2,091,000 and the amounts due to ultimate holding company amounted approximately HK\$144,811,000. Taking into account the fact that (i) the amounts due to ultimate holding company of Yue Tin will be assigned to the Group upon Completion; (ii) the accruals and other payables which are categorized as Liabilities under the Supplemented Agreement will be deducted from the Consideration in accordance with the terms of the Supplemented Agreement; and (iii) the Group had net current assets of approximately HK\$934,604,000 as at 31 December 2008 which is significantly higher than the net current liabilities of Yue Tin, we consider that the net current liability position of Yue Tin as at 31 March 2009 would not have material impact to the Group and the Acquisition is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Taking into account the fact that both of (i) the net asset value of Yue Tin after adjustment by the value of the Properties; and (ii) the Valuation are close to the Consideration, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

### *Adjustment to the Consideration*

Pursuant to the Supplemented Agreement, the Vendor shall procure that the Completion Accounts be drawn up and delivered to the Purchaser on the Completion Date. Completion shall take place on the basis of the Completion Accounts. If the Completion Accounts shall show that Yue Tin has any Liabilities, the portion of the Consideration in the sum of HK\$105,750,000 payable by the Purchaser to the Vendor in cash shall be adjusted by the amount of such Liabilities, with no limit on the amount to be adjusted. The portion of the Consideration to be satisfied by the issue of the Consideration Shares will not be subject to any adjustment. If the Completion Accounts shall show that Yue Tin has any net profits, no adjustment shall be made to the Consideration. Given that the Consideration would only adjust downward in accordance with the Liabilities arisen on a dollar-to-dollar basis, we are of the view that the adjustment mechanism to the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Pursuant to the Supplemental Agreement, the definition of Liabilities was amended to exclude the deferred tax provision in an amount not exceeding HK\$30,000,000 to be provided for in the Completion Accounts in light of the upward revaluation of the Properties and their accelerated tax depreciation so arising. Considering the major component of the deferred tax liabilities recognised by Yue Tin were mainly attributable to the upward revaluation of the investment properties as well as the leasehold land and buildings and their accelerated tax depreciation so arising, and such deferred tax liabilities would be released upon disposal of the Properties as

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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disclosed in note 17 to the audited accountants' report of Yue Tin as set out in Appendix II of the Circular, we consider the exclusion of Deferred Tax Provision from the adjustment of the Consideration is acceptable.

### *Settlement of the Consideration*

The Consideration will be satisfied by the issue of the Consideration Shares and cash. According to the 2008 Annual Report, the Group had cash and cash equivalents of approximately HK\$439,762,000 and the Group did not have any outstanding bank loan as at 31 December 2008. Among the cash and cash equivalents of approximately HK\$439,762,000, approximately HK\$199,936,000 were denominated in Renminbi which is subject to foreign exchange control and are not freely exchangeable with other foreign currencies while approximately HK\$239,826,000 were denominated in currencies other than Renminbi (the “**Non-RMB Cash and Cash Equivalents**”). We have discussed with the Directors and understand that if the entire amount of the Consideration of HK\$278,000,000 is to be satisfied by cash, it will exert pressure on the working capital and the available financial resources for any suitable investment opportunities of the Group outside the PRC as the Non-RMB Cash and Cash Equivalents would not be sufficient to settle the entire amount of the Consideration. We concur with the Directors' view that settlement of part of the Consideration by issue of the Consideration Shares is in the interests of the Group as such method of settlement may result in lower financial risks to the Group as compared to external debt financing for the Acquisition which interest expenses will be incurred by the Group.

### *Consideration Shares*

Upon Completion, the Company will allot and issue 650,000,000 Consideration Shares to the Vendor. The issue price of HK\$0.265 per Consideration Share (the “**Issue Price**”) represents:

- (1) a discount of approximately 3.64% to the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (2) a discount of approximately 10.17% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on 3 June 2009 (the “**Last Trading Day**”), being the last trading day prior to the signing of the Agreement;
- (3) a discount of approximately 7.34% to the average closing price of HK\$0.286 per Share as quoted on the Stock Exchange over the last 5 consecutive trading days up to and including the Last Trading Day;
- (4) a discount of approximately 1.85% to the average closing price of HK\$0.270 per Share as quoted on the Stock Exchange over the last 15 consecutive trading days up to and including the Last Trading Day;
- (5) a premium of approximately 1.15% to the average closing price of HK\$0.262 per Share as quoted on the Stock Exchange over the last 20 consecutive trading days up to and including the Last Trading Day; and

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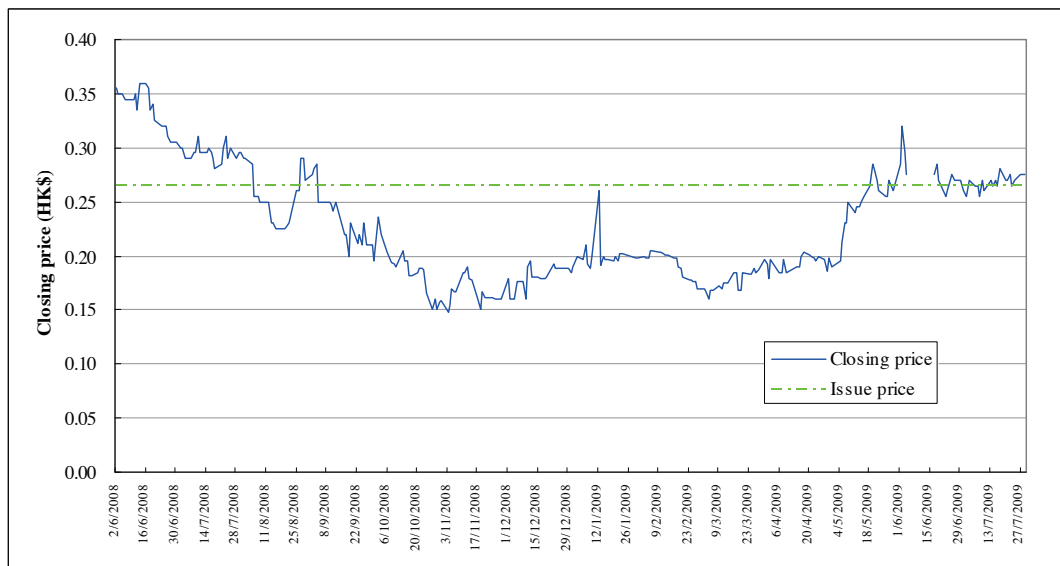
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- (6) a discount of approximately 72.3% to the latest audited consolidated equity attributable to shareholders of HK\$0.956 per Share as at 31 December 2008.

The Issue Price was negotiated on an arm's length basis between the Company, the Purchaser and the Vendor with reference to the prevailing market prices of the Shares.

In assessing the fairness and reasonableness of the Issue Price, we have reviewed the share price performance and trading volume of the Shares from 1 June 2008 up to the Latest Practicable Date (the "Review Period"). The following chart and table illustrate the closing prices of the Shares and the trading volume of the Shares respectively during the Review Period:

**Chart: Closing prices of the Shares during the Review Period**



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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**Table: Trading volume of the Shares during the Review Period**

	<b>Total trading volume for the month/ period</b>	<b>Average daily trading volume for the month/period</b> <i>(Note 1)</i>	<b>Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date</b>	<b>Percentage of average daily trading volume to total number of Shares held by public Shareholders as at the Latest Practicable Date</b> <i>(Note 2)</i>
<b>2008</b>				
June	8,565,800	428,290	0.04%	0.05%
July	10,539,800	479,082	0.04%	0.06%
August	19,265,000	1,013,947	0.08%	0.12%
September	32,936,200	1,568,390	0.13%	0.18%
October	11,727,853	558,649	0.05%	0.06%
November	2,003,500	100,175	0.01%	0.01%
December	2,933,979	139,713	0.01%	0.02%
<b>2009</b>				
January	9,155,000	508,611	0.04%	0.06%
February	6,942,778	347,139	0.03%	0.04%
March	2,908,439	132,202	0.01%	0.02%
April	8,465,600	423,280	0.03%	0.05%
May	36,690,200	1,931,063	0.16%	0.22%
June (up to the Last Trading Day)	138,423,000	46,141,133	3.79%	5.37%
After the Last Trading Day to the Latest Practicable Date	118,203,360	3,813,012	0.31%	0.44%

*Notes:*

1. Average daily trading volume is calculated by dividing the total trading volume for the month/ period by the number of trading days during the relevant month/ period which exclude any trading day on which trading of Shares on the Stock Exchange was suspended for the whole trading day.
2. Based on 860,016,470 Shares held by the public Shareholders as at the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the chart above, during the Review Period, the closing price of the Shares decreased gradually from HK\$0.36 on 13 June 2008 to HK\$0.148 on 3 November 2008. Since then and up to early May 2009, the closing price of the Shares ranged between HK\$0.15 to HK\$0.21, except on 12 January 2009 which recorded HK\$0.26. Since early May 2009, the closing price of the Shares has grown significantly from HK\$0.195 on 4 May 2009 to HK\$0.295 on 3 June 2009, being the Last Trading Day prior to the signing of the Agreement and the Directors are not aware of the reason for the increase of the Share price during the period. Subsequent to the date of the Announcement and up to the Latest Practicable Date, the closing price of the Shares remained stable and ranged from HK\$0.255 to HK\$0.285 which represent within 10% discount and premium to the Issue Price (i.e. HK\$0.265) respectively. Given that (i) the Shares were traded below the Issue Price for most part of the Review Period (194 days out of 277 days); and (ii) the closing prices of the Shares have raised significantly without any specific reason since May 2009, we consider that it is more appropriate to analyse the fairness and reasonableness of the Issue Price with reference to the prices of the Shares for a longer period instead of those in the recent trading days only. In view of the Shares were traded below the Issue Price for most part of the Review Period (194 days out of 277 days); (ii) the Issue Price represents a premium of approximately 16.2% to the average closing price of HK\$0.228 per Share as quoted on the Stock Exchange during the Review Period, we consider that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

As illustrated in the table above, the average daily trading volume of the Shares in each month from June 2008 to May 2009 ranged from 100,175 Shares to approximately 1,931,063 Shares, representing approximately 0.01% and 0.16% respectively of the total number of Shares in issue as at the Latest Practicable Date, and approximately 0.01% and 0.22% respectively of the total number of Shares held by the public Shareholders as at the Latest Practicable Date. The trading volume of the Shares in early June 2009 grew substantially as compared with those of the previous year which the Directors are not aware of the reason of such increase. Subsequent to the date of the Announcement and up to the Latest Practicable Date, the trading volume of the Shares decreased significantly from approximately 42.9 million Shares on the Last Trading Day to approximately 5.6 million Shares on the Latest Practicable Date. Although the average daily trading volume of the Shares grew in early June 2009, there is no assurance that the average daily trading volume will maintain at such level in the future. Given the generally low trading volume of the Shares in the past and there is no assurance that the average daily trading volume in early June 2009 will maintain in the future, the Group may face difficulty in placing new shares to third parties to raise the adequate financial resources for the Acquisition. We have discussed with the management of the Company and are given to understand that the Group has conducted preliminary request to arrange the requisite financing by way of placing of new shares to third parties but the market response was not positive. As such, the Directors consider that the issue and allotment of the Consideration Shares to the Vendor is a more feasible and practicable way to settle the Consideration as compared with raising additional fund by way of placing of new Shares to third parties. We concur with the Directors' view that the allotment and issue of the Consideration Shares for the settlement of part of the Consideration is an appropriate method as equity fund raising by way of placing of new Shares may not be feasible in light of the historical low trading volume of the Shares. In addition, we are of the view that the settlement of part of the Consideration by way of the allotment and issue of the Consideration Shares will reduce the Group's cash outflow which is in the interests of the Company and the Independent Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We also note that the latest published audited consolidated net assets per Share of approximately HK\$0.956 as at 31 December 2008 (based on 1,216,606,059 Shares in issue) will be diluted to HK\$0.692 (based on 1,866,606,059 Shares in issue after the issue of the Consideration Shares) after Completion. The Issue Price represents a discount of approximately 61.7% to the diluted consolidated net assets per Share. We understand that price-to-book ratio is one of the methods in valuing listed companies engaged in property investment and trading. However, in general fund raising exercises such as placing, it is common to determine the placing price with reference to the market prices of the relevant shares instead of the net assets value per share. Given that (i) the nature of the Consideration Shares to be issued to the Vendor as part of the Consideration is similar to the placing of new Shares for fund raising in order to finance the Acquisition; and (ii) the Shares have been traded far below (at least 48.0% based on the highest closing price of the Shares of HK\$0.36 as at 13 June 2008) the consolidated net asset value per Share during the Review Period which means the net asset value per Share cannot reflect the market value of the Shares, we consider that the market price of the Shares should prevail in assessing the fairness of the Issue Price instead of net asset value per Share and the discount of the Issue Price to the consolidated net asset value per Share is acceptable.

Based on the facts that (i) the Issue Price represents a premium over the majority of the closing prices of the Shares during the Review Period; (ii) the Issue Price represents a premium of approximately 16.2% to the average closing price of HK\$0.228 per Share as quoted on the Stock Exchange during the Review Period; (iii) the generally low trading volume of the Shares during the Review Period; and (iv) the Shares have been traded far below (at least 48.0% based on the highest closing price of the Shares of HK\$0.36 as at 13 June 2008) the consolidated net asset value per Share during the Review Period, we consider that the Issue Price is fair and reasonable to the Company and the Independent Shareholders as a whole.

According to the analysis as stated above, we are of the view that the basis for determining the terms of the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned, and the terms of the Acquisition are on normal commercial terms and are in the interests of the Company and the Independent Shareholders as a whole.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 5. Dilution of the shareholding interests in the Company

The shareholding structures of the Company before and after Completion are as follows:

Name of Shareholders	Existing		Upon Completion assuming no New Warrants and share options are exercised		Upon Completion assuming that the New Warrants and share options are exercised in full (Note 1)	
	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
<i>The Vendor and parties acting in concert with it:</i>						
– Thing On Group Limited (Note 2)	356,589,589	29.31	356,589,589	19.10	356,589,589	16.65
– The Vendor (Note 2)	–	–	650,000,000	34.83	650,000,000	30.35
<i>Sub-total:</i>	356,589,589	29.31	1,006,589,589	53.93	1,006,589,589	47.00
<i>Directors:</i>						
Tse Kam Fai	–	–	–	–	7,100,000	0.33
Wong Ngo, Derick	–	–	–	–	6,900,000	0.32
Chong Kally	–	–	–	–	6,900,000	0.32
<i>Sub-total:</i>	–	–	–	–	20,900,000	0.97
<i>Public Shareholders:</i>						
Power Ace Limited (Note 3)	–	–	–	–	120,000,000	5.61
Willfame Group Limited (Note 3)	60,000,000	4.93	60,000,000	3.21	60,000,000	2.80
Time Favour Limited (Note 4)	–	–	–	–	120,000,000	5.61
Year Top Limited (Note 4)	30,524,000	2.51	30,524,000	1.64	30,524,000	1.43
Other public Shareholders	769,492,470	63.25	769,492,470	41.22	783,492,470	36.58
	<u>1,216,606,059</u>	<u>100.00</u>	<u>1,866,606,059</u>	<u>100.00</u>	<u>2,141,506,059</u>	<u>100.00</u>

*Notes:*

- (1) The assumption does not take into account any exercise of the share options by the Guarantor and his spouse, Ms. Ng Ka Fong Jenny. The Guarantor and Ms. Ng Ka Fong Jenny have undertaken that they will not exercise their respective options from the date of the Agreement up to and inclusive of the Completion Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (2) The entire issued share capital of the Vendor is wholly and beneficially owned by Thing On Holdings International Limited, a company wholly and beneficially owned by Thing On Group Limited which is in turn wholly and beneficially owned by Mr. Wong Chung Tak, the Chairman of the Company and an executive Director.
- (3) Each of Power Ace Limited and Willfame Group Limited is wholly owned by Ms. Juvy Ngo Ting.
- (4) Each of Time Favour Limited and Year Top Limited is wholly owned by Ms. Lucy Tin Chua.

As shown in the above table, the shareholding interests of the public Shareholders will be diluted from approximately 70.69% as at the Latest Practicable Date to 46.07% after the allotment and issue of the Consideration Shares upon Completion. Having considered that (i) the Acquisition can enhance the property portfolio and generate rental income to the Group, which is in line with the stated business strategy of the Group and could strengthen the future income of the Group; (ii) the Consideration is fair and reasonable as elaborated in the section headed “Terms of the Supplemented Agreement” above, and (iii) the Consideration to be partly satisfied by the issue of the Consideration Shares would reduce the financial burden of the Group in raising the necessary funding for the Acquisition, we are of the opinion that the issue of the Consideration Shares would enable the Group to enlarge its capital base and is an appropriate method to satisfy part of the Consideration. Having considered the above, we consider that the shareholding dilution effect arising from the issue of the Consideration Shares is acceptable.

### **6. Financial effects of the Acquisition on the Group**

Upon Completion, the Company will beneficially own the entire issued share capital of Yue Tin. According to the accounting policies of the Group, Yue Tin will be treated as an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group.

#### *(i) Earnings*

After the Acquisition, Yue Tin will become a wholly-owned subsidiary of the Company. The future earning of the Group will be affected by the valuation of the Properties at each balance sheet date and the amount of rental income and property management fee income to be generated from the Properties.

#### *(ii) Net assets value*

The audited net asset value of the Group as at 31 December 2008 was approximately HK\$1,162.8 million. According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular, the unaudited pro forma net asset value of the Enlarged Group attributable to the Shareholders after Completion would be approximately HK\$1,291.6 million.

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We also note that the latest published audited consolidated net assets per Share of approximately HK\$0.956 as at 31 December 2008 (based on 1,216,606,059 Shares in issue as at the Latest Practicable Date) will be diluted to HK\$0.692 (based on 1,866,606,059 Shares in issue after the issue of the Consideration Shares) after Completion which represents approximately 27.6% decrease. In view of the benefits arising from the Acquisition including but not limited to (i) the Acquisition can enhance its property portfolio and generate rental income to the Group, which is in line with the stated business strategy of the Group and could increase the future income of the Group; (ii) the Consideration is fair and reasonable as elaborated in the section headed “Terms of the Supplemented Agreement”; and (iii) the Consideration to be partly satisfied by the issue of the Consideration Shares would reduce the financial burden of the Group in raising the necessary funding for the Acquisition, we consider that the decrease in the net assets per Share after Completion is acceptable.

*(iii) Liquidity and financial resources*

Pursuant to the Supplemented Agreement, part of the Consideration which amounts to HK\$105,750,000 will be paid in cash (subject to adjustment as stated above). Based on the 2008 Annual Report, the Group had cash and cash equivalents of approximately HK\$439,762,000 as at 31 December 2008. Assuming no adjustment is required to be made to the Consideration on Completion and the Group will be required to settle part of the Consideration in cash in the amount of HK\$105,750,000, the cash and cash equivalents would be reduced by HK\$105,750,000, representing approximately 24.0% of the cash and cash equivalents of approximately HK\$439,762,000 of the Group as at 31 December 2008.

As disclosed in the 2008 Annual Report, the Group managed to maintain its liquidity at a healthy level and therefore the Group did not have any outstanding bank loan as at 31 December 2008. As the Acquisition will not involve any borrowing, there will be no impact to the gearing of the Group.

### **7. The Whitewash Waiver**

Assuming no further Shares will be issued by the Company prior to the allotment and issue of the Consideration Shares upon Completion, the interests held by the Vendor and the parties acting in concert with it (including the Guarantor and Thing On Group Limited) will increase from approximately 29.31% to approximately 53.93% of the issued share capital of the Company as enlarged by the Consideration Shares. In such circumstances, an obligation on the part of the Vendor and the parties acting in concert with it to make a general offer for all the Shares not already owned or agreed to be acquired by the Vendor and parties acting in concert with it will arise under Rule 26 of the Takeovers Code as a result of the issue of the Consideration Shares to the Vendor. An application has been made by the Vendor to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the prior approval by the Independent Shareholders at the SGM. According to the Supplemented Agreement, Completion shall be subject to the conditions precedent that, inter alia, the Whitewash Waiver having been granted by the Executive and approved by the Independent Shareholders at the SGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Purchaser shall not be bound to proceed with the purchase of the Sale Shares and/

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or the assignment of the Loan and the Supplemented Agreement shall cease to have any effect. The Executive has indicated that the Whitewash Waiver will be granted and will be subject to, among others, approval by the Independent Shareholders at the SGM by way of poll.

### RECOMMENDATION

Having taken into account the principal factors and reasons referred to the above, in particular:

- there is no material impact to the available financial resources of the Group as at 30 June 2009 comparing with 31 December 2008 (being the latest audited accounts were made up) and the decrease in revenue for the six months ended 30 June 2009 resulting from decrease in revenue generated from property trading is in line with the Group's strategy that the Group is holding its portfolio of trading properties pending for an ideal price to sell and the profit warning as disclosed in the July Announcement would not have material impact to the Group for the Acquisition so far as the Independent Shareholders are concerned;
- the positive future prospects of the property markets in Hong Kong and Beijing as reflected by the recovery of price indices in private properties in Hong Kong from March 2009 to May 2009 and the general increasing trend in the average selling prices of private residential properties in Beijing in 2009;
- the enhancement of the Group's property portfolio through the Acquisition and the possible rental income to be generated from the Properties, which is in line with the stated business strategy of the Group and could strengthen the future income of the Group;
- both the net asset value of Yue Tin after adjustment by the value of the Properties and the Valuation are close to the Consideration;
- the Consideration to be partly satisfied by the issue of the Consideration Shares would reduce the financial burden of the Group in raising the necessary funding for the Acquisition; and
- the Issue Price represents a premium over the majority of the closing prices of the Shares during the Review Period and the Issue Price represents a premium of approximately 16.2% to the average closing price of HK\$0.228 per Share as quoted on the Stock Exchange during the Review Period,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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we are of the opinion that the Acquisition, the terms of the Supplemented Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We also consider that the terms of the Supplemented Agreement are on normal commercial terms and is in the ordinary and usual course of business of the Company. We therefore advise the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Supplemented Agreement, the transactions contemplated thereunder, the issue of the Consideration Shares and the Whitewash Waiver.

Yours faithfully,

For and on behalf of

**Cinda International Capital Limited**

**Thomas Lai**

**Robert Siu**

*Executive Director*

*Executive Director*

## 1. THREE YEARS FINANCIAL SUMMARY

Set out below is a summary of the audited financial information of the Group as extracted from the relevant annual and interim reports of the Company, for each of the years ended 31 December 2006, 2007 and 2008 and for the six months ended 30 June 2007 and 2008.

No qualified opinion was being given in the auditors' report issued by (a) Deloitte Touche Tohmatsu, Certified Public Accountant, Hong Kong in respect of the financial statements for the year ended 31 December 2006, and (b) Grant Thornton, Certified Public Accountant, Hong Kong in respect of the financial statements for each of the two years ended 31 December 2008.

## (i) Results

	Year ended 31 December			Six months ended	
	2008 (Audited) HK\$'000	2007 (Audited) HK\$'000	2006 (Audited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
<b>Revenue</b>	352,469	31,778	17,542	332,021	13,000
Cost of sales and services	(238,632)	33,866	(45,418)	(180,631)	(2,537)
<b>Gross profit</b>	113,837	65,644	(27,876)	151,390	10,463
Other financial net (expense)/income	(20,845)	28,679	1,062	(2,872)	11,896
Other revenue	14,168	18,314	6,552	7,774	7,665
Selling and distribution costs	(1,089)	(941)	(9,495)	(557)	(452)
Administrative expenses	(15,474)	(27,797)	(31,822)	(6,939)	(14,673)
Gains on disposals of subsidiaries	2,497	1,984	(579)	1,925	(1,298)
Gain/(Loss) on deemed disposal of an associate	–	–	106	–	–
Revaluation gain on transfer of leasehold properties to investment properties	–	–	8,000	–	–
(Loss)/Gain in fair value of investment properties	(6,260)	47,275	1,500	–	16,939
Write-off of goodwill	–	(11,297)	–	–	–
Impairment loss on goodwill	–	–	–	–	(5,819)
Share of results of associates	–	–	(17,910)	–	3,282
Share of results of joint ventures	–	–	(13,608)	–	–
Other expenses	–	–	(33,910)	–	–
<b>Profit (Loss) before income tax</b>	86,834	121,861	(117,980)	150,721	28,003
Income tax expense	(18,269)	(19,639)	(687)	(17,070)	(684)
Profit for the year from discontinued operations	–	–	4,069	–	–
<b>Profit (Loss) for the year/period</b>	<b>68,565</b>	<b>102,222</b>	<b>(114,598)</b>	<b>133,651</b>	<b>27,319</b>

	Year ended 31 December			Six months ended	
	2008	2007	2006	2008	2007
	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Minority interest	-	-	-	-	-
Extraordinary & Exceptional item	-	-	-	-	-
Amount absorbed by dividend	-	-	-	-	-
Dividends per share	-	-	-	-	-
Earnings per share					
– Basic (cents)	5.61	9.13	(14.15)	10.88	2.71
– Diluted (cents)	N/A	9.10	N/A	N/A	N/A
<b>Attributable to:</b>					
Equity holders of the Company	<u>68,565</u>	<u>102,222</u>	<u>(114,598)</u>	<u>133,651</u>	<u>27,319</u>

**(ii) Assets and liabilities and minority interests**

	As at 31 December			As at 30 June	
	2008	2007	2006	2008	2007
	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Non-current assets	243,944	253,816	203,981	250,438	292,514
Current assets	<u>1,013,377</u>	<u>902,372</u>	<u>586,044</u>	<u>1,070,269</u>	<u>682,459</u>
Total assets	<u>1,257,321</u>	<u>1,156,188</u>	<u>790,025</u>	<u>1,320,707</u>	<u>974,973</u>
Current liabilities	<u>78,773</u>	<u>49,122</u>	<u>26,137</u>	<u>77,659</u>	<u>31,417</u>
Non-current liabilities	<u>15,742</u>	<u>15,375</u>	<u>1,226</u>	<u>15,156</u>	<u>1,226</u>
Total liabilities	<u>94,515</u>	<u>64,497</u>	<u>27,363</u>	<u>92,815</u>	<u>32,643</u>
Total equity attributable to equity holders of the Company	<u>1,162,806</u>	<u>1,091,691</u>	<u>762,662</u>	<u>1,227,892</u>	<u>942,330</u>

## 2. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Set out below are the audited consolidated financial statements of the Group for the year ended 31 December 2008 together with the comparative figures for the year ended 31 December 2007 and accompanying notes as extracted from the annual report of the Company dated 6 March 2009, a copy of which is available for inspection as described in the paragraph headed “Documents available for inspection” in Appendix VII to this circular:

**Consolidated Income Statement**

*for the year ended 31st December 2008*

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>Revenue</b>	5	352,469	31,778
Cost of sales and services (including allowance of properties held for sale of HK\$53,386,000 (2007: write back of provision for properties held for sale of HK\$40,840,000))		(238,632)	33,866
<b>Gross profit</b>		113,837	65,644
Other financial net (expense)/income	5	(20,845)	28,679
Other revenue	5	14,168	18,314
Selling and distribution costs		(1,089)	(941)
Administrative expenses		(15,474)	(27,797)
Gains on disposals of subsidiaries		2,497	1,984
(Loss)/Gain in fair value of investment properties	12	(6,260)	47,275
Write-off of goodwill	17	–	(11,297)
<b>Profit before income tax</b>	7	86,834	121,861
Income tax expense	8	(18,269)	(19,639)
<b>Profit for the year</b>		<b>68,565</b>	<b>102,222</b>
Attributable to:			
Equity holders of the Company	9	68,565	102,222
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to the equity holders of the Company	10		
– Basic		5.61	9.13
– Diluted		N/A	9.10

**Consolidated Balance Sheet***as at 31st December 2008*

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	12	238,740	245,000
Property, plant and equipment	13	1,504	2,016
Prepaid lease payments	14	3,700	3,800
Interests in joint ventures	16	–	–
Loans and receivables	20	–	3,000
		<hr/>	<hr/>
		243,944	253,816
		<hr/>	<hr/>
<b>Current assets</b>			
Properties held for sale	18	486,500	479,840
Trade receivables	19	1,658	1,194
Other receivables, prepayments and deposits	19	7,094	1,818
Prepaid lease payments	14	100	100
Amounts due from a joint venture	16	–	–
Loans and receivables	20	13,000	110,891
Investments in debt securities	21	–	15,956
Financial assets held at fair value through profit or loss	22	65,263	12,187
Cash and cash equivalents	23	439,762	228,138
		<hr/>	<hr/>
		1,013,377	850,124
Investment properties classified as held for sale	12	–	52,248
		<hr/>	<hr/>
		1,013,377	902,372
		<hr/>	<hr/>
<b>Current liabilities</b>			
Derivative financial instruments	24	96	–
Other payables, deposits received and accrued charges	25	66,654	42,690
Taxation payables		12,023	6,432
		<hr/>	<hr/>
		78,773	49,122
		<hr/>	<hr/>
<b>Net current assets</b>		934,604	853,250
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		1,178,548	1,107,066

		<b>2008</b>	<b>2007</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Deferred tax liabilities	26	15,742	15,375
		<u>15,742</u>	<u>15,375</u>
<b>Net assets</b>		<b>1,162,806</b>	<b>1,091,691</b>
		<u>1,162,806</u>	<u>1,091,691</u>
<b>EQUITY</b>			
Equity attributable to the equity holders of the Company			
Share capital	27	243,321	247,944
Reserves	29	919,485	843,747
		<u>919,485</u>	<u>843,747</u>
<b>Total equity</b>		<b>1,162,806</b>	<b>1,091,691</b>
		<u>1,162,806</u>	<u>1,091,691</u>

**Balance Sheet***as at 31st December 2008*

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	193	472
Interests in subsidiaries	15	12,998	15,013
		<u>13,191</u>	<u>15,485</u>
<b>Current assets</b>			
Other receivables, prepayments and deposits	19	1,181	386
Amounts due from subsidiaries	15	754,284	995,440
Financial assets held at fair value through profit or loss	22	55,012	12,187
Cash and cash equivalents	23	239,882	39,692
		<u>1,050,359</u>	<u>1,047,705</u>
<b>Current liabilities</b>			
Derivative financial instruments	24	96	–
Other payables, deposits received and accrued charges	25	1,550	1,630
Amounts due to subsidiaries	15	115,374	50,293
Taxation payables		4	3
		<u>117,024</u>	<u>51,926</u>
<b>Net current assets</b>		<u>933,335</u>	<u>995,779</u>
<b>Net assets</b>		<u><u>946,526</u></u>	<u><u>1,011,264</u></u>
<b>EQUITY</b>			
Share capital	27	243,321	247,944
Reserves	29	703,205	763,320
<b>Total equity</b>		<u><u>946,526</u></u>	<u><u>1,011,264</u></u>

**Consolidated Statement of Changes in Equity**  
for the year ended 31st December 2008

	Share capital	Share premium	Contributed surplus	Property revaluation reserve	Translation reserve	Share option reserve	Warrant reserve	Capital redemption reserve	Statutory reserve fund	(Accumulated losses)/ Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2007	172,233	409,052	588,178	2,728	11,987	-	-	-	3,108	(424,624)	762,662
Subscription of new shares	41,320	78,078	-	-	-	-	-	-	-	-	119,398
Issuance of new shares	34,391	51,587	-	-	-	-	-	-	-	-	85,978
Expenses incurred in connection with subscription of new shares	-	(31)	-	-	-	-	-	-	-	-	(31)
Exchange difference arising on translation of foreign operations (net income recognised directly in equity)	-	-	-	-	14,233	-	-	-	-	-	14,233
Net profit for the year	-	-	-	-	-	-	-	-	-	102,222	102,222
Total recognised income and expense for the year	-	-	-	-	14,233	-	-	-	-	102,222	116,455
Release upon disposals of investment properties	-	-	-	(2,728)	-	-	-	-	-	2,728	-
Release upon disposals of subsidiaries	-	-	-	-	(1,933)	-	-	-	(2,919)	2,919	(1,933)
Grant of share options	-	-	-	-	-	5,598	-	-	-	-	5,598
Issue of unlisted warrants	-	-	-	-	-	-	3,600	-	-	-	3,600
Expenses incurred in connection with issue of warrants	-	-	-	-	-	-	(36)	-	-	-	(36)
At 31st December 2007	<u>247,944</u>	<u>538,686*</u>	<u>588,178*</u>	<u>-*</u>	<u>24,287*</u>	<u>5,598*</u>	<u>3,564*</u>	<u>-</u>	<u>189*</u>	<u>(316,755)*</u>	<u>1,091,691</u>

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

	Share capital	Share premium	Contributed surplus	Property revaluation reserve	Translation reserve	Share option reserve	Warrant reserve	Capital redemption reserve	Statutory reserve fund	(Accumulated losses)/ Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2008	247,944	538,686	588,178	-	24,287	5,598	3,564	-	189	(316,755)	1,091,691
Exchange difference arising on translation of foreign operations (net income recognised directly in equity)	-	-	-	-	12,690	-	-	-	-	-	12,690
Net profit for the year	-	-	-	-	-	-	-	-	-	68,565	68,565
Total recognised income and expense for the year	-	-	-	-	12,690	-	-	-	-	68,565	81,255
Transfer of contributed surplus	-	-	(316,755)	-	-	-	-	-	-	316,755	-
Shares repurchased	(4,623)	(10,080)	-	-	-	-	-	4,623	-	-	(10,080)
Expenses incurred in connection with repurchase of shares	-	(60)	-	-	-	-	-	-	-	-	(60)
Appropriation	-	-	-	-	-	-	-	-	19	(19)	-
<b>At 31st December 2008</b>	<b>243,321</b>	<b>528,546*</b>	<b>271,423*</b>	<b>-*</b>	<b>36,977*</b>	<b>5,598*</b>	<b>3,564*</b>	<b>4,623*</b>	<b>208*</b>	<b>68,546*</b>	<b>1,162,806</b>

\* These reserve accounts comprise the consolidated reserves of HK\$919,485,000 (2007: HK\$843,747,000) in the consolidated balance sheet.

**Consolidated Cash Flow Statement***for the year ended 31st December 2008*

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>Cash flows from operating activities</b>			
Profit before income tax		86,834	121,861
Adjustments for:			
Interest income		(11,282)	(15,448)
Depreciation	7	810	1,378
Amortisation of prepaid lease payments	7	100	100
Loss/(Gain) in fair value of investment properties		6,260	(47,275)
Loss on disposals of property, plant and equipment	7	85	–
Gain on disposals of subsidiaries	34	(2,497)	(1,984)
Gain on de-registration of subsidiaries	5	(353)	(723)
Reversal of impairment loss on amounts due from a joint venture	5	(143)	(262)
Allowance/(Write back of provision) for properties held for sale		53,386	(40,840)
Share-based payments	7	–	5,598
Write-off of goodwill	7	–	11,297
		<hr/>	<hr/>
Operating cash flows before movements in working capital		133,200	33,702
Increase in properties held for sale		(60,046)	–
(Increase)/Decrease in trade receivables		(464)	75
(Increase)/Decrease in other receivables, prepayments and deposits		(3,197)	8,121
Decrease/(Increase) in loans and receivables		87,124	(97,824)
Increase in financial assets held at fair value through profit or loss		(53,076)	(2,192)
Increase in derivative financial instruments		96	–
Increase/(Decrease) in other payables, deposits received and accrued charges		24,234	(18,887)
		<hr/>	<hr/>
Cash generated from/(used in) operations		127,871	(77,005)
Income tax paid		(11,370)	(1,176)
		<hr/>	<hr/>
<i>Net cash generated from/(used in) operating activities</i>		<hr/> <b>116,501</b> <hr/>	<hr/> <b>(78,181)</b> <hr/>

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>Cash flows from investing activities</b>			
Interest received		11,282	11,196
Purchases of property, plant and equipment		(467)	(1,402)
Purchases of available-for-sale financial assets		(7,794)	–
Proceeds from disposals of property, plant and equipment		120	–
Disposals of subsidiaries, net of cash and cash equivalents disposed of	34	6,366	40,051
Proceeds from redemption of debt securities		15,956	–
Acquisition of subsidiary	33(a)	–	7,508
Purchases of net assets, net of cash acquired	33(c)	–	(28,500)
Settlement of amount payable for acquisition of an investment property	33(c)	–	(145,413)
Repayments from a joint venture		143	262
Repayments from/(Loans to) related companies		13,767	(11,009)
Disposals of investment properties		52,248	51,920
Amounts received from disposals of subsidiaries		–	28,500
		<hr/>	<hr/>
<i>Net cash generated from/(used in) investing activities</i>		91,621	(46,887)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Proceeds from subscription/placing of new shares		–	119,398
Expenses incurred in connection with placing of new shares		–	(31)
Issuance of warrants		–	3,600
Repurchase of shares		(10,080)	–
Expenses incurred in connection with repurchase of shares		(60)	–
Expenses incurred in connection with issuance of warrants		–	(36)
		<hr/>	<hr/>
<i>Net cash (used in)/generated from financing activities</i>		(10,140)	122,931
		<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>		197,982	(2,137)
Cash and cash equivalents at beginning of the year		228,138	218,262
Effect of foreign exchange rate changes		13,642	12,013
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>		<u>439,762</u>	<u>228,138</u>
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash		51,712	165,575
Time deposits with original maturity of less than three months		240,323	62,563
Highly liquid fund		147,727	–
		<hr/>	<hr/>
		<u>439,762</u>	<u>228,138</u>

**Notes to the Financial Statements***for the year ended 31st December 2008***1. GENERAL INFORMATION**

Shenzhen High-Tech Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office and principal place of business are disclosed in the corporate information to the annual report. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “SEHK”).

The Company is an investment holding company. Details of the activities of its principal subsidiaries are set out in note 38 to the financial statements. The Company and its subsidiaries are referred to as the “Group” hereinafter. The Group is principally engaged in property investment, development and trading, securities investment and securities trading, and provision of financial services. There were no significant changes in the Group’s operations during the year.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

The financial statements on pages 29 to 117 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term included all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”).

The financial statements for the year ended 31st December 2008 were approved for issue by the board of directors on 6th March 2009.

**2. ADOPTION OF NEW AND AMENDED HKFRSs**

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1st January 2008:

HK(IFRIC) – Int 11

HKFRS 2 – Group and Treasury Share Transactions

HKAS 39 (Amendments)

Reclassification of Financial Assets

The new HKFRSs have no material effect on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group:

HKAS 1 (Revised)	Presentation of Financial Statement <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>2</sup>
HKFRS 1 (Revised)	First-time adoption of HKFRSs <sup>2</sup>
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate <sup>1</sup>
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 2	Members' Shares in Co-operative Entities and Similar Instruments <sup>1</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>3</sup>
HK(IFRIC) – Int 18	Transfers of Assets from Customers <sup>3</sup>
Various	Annual Improvements to HKFRS 2008 <sup>5</sup>

*Notes:*

<sup>1</sup> Effective for annual periods beginning on or after 1st January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st July 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st October 2008

<sup>5</sup> Generally effective for annual periods beginning on or after 1st January 2009 unless otherwise stated in the specific HKFRS

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Amongst these new standards and interpretations, HKAS 1 (Revised) Presentation of Financial Statements is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 Operating Segments may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Basis of preparation**

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost convention except for investment properties and certain financial instruments classified as financial assets at fair value through profit or loss, derivative financial instruments and financial liabilities at fair value through profit or loss which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

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

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

#### **3.3 Subsidiaries**

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combination (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

### 3.4 Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

In the consolidated financial statements, interests in joint ventures are initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the joint venture's net assets less any identified impairment loss. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the joint venture for the year, including any impairment loss on goodwill relating to the investment in joint venture recognised for the year.

When the Group's share of losses in joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of joint venture. For this purpose, the Group's interest in the joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### 3.5 Revenue recognition

Revenue comprises the fair value for the sale of goods and rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue arising from sale of properties is recognised on the execution of a legal binding, unconditional and irrevocable sales contracts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in balance sheet under deposits received.

Service income is recognised when services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

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.

Rental income under operating leases is recognised on the straight-line method over the term of the relevant lease.

Dividend income is recognised when the right to receive payment is established.

Bank interest income is recognised on a time-proportion basis using the effective interest method.

**3.6 Goodwill**

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investments in joint venture is set out in note 3.4.

Goodwill represents the excess of the cost of a business combination or an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination or investment.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.10).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in the income statement.

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

**3.7 Investment properties**

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or capital appreciation. These include land held for a currently undetermined future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property. Any changes between the fair value of the property at that date and its previous carrying amount are recognised in income statement.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in the income statement for the period in which they arise.

### 3.8 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. 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.

Depreciation is provided to write off the cost of over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the lease terms, if shorter, or 5 years
Furniture, fixtures and office equipment	3-5 years
Motor vehicles	5-10 years

The depreciation method and assets' estimated useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to the income statement during the financial period in which they are incurred.

### 3.9 Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of the land together with direct costs attributable to the completion of the properties.

### 3.10 Impairment of non-financial assets

Goodwill arising on an acquisition of subsidiary, property, plant and equipment, prepaid lease payment, interest in subsidiaries and joint ventures are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation on amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period.

### 3.11 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and joint ventures are set out below.

Financial assets are classified into financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and investments in debt securities.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date. All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial assets.

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

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss and all derivatives other than hedging instruments.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or
- the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or
- the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets included in this category are measured at fair value with changes in fair value recognised in income statement. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 3.5 to these financial statements.

The Group has designated its unlisted equity-linked notes at fair value through profit or loss in order to avoid the need to recognise separately embedded derivatives which were not closely related to the host debt contract.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

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

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Non-derivative financial assets other than the following are designated as available-for-sale financial assets:

- investments in subsidiaries and jointly controlled entities;
- financial assets held for trading; and
- financial assets designated as hedging instruments.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recycled in the income statement. Interest calculated using the effective interest method is recognised in the income statement. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in the income statement, and other changes are recognised in equity.

For available-for-sale investments in equity securities 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 balance sheet date subsequent to initial recognition.

#### *Impairment of financial assets*

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the Group and, national or local economic conditions that correlate with defaults on the assets in the Group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement of the period in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the income statement as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and its fair value, less any impairment loss on that asset previously recognised in the income statement.

Reversals for investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in the income statement.

**3.12 Foreign currency translation**

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

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 was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK\$. Assets and liabilities have been translated into HK\$ at the closing rates at the balance sheet date. Income and expenses have been converted into HK\$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserve in equity.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

### 3.13 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Operating lease charges as the lessee*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on the straight-line method over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

(ii) *Assets leased out under operating leases as the lessor*

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in the income statement on the straight-line method over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

### 3.14 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement or in equity if they relate to items that are charged or credited directly to equity.

### **3.15 Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand, deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

### **3.16 Share capital**

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

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

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is ultimately recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

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

**3.18 Retirement benefit costs and short term employee benefits***Retirement benefit costs*

Retirement benefits to employees are provided through defined contribution plans. The Group operates a defined contribution retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance (the “MPF Scheme”), for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries or the maximum mandatory contribution as required by the MPF Scheme and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The employer’s contributions of the Group vest fully with the employees when contributed into the MPF Scheme, except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group’s subsidiary in other jurisdictions are members of a state-managed retirement benefit scheme operated by the government of the respective jurisdiction. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefit to fund the benefits. The only obligation of the Group with respect to the benefit schemes is to make the specified contributions.

*Short term employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

**3.19 Financial liabilities**

The Group’s financial liabilities include other payables and derivative financial instruments. These are included in balance sheet line items as other payables, deposits received and accrued charges and derivative financial instruments.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

*Other payables*

Other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including derivatives which have been separated from their host contracts are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; or
- the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains an embedded derivative that would need to be separately recorded.

**3.20 Non-current assets held for sale**

Non-current assets classified as assets held for sale are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

**3.21 Segment reporting**

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of investment properties, property, plant and equipment, receivables, financial assets at fair value through profit or loss and operating cash, and mainly exclude corporate assets. Segment liabilities comprise operating liabilities, derivative financial instruments and exclude items such as taxation provision and corporate payables.

Capital expenditure is the total cost incurred during the year to acquire investment properties and property, plant and equipment, including additions of assets resulting from acquisitions of subsidiaries.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

**3.22 Related parties**

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or its parent or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

**3.23 Provisions and contingent liabilities**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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 contingent liabilities, unless the probability of outflow of economic benefit 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.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

##### 4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

###### *Estimated fair value of investment properties*

Investment properties of the Group are stated at fair value in accordance with the accounting policy stated in 3.7. The fair values of investment properties, set out in note 12 to the financial statements, are determined by an independent professional valuer, Savills Valuation and Professional Services Limited (“Savills”). Such valuations are made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual results. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market condition existing at the balance sheet date. These estimates are regularly compared to actual market data and actual transactions in the market.

###### *Provision for impairment of loans and receivables*

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectability and on management’s judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the collateral security and the past collection history of each borrower. If the financial conditions of the borrowers of the Group were to deteriorate, resulting in impairment of their ability to make repayments, additional allowance may be required. If the financial conditions of the borrowers of the Group, on whose account provision for impairment has been made, were improved and no impairment of their ability to make payments were noted, reversal of provision for impairment may be required.

###### *Fair value of unlisted equity-linked notes and derivative financial instruments*

The fair value of unlisted equity-linked notes and derivatives financial instruments, set out in note 22 and note 24 respectively, is determined by an independent professional valuer, Asset Appraisal Limited (“Asset Appraisal”). Such valuation is subject to limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including share prices, deposit rates, spot rates, risk-free rates, volatility and the relevant parameters of the option pricing model be changed, there would be material changes in the fair value of the unlisted equity-linked notes and derivatives financial instruments.

###### *Impairment of assets*

The Group assesses impairment at each balance sheet date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market condition existing at the balance sheet dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

*Income taxes*

The Group is subject to income taxes in certain jurisdictions other than Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

*Net realisable value of properties held for sale*

Management determines the net realisable value of completed properties held for sale by using prevailing market data such as most recent sale transactions and market valuation reports available from independent qualified professional surveyors. Such valuations are made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual result. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market condition existing at the balance sheet date. These estimates are regularly compared to actual market data and actual transactions in the market.

**5. REVENUE/OTHER FINANCIAL NET (EXPENSE)/INCOME AND OTHER REVENUE**

Revenue, which is also the Group's turnover, represented rental income, property management fee income, sales of properties and loan interest income.

Revenue recognised during the year is as follows:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	23,418	19,550
Property management fee income	10,093	8,371
Sales of properties	315,856	–
Loan interest income	3,102	3,857
	<u>352,469</u>	<u>31,778</u>

Financial assets/(liabilities) at fair value through profit or loss recognised during the year is as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Financial assets at fair value through profit or loss:		
– investment in equity securities held for trading	(22,543)	28,679
– investment in compound financial instruments designated as such upon initial recognition	1,311	–
	<u>(21,232)</u>	<u>28,679</u>
Financial liabilities at fair value through profit or loss:		
– derivative financial instruments	387	–
	<u>(20,845)</u>	<u>28,679</u>

Other revenue recognised during the year is as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Interest income on financial assets at amortised cost:		
– bank interest income	7,117	5,662
– loan interest income	415	1,900
– debt securities interest income	277	4,029
	<u>7,809</u>	<u>11,591</u>
Interest income on equity-linked notes classified as financial assets at fair value through profit or loss	371	–
Consultancy fee income	–	2,260
Dividend income	884	286
Gain on deregistration of subsidiaries	353	723
Reversal of provision of amounts due from joint ventures	143	262
Write-off of other payables and accruals	40	3,072
Exchange gain	4,568	–
Others	–	120
	<u>14,168</u>	<u>18,314</u>

## 6. SEGMENT INFORMATION

## Primary reporting format – business segments

The Group is organised into four main business segments:

- Property investment;
- Property development and trading;
- Securities investment and securities trading; and
- Provision of financial services.

	Property investment		Property development and trading		Securities investment and securities trading		Provision of financial services		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue</b>												
External sales	33,511	27,921	315,856	-	-	-	3,102	3,857	-	-	352,469	31,778
Inter-segment sales	-	-	-	-	-	-	31,540	21,089	(31,540)	(21,089)	-	-
<b>Total</b>	<b>33,511</b>	<b>27,921</b>	<b>315,856</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,642</b>	<b>24,946</b>	<b>(31,540)</b>	<b>(21,089)</b>	<b>352,469</b>	<b>31,778</b>
<b>Segment results</b>	<b>13,926</b>	<b>47,818</b>	<b>84,818</b>	<b>40,251</b>	<b>(19,902)</b>	<b>28,679</b>	<b>7,228</b>	<b>7,577</b>			<b>86,070</b>	<b>124,325</b>
Unallocated other revenue											11,114	17,689
Unallocated corporate expenses											(10,350)	(20,153)
Profit before income tax											86,834	121,861
Income tax expense											(18,269)	(19,639)
Profit for the year											<b>68,565</b>	<b>102,222</b>

*Note:* Inter-segment sales are charged at prevailing market prices.

## Primary reporting format – business segments

	Property investment		Property development and trading		Securities investment and securities trading		Provision of financial services		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	249,100	305,053	486,509	479,918	67,263	28,143	13,000	113,929	815,872	927,043
Unallocated assets									441,449	229,145
Total assets									<u>1,257,321</u>	<u>1,156,188</u>
Segment liabilities	44,290	14,733	19,865	24,610	96	–	861	785	65,112	40,128
Unallocated liabilities									29,403	24,369
Total liabilities									<u>94,515</u>	<u>64,497</u>
<b>Other segment information</b>										
Depreciation	703	1,220	–	–	–	–	–	–	703	1,220
Unallocated depreciation									107	158
Amortisation of prepaid lease payments – unallocated									100	100
Capital additions in respect of property, plant and equipment	357	1,402	110	–	–	–	–	–	467	1,402
Write-off of goodwill	–	11,297	–	–	–	–	–	–	–	11,297

## Secondary reporting format – geographical segments

The Group's operations are substantially located in Hong Kong and the PRC (other than Hong Kong) throughout the year. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods and services:

	PRC (other than Hong Kong)		Hong Kong		Australia		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>								
External sales (by location of customers)	<u>27,325</u>	<u>24,248</u>	<u>325,144</u>	<u>5,974</u>	<u>–</u>	<u>1,556</u>	<u>352,469</u>	<u>31,778</u>
Other segment information (by location of assets)								
Segment assets	<u>560,551</u>	<u>625,008</u>	<u>255,321</u>	<u>288,268</u>	<u>–</u>	<u>13,767</u>	<u>815,872</u>	<u>927,043</u>
Capital additions	<u>44</u>	<u>29</u>	<u>423</u>	<u>1,373</u>	<u>–</u>	<u>–</u>	<u>467</u>	<u>1,402</u>

## 7. PROFIT BEFORE INCOME TAX

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit before income tax has been arrived at after charging/(crediting):		
Employee benefit expense:		
Directors' remuneration ( <i>Note 11</i> )		
– fees	900	900
– salaries and allowances	2,407	2,427
– share options	–	3,206
– retirement benefit scheme contributions	24	24
	<u>3,331</u>	<u>6,557</u>
Other staff		
– wages and salaries	4,907	4,470
– share options	–	2,392
– retirement benefit scheme contributions	298	29
	<u>8,536</u>	<u>13,448</u>
Auditors' remuneration	720	600
Depreciation	810	1,378
Loss on disposals of property, plant and equipment	85	–
Amortisation of prepaid lease payments	100	100
Minimum lease rentals in respect of rented premises	478	486
Write-off of other payables	(40)	(3,072)
Write-off of other receivables	104	2,582
Write-off of goodwill	–	11,297
	<u>          </u>	<u>          </u>
Rental income under operating leases, less outgoings of HK\$8,259,000 (2007: HK\$6,974,000)	<u>(15,159)</u>	<u>(12,575)</u>

## 8. INCOME TAX EXPENSE

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax		
– Hong Kong profits tax		
Tax for the year	16,407	2,161
Overprovision in prior year	(966)	–
– PRC enterprise income tax		
Tax for the year	2,820	3,051
	<u>18,261</u>	<u>5,212</u>
Deferred tax		
Current year	10	14,427
Attributable to reduction in tax rate*	(2)	–
	<u>8</u>	<u>14,427</u>
Total income tax expense	<u><u>18,269</u></u>	<u><u>19,639</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%)\* on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Reconciliation between income tax expenses and accounting profit at applicable tax rates:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit before income tax	<u><u>86,834</u></u>	<u><u>121,861</u></u>
Tax on profit before taxation, calculated at the statutory rate 16.5% (2007: 17.5%)	14,328	21,326
Effect of different tax rates of group companies operating in other jurisdictions	229	(1,588)
Tax effect of non-deductible expenses	3,567	6,559
Tax effect of non-taxable revenue	(2,353)	(3,208)
Tax effect of unused tax losses to recognise	9,629	464
Utilisation of tax losses previously not recognised	(5,546)	(4,926)
Tax effect of temporary difference not recognised	(617)	56
Effect on deferred tax as a result of a decrease in tax rate during the year	(2)	–
Others	–	956
Overprovision in prior years	(966)	–
Income tax expense	<u><u>18,269</u></u>	<u><u>19,639</u></u>

\* The Hong Kong SAR Government enacted a reduction in the profits tax rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred taxes have been calculated using the new tax rate of 16.5%.

**9. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY**

Of the consolidated profit attributable to the equity holders of the Company of HK\$68,565,000 (2007: HK\$102,222,000), a loss of HK\$54,598,000 (2007: a profit of HK\$3,723,000) has been dealt with in the financial statements of the Company.

**10. EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to equity holders of the Company	68,565	102,222
	<u>          </u>	<u>          </u>
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share ( <i>Note</i> )	1,222,290	1,119,883
Weighted average number of ordinary shares deemed to be issued at nil consideration on the assumed exercise of the warrants	–	3,726
	<u>          </u>	<u>          </u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share ( <i>Note</i> )	1,222,290	1,123,609
	<u>          </u>	<u>          </u>

*Note:* For the year ended 31st December 2007, the above weighted average number of ordinary shares for the calculation of the basic earnings per share had been adjusted to take into account of the consolidation of shares of the Company approved by equity holders of the Company at the special general meeting held on 12th February 2007.

For the year ended 31st December 2008, the computation of diluted earnings per share did not assume the exercise of the outstanding share options and warrants as the exercise of the share options and warrants was anti-dilutive.

The computation of diluted earnings per share for the year ended 31st December 2007 did not assume the exercise of the outstanding share options as the impact of the exercise of the share options was anti-dilutive.

## 11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

## Directors' emoluments

The emoluments paid or payable to each of the six (2007: six) directors were as follows:

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Contribution to retirement benefits scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>2008</b>				
<b>Executive directors</b>				
Wong Chung Tak	100	1,807	12	1,919
Tse Kam Fai	100	600	12	712
<b>Independent non-executive directors</b>				
Lee Kuo Ching, Stewart	200	–	–	200
Liu Sing Piu, Chris	200	–	–	200
Chong Kally	200	–	–	200
<b>Non-executive director</b>				
Wong Ngo, Derick	100	–	–	100
	<u>900</u>	<u>2,407</u>	<u>24</u>	<u>3,331</u>
<b>2007</b>				
<b>Executive directors</b>				
Wong Chung Tak	100	2,620	12	2,732
Tse Kam Fai	100	1,433	12	1,545
<b>Independent non-executive directors</b>				
Lee Kuo Ching, Stewart	200	–	–	200
Liu Sing Piu, Chris	200	–	–	200
Chong Kally	200	790	–	990
<b>Non-executive director</b>				
Wong Ngo, Derick	100	790	–	890
	<u>900</u>	<u>5,633</u>	<u>24</u>	<u>6,557</u>

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

**Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year included two (2007: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2007: one) individuals during the year are as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Basic salaries, housing allowances, share options other allowance and benefits in kind	2,181	1,050
Contribution to retirement benefits schemes	75	30
	<u>2,256</u>	<u>1,080</u>

Their emoluments were within the following bands:

	<b>Number of individuals</b>	
	<b>2008</b>	<b>2007</b>
Nil to HK\$1,000,000	2	–
HK\$1,000,001 to HK\$1,500,000	1	1
	<u>3</u>	<u>1</u>

**12. INVESTMENT PROPERTIES/INVESTMENT PROPERTIES CLASSIFIED AS HELD FOR SALE – GROUP**

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

Changes to the carrying amounts in the balance sheet are summarised as follows:

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Carrying amounts at 1st January		245,000	150,000
Additions		–	326,893
Disposals		–	(51,920)
Transfer to properties held for sale	a	–	(175,000)
Net (loss)/gain from fair value adjustments		(6,260)	47,275
		<u>238,740</u>	<u>297,248</u>
Investment property classified as held for sale	b	–	(52,248)
Carrying amounts at 31December		<u>238,740</u>	<u>245,000</u>

*Notes:*

- (a) On 5th July 2007, the Group acquired an investment property through the acquisition of a subsidiary (note 33(c)). Pursuant to a resolution of the directors of the Company passed on 17th September 2007, the intention of this property was changed to trading assets and was presented as a property held for sale and the necessary development work to sub-divide this property into smaller units to increase its potential value had been completed last year. Upon the transfer, fair value of this property was HK\$175,000,000 and as a result, gain in fair value of HK\$1,087,000 was recognised in the consolidated income statement for the year ended 31st December 2007.
- (b) On 27th February 2007, the Group acquired an investment property through the acquisition of a subsidiary (note 33(b)). On 8th October 2007, the Group entered into a preliminary sale and purchase agreement with an independent third party to dispose of this property at a consideration of HK\$52,248,000. Accordingly, this property was classified as “investment properties classified as held for sale”. As at 31st December 2007, the carrying amount of the property was revalued to HK\$52,248,000 with reference to the consideration as stipulated in the sale and purchase agreement. This transaction was completed on 29th February 2008.

Investment properties are held under the medium term of lease and were valued at open market value by reference to market prices for similar properties as at 31st December 2007 and 2008 by independent and professional qualified valuers, Savills, who is a member of Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties.

The Group’s interests in investment properties at their carrying amount as at 31st December 2007 and 2008 are all located in the PRC.

## 13. PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY

## Group

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2007				
Cost	2,930	2,764	1,166	6,860
Accumulated depreciation	(2,052)	(2,154)	(760)	(4,966)
Net book amount	<u>878</u>	<u>610</u>	<u>406</u>	<u>1,894</u>
Year ended 31st December 2007				
Opening net book amount	878	610	406	1,894
Exchange differences	56	27	15	98
Additions	–	29	1,373	1,402
Depreciation	(624)	(516)	(238)	(1,378)
Closing net book amount	<u>310</u>	<u>150</u>	<u>1,556</u>	<u>2,016</u>
At 31st December 2007				
Cost	3,117	2,277	2,601	7,995
Accumulated depreciation	(2,807)	(2,127)	(1,045)	(5,979)
Net book amount	<u>310</u>	<u>150</u>	<u>1,556</u>	<u>2,016</u>
Year ended 31st December 2008				
Opening net book amount	310	150	1,556	2,016
Exchange differences	23	–	13	36
Additions	–	154	313	467
Disposal	–	(76)	(129)	(205)
Depreciation	(333)	(113)	(364)	(810)
Closing net book amount	<u>–</u>	<u>115</u>	<u>1,389</u>	<u>1,504</u>
At 31st December 2008				
Cost	3,331	2,397	2,748	8,476
Accumulated depreciation	(3,331)	(2,282)	(1,359)	(6,972)
Net book amount	<u>–</u>	<u>115</u>	<u>1,389</u>	<u>1,504</u>

Company	<b>Furniture, fixtures and office equipment</b> <i>HK\$'000</i>	<b>Motor vehicles</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>At 1st January 2007</b>			
Cost	418	598	1,016
Accumulated depreciation	(234)	(192)	(426)
	<u>184</u>	<u>406</u>	<u>590</u>
<b>Year ended 31st December 2007</b>			
Opening net book amount	184	406	590
Additions	11	–	11
Depreciation	(66)	(63)	(129)
	<u>129</u>	<u>343</u>	<u>472</u>
<b>At 31st December 2007</b>			
Cost	361	598	959
Accumulated depreciation	(232)	(255)	(487)
	<u>129</u>	<u>343</u>	<u>472</u>
<b>Year ended 31st December 2008</b>			
Opening net book amount	129	343	472
Additions	11	–	11
Disposals	(76)	(129)	(205)
Exchange difference	–	14	14
Depreciation	(51)	(48)	(99)
	<u>13</u>	<u>180</u>	<u>193</u>
<b>At 31st December 2008</b>			
Cost	212	459	671
Accumulated depreciation	(199)	(279)	(478)
	<u>13</u>	<u>180</u>	<u>193</u>

## 14. PREPAID LEASE PAYMENTS – GROUP

The Group's interests in leasehold land represent prepaid operating lease payments and their net carrying amounts are analysed as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Opening net carrying amount	3,900	4,000
Amortisation	(100)	(100)
	<u>3,800</u>	<u>3,900</u>
Closing net carrying amount	<u>3,800</u>	<u>3,900</u>
In Hong Kong held under medium-term lease	<u>3,800</u>	<u>3,900</u>
Analysed for reporting purposes as:		
Non-current assets	3,700	3,800
Current assets	100	100
	<u>3,800</u>	<u>3,900</u>

## 15. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM AND/OR TO SUBSIDIARIES – COMPANY

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Unlisted shares, at cost	15,009	15,013
Less: Provision for impairment losses*	(2,011)	–
	<u>12,998</u>	<u>15,013</u>
Amounts due from subsidiaries	1,451,894	1,783,041
Less: Impairment losses recognised	(697,610)	(787,601)
	<u>754,284</u>	<u>995,440</u>
Amounts due to subsidiaries	<u>115,374</u>	<u>50,293</u>

\* Impairment was recognised for unlisted shares, at cost, of HK\$2,011,000 (2007: Nil) because the subsidiary is inactive since current year.

Movement for impairment provision of amounts due from subsidiaries:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Balance as at 1st January	787,601	846,573
Impairment loss recognised	34,100	–
Write-off on deregistration/disposals of subsidiaries	(124,091)	(58,972)
	<u>697,610</u>	<u>787,601</u>

The balances with subsidiaries are unsecured, interest free and repayable on demand.

Particulars of the principal subsidiaries at 31st December 2008 are detailed in note 38.

#### 16. INTERESTS IN JOINT VENTURES – GROUP

In March 2004, the Group entered into a loan agreement with Wuhan Jingke Information Industry Co., Ltd. (“Jingke Information”), a joint venture of the Group, pursuant to which the Group agreed to provide a non-revolving secured loan of up to RMB15,000,000 (equivalent to approximately HK\$14,151,000) to Jingke Information. The loan carried interest at HSBC prime rate. The effective interest rate in 2006 ranged between 7.75% and 8% per annum. The loan was secured by each of the other shareholders of Jingke Information by charging their respective equity interests in Jingke Information to the Group. The loan principal and the related interest were expired on 31st December 2005. In addition, Jingke Information also owed to the Group an amount of RMB8,000,000 (equivalent to approximately HK\$7,547,000). Allowance for the whole amount was made in 2006.

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Amounts due from joint ventures	21,293	21,436
Less: Provision for impairment losses recognised	(21,293)	(21,436)
	<u>–</u>	<u>–</u>

Movement for impairment provision of amounts due from joint ventures:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Balance as at 1st January	21,436	21,698
Impairment loss reversed	(143)	(262)
	<u>21,293</u>	<u>21,436</u>

Balances with joint ventures were unsecured, interest-free and repayable on demand.

Legal action had been undertaken by the Group against Jingke Information since 2006. The legal action is still in process, a repayment of HK\$143,000 (2007: HK\$262,000) was received from Jingke Information for the year ended 31st December 2008.

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

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Non-current assets	13,636	14,335
Current assets	7,376	6,812
	<u>21,012</u>	<u>21,147</u>
Non-current liabilities	–	–
Current liabilities	(22,450)	(21,384)
	<u>(22,450)</u>	<u>(21,384)</u>
Net assets	<u>(1,438)</u>	<u>(237)</u>
Income	13,751	13,510
Expenses	(14,937)	(13,485)
(Loss)/Profit for the year	<u>(1,186)</u>	<u>25</u>
Group's share of results of joint ventures for the year	<u>–</u>	<u>–</u>

Particulars of the Group's joint ventures are as follows:

Company name	Form of business structure	Place of establishment and operations	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Jingke Information	Incorporate	PRC	51	40	51	Manufacture and sale of electronic components
Wuhan Jingke Electronic Co., Ltd.	Incorporate	PRC	51	40	51	In the process of liquidation

The Group's joint ventures are indirectly held by the Company. The Group's interests in the joint ventures are not accounted for as subsidiaries because the Group's controls over these entities are restricted by certain provisions in the joint venture agreements. In the opinion of the directors, the Group does not have unilateral control of the boards of directors but can jointly control, with the shareholders, over these entities. Accordingly, equity method of accounting is used to account for the Group's interests in these joint ventures.

The Group has discontinued recognition of its share of losses of the joint ventures. The amounts for unrecognised share of those joint ventures, both for the year and cumulatively, are as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Unrecognised share of losses of joint ventures for the year	1,186	–
Accumulated unrecognised share of losses of joint ventures	1,383	197

#### 17. GOODWILL – GROUP

The main changes in the carrying amounts of goodwill resulted from the acquisition of Twente (note 33(a)) in the year ended 31st December 2007. The net carrying amount of goodwill is analysed as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
At 1st January		
Gross carrying amount	11,297	–
Accumulated impairment	(11,297)	–
Net carrying amount 1st January	–	–
Net carrying amount at 1st January	–	–
Acquisition of a subsidiary	–	11,297
Impairment losses	–	(11,297)
<b>Net carrying amount at 31st December 2007</b>	–	–
At 31st December 2007		
Gross carrying amount	11,297	11,297
Accumulated impairment	(11,297)	(11,297)
<b>Net carrying amount at 31st December 2008</b>	–	–

With reference to the measures formulated by the local authorities on the property investments held by foreign investors, the directors of the Company had reviewed the carrying value of goodwill arising on the acquisition of its subsidiary, Twente Company Limited (“Twente”), which holds certain investment properties in Beijing. An impairment loss of HK\$11,297,000 on goodwill as at 31st December 2007 was recognised in the income statement. The recoverable amount was determined based on its fair value less cost to sell by reference to market value based on the valuation report prepared by professional valuer.

## 18. PROPERTIES HELD FOR SALE – GROUP

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Cost		539,886	479,840
Less: Allowance of properties held for sale	(a)	(53,386)	–
		<u>486,500</u>	<u>479,840</u>
In Hong Kong, held on medium term lease	(b)	181,500	175,000
In the PRC, held on long term lease		305,000	304,840
		<u>486,500</u>	<u>479,840</u>

*Notes:*

- (a) As at 31st December 2008, allowance of properties held for sale of HK\$53,386,000 was made against the cost of properties held for sale to net realisable value with reference to the open market value.

As at 31st December 2007, allowance of properties held for sale of HK\$40,840,000 was reversed in full amount as the directors considered that this was not required in view of the market value in 2007 which was higher than the cost.

- (b) In December 2007, a sale and purchase agreement was entered into between the Group and an independent third party to sell certain units of the properties held for sale in Hong Kong for a consideration of HK\$100,856,000. This transaction was completed on 26th May 2008.

In February 2008, a sale and purchase agreement was entered into between the Group and an independent third party to sell the remaining units of the properties held for sale in Hong Kong for a consideration of HK\$215,000,000. This transaction was completed on 31st March 2008.

On 10th March 2008, a sale and purchase agreement was entered into between the Group and an independent third party to acquire a property located at 6th Floor in Wings Building in Hong Kong at a total consideration of HK\$21,000,000. This transaction was completed on 30th April 2008.

On 17th April 2008, sale and purchase agreements were entered into between the Group and independent third parties to acquire several premises located in On Fung Building, Hong Kong at a total consideration of HK\$150,000,000. These transactions were completed on 16th May 2008.

On 16th May 2008, a sale and purchase agreement was entered into between the Group and an independent third party to acquire a property located at 21/F World Wide House at a total consideration of HK\$45,000,000. This transaction was completed on 4th July 2008.

## 19. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS – GROUP AND COMPANY

A defined credit policy is maintained within the Group. The general credit terms range from one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise its credit risk. Overdue balances are regularly reviewed by senior management.

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade receivables	1,658	1,194	–	–
Other receivables, prepayments and deposits	7,094	1,818	1,181	386
	<u>8,752</u>	<u>3,012</u>	<u>1,181</u>	<u>386</u>

The directors of the Company consider that the fair values of trade and other receivables are not materially different from their carrying amount because these amounts have short maturity periods on their inception.

All trade receivables are not past due as at 31st December 2008 and 31st December 2007. Trade and other receivables that were neither past due nor impaired relate to debtors for whom there was recent history of default. Ageing analysis of trade receivables at the balance sheet date, based on invoice date, net of allowances, is as follows:

	2008 HK\$'000	2007 HK\$'000
Within 30 days	609	446
31 to 90 days	1,049	748
	<u>1,658</u>	<u>1,194</u>

At each balance sheet date, all trade and other receivables have been reviewed for evidence of impairment on both individual and collective basis. There was no movement in impairment losses in respect of trade receivables during the years ended 31st December 2008 and 2007.

## 20. LOANS AND RECEIVABLES – GROUP

	2008 HK\$'000	2007 HK\$'000
Loan receivables analysed for reporting purposes as:		
Non-current portion	–	3,000
Current portion	13,000	110,891
	<u>13,000</u>	<u>113,891</u>

Loans and receivables as at 31st December 2008 are secured by the following:

- a) 10,500,000 shares of a company listed in Australia; and
- b) a security deposit paid for the purpose of securing the tenancy agreement entered with the Group for an aggregate amount of HK\$30 million.

The balances as at 31st December 2007 were secured by the following:

- a) Convertible bonds of HK\$66 million issued by a company listed on the SEHK;
- b) 10% equity interest in an unlisted company;
- c) 10,000,000 shares of a company listed in the PRC;
- d) 10,500,000 shares of a company listed in Australia;
- e) A personal guarantee executed by an executive director of a company listed on the SEHK; and
- f) Two properties located in Australia.

There were no impairment losses in respect of loans and receivables during the years ended 31st December 2008 and 2007.

Other than a loan to a related party as at 31st December 2007, all loans and receivables were not past due as at 31st December 2008 and 31st December 2007. Loans and receivables that were neither past due nor impaired relate to a number of borrowers for whom there was no recent history of default. Particulars of the loan to a related party were as follows:

Name of related party	Name of interested director	Balance at 31st December 2008 <i>HK\$'000</i>	Balance at 31st December 2007 <i>HK\$'000</i>	Maximum amount outstanding during the year <i>HK\$'000</i>
Hatch Projects Limited ("HPL")	Tse Kam Fai	–	13,767	13,767

In December 2006, Cathay Holdings Limited ("Cathay"), a wholly-owned subsidiary of the Company, entered into a loan agreement with HPL, a company incorporated in Australia and engaged in the business of property investment, in which the Group has 10% beneficial interests. The Company designated one of its directors as a director of HPL. Pursuant to the loan agreement, Cathay agreed to provide cash advances of up to AUD5,000,000 (equivalent to approximately HK\$34,223,000). During the year ended 31st December 2007, Cathay advanced AUD2,000,000 (approximately HK\$12,200,000) to HPL. The loan was secured by the properties owned by HPL, deed of charge over all the assets and undertakings of HPL, mortgage of shares over all the issued shares in HPL held by other shareholders, a mortgage of units over all the issued units in the HPL Unit Trust. The loan borne interest at 17.5% per annum and was repayable in one year from the first drawn date. The loan has been fully settled in March 2008.

## 21. INVESTMENTS IN DEBT SECURITIES – GROUP

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Unlisted debt securities	–	15,956

The balance has been redeemed in full during the year ended 31st December 2008. The effective interest rate of the investment in securities was 5.25% per annum during the year ended 31st December 2008.

As at 31st December 2007, the balance represented the unlisted debt securities in the PRC denominated in RMB. Its contracted maturity dates were within one year from 31st December 2007. The unlisted debt securities were issued by two institutions in the PRC. The fund raised under these two debt securities were used for sound and reliable projects with steady cashflow. The effective interest rate of the investment in securities was 5.87% per annum.

## 22. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP AND COMPANY

	Group		Company	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Listed equity securities in Hong Kong, at market value ( <i>Note a</i> )	27,855	12,187	27,855	12,187
Listed equity securities in the PRC, at market value ( <i>Note a</i> )	10,251	–	–	–
Unlisted equity-linked notes ( <i>Note b</i> )	27,157	–	27,157	–
	<u>65,263</u>	<u>12,187</u>	<u>55,012</u>	<u>12,187</u>

*Notes:*

- (a) The amount represents the investments in Hong Kong and the PRC listed equity securities which are held for trading. Fair values for these investments in listed securities have been determined by reference to their quoted prices at the balance sheet date.
- (b) These unlisted equity-linked notes are designated as financial assets at fair value through profit or loss upon initial recognition as they contain embedded derivatives which are not closely related to the host contract, and HKAS 39 permits the entire combined contract to be designated as at fair value through profit or loss. These financial instruments are subject to financial risk exposure in term of price risk and interest rate risk.

As at 31st December 2008, the major terms of the equity-linked notes are as follows:

	Contracted notional principal amount	Maturity date	Underlying stock
A	HK\$5,000,000	23rd January 2009	China Life Insurance Co. Limited
B	HK\$5,000,000	23rd January 2009	Industrial and Commercial Bank of China
C	HK\$5,000,000	9th January 2009	A50 China Tracker
D	HK\$5,000,000	4th February 2009	A50 China Tracker
E	US\$1,000,000	26th January 2009	Goldman Sachs Group Inc

Fair values of these equity-linked notes have been determined by a firm of professional valuers, Asset Appraisal, by using the Black-Scholes Option Pricing Model. The significant inputs into the model were as follows:

	Share price	Volatility	Deposit rate	Risk-free rate	Fair value as at 31st December 2008
A	HK\$23.55	63.1%	0.3%	0.05%	HK\$4,997,000
B	HK\$4.08	68.75%	0.3%	0.02%	HK\$4,999,000
C	HK\$8.36	41.226%	0.3%	0.04%	HK\$4,994,000
D	HK\$8.36	59.96%	0.3%	0.02%	HK\$4,852,000
E	US\$84.39	97.79%	–	0.08%	US\$938,000

The assumptions are supported by the prices from observable market transactions and determined based on available observable market data.

Fair value loss of HK\$21,232,000 (2007: fair value gain of HK\$28,679,000) has been recognised in the income statement for the year ended 31st December 2008.

These financial assets are presented within the section on operating activities as a part of changes in working capital in the cash flow statement.

### 23. CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Cash at bank and in hand	51,712	165,575	446	1,047
Short-term bank deposits	240,323	62,563	239,436	38,645
Highly liquid fund	147,727	–	–	–
	<u>439,762</u>	<u>228,138</u>	<u>239,882</u>	<u>39,692</u>

Cash and cash equivalents comprise cash held by the Group and the Company, short-term bank deposits with originally maturity of three months or less, and highly liquid financial assets with originally maturity of 21 days, and carry interests ranging from 0.24% to 4.47% (2007: 0.33% to 6.18%) per annum. The carrying amounts of the cash and cash equivalents approximate their fair values.

Included in bank and cash balances of the Group is HK\$52,209,000 (2007: HK\$165,302,000) of bank balances denominated in Renminbi (“RMB”) placed with the banks in the PRC. RMB is not freely convertible into other currencies, however, under the PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange business.

## 24. DERIVATIVE FINANCIAL INSTRUMENTS – GROUP AND COMPANY

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Derivative financial instruments				
– Currency option contracts, at fair value	96	–	96	–

As at 31st December 2008, the major terms of the currency options contracts are as follows:

	Contracted notional principal amount	Option premium amount received	Underlying currency	Maturity date	Strike price
A	HK\$5,000,000	HK\$131,000	British Pounds (“GBP”)	21st January 2009	HK\$11.3 to GBP1
B	HK\$5,000,000	HK\$154,000	Australian Dollars (“AUD”)	21st January 2009	HK\$4.75 to AUD1

The assumptions are supported by the prices from observable market transactions and determined based on available observable market data.

Fair values of the currency option contracts have been determined by a firm of professional valuers, Asset Appraisal, by using the Black-Scholes Option Pricing Model. The significant inputs into the model were as follows:

	Spot rate	Volatility	Risk-free rate	Fair value as at 31st December 2008
A	HK\$11.32 to GBP1	21.54%	2.206%	HK\$1,000
B	HK\$5.45 to AUD1	23.52%	4.56%	HK\$95,000

The assumptions are supported by the prices from observable market transactions and determined based on available observable market data.

Changes in fair value of the currency options contract amounting to HK\$387,000 were charged to the income statement during the year (2007: Nil).

## 25. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES – GROUP

As at 31st December 2008, the balance included the security deposit received of HK\$30,000,000 for the purpose of securing the tenancy agreement entered with the Group and as pledge for loans and receivables of HK\$10,000,000 in note 20.

As at 31st December 2007, the balance included the deposits received of HK\$29,792,000 for the sales of certain properties held for sale and disposals of investment properties held for sale.

## 26. DEFERRED TAX LIABILITIES – GROUP AND COMPANY

The major components of the deferred tax assets/(liabilities) recognised by subsidiaries and movements thereon during the year are as follows:

**Group**

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>	<b>Revaluation of properties</b> <i>HK\$'000</i>	<b>Tax losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1st January 2007	–	(2,242)	1,016	(1,226)
Credit to income statement for the year	(44)	(13,367)	(1,016)	(14,427)
Exchange realignment	–	278	–	278
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December 2007 and 1st January 2008	(44)	(15,331)	–	(15,375)
Deferred taxation arising from decrease in tax rate credited to income statement	2	–	–	2
Charge to consolidated income statement	(10)	–	–	(10)
Exchange realignment	–	(359)	–	(359)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31st December 2008</b>	<b>(52)</b>	<b>(15,690)</b>	<b>–</b>	<b>(15,742)</b>

At the balance sheet date, the Group has unused tax losses of HK\$386,387,000 (2007: HK\$387,464,000) available for offset against future profits. Deferred tax asset has not been recognised in respect of these tax losses due to the unpredictability of future profit streams.

As at 31st December 2008, the Group did not have significant unprovided deferred tax liabilities (2007: Nil).

**Company**

At the balance sheet date, the Company did not have any significant unprovided deferred tax liabilities (2007: Nil).

## 27. SHARE CAPITAL – GROUP AND COMPANY

The share capital of the Company consists only of ordinary shares. All shares are equally eligible to receive dividends and the repayment of capital.

	Notes	Number of shares of HK\$0.01 each		Number of shares of HK\$0.2 each		Share capital	
		2008 '000	2007 '000	2008 '000	2007 '000	2008 HK\$'000	2007 HK\$'000
Authorised:							
Ordinary shares at beginning of year		-	30,000,000	3,000,000	-	600,000	300,000
Share consolidation	(a)	-	(30,000,000)	-	1,500,000	-	-
Increase of authorised share capital	(b)	-	-	-	1,500,000	-	300,000
Ordinary shares at end of year		-	-	3,000,000	3,000,000	600,000	600,000
Issued and fully paid:							
Ordinary shares at beginning of year		-	17,223,311	1,239,722	-	247,944	172,233
Issuances of new shares	(c)	-	2,739,130	-	35,000	-	34,391
Share consolidation	(a)	-	(19,962,441)	-	998,122	-	-
Subscription of new shares	(d)	-	-	-	206,600	-	41,320
Shares repurchased and cancelled	(f)	-	-	(23,116)	-	(4,623)	-
Ordinary shares at end of year		-	-	1,216,606	1,239,722	243,321	247,944

Notes:

**(a) Share consolidation**

Pursuant to an ordinary resolution passed at the special general meeting held on 12th February 2007, with effect from 13th February 2007, twenty shares of HK\$0.01 each in the issued and unissued share capital of the Company were consolidated into one share of HK\$0.2 each. The authorised share capital of the Company remained at HK\$300,000,000 but was divided into 1,500,000,000 shares of HK\$0.2 each.

**(b) Increase of authorised share capital**

The authorised share capital of HK\$300,000,000 divided into 1,500,000,000 ordinary shares of HK\$0.2 each was increased to HK\$600,000,000 divided into 3,000,000,000 ordinary shares of HK\$0.2 each by the creation of an additional 1,500,000,000 ordinary shares of HK\$0.2 each. The increase in authorised capital was approved by the shareholders of the Company at the annual general meeting held on 25th May 2007.

(c) **Issuance of new shares**

On 23rd January 2007, the issued share capital was increased by the issue of 2,739,130,434 ordinary shares of HK\$0.01 each at the price of HK\$0.025 per share. The issuance of new shares is used as the consideration for acquiring 51% equity interest and respective loan balance in Twente as detailed in note 33(a).

On 18th March 2007, the issued share capital was increased by the issue of 35,000,000 ordinary shares of HK\$0.2 each at the price of HK\$0.5 per share. The issuance of new shares was used as the consideration for acquiring 100% equity interest and the shareholder's loan in Sharp World Investments Limited ("Sharp World") as detailed in note 33(b).

(d) **Subscription of new shares**

On 7th June 2007, the Company entered into a subscription agreement with an independent third party to subscribe 110,000,000 ordinary shares of HK\$0.2 each at the subscription price of HK\$0.62 per share. The net proceeds from the subscription of shares, after deducting all related expenses, were approximately HK\$68.1 million. The Company intended to use the net proceeds to invest in some suitable investments to be identified by the Company.

On 5th July 2007, the Company entered into a subscription agreement with an independent third party to subscribe 96,600,000 ordinary shares of HK\$0.2 each at the subscription price of HK\$0.53 per share. The net proceeds from the subscription of share, after deducting all related expenses, were approximately HK\$51.1 million. The Company intended to use the net proceeds as a shareholder's loan to one of its subsidiary for acquisition of property.

(e) **Issuance of unlisted warrants**

On 8th October 2007, the Company entered into a placing agreement with Quam Securities Company Limited ("Quam") that Quam will procure for placees to subscribe for up to 240,000,000 unlisted warrants at HK\$0.015 per warrant. The unlisted warrants conferring the rights to subscribe for new shares of the Company at HK\$0.42 per share for a period of 24 months anniversary from the date of issue of the warrants and at HK\$0.45 per share for a period from the first day of 25th month after the date of issue of the warrants up to the expiry of the 36th month from the date of issue of warrants. Each of the subscription prices is subject to adjustments. Each warrant carries the right to subscribe for one new share of the Company.

The net proceeds of approximately HK\$3.6 million was raised immediately and included in the warrant reserve. If the warrants are exercised in full, further funds up to HK\$100.8 million will be raised. The Company intended to use the proceeds for investment in projects to be identified by the Company. During the year, no warrants have been exercised and there are 240,000,000 (2007: 240,000,000) warrants outstanding as at 31st December 2008.

(f) **Shares repurchased and cancelled**

During the year ended 31st December 2008, the Company repurchased a total of 23,116,000 ordinary shares of HK\$0.2 each in the capital of the Company at an aggregate price of approximately HK\$10,080,000. The highest price paid and the lowest price paid were HK\$0.34 per share and HK\$0.465 per share respectively. The repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium payable on repurchase was charged against the share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from share capital to the capital redemption reserve.

**28. SHARE OPTIONS**

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 30th May 2002, a new share option scheme (the “New Scheme”) was adopted by the Company. The New Scheme replaced the share option scheme adopted on 17th November 2000 (the “Old Scheme”) but without prejudice to any share option previously granted under the Old Scheme prior to its termination. Since the adoption of the New Scheme, no further options can be granted under the Old Scheme.

The Company operates the New Scheme for the purpose of providing incentives and reward to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the New Scheme include the directors (including executive and non-executive directors), other employees and any professional advisor and business consultant of the Group from time to time determined by the directors as having contributed or who may contribute to the development and growth of the Group. The New Scheme became effective on 30th May 2002 and, unless otherwise cancelled or amended, remains in force for 10 years from that date.

Unless approved by shareholders of the Company, shares which may be issued upon exercise of all options to be granted under the New Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant including both exercised and unexercised options under the New Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholder’s approval in a general meeting.

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. No options may be granted under any share option schemes of the Company if this will result in the limit being exceeded.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). In addition, any share options granted to substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the official closing price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of nominal consideration of HK\$1 in total by the grantee. Each share option vested immediately at the date when the option is accepted, which is the commencement of the exercise period. An option may be exercised in accordance with the term of the New Scheme at any time during the period commencing one week from the date on which the option is accepted and expiring on a date to be notified by the directors to each grantee, which shall not be more than 10 years from the date on which the New Scheme was adopted.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotation sheet issued by the SEHK on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the SEHK for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be established by the board of directors at the time the option is offered to the participants.

No options may be granted under the New Scheme after the date of the 10th anniversary of the adoption of the New Scheme.

## Old Scheme

Details of options granted by the Company under the Old Scheme to the executive directors and full-time employees of the Group to subscribe for shares in the Company during each of the two years ended 31st December 2008 are as follows:

Name or category of participants	Date of grant of share options*	Exercise price of share options (note (i))	Number of share options		
			Outstanding at 1st January 2008 (note (ii))	Lapsed during the year	Outstanding at 31st December 2008
<b>Other employees</b>					
In aggregate	9th March 2001	3.89	75,000 (note (ii))	(75,000) <sup>#</sup>	–
Weighted average exercise price			3.8900	3.8900	–
Name or category of participants	Date of grant of share options *	Exercise price of share options (note (i))	Number of share options		
			Outstanding at 1st January 2007 (note (ii))	Lapsed during the year	Outstanding at 31st December 2007
<b>Directors</b>					
Mr. Lee Kuo Ching, Stewart	7th July 1997	7.60	45,000	(45,000) <sup>%</sup>	–
<b>Former director</b>					
Mr. Chen Chao	9th March 2001	3.89	1,500,000	(1,500,000) <sup>#</sup>	–
			1,545,000	(1,545,000)	–
<b>Other employees</b>					
In aggregate	9th March 2001	3.89	450,000	(450,000) <sup>#</sup>	–
	9th March 2001	3.89	3,000,000	(3,000,000) <sup>#</sup>	–
	9th March 2001	3.89	75,000	–	75,000
	23rd July 2001	3.89	15,203	(15,203) <sup>%</sup>	–
	13th August 2001	3.89	37,500	(37,500) <sup>%</sup>	–
			3,577,703	(3,502,703)	75,000
			5,122,703	(5,047,703)	75,000
Weighted average exercise price			3.9226	3.9231	3.8900

**New scheme**

Details of options granted by the Company under the New Scheme to the employees of the Group to subscribe for shares in the Company during each of the two years ended 31st December 2008 are as follows:

Name or category of participants	Date of grant of share options <sup>†</sup>	Exercise period of share options <sup>**</sup>	Exercise price of share options <sup>***</sup>	Outstanding at 1st January 2008 <i>(note (ii))</i>	Lapsed during the year	Outstanding at 31st December 2008
<b>Directors</b>						
Mr. Wong Chung Tak	12th February 2007	21st February 2007 to 29th May 2012	0.72	7,100,000	–	7,100,000
Mr. Tse Kam Fai	12th February 2007	21st February 2007 to 29th May 2012	0.72	7,100,000	–	7,100,000
Mr. Wong Ngo, Derick	12th February 2007	21st February 2007 to 29th May 2012	0.72	6,900,000	–	6,900,000
Miss Chong Kally	12th February 2007	21st February 2007 to 29th May 2012	0.72	6,900,000	–	6,900,000
				28,000,000	–	28,000,000
<b>Other employees</b>						
In aggregate	14th October 2003	28th November 2003 to 26th November 2008	1.508 <i>(note (i))</i>	750,000 <i>(note (i))</i>	(750,000) <sup>§</sup>	–
	12th February 2007	21st February 2007 to 29th May 2012	0.72	13,800,000	–	13,800,000
				14,550,000	(750,000)	13,800,000
Eligible participants	12th February 2007	21st February 2007 to 29th May 2012	0.72	7,100,000	–	7,100,000
				49,650,000	(750,000)	48,900,000
<b>Weighted average exercise price</b>				0.7319	1.508	0.72

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

Name or category of participants	Date of grant of share options <sup>1</sup>	Exercise period of share options <sup>2</sup>	Exercise price of share options <sup>3</sup>	Outstanding at 1st January 2007 <i>(note (ii))</i>	Granted during the year	Outstanding at 31st December 2007
<b>Directors</b>						
Mr. Wong Chung Tak	12th February 2007	21st February 2007 to 29th May 2012	0.72	-	7,100,000	7,100,000
Mr. Tse Kam Fai	12th February 2007	21st February 2007 to 29th May 2012	0.72	-	7,100,000	7,100,000
Mr. Wong Ngo, Derick	12th February 2007	21st February 2007 to 29th May 2012	0.72	-	6,900,000	6,900,000
Miss Chong Kally	12th February 2007	21st February 2007 to 29th May 2012	0.72	-	6,900,000	6,900,000
				-	28,000,000	28,000,000
<b>Other employees</b>						
In aggregate	14th October 2003	28th November 2003 to 26th November 2008	1.508 <i>(note (i))</i>	750,000	-	750,000
	12th February 2007	21st February 2007 to 29th May 2012	0.72	-	13,800,000	13,800,000
				750,000	13,800,000	14,550,000
Eligible participants	12th February 2007	21st February 2007 to 29th May 2012	0.72	-	7,100,000	7,100,000
				750,000	48,900,000	49,650,000
<b>Weighted average exercise price</b>				1.508	0.7200	0.7319

(a) The share options outstanding as at 1st January 2007 granted to Mr. Lee Kuo Ching, Stewart were in accordance with the general mandate granted by the shareholders to the directors at the annual general meeting of the Company held on 10th June 1997.

(i) Upon the share consolidation of every 20 shares of HK\$0.01 each into 1 share of HK\$0.20 each became effective on 13th February 2007, the exercise prices of HK\$0.3800, HK\$0.1945 and HK\$0.0754 per share were adjusted to HK\$7.60, HK\$3.89 and HK\$1.508 per share respectively.

(ii) Upon the share consolidation became effective on 13th February 2007, the outstanding options were consolidated on the basis of 20 share options into 1 option.

- \* The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- \*\* The exercise period will lapse in three months after the resignation of the eligible employees of the Group.
- \*\*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- # These share options were lapsed three months after the grantee ceased to be eligible employee of the Group.
- % These options were lapsed due to the expiry of the option's exercise period.

No share options were granted in 2008. The following significant assumptions were used to derive the fair values of share options granted in 2007, using the Black-Scholes Option Pricing Model:

	<b>2007</b>
Date of grant	13th February 2007
Expected volatility	55.03%
Expected Exercise Date	12th February 2008
Risk-free interest rate	4.13%
Expected dividend yield	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

During the year ended 31st December 2007, in total, approximately HK\$5,598,000 of employee compensation expense had been included in the consolidated income statement, the corresponding amount of which had been credited to share option reserve (note 29). No liabilities were recognised on the equity-settled share-based payment transactions.

At 31st December 2008, the number of shares in respect of which options had been granted and remain outstanding under the share option schemes was 48,900,000 (2007: 49,725,000) representing 4% (2007: 4%) of the shares of the Company in issue at that date and the weighted average remaining contractual life of 3.4 years (2007: 4.0 years).

## 29. RESERVES

**Group**

The amount of the Group's reserve and the movements for the current and prior year are presented in the consolidated statement of changes in equity on pages 33 to 34 of the financial statements.

**Company**

	Share premium HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Warrant reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January 2007	409,052	588,178	–	–	–	(376,429)	620,801
Subscription of new shares	78,078	–	–	–	–	–	78,078
Issuance of new shares	51,587	–	–	–	–	–	51,587
Expenses incurred in connection with subscription of shares	(31)	–	–	–	–	–	(31)
Grant of share options	–	–	5,598	–	–	–	5,598
Issue of unlisted warrants	–	–	–	3,564	–	–	3,564
Profit for the year (Total recognised income for the year)	–	–	–	–	–	3,723	3,723
At 31st December 2007 and 1st January 2008	538,686	588,178	5,598	3,564	–	(372,706)	763,320
Transfer of contributed surplus	–	(316,755)	–	–	–	316,755	–
Shares repurchased	(10,080)	–	–	–	4,623	–	(5,457)
Expenses incurred in connection with repurchase of shares	(60)	–	–	–	–	–	(60)
Loss for the year (Total recognised expense for the year)	–	–	–	–	–	(54,598)	(54,598)
<b>At 31st December 2008</b>	<b>528,546</b>	<b>271,423</b>	<b>5,598</b>	<b>3,564</b>	<b>4,623</b>	<b>(110,549)</b>	<b>703,205</b>

**(a) Contributed surplus**

The Group's contributed surplus amount is the net effect of the amount that arose from the group reorganisation on 18th July 1990, which represented the difference between the nominal value of the Company's share issued under the reorganisation scheme, in exchange for the nominal value of the shares of the subsidiaries acquired and the amount that arose from the capital reorganisation on 1st April 2003 which represented the balance of the credit amount arising from the capital reduction and share premium cancellation after the elimination with the accumulated losses of the Company as at 31st December 2001.

It was resolved by the directors of the Company that an amount of HK\$316,755,000 be transferred from the contributed surplus account to the accumulated losses in accordance with the Bye-laws of the Company with effect from 28th February 2008.

**(b) Statutory reserve fund**

In accordance with the PRC regulations, certain companies in the PRC are required to transfer part of their profits after tax determined under the PRC accounting standards to the statutory reserve fund, before profit distributions are made. The amounts of the transfers are subject to the approval of the board of directors of these companies and/or articles of association. The statutory reserve fund is non-distributable and may be used either to offset losses, or for capitalisation issues by way of paid-up capital.

**(c) Warrants reserve**

On 8th October 2007, the Company entered into a placing agreement with Quam Securities Company Limited (“Quam”) that Quam would procure for placees to subscribe for up to 240,000,000 unlisted warrants at HK\$0.015 per warrant. The unlisted warrants conferring the rights to subscribe for new shares of the Company at HK\$0.42 per share for a period of 24 months anniversary from the date of issue of the warrants and at HK\$0.45 per share for a period from the first day of 25th month after the date of issue of the warrants up to the expiry of the 36th month from the date of issue of warrants. Each of the subscription prices is subject to adjustments. Each warrant carries the right to subscribe for one new share of the Company.

The gross proceeds of HK\$3.6 million was raised immediately and included in the warrant reserve. If the warrants are exercised in full, further funds up to HK\$100.8 million will be raised. The Company intended to use the proceeds for investment in projects to be identified by the Company. During the year, no warrants have been exercised and there are 240,000,000 (2007: 240,000,000) warrants outstanding as at 31st December 2008.

**30. OPERATING LEASE ARRANGEMENTS****Group***As lessee*

At the balance sheet date, the Group future minimum lease payment under non-cancellable operating leases in respect of premises which fall due as follows:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	612	383

The operating lease payments represent rental payable by the Group for certain of its office premises. Leases are negotiated for a term ranged from one to three years, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and the respective lessors. None of the leases include contingent rentals.

*As lessor*

The Group leases its investment properties and properties held for sale under operating lease arrangements, with lease terms ranging from one to twenty years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

Property rental income earned during the year was HK\$23,418,000 (2007: HK\$19,550,000).

At the balance sheet date, the Group has contracted with tenants for the following future minimum lease payments:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	30,994	12,925
In the second to fifth year inclusive	65,238	16,829
After five years	13,878	15,237
	<u>110,110</u>	<u>44,991</u>

**Company**

The Company does not have any significant operating lease commitments.

**31. OTHER COMMITMENTS**

As at 31st December 2008, the Group does not have any other commitments.

As at 31st December 2007, the Group had other commitments as follows:

- (a) On 8th October 2007, Sharp World entered into a sale and purchase agreement with Everich Century Limited to sell the property of Admiralty Centre. The total consideration was HK\$52,248,000 and the balance of HK\$47,023,000 had been received at the date of completion.
- (b) On 7th December 2007, Glory Faith Holdings Limited ("Glory Faith") entered into a sale and purchase agreement with Good Dragon Industrial Limited to sell the property of World-Wide House in consideration of HK\$100,856,000. The balance of HK\$85,727,000 was received at the date of completion on 26th May 2008.

**32. RELATED PARTY TRANSACTIONS**

- (a) Details of the transactions with Jingke Information has set out in note 16 to the financial statements. For the year ended 31st December 2008, an amount of HK\$143,000 (2007: HK\$262,000) was repaid and accordingly, the provision of impairment on the amounts due from was reversed to the consolidated income statement.
- (b) During the year, the Company paid HK\$383,000 (2007: HK\$488,000) for the corporate secretarial services provided by Uni-1 Corporate Services Limited. Mr. Tse Kam Fai, an executive director of the Company, is also a director of the said company.

- (c) During the year, the Group has traded listed securities through Thing On Securities Limited (“Thing On”), of which Mr. Wong Chung Tak (“Mr. Wong”), an executive director of the Company, is also a director of Thing On. The Group paid approximately HK\$649,000 (2007: HK\$474,000) to Thing On as handling commission.
- (d) During the year, the Group paid HK\$136,000 (2007: Nil) for the lease of an office premises owned by Yue Tin Development Limited (“Yue Tin”), Mr. Wong is also a director of Yue Tin.
- (e) Key management personnel compensation:

Included in employee benefit expense are key management personnel compensation and comprise the following categories:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Short term employee benefits	3,307	3,327
Share-based payment	–	3,995
Contributions to retirement benefits schemes	24	24
	<u>3,331</u>	<u>7,346</u>

### 33. BUSINESS COMBINATIONS

During the year ended 31st December 2007, the Group acquired three companies, details as follows:

- (a) On 23rd January 2007, the Group acquired the remaining 51% of the share capital of Twente, a company comprised investments in local and overseas subsidiaries.

	<b>Acquiree's carrying amount</b> <i>HK\$'000</i>	<b>Fair value</b> <i>HK\$'000</i>
Investment properties	105,000	105,000
Cash and bank balances	7,508	7,508
Trade and other receivables	1,308	1,308
Amount due to the group companies	(22,638)	(22,638)
Amount due to the shareholder	(21,752)	(21,752)
Other payables	(1,696)	(1,696)
Net assets acquired		<u>67,730</u>
		<b>Fair value</b> <i>HK\$'000</i>
Purchase consideration settled in cash		–
Cash and cash equivalents in subsidiaries acquired		<u>7,508</u>
Cash inflow on acquisition		<u>7,508</u>

The acquired business contributed revenues of approximately HK\$5,512,000 and net profit of approximately HK\$2,582,000 to the Group for the year ended 31st December 2007.

Details of the net assets acquired were as follows:

	<b>2007</b> <i>HK\$'000</i>
Purchase consideration settled in shares issued at fair value ( <i>Note</i> )	68,478
Assignment of shareholder's loan	(22,638)
Transfer from interest in associate	33,187
Fair value of net assets acquired	(67,730)
	<hr/>
Goodwill ( <i>Note 17</i> )	11,297
	<hr/> <hr/>

*Note:* The fair value of the shares issued was based on the published share price.

- (b) On 27th February 2007, the Group acquired 100% of the share capital of Sharp World, a company engaged in investment properties holding.

	<b>Acquiree's carrying amount</b> <i>HK\$'000</i>	<b>Fair value</b> <i>HK\$'000</i>
Investment properties	47,980	47,980
Trade and other receivables	6,501	6,501
Loan from a shareholder	(15,489)	(15,489)
Other payables, accrual and deposit received	(36,981)	(36,981)
		<hr/>
Net assets acquired		2,011
		<hr/> <hr/>
Purchase consideration settled in cash		–
Cash and cash equivalents in subsidiary acquired		–
		<hr/>
Cash outflow on acquisition		–
		<hr/> <hr/>

The acquired businesses contributed revenues of approximately HK\$837,000 and net profit of approximately HK\$4,736,000 to the Group for the period from the date of acquisition to 31st December 2007. If the acquisition had been completed on 1st January 2007, total group revenue for the year would have been HK\$31,778,000 and profit for the year would have been HK\$104,233,000. The pro forma information was for illustrative purpose only and was not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on January 2007 nor was intended to be a projected of future results.

Sharp World held primarily an investment property with no associated services at the date of acquisition. The underlying set of assets acquired was not integrated in forming a business to generate revenues. As such, the directors were of opinion that the acquisition of Sharp World was a purchase of net assets which did not constitute a business combination for accounting purposes.

Details of the net assets acquired are as follows:

	<b>2007</b>	
	<i>HK\$'000</i>	
Purchase consideration settled in shares		17,500
Loan from a shareholder		(15,489)
Fair value of net assets acquired		(2,011)
		<hr/>
Goodwill		–
		<hr/> <hr/>
(c) On 5th July 2007, the Group acquired 100% of the share capital of Glory Faith, a company engaged in investment properties holding.		
	<b>Acquiree's</b>	<b>Fair value</b>
	<b>carrying amount</b>	<b>HK\$'000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	173,913	173,913
Loan from a shareholder	(15,507)	(15,507)
Amount payable for acquisition of investment properties	(145,413)	(145,413)
		<hr/>
Net assets acquired		12,993
		<hr/> <hr/>
Purchase consideration for shares settled in cash		12,993
Purchase of shareholder's loan		15,507
Cash and cash equivalents in subsidiary acquired		–
		<hr/>
Cash outflow on acquisition		28,500
		<hr/> <hr/>

The acquired businesses contributed revenues of approximately HK\$1,512,000 and net profit of approximately HK\$2,133,000 to the Group for the period from the date of acquisition to 31st December 2007. If the acquisition had been completed on date of incorporation of Glory Faith, total group revenue for the year would have been HK\$115,216,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on date of incorporation nor is intended to be a projected of future results.

Glory Faith held primarily an investment property with no tenants and associated services at the date of acquisition. The underlying set of assets acquired was not integrated in forming a business to generate revenues. As such, the directors were of opinion that the acquisition of Glory Faith was a purchase of net assets which did not constitute a business combination for accounting purposes.

Details of the net assets acquired are as follows:

	<b>2007</b>
	<i>HK\$'000</i>
Purchase consideration settled in cash	28,500
Shareholder's loan	(15,507)
Fair value of net assets acquired	(12,993)
	<hr/>
Goodwill	–
	<hr/> <hr/>

### 34. DISPOSALS OF SUBSIDIARIES

During the year ended 31st December 2008, the Group disposed of several subsidiaries as follows:

- (i) The Company disposed of its wholly-owned subsidiaries, namely Great View Technology Limited, Mitchell Enterprises Limited, Smart Ally Investments Limited, Mission Hill International Limited and Cleo International Limited (the "Disposal Companies") at a total consideration of HK\$39. The net liabilities of the Disposal Companies being disposed of, at the date of disposal, were as follows:

	<i>HK\$'000</i>
<b>Net liabilities disposed of comprise:</b>	
Intercompany debts	(150,897)
Other payables	(500)
Tax payables	(1,425)
	<hr/>
Group's share of net liabilities disposed of	(152,822)
Waiver of amounts due from disposed subsidiaries	150,897
Net gain on disposals of subsidiaries	1,925
	<hr/>
	<hr/> <hr/>
Satisfied by:	
Cash	–
	<hr/> <hr/>
Net cash inflow arising on disposals:	
Cash consideration	–
	<hr/> <hr/>

- (ii) The Company disposed of its wholly-owned subsidiaries, namely Yoko Star Investments Limited (“Yoko Star”) at a total consideration of HK\$8,366,000. The net liabilities of Yoko Star being disposed of, at the date of disposal, were as follows:

	<i>HK\$'000</i>
<b>Net liabilities disposed of comprise:</b>	
Available-for-sale financial assets	7,794
Intercompany debt	(7,799)
	<hr/>
Group’s share of net liabilities disposed of	(5)
Disposal of amount due from disposed subsidiary	7,799
Net gain on disposals of subsidiary	572
	<hr/>
	8,366
	<hr/> <hr/>
Satisfied by:	
Cash	8,366
	<hr/> <hr/>
Net cash inflow arising on disposals:	
Total cash consideration	8,366
Less: unsettled cash consideration	(2,000)
	<hr/>
	6,366
	<hr/> <hr/>

During the year ended 31st December 2007, the Company disposed of Treasure Land Enterprises Limited at a consideration of HK\$40,051,000. The net assets of Treasure Land Enterprises Limited at the date of disposal were as follows:

	<i>HK\$'000</i>
<b>Net assets disposed of comprise:</b>	
Available-for-sale investments	40,000
Intercompany debts	(19,239)
	<hr/>
Group's share of net assets disposed of	20,761
Release of reserves on disposals of subsidiary	(1,933)
Disposal of amount due from disposed subsidiary	19,239
	<hr/>
Net gain on disposals of subsidiary	1,984
	<hr/>
	40,051
	<hr/> <hr/>
Satisfied by:	
Cash	40,051
	<hr/> <hr/>
Net cash inflow arising on disposals:	
Cash consideration	40,051
	<hr/> <hr/>

### 35. POST BALANCE SHEET EVENTS

In addition to those information disclosed elsewhere in the financial statements, the Group has the following post balance sheet events.

- (a) On 22nd January 2009, Stadium Holdings Limited ("Stadium"), a wholly-owned subsidiary of the Company, entered into a provisional agreement with an independent third party to acquire a property situated in Hung Hom, Kowloon, Hong Kong as a consideration of HK\$45,000,000 (the "Property I"). The Property I is acquired for trading purpose and will be accounted for as properties held for sale. The purchase of the Property is expected to be completed on or before 30th April 2009.
- (b) On 12th February 2009, Stadium, a wholly-owned subsidiary of the Company, entered into a provisional agreement with an independent third party to acquire a property situated at office space at Queensway, Hong Kong at a consideration of HK\$106,133,020 (the "Property II"). The Property II is acquired for trading purpose and will be accounted for as properties held for sale. The purchase of the Property is expected to be completed on or before 31st March 2009. On 12th February 2009, a tenancy agreement was signed with the same independent third party for a lease term of five years, commencing on 31st March 2009 and expiring on 30th March 2014, with a monthly rental income of HK\$594,000 per month for the first year to the third year of the lease term, and HK\$680,000 thereafter.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks such as market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk, which result from both its operating and investing activities. According to the Group's written risk management policies and guidelines, the financial risk shall be assessed continuously by the management taken into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed to are described below:

**Market risk***(i) Foreign currency risk*

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group/Company mainly operates and invests in Hong Kong and PRC with most of the transactions denominated and settled in Hong Kong Dollars and RMB respectively. No foreign currency risk has been identified for the financial assets in the PRC as they were denominated in a currency same as the functional currencies of the group entities to which these transactions relate. The Group's/Company's exposure to foreign currency risk primarily arises from financial assets at fair value through profit or loss, loan receivables and bank balances which are denominated in United States Dollars ("USD") and Australian Dollars ("AUD"). To mitigate the Group's/Company's other exposure to foreign currency risk, cash flows in foreign currencies are monitored in accordance with the Group's/Company's risk management policies. The foreign currency denominated financial assets and liabilities, translated into Hong Kong dollars at closing rates, are as follows:

**Group and Company**

	Group				Company			
	2008		2007		2008		2007	
	Expressed in HK\$'000		Expressed in HK\$'000		Expressed in HK\$'000		Expressed in HK\$'000	
	AUD	USD	AUD	USD	AUD	USD	AUD	USD
Loans and receivables	-	-	13,767	-	-	-	-	-
Financial assets at fair value through profit or loss	-	7,315	-	-	-	7,315	-	-
Cash and bank balances	7,160	7,140	-	6,933	7,160	7,137	-	6,930
Overall net exposure	<u>7,160</u>	<u>14,455</u>	<u>13,767</u>	<u>6,933</u>	<u>7,160</u>	<u>14,452</u>	<u>-</u>	<u>6,930</u>

As USD is pegged to HKD, the Group/Company does not expect any significant movements in the USD/HKD exchange rates. No sensitivity analysis in respect of the Group's/Company's financial assets denominated in USD is disclosed as in the opinion of directors, such sensitivity analysis does not give additional value in view of insignificant movement in the USD/HKD exchange rates as at balance sheet date. The following table indicates the approximate change in the Group's/Company's profit for the year and equity in response to reasonably possible changes in the foreign exchange rates to which the Group/Company has significant exposure at the balance sheet date.

## Group and Company

	Group						Company					
	2008		2007		2008		2007		2008		2007	
	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit for the year HK\$'000
AUD	+5%	358	+5%	688	+5%	358	+5%	358	+5%	-	-	-
	-5%	(358)	-5%	(688)	-5%	(358)	-5%	(358)	-5%	-	-	-

The Group's exposure to foreign currency risk in currency option contracts is considered to be immaterial.

The policies to manage foreign currency risk have been followed by the Group and the Company since prior years and are considered to be effective.

(ii) *Interest rate risk*

The Group and the Company have no borrowing. The Group's exposure to market risk for changes in interest rates relates primarily to investments in debt securities, unlisted equity linked notes and bank balances which bears floating interest rates.

The Group/Company manages interest rate risk by monitoring its interest rate profile as set out in note 23 by using a mix of fixed and variable rate investments, including bank deposits.

The policies to manage interest rate risk have been followed by the Group/Company since prior year are considered to be effective.

At 31st December 2008 and 2007, the exposure to interest rates for the Group/Company's unlisted equity linked notes and cash equivalents are considered immaterial.

At 31st December 2008, the Group/Company has no other interest risk exposure as all the investments in debt securities were disposed.

At 31st December 2007, if interest rates had increased or decreased by 0.5% and all other variables were held constant, the Group's profit after tax for the year and retained profits would increased or decreased by approximately HK\$27,000.

(iii) *Price risk*

The Group and the Company are exposed to other price risk arising from listed equity investments, equity-linked notes classified as financial assets held at fair value through profit or loss. Details about the financial assets held at fair value through profit or loss are set out in note 22. The board of directors manages this exposure by maintaining a portfolio of investments with different risk and return profiles and will consider hedging the risk exposure should the need arise. The policies to manage price risk have been followed by the Group/Company since prior year are considered to be effective.

**Group**

For the listed equity securities, an average volatility of 51.31% and 45.32% has been observed in the Hang Seng Index and Shanghai A Share Index during 2008 respectively (2007: 26.28% and 35.86%). If the quoted stock price for these securities had increased or decreased by that amount, the Group's profit after tax for the year and the equity would have been increased or decreased by approximately HK\$18,938,000 (2007: HK\$4,343,000).

For unlisted equity-linked notes, if the underlying share price had increased or decreased by 10% and all other variables were held constant, the Group's profit for the year and the equity would have been increased or decreased by approximately HK\$403,000 and HK\$881,000 respectively (2007: Nil)

**Company**

For the listed equity securities, an average volatility of 51.31% has been observed in the Hang Seng Index during 2008 (2007: 26.28%). If the quoted stock price for these securities had increased or decreased by that amount, the Company's profit after tax for the year and the equity would have been increased or decreased by approximately HK\$14,292,000 (2007: HK\$4,343,000).

For unlisted equity-linked notes, if the underlying share price had increased or decreased by 10% and all other variables were held constant, the Group's profit for the year and the equity would have been increased or decreased by approximately HK\$403,000 and HK\$881,000 respectively (2007: Nil)

The sensitivity analysis has been determined assuming that the price change had occurred at the balance sheet date and has been applied to the Group and the Company's investment on that date.

**Fair value**

All financial instruments are carried at amounts not materially different from their fair values as at 31st December 2008 and 2007.

**Credit risk**

The carrying amounts of trade and other receivables, investment in debt securities, financial assets at fair value through profit or loss, loans and receivables and cash equivalents represent the Group's maximum exposure to credit risk in relation to its financial assets. The carrying amounts of these financial assets presented in the consolidated balance sheet are net of impairment losses, if any. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables and loans and receivables, individual credit evaluations are performed on all debtors requiring credit and loans and receivables over a certain amount. These evaluations focus on the debtors' past history of making payments when due and current ability to pay, and take into account information specific to the debtors as well as pertaining to the economic environment in which the debtors operates. Trade receivables are due within 90 days from the date of billing. The Group does not obtain collateral from customers in respect of trade receivables, while for loans and receivables, collaterals are usually obtained (see note 20).

The Company's maximum exposure to credit risk is primarily attributable to amounts due from subsidiaries, other receivables, financial assets at fair value through profit or loss and cash and cash equivalents.

The credit risk on Group and the Company's financial assets at fair value through profit or loss and cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

The Group and the Company have no significant concentration of credit, with exposure spread over a number of counterparties.

The credit and investment policies have been followed by the Group/Company since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a decisive level.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables and loans and receivables are set out in notes 19 and 20, respectively.

#### **Liquidity risk**

In the management of liquidity risk, the directors monitor and maintain a level of bank balances deemed adequate to finance the Group's operations investment opportunities and expected expansion. The Group finances its working capital requirements mainly by the funds generated from operations and from fund raising activities such as placement of new shares and issuance of warrants.

The liquidity policies have been followed by the Group/Company since prior years and are considered to have been effective in managing liquidity risks.

All the Group and Company's financial liabilities will be settled within 12 months from the balance sheet date. As at 31st December 2008 and 2007, the Group and the Company have no borrowings. Based on the assessment of the directors, liquidity risk encountered by the Group and the Company is minimal.

**Summary of financial assets and liabilities by category**

The carrying amounts of the Group and the Company's financial assets and liabilities recognised at the balance sheet date may also be categorised as follows. See notes 3.11 and 3.19 for explanations about how the category of financial instruments affects their subsequent measurement.

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financial assets</b>				
<b>Non-current assets</b>				
Loans and receivables:				
– Loans and receivables	–	3,000	–	–
	<u>–</u>	<u>3,000</u>	<u>–</u>	<u>–</u>
<b>Current assets</b>				
Financial assets at fair value				
through profit or loss:				
– Designated upon initial recognition	27,157	–	27,157	–
– Held for trading	38,106	12,187	27,855	12,187
	<u>65,263</u>	<u>12,187</u>	<u>55,012</u>	<u>12,187</u>
Loans and receivables:				
– Trade receivables	1,658	1,194	–	–
– Other receivables	6,480	1,818	1,181	386
– Amount due from subsidiaries	–	–	754,284	995,440
– Loans and receivables	13,000	110,891	–	–
– Investment in debt securities	–	15,956	–	–
– Cash and cash equivalents	439,762	228,138	239,882	39,692
	<u>460,800</u>	<u>357,087</u>	<u>994,166</u>	<u>1,035,218</u>
	<u>526,163</u>	<u>370,184</u>	<u>1,050,359</u>	<u>1,047,705</u>
<b>Financial liabilities</b>				
<b>Current liabilities</b>				
Financial liabilities at fair value through				
profit or loss:				
– Derivative financial instruments	96	–	96	–
	<u>96</u>	<u>–</u>	<u>96</u>	<u>–</u>
Financial liabilities measured at amortised cost:				
– Other payables	66,654	42,690	1,550	1,630
– Amounts due to subsidiaries	–	–	115,374	50,293
	<u>66,654</u>	<u>42,690</u>	<u>116,924</u>	<u>51,923</u>
	<u>66,750</u>	<u>42,690</u>	<u>117,020</u>	<u>51,923</u>

## 37. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholder.

The directors of the Company also balance its overall capital structure periodically. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholder, issue of new shares as well as issue of warrants. The directors of the Company will also consider the raise of long-term borrowings as second resource of capital when investment opportunities arise and the return of such investments will justify the cost of debts from the borrowings.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Total equity	1,162,806	1,091,691
Borrowings	–	–
Overall financing	<u>1,162,806</u>	<u>1,091,691</u>
Capital-to-overall financing ratio	<u>1:0</u>	<u>1:0</u>

The directors of the Company also endeavour to ensure the steady and reliable cash flow from the normal business operation. For both years, the Group did not raise any debt.

## 38. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31st December 2008 are as follows:

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of issued/ paid-up capital held by the Company		Principal activities
			Directly	Indirectly	
Assets Partners Group Limited	British Virgin Islands ("BVI")	1 share of US\$1 each	100	–	Investment holding
Cathay Holdings Limited	Hong Kong	2 shares of HK\$1 each	100	–	Securities trading, provision of financial services and investment holding
Marax Development Limited	Hong Kong	10,000 shares of HK\$1 each	–	100	Investment holding
New Phenomenon Technology Limited	BVI	1 share of US\$1 each	100	–	Investment holding

Name	Place of incorporation/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of issued/ paid-up capital held by the Company		Principal activities
			Directly	Indirectly	
Twente Company Limited	BVI/PRC	100 shares of US\$1 each	-	100	Property investment
Goldseed Developments Limited	Hong Kong	2 shares of HK\$1 each	-	100	Property leasing
Sharp World Investments Limited	BVI	1 share of US\$1 each	100	-	Property investment
Glory Faith Holdings Limited	BVI	1 share of US\$1 each	100	-	Property investment
Oriental Grand Development Limited	Hong Kong	2 shares of HK\$1 each	-	100	Property development
Profit Ever Holdings Limited	BVI	1 share of US\$1 each	100	-	Investment holding
Stadium Holdings Limited	Hong Kong	2 shares of HK\$1 each	100	-	Property investment
Grandtex Development Limited	Hong Kong	100 shares of HK\$1 each	100	-	Property investment
GOI Limited	Hong Kong	2 shares of HK\$1 each	100	-	Property investment
Dawning Information Industry (Shenzhen) Limited*	PRC	HK\$152,120,000	-	100	Property leasing
深科高新實業（深圳）有限公司*	PRC	HK\$10,000,000	-	100	Property leasing

\* Limited liability companies and wholly foreign-owned enterprises registered in the PRC.

The above table lists the subsidiaries of the Company as at 31st December 2008 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of Group. To give details of all the subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries has issued any debt securities at the end of the year.

### 3. INDEBTEDNESS, LIQUIDITY AND FINANCIAL RESOURCES

As at the close of business on 6 June 2009, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement prior to this circular, the Enlarged Group had total outstanding borrowings of approximately HK\$143,241,000, being the Loan due to the Vendor which is unsecured and interest bearing at 3.2% per annum and repayable on demand.

As at the close of business on 6 June 2009, the Enlarged Group did not have any contingent liabilities.

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not, at the close of the business on 6 June 2009, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitment, hire purchase commitment, liabilities under acceptance, acceptance credits or any guarantees or other contingent liabilities.

Save as aforesaid and apart from intra-group liabilities, the Group did not, at the close of the business on 6 June 2009, have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing at the close of business on 6 June 2009.

As at the Latest Practicable Date, the Directors are not aware of any material changes in the Enlarged Group's indebtedness and contingent liabilities since 6 June 2009.

#### **4. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that, taking into account the internal resources available to the Enlarged Group, the Enlarged Group will have sufficient working capital for at least twelve months from the date of this circular.

#### **5. MATERIAL CHANGE**

As disclosed in the July Announcement, the financial results of the Group for the six months ended 30 June 2009 are expected to decrease significantly as compared to those for the six months ended 30 June 2008. The Company considers that the significant decrease in the financial results of the Group for the six months ended 30 June 2009 was mainly attributable to the significant decrease in the revenue generated from property trading as compared to those in the first half year of 2008. The Group is currently holding its portfolio of trading properties pending for an ideal price to sell.

The Company is in the process of finalizing the results of the Group for the six months ended 30 June 2009. The information referred to above is only based on the preliminary assessment by the Board with reference to the management accounts of the Group and that the actual results for the Group may be different from what is disclosed in the July Announcement. Further details of the Group's performance will be disclosed in the interim results announcement of the Company for the six months ended 30 June 2009 which is expected to be published before the end of September 2009.

As at the Latest Practicable Date, save as disclosed in the July Announcement, there is no material change in the financial or trading position or outlook of the Company since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up.

#### **6. MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2008**

##### **RESULTS**

The turnover of the Group for the year ended 31st December 2008 amounted to approximately HK\$352,469,000, representing approximately 10 times increase compared to approximately HK\$31,778,000 for the year ended 31st December 2007.

For the year ended 31st December 2008, gross profit of the Group was approximately HK\$113,837,000 (2007: approximately HK\$65,644,000), an increase of approximately HK\$48,193,000 (73.4%). The Group has provided an allowance of approximately HK\$53,386,000 (2007: write-back of allowance of approximately HK\$40,840,000) in respect of the properties held for sale. The increase of gross profit was because of the increase in turnover from the sale of properties held for sale.

Facing the turbulent economic environment in the year under review, the Group has managed to operate in lucrative businesses with ample resources. The Group continued to deliver positive result again in year 2008 by reducing costs and concentration on businesses of promising return. For the year ended 31st December 2008, the Group's consolidated net profit was approximately HK\$68,565,000 (2007: approximately HK\$102,222,000), representing a decrease of 32.9%.

During the year under review, the Group did not have substantial losses/ expenses attributable to the impairment losses on goodwill arising on the acquisition of subsidiaries, disposals of subsidiary and recognition of share options granted as staff cost at fair value. However, the Group had to account for the allowance for properties held for sale of approximately HK\$53,386,000 (2007: write back of provision of approximately HK\$40,840,000), loss in fair value of investment properties of approximately HK\$6,260,000 (2007: gain in fair value of approximately HK\$47,275,000) and other financial net expense of approximately HK\$20,845,000 (2007: other financial net income of approximately HK\$28,679,000).

## **BUSINESS REVIEW AND PROSPECTS**

### **Property Development and Trading**

The property businesses of the Group are mainly property development and trading, and property investment.

Currently, the major property project in the PRC is Shun Jing Yuan in Chaoyang, Beijing, a high-end residential apartment project with an European-style luxury design.

Facing the current unfavourable economic conditions, the Group focused on the fundamental works of the current projects and imposed strict requirements on the particulars and improved it continuously, pending for the reversal of market conditions, in order to sell the properties at an ideal price in the market.

In Hong Kong, the Group is in the possession of properties of commercial use for sale. During the year under review, the Group sold commercial properties situated at 20th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong at a total consideration of approximately HK\$315,856,000, yielding a gross profit of approximately HK\$139,000,000.

In April 2008, the Group had acquired a property situated at the whole of the 6th Floor, Wings Building, 110-116 Queen's Road Central, 53-61 Stanley Street, Hong Kong at a consideration of HK\$21,000,000. The property was acquired together with existing tenancy for trading purpose and was accounted for as properties held for sale.

In May 2008, the Group had acquired certain properties on the ground floor, 1st Floor, 2nd Floor, 3rd Floor and 4th Floor of On Fung Building, 110-118 Caine Road, Central, Hong Kong at a total consideration of HK\$150,000,000. The properties was acquired for trading purpose and was accounted for as properties held for sale.

In July 2008, the Group purchased from an independent third party an office at Unit 2101, 21st Floor of World-Wide House, 19 Des Voeux Road Central, Hong Kong for trading purpose at a consideration of HK\$45,000,000. The property was accounted for as properties held for sale.

### **Property Investment**

For investment properties, Dawning Tower, located in Shenzhen, the PRC, continued to secure a high occupancy rate. Accordingly, the Group recognized an income of approximately HK\$20,397,000 from tenancies and building management operations for the year, representing an increase of approximately 8.9% over the year 2007.

In order to maintain the prestigious status of Dawning Tower among commercial buildings, the Group will continue to enhance the management quality at Dawning Tower and maintain good relationship with its customers. It is expected that the building's occupancy rate will continue to maintain at high level in the year of 2009. High occupancy rate and effective cost control of Dawning Tower have secured a steady rental income to the Group. The properties for commercial uses at Levels 4 and 5 of Beijing East Gate Plaza, the PRC with 5,100 square metres, generated a rental income of approximately HK\$6,928,000 to the Group for the year ended 31st December 2008.

For the year ended 31st December 2008, the Group's properties in Hong Kong also contributed rental income of approximately HK\$6,186,000.

The erratic global economic condition in year 2009 would likely cause a fall in demands for leases of commercial properties in the PRC and Hong Kong. However, most of existing tenancy contracts of the Group's properties will expire after 2009; therefore, the impact on the rental income in 2009 is expected to be insignificant.

The Company will continue specialising in the PRC and Hong Kong property investment and trading with prudent strategy in anticipation of steady returns. Besides, the Company will also continue looking for suitable investment opportunities in other areas but with stable returns in the basis industries, i.e. projects characterised by stable cash inflows and simple management mechanism.

### **Capital Market Investment and Financial Services**

The Group has at all time endeavoured to increase the return from current assets, therefore having diversified its investment portfolio to accommodate more current assets with higher liquidity, including securities, debt securities, currency-linked notes and equity-linked notes, all being financial products with defined and limited risks, and not belonging to any kind of accumulators.

Due to the unfavourable turnabout in financial and capital markets worldwide in 2008, the performance of the capital market investment was not satisfactory, a loss of approximately HK\$19,902,000 was incurred for the year ended 31st December 2008. Nevertheless, with the capital market investments trend to dip, it is a good opportunity for the Group to add good quality properties at comparatively low price to its property portfolio.

The Group maintained a modest operation in provisions of financial services business, providing short to medium term loans to the business associates and partners. In view of the Group's sufficient working capital in the current period, as well as in the future, the business contributes a higher return to the Group than the bank deposits interest, earning a profit of approximately HK\$7,228,000 for the year ended 31st December 2008. The Group at all time emphasises the importance of risks control, effective risk control policies are in place including assessing the credit risks involved and/or obtaining valuable securities.

### **Other Businesses**

#### *Jingke Information*

Wu Han Jingke Information Industry Co., Ltd. ("Jingke Information") is mainly engaged in the manufacturing of quartz oscillators (semi-finished products) used in the production of various electronic products, resonators (final products), SMD and related devices. Sales revenue for the year ended 31st December 2008 was HK\$26,956,000, representing a slight increase of approximately 1.8% over the year 2007; however, Jingke Information had an operating loss of HK\$2,325,000 in year 2008.

In respect of the amount of RMB23,000,000 (equivalent to approximately HK\$26,136,000) in aggregate owing to the Group by Jingke Information, the Group has engaged a PRC lawyer to recover the outstanding amounts.

### **FINANCIAL REVIEW**

#### **Liquidity and Financial Resources**

The Group managed to maintain its liquidity at a healthy level, with the Group's cash and cash equivalents totalling HK\$439,762,000 as at 31st December 2008 (31st December 2007: approximately HK\$228,138,000). The Group exercised strict credit control on its accounts receivable to ensure the adequacy of the working capital. As at 31st December 2008, accounts receivable of the Group amounted to HK\$1,658,000 (31st December 2007: approximately HK\$1,194,000). The current ratio as at 31st December 2008 was 12.86 while that as at 31st December 2007 was 18.37. As at 31st December 2008 and 31st December 2007, the Group did not have any outstanding bank loan. As at 31st December 2008 and 31st December 2007, the Group's gearing ratio (on the basis of total borrowings divided by shareholders' equity) was maintained at a level of zero.

#### **Treasury Management**

In respect of financial resources management, the Group continued diversification of its investment portfolio to accommodate more current assets with higher liquidity, including securities, in order to enhance the return of current assets. The aggressive and yet prudent financial resources management policy would be continued to maximize investments return within a reasonable risk level. Meanwhile, the Board is of the opinion that the retaining of high level of cash and cash equivalents can ensure the Group opportunities of more investment choices in the current financial crisis, when the assets prices are falling.

**Repurchase of Shares of the Company**

For the year ended 31st December 2008, the Company has repurchased 23,116,000 shares of HK\$0.20 each from the market according to the general mandate granted at the annual general meeting, at the prices ranging from HK\$0.34 to HK\$0.465 per share. All the repurchased shares were cancelled accordingly. The funds for repurchases of the shares of the Company were derived from internal resources.

**Pledge of Assets**

As of 31st December 2008, the Group has not pledged any of its assets and bank deposits to obtain general banking facilities or short term bank borrowings.

**Employees' Remuneration and Benefits**

The Group (including Jingke Information) had about 300 employees including managerial, executive and technical staffs and production labour in Hong Kong and the PRC as at 31st December 2008 (31st December 2007: about 300). The level of remuneration, the promotion and the magnitude of remuneration adjustment are justified according to their job duties, working performance and professional experience. All staff and executive directors in Hong Kong office have participated in the mandatory provident fund scheme. Other employees' benefits include the granting of share options by the Board of the Group under the share option scheme adopted by the Company.

**Foreign Exchange and Currency Risk**

All income and funds applied to the direct costs, the purchases of equipment and the payments of salaries were dominated in Hong Kong dollars and Renminbi; therefore, it was not necessary to use any financial instruments for hedging purpose, and the Group's exposure to the fluctuation of the exchange risk was minimal. During the year under review, the Group has not engaged in any hedging activities. As of 31st December 2008, cash in hand and bank balances of the Group were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The other information of foreign exchange and currency risks of the Company is set out in the section "Financial Risk Management Objectives and Policies" in the notes to the financial statements of this annual report 2008 of the Company.

**Substantial Disposals and Acquisitions**

The Group had not participated in any substantial acquisition and disposal during the year under review.

**Contingent Liabilities**

The Group had no material contingent liability as at 31st December 2008 and 31st December 2007.

*The following is the text of a report on Yue Tin Development Limited for the three years ended 31 March 2009, prepared for the sole purpose of inclusion in this circular, received from Grant Thornton, Certified Public Accountants, Hong Kong.*



Member of Grant Thornton International Ltd

31 July 2009

The Directors  
Shenzhen High-Tech Holdings Limited  
2406, 24th Floor  
World-Wide House  
19 Des Voeux Road Central  
Hong Kong.

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of Yue Tin Development Limited (“Yue Tin”) including the balance sheets of Yue Tin as at 31 March 2007, 2008 and 2009, the income statements, the cash flow statements and the statements of changes in equity for each of the three years ended 31 March 2007, 2008 and 2009 (the “Relevant Periods”) and notes thereto, prepared for inclusion in the circular (the “Circular”) dated 31 July 2009 issued by Shenzhen High-Tech Holdings Limited (the “Company”) in connection with its proposed acquisition of 100% of issued share capital of Yue Tin (the “Acquisition”), pursuant to an acquisition agreement dated 4 June 2009 and a supplemental agreement dated 12 June 2009, entered into between Value Shine Limited, a wholly-owned subsidiary of the Company, Mr. Wong Chung Tak (“Mr. Wong”), executive director of the Company and Yue Tin and Junny Diamond Co., Limited (“Junny Diamond”), a company incorporated in Hong Kong with limited liability.

Yue Tin was established in Hong Kong with limited liability on 20 March 1990 with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each. Its registered office and principal place of business is Unit 1, 24/F., World-Wide House, 19 Des Voeux Road, Central, Hong Kong. The principal activity of Yue Tin during the Relevant Periods was property investment. Yue Tin has adopted 31 March as its financial year end date.

The statutory financial statements of Yue Tin for each of the three years ended 31 March 2007, 2008 and 2009, prepared in accordance with accounting principles generally accepted in Hong Kong, were audited by Alexander Cheung & Co., a firm of certified public accountants in Hong Kong. The auditors’ reports on the financial statements of Yue Tin for the year ended 31 March 2009 state that the auditors’ of Yue Tin are unable to express any opinion as to the fair value of the leasehold and investment properties as the fair value of leasehold and investment properties were determined by the directors of Yue Tin but the directors of Yue Tin were unable to provide market-based evidence for their determination of the fair value

of the leasehold and investment properties. Proper valuation has now been carried out on the aforesaid properties by an independent and professional valuer and appropriate adjustments have been made in the financial statements to reflect the proper value of the aforesaid properties. For the leasehold properties, appropriate adjustments have been made according to the Company's accounting policies. Accordingly, our opinion is not qualified in this aspect. We consider all adjustments necessary for the purpose of this report have been properly made.

For the purpose of this report, the directors of Yue Tin have prepared the financial statements (the "Underlying Financial Statements") of Yue Tin for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). We have, for the purpose of this report, carried out independent audit procedures on the Underlying Financial Statements of Yue Tin for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information for the Relevant Periods as set out in this report has been prepared by the directors of Yue Tin based on the Underlying Financial Statements of Yue Tin and in accordance with HKFRSs. For the purpose of this report, we have examined the Financial Information of Yue Tin and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of Yue Tin are responsible for the preparation of the Underlying Financial Statements and the Financial Information which give a true and fair view. The directors of the Company are responsible for the contents of the Circular in which this report is included. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

### **Opinion**

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Yue Tin as at 31 March 2007, 2008 and 2009 and of the results and cash flows of Yue Tin for each of the Relevant Periods.

### **Emphasis of Matter – Material Uncertainty Regarding the Going Concern Assumption**

Without qualifying our opinion, we draw attention to note 3.1 to the Financial Information which discloses that as at 31 March 2009, Yue Tin had net current liability position of HK\$146,559,000. This condition as disclosed in note 3.1 to the Financial Information, indicates the existence of a material uncertainty which may cast significant doubt about Yue Tin's ability to continue as a going concern.

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**APPENDIX II ACCOUNTANTS' REPORT OF YUE TIN DEVELOPMENT LIMITED**

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**I. FINANCIAL INFORMATION**

**Income Statements**

	<i>Notes</i>	<b>Year ended 31 March</b>		
		<b>2007</b>	<b>2008</b>	<b>2009</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	5	7,359	7,010	7,519
Cost of services		(1,047)	(845)	(905)
<b>Gross profit</b>		6,312	6,165	6,614
Other income		–	–	3
Administrative expenses		(1,366)	(1,185)	(1,426)
Net gain/(loss) in fair value of investment properties	13	28,304	98,589	(100,541)
<b>Profit/(Loss) from operating activities</b>	7	33,250	103,569	(95,350)
Finance costs	8	(4,099)	(4,645)	(4,614)
<b>Profit/(Loss) before income tax</b>		29,151	98,924	(99,964)
Income tax (expense)/credit	9	(5,095)	(17,179)	18,717
<b>Profit/(Loss) for the year</b>		<u>24,056</u>	<u>81,745</u>	<u>(81,247)</u>

**APPENDIX II ACCOUNTANTS' REPORT OF YUE TIN DEVELOPMENT LIMITED**

**Balance Sheets**

		<b>As at 31 March</b>			
		<b>2007</b>	<b>2008</b>	<b>2009</b>	
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
	Property, plant and equipment	11	1,693	1,406	1,119
	Prepaid lease payments	12	5,269	5,204	5,139
	Investment properties	13	246,627	345,216	244,675
			<u>253,589</u>	<u>351,826</u>	<u>250,933</u>
<b>Current assets</b>					
	Deposits and prepayments		43	116	53
	Prepaid lease payments	12	65	65	65
	Amounts due from a director	14	–	100	100
	Cash at banks		103	18	125
			<u>211</u>	<u>299</u>	<u>343</u>
<b>Current liabilities</b>					
	Accruals and other payables		2,056	2,206	2,091
	Amounts due to ultimate holding company	15	146,161	145,581	144,811
	Amounts due to a related party	16	19	–	–
	Provision for taxation		150	–	–
			<u>148,386</u>	<u>147,787</u>	<u>146,902</u>
	<b>Net current liabilities</b>		<u>(148,175)</u>	<u>(147,488)</u>	<u>(146,559)</u>
	<b>Total assets less current liabilities</b>		105,414	204,338	104,374
<b>Non-current liabilities</b>					
	Deferred tax liabilities	17	20,585	37,764	19,047
	<b>Net assets</b>		<u>84,829</u>	<u>166,574</u>	<u>85,327</u>
<b>EQUITY</b>					
	Share capital	18	–	–	–
	Retained profits		84,829	166,574	85,327
	<b>Net assets</b>		<u>84,829</u>	<u>166,574</u>	<u>85,327</u>

**Cash Flow Statements**

	<b>Year ended 31 March</b>		
	<b>2007</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
<b>Cash flows from operating activities</b>			
Profit/(Loss) before income tax	29,151	98,924	(99,964)
Adjustments for:			
Amortisation of prepaid lease payments	65	65	65
Depreciation of property, plant and equipment	658	287	287
Net (gain)/loss in fair value of investment properties	(28,304)	(98,589)	100,541
Finance costs	4,099	4,645	4,614
	<hr/>	<hr/>	<hr/>
Operating profit before working capital changes	5,669	5,332	5,543
Decrease/(Increase) in deposits, prepayments and other receivables	(3)	3	(13)
Increase in amounts due from a director	–	(100)	–
(Decrease)/Increase in accruals and other payables	69	150	(115)
Decrease in amounts due to a related party	–	(19)	–
	<hr/>	<hr/>	<hr/>
Cash generated from operation	5,735	5,366	5,415
Interest paid	(4,099)	(4,645)	(4,614)
Hong Kong profits tax (paid)/refund	(20)	(226)	76
	<hr/>	<hr/>	<hr/>
Net cash generated from operating activities	1,616	495	877
	<hr/>	<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Repayments to ultimate holding company	(1,524)	(580)	(770)
	<hr/>	<hr/>	<hr/>
Net cash used in financing activities	(1,524)	(580)	(770)
	<hr/>	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	92	(85)	107
<b>Cash and cash equivalents at beginning of the year</b>	11	103	18
	<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	<u>103</u>	<u>18</u>	<u>125</u>

**Statements of Changes in Equity**

	<b>Share capital</b> <i>HK\$'000</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total equity</b> <i>HK\$'000</i>
<b>At 1 April 2006</b>	–	60,773	60,773
Profit for the year (Total recognised income and expense for the year)	–	24,056	24,056
<b>At 31 March 2007 and 1 April 2007</b>	–	84,829	84,829
Profit for the year (Total recognised income and expense for the year)	–	81,745	81,745
<b>At 31 March 2008 and 1 April 2008</b>	–	166,574	166,574
Loss for the year (Total recognised income and expense for the year)	–	(81,247)	(81,247)
<b>At 31 March 2009</b>	–	85,327	85,327

**II. NOTES TO THE FINANCIAL INFORMATION**

**1. GENERAL INFORMATION**

Yue Tin is a wholly-owned subsidiary of Junny Diamond Co., Limited (“Junny Diamond”), a company incorporated in Hong Kong. Yue Tin’s principal operations are conducted in Hong Kong. The Financial Information is presented in HK\$, which is also the functional currency of Yue Tin.

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKAS”) and Interpretations (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been consistently applied throughout the Relevant Periods.

The Financial Information also includes the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and the applicable requirements of Hong Kong Companies Ordinance.

**2. ADOPTION OF NEW AND AMENDED HKFRSs**

The HKICPA issued a number of new and revised HKFRSs which are effective during the Relevant Periods and in preparing and presenting the Financial Information, Yue Tin has adopted these new and revised HKFRSs consistently throughout the Relevant Periods.

Yue Tin has not early adopted the following new and amended HKFRSs which have been published but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statement <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Embedded Derivatives <sup>3</sup>
HKAS 39 (Amendments)	Eligible Hedged Items <sup>2</sup>
HKFRS 1 (Revised)	First-time adoption of HKFRSs <sup>2</sup>
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate <sup>1</sup>
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 9 (Amendments)	Reassessment of Embedded Derivatives <sup>3</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>2</sup>
HK(IFRIC) – Int 18	Transfers of Assets from Customers <sup>6</sup>
Various	Annual Improvements to HKFRS 2008 <sup>7</sup>
Various	Annual Improvements to HKFRS 2009 <sup>8</sup>

*Notes:*

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009  
<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009  
<sup>3</sup> Effective for annual periods beginning on or after 30 June 2009  
<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008  
<sup>5</sup> Effective for annual periods beginning on or after 1 October 2008  
<sup>6</sup> Effective for transfer received on or after 1 July 2009  
<sup>7</sup> Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRSs  
<sup>8</sup> Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRSs

The directors anticipate that all of the pronouncements will be adopted in Yue Tin's accounting policy for the first period beginning after the effective date of the pronouncement.

Amongst these new standards and interpretations, HKAS 1 (Revised) Presentation of Financial Statements is expected to materially change the presentation of Yue Tin's Financial Information. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. Yue Tin will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of Yue Tin but will give rise to additional disclosures.

The directors of Yue Tin are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on Yue Tin's results and financial position.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Basis of preparation**

The significant accounting policies that have been used in the preparation of the Financial Information are set out below. The Financial Information has been prepared under historical cost convention except for investment properties, which are stated at fair values. The measurement bases are fully described in the accounting policies below.

In preparing the Financial Information, the directors of Yue Tin have given consideration to the future liquidity of Yue Tin in light of its net current liability positions of approximately HK\$148,175,000, HK\$147,488,000 and HK\$146,559,000 as at 31 March 2007, 2008 and 2009, respectively. Notwithstanding this, the Financial Information has been prepared on a going concern basis on the assumption that Yue Tin will continue to operate as a going concern. The going concern basis has been adopted on the basis of the continuing financial support from Mr. Wong and the ultimate holding company has undertaken not to demand repayment of the respective debt due from Yue Tin until such time when repayment will not affect Yue Tin's ability to repay other creditors in the normal course of business.

Should Yue Tin be unable to continue in business as a going concern, adjustments might have to be made to reduce the value of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets as current assets. These adjustments have not yet been reflected in the Financial Information.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

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

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. 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.

Depreciation is provided to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum.

Leasehold building	4% or over the remaining terms of the leases of useful lives, whichever is shorter
Furniture and fixtures	20%

The assets' depreciation methods and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Yue Tin and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the relevant period in which they are incurred.

### **3.3 Investment properties**

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

When Yue Tin holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in the income statement for the period in which they arise.

### **3.4 Impairment of non-financial assets**

Property, plant and equipment and prepaid lease payments are subject to impairment testing.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed in subsequent periods if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **3.5 Leases**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and reward of ownership to Yue Tin are classified as operating leases.

*Prepaid lease payments*

Prepaid lease payments represent up-front payments to acquire long term interests in the usage of the land. They are stated at cost less accumulated amortisation and accumulated impairment, if any. The up-front payments are amortised over the lease period on a straight-line period and the amortisation is charged to the income statement.

*Assets leased out under operating leases as the lessor*

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in the income statement on the straight-line method over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

**3.6 Financial assets**

Financial assets of Yue Tin include amounts due from a director and cash at banks. These are classified into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, Yue Tin becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, directly attributable transaction costs.

Amounts due from a director are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

*Impairment of financial assets*

At each balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment includes observable data that comes to the attention of Yue Tin about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in Yue Tin and, national or local economic conditions that correlate with defaults on the assets in Yue Tin.

If there is any objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement of the period in which the reversal occurs.

### **3.7 Revenue recognition**

Revenue comprises the fair value of the rendering of services. Provided that it is probable that the economic benefits will flow to Yue Tin and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Rental income under operating leases is recognised on the straight-line method over the term of the relevant lease.

Property management fee income is recognised when services are rendered.

### **3.8 Borrowing cost**

All borrowing costs are expensed as incurred.

### **3.9 Accounting for income taxes**

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

**3.10 Cash and cash equivalents**

Cash and cash equivalents include cash at banks and in hand which form an integral part of Yue Tin's cash management.

**3.11 Share capital**

Ordinary shares are classified as equity. Share capital is determined using the nominal value of share that have been issued.

**3.12 Short term employee benefits**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

**3.13 Financial liabilities**

The financial liabilities of Yue Tin include accruals and other payables, amounts due to a related party and amounts due to ultimate holding company.

Financial liabilities are recognised when Yue Tin becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

*Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Yue Tin has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

*Other payables*

Other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

**3.14 Segment reporting**

In accordance with Yue Tin's internal financial reporting, Yue Tin has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of geographical segment reporting, revenue are based on the country in which the customer is located and total assets and capital expenditure are based on where the assets are located.

**3.15 Related parties**

For the purpose of this report, a party is considered to be related to Yue Tin if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control Yue Tin or exercise significant influence over Yue Tin in making financial and operating policy decisions, or has joint control over Yue Tin;
- (ii) Yue Tin and the party are subject to common control;
- (iii) the party is an associate of Yue Tin or a joint venture in which Yue Tin is a venturer;
- (iv) the party is a member of key management personnel of Yue Tin or its parent or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of Yue Tin, or of any entity that is a related party of Yue Tin.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

**3.16 Provisions, contingent liabilities and contingent assets**

Provisions are recognised when Yue Tin has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amounts 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.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Yue Tin makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**Estimated fair value of investment properties**

Investment properties of Yue Tin are stated at fair value in accordance with the accounting policy stated in 3.3. The fair values of investment properties, set out in note 13 to the financial statements, are determined by an independent professional valuer, Savills Valuation and Professional Services Limited ("Savills"). Such valuations are made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual results. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market condition existing at each of the balance sheet dates. These estimates are regularly compared to actual market data and actual transactions in the market.

**Impairment of non-financial assets**

Yue Tin assesses impairment at each balance sheet date by evaluating conditions specific to Yue Tin that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market condition existing at each of the balance sheet dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by Yue Tin.

**5. REVENUE**

Revenue, also Yue Tin's turnover, represented the rental income and property management fee income received and receivable during the Relevant Periods.

	<b>Year ended 31 March</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	6,613	6,247	6,804
Property management fee income	746	763	715
	7,359	7,010	7,519
	7,359	7,010	7,519

**6. SEGMENT INFORMATION**

The directors consider that the primary reporting format of Yue Tin is by business segment. The directors consider that there is only one business segment, being property investment. Therefore, no further information about business segment is presented.

Yue Tin primarily operates in Hong Kong. Revenue derived from property investment are made from tenants in Hong Kong. Geographical segment is the secondary reporting format of Yuen Tin. In determining Yue Tin's geographical segments, revenue is attributed to the segments based on the location of the tenants. Yue Tin's assets and capital expenditure are attributed to the segments based on the location of the assets.

Yue Tin's revenue during the Relevant Periods was derived from Hong Kong.

## APPENDIX II ACCOUNTANTS' REPORT OF YUE TIN DEVELOPMENT LIMITED

The carrying amounts of segment assets analysed by geographical markets are as follows:

	Segment assets		
	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	251,173	348,910	248,101
PRC	2,627	3,215	3,175
	<u>253,800</u>	<u>352,125</u>	<u>251,276</u>
<b>7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>			
	Year ended 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) from operating activities is arrived at after charging/(crediting):			
Auditors' remuneration	9	9	9
Amortisation on operating lease prepayments	65	65	65
Depreciation of property, plant and equipment	658	287	287
Outgoings in respect of investment properties that generated rental income during the year	357	139	178
Rental income less rent and rates and direct outgoings	(6,256)	(6,108)	(6,626)
Employee benefit expense (including directors' emoluments):			
– salaries and allowances	49	51	51
– retirement benefit scheme contributions	–	–	–
	<u>49</u>	<u>51</u>	<u>51</u>
<b>8. FINANCE COSTS</b>			
	Year ended 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest charges on amounts due to ultimate holding company wholly repayable within five years	4,099	4,645	4,614
	<u>4,099</u>	<u>4,645</u>	<u>4,614</u>
<b>9. INCOME TAX EXPENSE/(CREDIT)</b>			
	Year ended 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax			
– Hong Kong tax			
Under-provision in prior years	231	–	–
Deferred tax			
Current year	4,864	17,179	(16,559)
Attributable in decrease in tax rate *	–	–	(2,158)
	<u>5,095</u>	<u>17,179</u>	<u>(18,717)</u>

## APPENDIX II ACCOUNTANTS' REPORT OF YUE TIN DEVELOPMENT LIMITED

During each of the three years ended 31 March 2007, 2008 and 2009, Hong Kong profits tax has not been provided as Yue Tin had available tax losses brought forward from previous years to offset the estimated assessable profits arising in Hong Kong.

Reconciliation between income tax expense/(credit) and accounting profit/(loss) at applicable tax rates is as follows:

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Profit/(Loss) before income tax	29,151	98,924	(99,964)
Tax on profit/(loss) before income tax, calculated at the statutory tax rate of 16.5% (2007 and 2008: 17.5%)	5,101	17,312	(16,494)
Tax effect of non-deductible expenses	14	13	6
Tax effect of unused tax losses to recognise	(189)	(35)	(67)
Effect on deferred tax as a result of a decrease in tax rate during the year ended 31 March 2009	–	–	(2,158)
Others	(62)	(111)	(4)
Under-provision in prior years	231	–	–
Income tax expense/(credit)	<u>5,095</u>	<u>17,179</u>	<u>(18,717)</u>

\* The Hong Kong SAR Government enacted a reduction in the profits tax rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred taxes have been calculated using the new tax rate of 16.5% for the year ended 31 March 2009.

### 10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

#### (a) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Contributions to pension scheme HK\$'000	Total HK\$'000
<b>Year ended 31 March 2007</b>				
Mr. Wong Chung Tak	–	49	–	49
Ms. Ng Ka Fong, Jenny	–	–	–	–
	<u>–</u>	<u>49</u>	<u>–</u>	<u>49</u>
<b>Year ended 31 March 2008</b>				
Mr. Wong Chung Tak	–	51	–	51
Ms. Ng Ka Fong, Jenny	–	–	–	–
	<u>–</u>	<u>51</u>	<u>–</u>	<u>51</u>
<b>Year ended 31 March 2009</b>				
Mr. Wong Chung Tak	–	51	–	51
Ms. Ng Ka Fong, Jenny	–	–	–	–
	<u>–</u>	<u>51</u>	<u>–</u>	<u>51</u>

## APPENDIX II ACCOUNTANTS' REPORT OF YUE TIN DEVELOPMENT LIMITED

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by Yue Tin to the directors as an inducement to join, or upon joining Yue Tin, or as compensation for loss of office.

**(b) Five highest paid individuals**

During the Relevant Periods, no emoluments were paid by Yue Tin to the five highest paid individuals except for the directors as detailed in note 10(a).

**11. PROPERTY, PLANT AND EQUIPMENT**

	<b>Leasehold buildings</b> <i>HK\$'000</i>	<b>Furniture and fixtures</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>At 1 April 2006</b>			
Cost	1,300	3,029	4,329
Accumulated depreciation	(494)	(1,484)	(1,978)
<b>Net book amount</b>	<b>806</b>	<b>1,545</b>	<b>2,351</b>
<b>Year ended 31 March 2007</b>			
Opening net book amount	806	1,545	2,351
Depreciation	(52)	(606)	(658)
<b>Closing net book amount</b>	<b>754</b>	<b>939</b>	<b>1,693</b>
<b>At 31 March 2007</b>			
Cost	1,300	3,029	4,329
Accumulated depreciation	(546)	(2,090)	(2,636)
<b>Net book amount</b>	<b>754</b>	<b>939</b>	<b>1,693</b>
<b>Year ended 31 March 2008</b>			
Opening net book amount	754	939	1,693
Depreciation	(52)	(235)	(287)
<b>Closing net book amount</b>	<b>702</b>	<b>704</b>	<b>1,406</b>
<b>At 31 March 2008</b>			
Cost	1,300	3,029	4,329
Accumulated depreciation	(598)	(2,325)	(2,923)
<b>Net book amount</b>	<b>702</b>	<b>704</b>	<b>1,406</b>
<b>Year ended 31 March 2009</b>			
Opening net book amount	702	704	1,406
Depreciation	(52)	(235)	(287)
<b>Closing net book amount</b>	<b>650</b>	<b>469</b>	<b>1,119</b>
<b>At 31 March 2009</b>			
Cost	1,300	3,029	4,329
Accumulated depreciation	(650)	(2,560)	(3,210)
<b>Net book amount</b>	<b>650</b>	<b>469</b>	<b>1,119</b>

## APPENDIX II ACCOUNTANTS' REPORT OF YUE TIN DEVELOPMENT LIMITED

As at 31 March 2007 and 2008, Yue Tin's leasehold buildings were pledged to secure the general banking facilities granted to the ultimate holding company.

### 12. PREPAID LEASE PAYMENTS

Prepaid lease payments represent Yue Tin's interests in leasehold land and their net carrying amounts are analysed as follows:

	As at 31 March		
	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Opening net carrying amount	5,399	5,334	5,269
Amortisation charge for the year	(65)	(65)	(65)
	5,334	5,269	5,204
Closing net carrying amount	5,334	5,269	5,204
In Hong Kong held under medium-term lease	5,334	5,269	5,204
Analysed for reporting purposes as:			
Non-current assets	5,269	5,204	5,139
Current assets	65	65	65
	5,334	5,269	5,204

As at 31 March 2007 and 2008, Yue Tin's prepaid lease payments were pledged to secure the general banking facilities granted to the ultimate holding company.

### 13. INVESTMENT PROPERTIES

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

Changes to the carrying amounts presented in the balance sheet can be summarised as follows:

	As at 31 March		
	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Carrying amount at 1 April	218,323	246,627	345,216
Net gain/(loss) from fair value adjustments	28,304	98,589	(100,541)
	246,627	345,216	244,675
Carrying amount at 31 March	246,627	345,216	244,675

Investment properties are held under the medium term of lease and were valued at open market value by reference to market price for similar properties as at 31 March 2007, 2008 and 2009 by independent and professional qualified valuers, Savills, who is a member of Hong Kong Institute of Surveyors, and has appropriate qualifications and experiences in the valuation of similar properties.

## APPENDIX II ACCOUNTANTS' REPORT OF YUE TIN DEVELOPMENT LIMITED

Yue Tin's interests in investment properties at their carrying amount are analysed as follows:

	<b>2007</b>	<b>As at 31 March</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>2008</i>	<i>2009</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
In Hong Kong, held on:			
Medium-term lease of between 10-50 years	244,000	342,000	241,500
Outside Hong Kong, held on:			
Medium-term lease of between 10-50 years	2,627	3,216	3,175
	246,627	345,216	244,675
	246,627	345,216	244,675

Yue Tin's investment properties with aggregate carrying amounts of HK\$244,000,000 and HK\$342,000,000 as at 31 March 2007 and 2008, respectively were pledged to secure the general banking facilities granted to the ultimate holding company.

#### 14. AMOUNTS DUE FROM A DIRECTOR

The amounts due were unsecured, interest-free and repayable on demand.

Subsequent to 31 March 2009, the amount due had been fully settled.

#### 15. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY

The amounts due were unsecured, repayable on demand and interest-bearing at 2.8%, 3.2% and 3.2% per annum as at 31 March 2007, 2008 and 2009 respectively.

#### 16. AMOUNTS DUE TO A RELATED PARTY

The amounts due were unsecured, interest-free and repayable on demand.

#### 17. DEFERRED TAX LIABILITIES

The following are major deferred tax liabilities recognised in the balance sheets and the movements during the Relevant Periods.

	<b>Accelerated</b>	<b>Revaluation of</b>	<b>Total</b>
	<b>tax</b>	<b>properties</b>	<b>Total</b>
	<b>depreciation</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Balance at 1 April 2006</b>	1,311	14,410	15,721
(Credited)/Charged to the income statement for the year	(36)	4,900	4,864
	1,275	19,310	20,585
<b>Balance at 31 March 2007 and 1 April 2007</b>	1,275	19,310	20,585
Charged to the income statement for the year	29	17,150	17,179
	1,304	36,460	37,764
<b>Balance at 31 March 2008 and 1 April 2008</b>	1,304	36,460	37,764
Deferred taxation arising from decrease in tax rate credited to the income statement	(75)	(2,083)	(2,158)
Charged/(Credited) to the income statement for the year	24	(16,583)	(16,559)
	1,253	17,794	19,047
<b>Balance at 31 March 2009</b>	1,253	17,794	19,047

## APPENDIX II ACCOUNTANTS' REPORT OF YUE TIN DEVELOPMENT LIMITED

Yue Tin has unused tax losses of HK\$646,000, HK\$446,000 and HK\$42,000 as at 31 March 2007, 31 March 2008 and 31 March 2009 respectively available for offset against future profits. Deferred tax asset has not been recognised in respect of these tax losses due to the unpredictability of future profit streams.

The major component of the deferred tax liabilities recognised by Yue Tin were mainly attributable to the upward revaluation of the investment properties as well as the leasehold land and buildings and their accelerated tax depreciation so arising. The deferred tax liabilities recognised in respect of the revaluation of the investment properties will be released upon disposal of these investment properties.

### 18. SHARE CAPITAL

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Authorised capital:</b>			
10,000 ordinary shares of HK\$1 each	10	10	10
	<u>          </u>	<u>          </u>	<u>          </u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Issued and fully paid capital:</b>			
2 ordinary shares of HK\$1 each	2	2	2
	<u>          </u>	<u>          </u>	<u>          </u>

### 19. OPERATING LEASE ARRANGEMENTS

Yue Tin had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	As at 31 March		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,851	3,341	5,104
In the second to fifth year inclusive	1,849	2,860	3,680
	<u>          </u>	<u>          </u>	<u>          </u>
	6,700	6,201	8,784
	<u>          </u>	<u>          </u>	<u>          </u>

Yue Tin leases its investment properties (note 13) under operating lease arrangements which run for an initial period of one to three years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between Yue Tin and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.

### 20. RELATED PARTY TRANSACTIONS

20.1 In addition to those related party transactions disclosed elsewhere in this report, Yue Tin had the following transactions carried out with related parties during the Relevant Periods:

	<i>Notes</i>	Year ended 31 March		
		2007	2008	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Ultimate holding company</b>				
Rental income received		1,620	1,440	1,440
Interest expenses paid	(a)	(4,099)	(4,645)	(4,614)
Management fee paid		(500)	(720)	(960)
<b>Other related party</b>				
Rental income received	(b)	–	–	340
		<u>          </u>	<u>          </u>	<u>          </u>

(a) Interest expenses of HK\$4,099,000, HK\$4,645,000 and HK\$4,614,000 were paid to its ultimate holding company at 2.8%, 3.2% and 3.2% per annum for the years ended 31 March 2007, 2008 and 2009 respectively.

- (b) During the year ended 31 March 2009, Yue Tin received rental income of HK\$340,000 from GOI Limited ("GOI"). Mr. Wong Chung Tak, an executive director of Yue Tin, is also a director of GOI.

The terms of the other transactions set out above are mutually agreed by Yue Tin and the related parties.

20.2 Key management personnel compensation

	Year ended 31 March		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Short-term employee benefits	49	51	51
	<u>49</u>	<u>51</u>	<u>51</u>

- 20.3 As at 31 March 2007 and 2008, certain general banking facilities of the ultimate holding company were supported by the assignment of the rental income of the investment properties of Yue Tin.

**21. CONTINGENT LIABILITIES**

Yue Tin did not have any material contingent liabilities at each of the balance sheet dates during the Relevant Periods.

**22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Yue Tin is exposed to a variety of financial risk which results from both its operating activities. Yue Tin does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage Yue Tin's exposure to market risk, including changes in interest rates and currency exchange rates. Generally, Yue Tin introduces conservative strategies on its risk management. Yue Tin's exposure to market risk is kept to a minimum. The most significant financial risks to which Yue Tin is exposed to are described below.

**(i) Foreign currency risk**

Yue Tin does not have significant foreign currency risk as transactions and balances are predominately in Hong Kong Dollars.

**(ii) Interest rate risk**

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Yue Tin has no significant exposure to interest rate risk as all of its financial assets, except for cash at banks, and financial liabilities are stated at amortised cost and are either at a fixed interest rate or interest free. The exposure to interest rate risk for Yue Tin's cash at banks is considered immaterial.

**(iii) Fair value**

All financial instruments are carried at amount not materially different from their fair values as at 31 March 2007, 2008 and 2009.

**(iv) Credit risk**

The assignment of rental income from investment properties (note 20.3), of HK\$6,613,000 and HK\$6,247,000 for the years ended 31 March 2007 and 2008, respectively, the carrying amounts of amount due from a director and cash at banks represent Yue Tin's maximum exposure to credit risk in relation to its financial assets. No other financial assets carry a significant exposure to credit risk. Yue Tin continuously monitors defaults of other counterparties and incorporates this information into its credit risk controls.

Exposure of credit risk arising from the assignment of rental is minimal in the opinion of the directors of Yue Tin as they consider the default risk of the ultimate holding company is low.

## APPENDIX II ACCOUNTANTS' REPORT OF YUE TIN DEVELOPMENT LIMITED

Credit risk from cash and cash equivalents is mitigated as cash is deposited in banks of high credit rating.

None of Yue Tin's financial assets are secured by collateral or other credit enhancements.

The credit policy has been followed by Yue Tin during the Relevant Periods and is considered to have been effective in limiting Yue Tin's exposure to credit risk to a decisive level.

(v) **Liquidity risk**

Yue Tin's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. Yue Tin had net current liability positions of HK\$148,175,000, HK\$147,488,000 and HK\$146,559,000 as at 31 March 2007, 2008 and 2009 respectively. Yue Tin can maintain its liquidity by obtaining continuing financial support from Mr. Wong. In the opinion of directors, Yue Tin's exposure to liquidity risk is limited.

The liquidity policies have been followed by Yue Tin during the Relevant Periods and are considered to have been effective in managing liquidity risks.

The following table details the remaining contractual maturities at each of the balance sheet dates of Yue Tin's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rate or, if floating, based on rates current at each of the balance sheet dates) and the earliest date Yue Tin can be required to pay:

	<b>Carrying amount <i>HK\$'000</i></b>	<b>Total contractual undiscounted cash flow <i>HK\$'000</i></b>	<b>Within one year or demand <i>HK\$'000</i></b>
<b>As at 31 March 2007</b>			
Accruals and other payables	2,056	2,056	2,056
Amounts due to ultimate holding company	146,161	146,161	146,161
Amounts due to a related party	19	19	19
	148,236	148,236	148,236
	148,236	148,236	148,236
<b>As at 31 March 2008</b>			
Accruals and other payables	2,206	2,206	2,206
Amounts due to ultimate holding company	145,581	145,581	145,581
	147,787	147,787	147,787
	147,787	147,787	147,787
<b>As at 31 March 2009</b>			
Accruals and other payables	2,091	2,091	2,091
Amounts due to ultimate holding company	144,811	144,811	144,811
	146,902	146,902	146,902
	146,902	146,902	146,902

(vi) **Summary of financial assets and liabilities by category**

The carrying amounts of Yue Tin's financial assets and liabilities recognised at each of the balance sheet dates may also be categorised as follows. See notes 3.6 and 3.13 for explanations about how the category of financial instruments affects their subsequent measurement.

	<b>2007</b>	<b>As at 31 March</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current assets</b>			
Loans and receivables:			
– Amounts due from a director	–	100	100
– Cash at banks	103	18	125
	<u>103</u>	<u>118</u>	<u>225</u>
<b>Current liabilities</b>			
Financial liabilities measured at amortised cost:			
– Accruals and other payables	2,056	2,206	2,091
– Amounts due to ultimate holding company	146,161	145,581	144,811
– Amounts due to a related party	19	–	–
	<u>148,236</u>	<u>147,787</u>	<u>146,902</u>

**23. CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

Yue Tin's objectives when managing capital are:

- (i) To safeguard Yue Tin's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;
- (ii) To support Yue Tin's stability and growth; and
- (iii) To provide capital for the purpose of strengthening Yue Tin's risk management capability.

Yue Tin actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of Yue Tin and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Yue Tin currently does not adopt any formal dividend policy. Management regards total equity and the continuing financial support as set out in note 3.1 as capital, for capital management purpose.

**24. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of Yue Tin were prepared in respect of any period subsequent to 31 March 2009.

Yours faithfully,

**Grant Thornton**  
*Certified Public Accountants*  
 13th Floor, Gloucester Tower  
 The Landmark  
 15 Queen's Road Central  
 Hong Kong

*The following is the unaudited pro forma net asset statements of the Enlarged Group as if the Acquisition had been completed.*

## **1. INTRODUCTION**

The following is the unaudited pro forma statement of assets and liabilities of the Enlarged Group after the Acquisition prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of illustrating the effect of the Acquisition on the financial position of the Group as at 31 December 2008.

The accompanying unaudited pro forma statement of assets and liabilities of the Enlarged Group after the Acquisition is based on certain assumptions, estimates, uncertainties and other currently available financial information, and is provided for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group following the Completion of Acquisition. Further, the accompanying unaudited pro forma statement of assets and liabilities of the Enlarged Group after the Acquisition does not purport to predict the Enlarged Group's future financial position.

## **2. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP**

The accompanying unaudited pro forma statement of assets and liabilities of the Enlarged Group after the Acquisition is prepared, in accordance with the accounting policies of the Group under Hong Kong Financial Reporting Standards, based on the audited consolidated balance sheet of the Group as at 31 December 2008 extracted from the published annual report of the Group for the year ended 31 December 2008 as set out in Appendix I to this circular and the audited balance sheet of Yue Tin as at 31 March 2009 extracted from the accountants' report as set out in Appendix II to this circular, as if the Acquisition had been completed on 31 December 2008.

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

	The Group as at 31 December 2008 HK\$'000	Yue Tin as at 31 March 2009 HK\$'000	Pro forma adjustments					Pro forma Enlarged Group after the Acquisition HK\$'000	
			Note 1	Note 2	Note 3	Note 4	Note 5		Note 6
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000
<b>ASSETS AND LIABILITIES</b>									
<b>Non-current assets</b>									
Investment properties	238,740	244,675		5,854	2,346	(11,500)		480,115	
Property, plant and equipment	1,504	1,119		(650)		900		2,873	
Prepaid lease payments	3,700	5,139		(5,139)		10,600		14,300	
Cost of investment	-	-	87,673				(87,673)	-	
	243,944	250,933						497,288	
<b>Current assets</b>									
Properties held for sale	486,500	-						486,500	
Trade receivables	1,658	-						1,658	
Other receivables, prepayments and deposits	7,094	53						7,147	
Prepaid lease payments	100	65		(65)				100	
Amount due from a director	-	100						100	
Amount due from Yue Tin	-	-	144,811				(144,811)	-	
Loans and receivables	13,000	-						13,000	
Financial assets at fair value through profit or loss	65,263	-						65,263	
Cash and cash equivalents	439,762	125	(103,659)					336,228	
	1,013,377	343						909,996	
<b>Current liabilities</b>									
Derivative financial instruments	96	-						96	
Amount due to vendor	-	144,811					(144,811)	-	
Other payables, deposits received and accrued charge	66,654	2,091						68,745	
Taxation payables	12,023	-						12,023	
	78,773	146,902						80,864	
<b>Net current assets/(liabilities)</b>	<b>934,604</b>	<b>(146,559)</b>						<b>829,132</b>	
<b>Total assets less current liabilities</b>	<b>1,178,548</b>	<b>104,374</b>						<b>1,326,420</b>	
<b>Non-current liabilities</b>									
Deferred tax liabilities	15,742	19,047						34,789	
<b>Net assets</b>	<b>1,162,806</b>	<b>85,327</b>						<b>1,291,631</b>	

**Notes to the unaudited pro forma statement of assets and liabilities of the Enlarged Group**

As Yue Tin is principally engaged in property investment with no other associated services, the underlying set of assets acquired is not integrated in forming a business to generate revenue. Thus, the Directors are of opinion that the Acquisition does not constitute a business combination for accounting purposes and is in fact a purchase of net assets in nature under which the fair value of the Consideration is the fair value of net assets purchased.

- (1) On 4 June 2009, Value Shine Limited, a wholly-owned subsidiary of the Company, entered into an agreement (the “Agreement”) with the vendor (the “Vendor”) and Mr. Wong Chun Tak to acquire (the “Acquisition”) the entire issued share capital of Yue Tin and the full amount of the shareholder loan (“Sale Loan”). The fair value of total consideration for the Acquisition (the “Consideration”) is HK\$278,000,000 subject to adjustment as detailed in page 9 of the Circular, and is to be satisfied in the following manners:

	<i>HK\$'000</i>
Issue and allotment of 650,000,000 Consideration Shares <sup>#</sup>	128,825
Cash (adjusted for the Liabilities of Yue Tin as at 31 March 2009) <sup>*</sup>	103,659
Less: Sale Loan	(144,811)
	87,673
Cost of investment at Completion <sup>#</sup>	87,673

The Sale Loan is to be eliminated on consolidation in the unaudited pro forma statement of assets and liabilities as shown in note 5.

<sup>#</sup> Since the Acquisition is considered as an acquisition of assets and liabilities and is settled by cash and issue of the Company’s shares, the Acquisition is an equity settled share-based payment transaction. The fair value of the Consideration Shares should be recognised based on the fair value of the assets and liabilities acquired after deducting the cash consideration.

<sup>\*</sup> According to the Agreement, the cash consideration of HK\$105,750,000 to be payable by the Group to the Vendor shall be adjusted by deducting the amount of the liabilities which is to be confirmed in the Completion Accounts. In the circumstance when Yue Tin has distributable profit in the Completion Account, no adjustment shall be made to the cash consideration. According to the Supplemental Agreement, the amount of the liabilities shall exclude deferred tax provision to the extent up to HK\$30,000,000 (the “Liabilities”) as to be shown in the Completion Accounts. For the purpose of preparing the unaudited pro forma statement of assets and liabilities, it is assumed by the directors of the Company that the cash consideration should be adjusted for the Liabilities of HK\$2,091,000 of Yue Tin as at 31 March 2009. Accordingly, the adjusted cash consideration is HK\$103,659,000 (i.e. HK\$105,750,000-HK\$2,091,000).

- (2) As at 31 March 2009, Yue Tin had a leasehold property and a car park unit in Hong Kong (the “Leasehold Properties”) which were accounted for as leasehold buildings of HK\$650,000 under “Property, plant and equipment” and prepaid land leases of HK\$5,204,000 (with a current portion of HK\$65,000), under “Prepaid lease payments”. The fair value of the Leasehold Properties, as estimated by an independent professional valuer, is HK\$8,200,000. Upon completion of the Acquisition, the Leasehold Properties are to be leased to the Vendor under a tenancy agreement which shall commence from the Completion Date and expire on 31 December 2011.

Accordingly, a pro forma adjustment is included to restate the Leasehold Properties at fair value and reclassify the Leasehold Properties from property, plant and equipment and prepaid lease payments accounts to investment properties account.

- (3) Upon completion of the Acquisition, the identifiable assets and liabilities arising from the Acquisition are as follows:

	Acquiree's carrying amount <i>HK\$'000</i>	Reclassification adjustment (note 2 above) <i>HK\$'000</i>	Fair value adjustment <i>HK\$'000</i>	Fair value <i>HK\$'000</i>
Investment properties	244,675	5,854	2,346	252,875
Property, plant and equipment	1,119	(650)	–	469
Prepaid lease payments	5,204	(5,204)	–	–
Deposits and prepayments	53	–	–	53
Amount due from a director	100	–	–	100
Cash at banks	125	–	–	125
Sale Loan	(144,811)	–	–	(144,811)
Accruals and other payables	(2,091)	–	–	(2,091)
Deferred tax liabilities	(19,047)	–	–	(19,047)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net assets acquired	<u>85,327</u>	<u>–</u>	<u>2,346</u>	<u>87,673</u>

The calculation is to reflect the effect of the Acquisition on the consolidated statement of assets and liabilities if the Acquisition had taken place on 31 December 2008. The reclassification adjustment is to reflect the fair value of the investment properties, after the reclassification adjustment as described in note 2 above.

- (4) As at 31 March 2009, one of Yue Tin's investment properties in Hong Kong, with a fair value of HK\$11,500,000, is leased to a subsidiary of the Group (the "Leased Property"). Upon completion of the Acquisition, being as an owner-occupied property, the Leased Property should be accounted for as property, plant and equipment, in accordance with HKAS 17, which provides that, to the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are classified to prepaid lease payments under operating leases, which are carried at cost and subsequently are amortised using the straight-line method over the lease term. Based on the valuation performed by an independent professional valuer, the values of the prepaid lease portion and the buildings are HK\$10,600,000 and HK\$900,000 respectively. This adjustment is to reclassify the Leased Property from investment property account to prepaid lease payments and property, plant and equipment accounts.
- On Completion, the usage of other investment properties held by Yue Tin will be reassessed. For the purpose of preparation of the unaudited pro forma statement of assets and liabilities of the Group, it is assumed that the usage of other investment properties held by Yue Tin will not be changed.
- (5) This adjustment is to reflect the elimination of the balances due from Yue Tin as Yue Tin becomes a group company within the Group.
- (6) This reflects the adjustment on the elimination of cost of investments in Yue Tin.
- (7) On Completion, the fair values of the Consideration Shares, cash consideration and the investment properties will have to be reassessed. As a result of assessment, the amount of these fair values may be different from those estimated based on the basis stated above for the purpose of preparation of the unaudited pro forma statement of assets and liabilities.
- (8) For the purpose of the preparation of the pro forma statement of assets and liabilities, transaction costs of the Acquisition are assumed to be insignificant.

**5. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ASSETS AND  
LIABILITIES OF THE ENLARGED GROUP**

*The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, Grant Thornton, Certified Public Accountants, Hong Kong.*



Member of Grant Thornton International Ltd

31 July 2009

The Directors  
Shenzhen High-Tech Holdings Limited  
2406, 24th Floor  
World-Wide House  
19 Des Voeux Road Central  
Hong Kong

Dear Sirs

**Shenzhen High-Tech Holdings Limited**

We report on the unaudited pro forma statement of assets and liabilities of Shenzhen High-Tech Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) and Yue Tin Development Limited (“Yue Tin”), (the Group together with Yue Tin hereinafter referred to as the “Enlarged Group”) (the “Unaudited Pro Forma Statement of Assets and Liabilities”), which has been prepared by the directors of the Company, solely for illustrative purposes only, to provide information about how the acquisition by the Company of the entire issued share capital of Yue Tin (the “Acquisition”) might have affected the financial information presented, for inclusion in Appendix III of the Company’s circular dated 31 July 2009 (the “Circular”). The basis of preparation of the Unaudited Pro Forma Statement of Assets and Liabilities is set out in the section headed “Unaudited Pro Forma Financial Information of the Enlarged Group” in Appendix III to the Circular.

**Respective Responsibilities of Directors of the Company and Reporting Accountants**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Statement of Assets and Liabilities in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group.

The Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 31 December 2008 or any future date.

**Opinion**

In our opinion:

- a. the Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

**Grant Thornton**  
*Certified Public Accountants*  
13th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

The statements in relation to the anticipated significant decrease in the Group's financial results for the six months ended 30 June 2009 as compared to those for the six months ended 30 June 2008 and the significant decrease in the revenue generated from property trading as compared to those in the first half year of 2008 as disclosed in the July Announcement and referred to in this circular, which constitute a profit estimate of the Company for the purpose of Rule 10 of the Takeovers Code, are set out in the paragraph headed "Information on the Group" under the section headed "Letter from the Board" in this circular.

#### **1. BASES AND ASSUMPTIONS**

The Directors have arrived at such statements in the July Announcement based on the unaudited consolidated management accounts of the Group for the six months ended 30 June 2009, which have been prepared on the basis of accounting policies consistent in all material respects with those adopted in the preparation of the audited consolidated financial statements of the Group for the financial year ended 31 December 2008 as set out in Appendix I to this circular.

According to the General Rules as set out on Note 2(c) to Rule 10.2 of the Takeovers Code, no assumptions are required when an estimate relates to a period already ended.

#### **2. COMFORT LETTERS**

Set out below are the text of the letters received by the Directors from Grant Thornton, Certified Public Accountants, Hong Kong and from Cinda International Capital Limited, the IFA in connection with such statements for the purpose of inclusion in this circular.

**A. ACCOUNTANTS' REPORT ON THE PROFIT ESTIMATE**

*The following is the text of a report on Shenzhen High-Tech Holdings Limited and its subsidiaries' profit estimate for the six months ended 30 June 2009, prepared for the sole purpose of inclusion in this circular, received from Grant Thornton, Certified Public Accountants, Hong Kong.*



Member of Grant Thornton International Ltd

31 July 2009

The Directors  
Shenzhen High-Tech Holdings Limited  
2406, 24th Floor  
World-Wide House  
19 Des Voeux Road Central  
Hong Kong

Dear Sirs,

We have reviewed the accounting policies and calculations adopted in arriving at the estimate of the financial results of Shenzhen High-Tech Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2009 (the "Estimate"), for which you as the directors of the Company (the "Directors") are solely responsible, as set out in the paragraph headed "Information of the Group" under the section headed "Letter from the Board" in the circular of the Company dated 31 July 2009 (the "Circular"). The Estimate has been prepared by the Directors based on the unaudited management accounts of the Group for the six months ended 30 June 2009.

We have not conducted an audit of the financial results of the Group for the six months ended 30 June 2009.

In our opinion, so far as the accounting policies and calculations are concerned, the Estimate has been properly compiled in accordance with the bases adopted by the Directors as set out in the paragraph headed "Bases and Assumptions" of Appendix IV to the Circular, and is presented on a basis consistent in all material aspects with those accounting policies and calculations currently adopted by the Group as set out in its audited consolidated financial statements for the year ended 31 December 2008, the text of which is set out in Appendix I to the Circular.

Yours faithfully,

**Grant Thornton**  
*Certified Public Accountants*  
13th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

**B. INDEPENDENT FINANCIAL ADVISER'S REPORT ON THE PROFIT ESTIMATE**

*The following is the text of a report received from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, Cinda International Capital Limited, addressed to the Directors and prepared for the sole purpose of inclusion in this circular.*



31 July 2009

The Directors  
Shenzhen High-Tech Holdings Limited  
2406, 24th Floor  
World-Wide House  
19 Des Voeux Road Central  
Hong Kong

Dear Sirs,

We refer to the estimate of the financial results of Shenzhen High-Tech Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2009 (the “Estimate”), for which the directors of the Company (the “Directors”) are solely responsible, as mentioned in the paragraph headed “Information of the Group” under the section headed “Letter from the Board” in the circular of the Company dated 31 July 2009 (the “Circular”).

We have obtained and reviewed the unaudited management accounts of the Group for the six months ended 30 June 2009 including the accounting policies and calculations adopted in arriving at the Estimate. Although we have not performed any independent review of the preparation of the Estimate, we have discussed with you the accounting policies and calculations adopted in arriving at the Estimate and, in particular, discussed with you as to whether the Estimate has been prepared on a basis consistent in all material respects with the accounting policies and calculations normally adopted by the Group.

We have also considered the letter dated 31 July 2009 addressed to you from Grant Thornton (the “Letter”). We note the view of Grant Thornton stated in the Letter that so far as the accounting policies and calculations are concerned, the Estimate has been properly compiled in accordance with the bases adopted by the Directors as set out in the paragraph headed “Bases and Assumptions” of this appendix to the Circular, and is presented on a basis consistent in all material aspects with those accounting policies and calculations currently adopted by the Group as set out in its audited consolidated financial statements for the year ended 31 December 2008, the text of which is set out in Appendix I to the Circular.

On the basis of our review on the unaudited management accounts of the Group for the six months ended 30 June 2009 including the accounting policies and calculations adopted in arriving at the Estimate and the review performed by Grant Thornton, we are satisfied that the Estimate, for which you as Directors are solely responsible, has been prepared with due care and consideration.

Your faithfully,  
For and on behalf of  
**Cinda International Capital Limited**

**Thomas Lai**  
*Executive Director*

**Robert Siu**  
*Executive Director*



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The Directors  
Shenzhen High-Tech Holdings Limited  
Unit 2406, 24th Floor  
World-Wide House  
19 Des Voeux Road Central  
Hong Kong

31 July 2009

Dear Sirs

**RE: VARIOUS PROPERTIES IN HONG KONG AND THE PEOPLE'S REPUBLIC OF CHINA**

In accordance with your instructions for us to value the properties in the enclosed summary of values to be acquired by Shenzhen High-Tech Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have made all relevant enquiries and investigations as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 May 2009 for the inclusion in a circular to be issued by the Company.

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Our valuations have been prepared in accordance with The HKIS Valuation Standards on Properties published by The Hong Kong Institute of Surveyors (1st Edition 2005), and the relevant provisions in the Companies Ordinance and Chapter 5 of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (Main Board) and all requirements contained in Rule 11 of the Code on Takeovers and Mergers.

In the course of our valuation of the property in the PRC, we have assumed that transferable land use rights in respect of the property for specific terms at nominal land use fees have been granted and that any land grant premium payable has been fully paid. We have also assumed that the grantee has enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the unexpired term as granted.

We have valued the properties by making reference to the comparable transactions as available in the market and where appropriate, on the capitalization of the net incomes shown on the schedules handed to us. We have allowed for outgoings and in appropriate cases, made provisions for reversionary income potential.

For the properties located in Hong Kong, we have not been provided with any title documents relating to the properties but we have caused searches to be made at the Land Registry. We have not, however, inspected the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies obtained by us.

For the property located in the PRC, we have been provided with copies of extracts of title documents relating to the property. However, we have not inspected the original documents to verify ownership or to ascertain the existence of any amendments that may not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group and its PRC legal adviser, Beijing Eastbright Law Firm, regarding the titles to the property in the PRC.

We have relied to a very considerable extent on information given by the Group and accepted advice on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided by Group and are therefore only approximations. No on-site measurements have been taken. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any material defect. We are not, however, able to report that the properties are free of rot, infestation or any other structural defect. No test was carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

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

- (a) profits tax on the profit from the sale at rates of 16.5% for the properties in Hong Kong and 25% for the property in the PRC; and
- (b) land value appreciation tax for the property in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation in property value in the range from not more than 50% to more than 200%.

As at the time of this circular, the Company has confirmed that it has no intention to sell any of the properties which are to be held for occupation and for investment. Hence, the likelihood of any potential tax liability of these properties being crystallized is remote.

Unless otherwise stated, all monetary amounts stated in our valuation are in Hong Kong dollars. The exchange rate adopted in our valuation is HK\$1 = RMB0.8813, which was the approximate exchange rate prevailing as at the date of valuation and there has been no significant fluctuation in such exchange rate between that date and the date of this letter.

We enclose herewith our summary of values and valuation certificate.

Yours faithfully  
For and on behalf of

**Savills Valuation and Professional Services Limited**

**Charles C K Chan**

*MSc FRICS FHKIS MCI Arb RPS(GP)*

*Managing Director*

*Note:* Mr Charles C K Chan, chartered estate surveyor, MSc, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer since June 1987 and has about 24 years' experience in the valuation of properties in Hong Kong and has about 19 years' experience in the valuation of properties in the PRC.

## SUMMARY OF VALUES

<b>Property</b>	<b>Market value in existing state as at 31 May 2009</b>
1. Office Units 1 and 2 on 24th Floor World-Wide House 19 Des Voeux Road Central Central, Hong Kong	HK\$242,000,000
2. Shop Nos. 4 and 5 on Ground Floor Flats 1, 2, 3, 4, 5, 6, 7 and 8 on 1st Floor and Flats 3 and 4 on 2nd Floor South Wall Mansion, 63, 63A, 65, 67, 69 and 71 South Wall Road Kowloon City, Kowloon, Hong Kong	HK\$28,000,000
3. Flat A on 23rd Floor of Block 2 and Car Parking Space No. 31 on 2nd Basement Ronsdale Garden, 25 Tai Hang Drive Jardine's Lookout, Hong Kong	HK\$8,900,000
4. Unit No. 1611, Beijing Henderson Centre 18 Jian Guo Men Nei Da Jie, Dong Cheng District Beijing, PRC	HK\$3,177,125 (RMB2,800,000)
	Total: <u>HK\$282,077,125</u>

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2009
1. Office Units 1 and 2 on 24th Floor, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong  2,003/123,000th parts or shares of and in Inland Lot No. 8432.	<p>World-Wide House is a 29-storey commercial building erected over a basement completed in 1980.</p> <p>The property comprises the office units on the whole of the 24th Floor of the building with a total gross floor area of approximately 1,757.53 sq m (18,918 sq ft).</p> <p>Inland Lot No. 8432 is held under Conditions of Grant No. UB11187 for a term of 75 years from 15 April 1978 renewable for a further term of 75 years. The government rent payable for the lot is HK\$1,000 per annum.</p>	<p>As at 31 May 2009, 656.26 sq m (7,064 sq ft) of the property were vacant. Another portion of the property with an area of approximately 96.43 sq m (1,038 sq ft) was leased to the Company for a term from 1 October 2008 to 30 September 2009 at a monthly rent of HK\$73,953 inclusive of rates, management fees and government rent. The remaining portion of the property was subject to various tenancies mostly for terms of 3 years with the latest expiring in May 2012 at a total monthly rent of about HK\$467,000 inclusive of rates, management fees and government rent.</p>	HK\$242,000,000

*Notes:*

- (1) The registered owner of the property is Yue Tin Development Limited.
- (2) The property lies within an area zoned "Commercial" under Central District Outline Zoning Plan No. S/H4/12.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2009																								
2. Shop Nos. 4 and 5 on Ground Floor, Flats 1, 2, 3, 4, 5, 6, 7 and 8 on 1st Floor and Flats 3 and 4 on 2nd Floor, South Wall Mansion, 63, 63A, 65, 67, 69 and 71 South Wall Road, Kowloon City, Kowloon, Hong Kong	<p>South Wall Mansion is a 10-storey composite building completed in 1966.</p> <p>The property comprises two shops on the Ground Floor, eight flats on the 1st Floor and two residential units on the 2nd Floor of the building with a total saleable area of approximately 557.13 sq m (5,997 sq ft).</p> <p>The breakdown areas are as follows:</p> <table border="1"> <thead> <tr> <th colspan="4">Saleable Areas</th> </tr> <tr> <th></th> <th></th> <th><i>sq m</i></th> <th><i>sq ft</i></th> </tr> </thead> <tbody> <tr> <td>G/F</td> <td></td> <td>150.59</td> <td>1,621</td> </tr> <tr> <td>1/F</td> <td></td> <td>328.69</td> <td>3,538</td> </tr> <tr> <td>2/F</td> <td></td> <td>77.85</td> <td>838</td> </tr> <tr> <td>Total</td> <td></td> <td><u>557.13</u></td> <td><u>5,997</u></td> </tr> </tbody> </table> <p>The property also comprises two yards on the Ground Floor with a total area of approximately 15.79 sq m (170 sq ft).</p> <p>New Kowloon Inland Lot Nos. 1933, 2156, 2157, 2158 and 2159 are held under their respective Government Leases each for a term of 75 years commencing on 1 July 1898 renewable for a further term of 24 years less 3 days and had been extended upon expiry to 30 June 2047 at a government rent of three percent of the Rateable Value for the time being of the lot.</p>	Saleable Areas						<i>sq m</i>	<i>sq ft</i>	G/F		150.59	1,621	1/F		328.69	3,538	2/F		77.85	838	Total		<u>557.13</u>	<u>5,997</u>	As at 31 May 2009, the property was subject to a tenancy for a term of 2 years from 20 April 2008 at a monthly rent of HK\$85,000 exclusive of rates, management fees and government rent.	HK\$28,000,000
Saleable Areas																											
		<i>sq m</i>	<i>sq ft</i>																								
G/F		150.59	1,621																								
1/F		328.69	3,538																								
2/F		77.85	838																								
Total		<u>557.13</u>	<u>5,997</u>																								

*Notes:*

- (1) The registered owner of the property is Yue Tin Development Limited.
- (2) The property lies within an area zoned "Residential (Group A) 2" under Ma Tau Kok Outline Zoning Plan No. S/K10/20.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2009
3. Flat A on 23rd Floor of Block 2 and Car Parking Space No. 31 on 2nd Basement, Ronsdale Garden, 25 Tai Hang Drive, Jardine's Lookout, Hong Kong  15/5,379th parts or shares of and in The Remaining Portion of Inland Lot No. 5710 and The Extension thereto.	Ronsdale Garden comprises two 35-storey residential blocks erected over a 5-level basement completed in 1986.  The property comprises a residential unit on the 23rd Floor of Block 2 and a car parking space on the 2nd Basement of the development. The gross floor area of the residential unit is approximately 112.32 sq m (1,209 sq ft).  Inland Lot No. 5710 and the Extension thereto are held under Condition of Sale No. 4015 for a term of 75 years from 13 November 1939 renewable for a further term of 75 years at an annual total government rent of HK\$1,000.	As at 31 May 2009, the property was vacant.	HK\$8,900,000

*Notes:*

- (1) The registered owner of the property is Yue Tin Development Limited.
- (2) The property lies within an area zoned "Residential (Group B)" under Causeway Bay Outline Zoning Plan No. S/H6/14.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2009
4. Unit No. 1611, Beijing Henderson Centre, 18 Jian Guo Men Nei Da Jie, Dong Cheng District, Beijing, PRC	<p>The property comprises an apartment on the 16th Floor of a 23-storey composite building completed in 1998.</p> <p>The gross floor area of the property is approximately 168.14 sq m (1,810 sq ft).</p> <p>The land use rights of the property were granted for a term commencing on 18 March 2002 and expiring on 13 October 2063.</p>	As at 31 May 2009, the property was vacant.	HK\$3,177,125 (RMB2,800,000)

*Notes:*

- (1) Pursuant to a Building Ownership Certificate Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi No.0770193 dated 18 March 2002, the building ownership of the property with a gross floor area of 168.14 sq m is vested in Yue Tin Development Limited.
- (2) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - i. the building ownership of the property is legally held by Yue Tin Development Limited;
  - ii. Yue Tin Development Limited is entitled to occupy, use, gain or dispose of the property within the residual land use term; and
  - iii. the property is free from any mortgages and forbidden notices.



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The Directors  
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World-Wide House  
19 Des Voeux Road Central  
Hong Kong

31 July 2009

Dear Sirs

**RE: VARIOUS PROPERTIES IN HONG KONG AND THE PEOPLE'S REPUBLIC OF CHINA**

In accordance with your instructions for us to value the properties in the enclosed summary of values held by Shenzhen High-Tech Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have made all relevant enquiries and investigations as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 May 2009 for the inclusion in a circular to be issued by the Company.

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing,

sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Our valuations have been prepared in accordance with The HKIS Valuation Standards on Properties First Edition published by the Hong Kong Institute of Surveyors in 2005, and the relevant provisions in the Companies Ordinance and Chapter 5 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (Main Board) and all requirements contained in Rule 11 of the Code on Takeovers and Mergers.

In the course of our valuation of the properties in the PRC, we have assumed that, except Property 6, transferable land use rights in respect of the properties for specific terms at nominal land use fees have been granted and that any land grant premium payable has been fully paid. We have also assumed that the grantees have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted. Property 6 is an exception to the assumption as it is non-transferable based on the legal opinion issued by the Company's PRC legal adviser.

We have valued the properties by making reference to the comparable transactions as available in the market and where appropriate, on the capitalization of the net incomes shown on the schedules handed to us. We have allowed for outgoings and in appropriate cases, made provisions for reversionary income potential.

We have been advised by the Company that Property 6 and Property 8 are held for self-occupation/investment purposes, Property 1, Property 2, Property 3, Property 5 and Property 7 are held for trading purposes whilst Property 4 is held for trading/future development purposes.

For the properties located in Hong Kong, we have not been provided with any title documents relating to the properties but we have caused searches to be made at the Land Registry. We have not, however, inspected the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies obtained by us.

For the properties located in the PRC, we have been provided with copies of extracts of title documents. However, we have not inspected the original documents to verify ownership or to ascertain the existence of any amendments that may not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group and its PRC legal advisers, Shu Jin Law Firm for Shenzhen property and Beijing Eastbright Law Firm for Beijing properties, regarding the titles to the properties in the PRC.

We have relied to a very considerable extent on information given by the Group and accepted advice on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided by Group and are therefore only approximations. No on-site measurements have been taken. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any material defect. We are not, however, able to report that the properties are free of rot, infestation or any other structural defect. No test was carried out on any of the services.

Pursuant to the land search record, we noted that a building order and a superseding order were registered against Shop E on Ground Floor of Property 2 in October 2006 and May 2009 respectively. The Building Authority declared under each of the orders that the building works which comprise 2 projecting structures attached to the shop front on the external wall at the front were unauthorised. The Building Authority ordered the owner of the property to (i) demolish the said building works; and (ii) reinstate the parts of the building so affected by the building works in accordance with the plans approved by the Building Authority. We are not aware of any document concerning the compliance of such orders registered in the Land Registry and we have not been provided with any information on whether these orders have been complied with or the progress and cost of any remedial works. We have discussed with the management of the Company and are given to understand that the unauthorized works were erected by the occupier of the property who will carry out the reinstatement works. Therefore, we have disregarded the reinstatement cost and have not taken into account the cost of any remedial works required in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

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

- (a) profits tax on the profit from the sale at rates of 16.5% for the properties in Hong Kong and 25% for the properties in the PRC; and
- (b) land value appreciation tax for the properties in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation in property value in the range from not more than 50% to more than 200%.

However, according to the advice of the Company, since the respective companies holding the Hong Kong properties have accumulated tax losses, therefore, there are no provisions in respect of the potential tax liabilities. In respect of Property No. 7 in the PRC, there is a depreciation in value when the cost is compared with the valuation as at 31 May 2009 and therefore, there are no potential tax liabilities. In respect of Property No. 6 and Property No. 8 in the PRC, approximately HK\$5,627,000 and HK\$10,063,000 are provided for their respective potential tax liabilities on land value appreciation. As at the time of this circular, the Company has confirmed that it has no intention to sell Property No. 6 and Property No. 8 which are held for occupation and for investment. Hence, the likelihood of the said potential tax liabilities of these properties being crystallized is remote.

Unless otherwise stated, all monetary amounts stated in our valuation are in Hong Kong dollars. The exchange rate adopted in our valuation is HK\$1 = RMB 0.8813, which was the approximate exchange rate prevailing as at the date of valuation and there has been no significant fluctuation in such exchange rate between that date and the date of this letter.

We enclose herewith our summary of values and valuation certificate.

Yours faithfully,  
For and on behalf of  
**Savills Valuation and Professional Services Limited**  
**Charles C K Chan**  
*MSc FRICS FHKIS MCI Arb RPS(GP)*  
*Managing Director*

*Note:* Mr Charles C K Chan, chartered estate surveyor, MSc, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer since June 1987 and has about 24 years' experience in the valuation of properties in Hong Kong and has about 19 years' experience in the valuation of properties in the PRC.

**SUMMARY OF VALUES**

<b>Property</b>	<b>Market value in existing state as at 31 May 2009</b>
1. Whole of 6th Floor Wings Building 110-116 Queen's Road Central 53-61 Stanley Street Central Hong Kong	HK\$19,000,000
2. Shops B, C, D and E on Ground Floor and Shops A and B on 1st, 2nd, 3rd and 4th Floors On Fung Building 110, 112, 112A, 114, 116 and 118 Caine Road Mid-Levels Hong Kong	HK\$130,000,000
3. Office No. 2101 on 21st Floor World-Wide House 19 Des Voeux Road Central Central Hong Kong	HK\$41,800,000
4. Lot Nos. 1511, 1594, 1595 and 1598 in DD 91 Fanling New Territories Hong Kong	HK\$4,000,000

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**APPENDIX VI VALUATION REPORT ON THE GROUP'S PROPERTIES**

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<b>Property</b>	<b>Market value in existing state as at 31 May 2009</b>
5. Office on 30th Floor United Centre 95 Queensway Central Hong Kong	HK\$133,000,000
6. Dawning Tower, Shahe Road West, Shenzhen High-Tech Park, Nanshan District, Shenzhen, Guangdong Province, PRC	No commercial value
7. Block Nos. 2, 11 and 14, Shun Jing Yuan (also known as "Cleanfield"), northwest corner of Siyuan Bridge, Chaoyang District, Beijing, PRC	HK\$306,000,000 (RMB269,677,800)
8. The whole of Level 4 and Units 501-506 on Level 5, Block B, Beijing East Gate Plaza, No. 29 Dong Zhong Street, Dong Cheng District, Beijing, PRC	HK\$108,950,000 (RMB96,017,635)
	<hr/> <b>Total: <u><u>HK\$742,750,000</u></u></b>

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2009
1. Whole of 6th Floor, Wings Building, 110-116 Queen's Road Central, 53- 61 Stanley Street, Central, Hong Kong	The property comprises the whole of 6th Floor of a 22-storey commercial building completed in 1981.	The property was subject to a tenancy for a term of 3 years from 1 February 2006 at a monthly rent of HK\$53,000 inclusive of government rent but exclusive of rates and management fees with an option to renew for a further term of 2 years at a monthly rent of HK\$63,600.	HK\$19,000,000
21/908th parts of shares of and in Inland Lot Nos. 6159, 6160, 6165, 6166, 6168, the Remaining Portions of Inland Lot Nos. 6161 and 6162 and Sub-Section 2 of Section A of Inland Lot No. 43.	The property has a gross floor area and saleable area of approximately 315.22 sq m (3,393 sq ft) and 238.11 sq m (2,563 sq ft) respectively.  Inland Lot Nos. 6159, 6160, 6161, 6162, 6165, 6166, 6168 and 43 are held under their respective Government Leases each for a term of 999 years commencing from 26 June 1843 at an annual total government rent of HK\$92.3.		

*Notes:*

- (1) The registered owner of the property is Cathay Holdings Limited, a company in which the Company has a 100% attributable interest.
- (2) The property is subject to a Deed of Nomination in favour of Cathay Holdings Limited (Nominee) by Grandtex Development Limited, a company in which the Company has a 100% attributable interest vide memorial no. 08052700650017 dated 28 April 2008.
- (3) The property lies within an area zoned "Commercial/Residential" under Sai Ying Pun and Sheung Wan District Outline Zoning Plan No. S/H3/22.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2009
2. Shops B, C, D and E on Ground Floor and Shops A and B on 1st, 2nd, 3rd and 4th Floors, On Fung Building, 110, 112, 112A, 114, 116 and 118 Caine Road, Mid-Levels, Hong Kong  60/272nd parts or shares of and in the Remaining Portion of Sub-Section 1 of Section A of Inland Lot No. 424, the Remaining Portion of Section B of Sub-Section 1 of Section A of Inland Lot No. 424, the Remaining Portion of Sub-Section 2 of Section A of Inland Lot No. 424, the Remaining Portion of Sub-Section 3 of Section A of Inland Lot No. 424 and the Remaining Portion of Sub-Section 4 of Section A of Inland Lot No. 424.	<p>The property comprises four retail units on Ground Floor and two retail units on each level from 1st to 4th Floors of a 24-storey residential/commercial building completed in 1977.</p> <p>The property has a total gross floor area of about 2,858.79 sq m (30,772 sq ft) and a total saleable area of approximately 2,425.03 sq m (26,103 sq ft).</p> <p>Inland Lot No. 424 is held under a Government Lease for a term of 999 years commencing from 28 May 1855 at an annual government rent of HK\$80.</p>	<p>Shops B, C and E on Ground Floor of the property was subject to a tenancy for a term of 5 years from 20 May 2008 to 19 May 2013 at a monthly rent of HK\$162,000 inclusive of government rent, service charges, rates and management fees.</p> <p>Shop D on Ground Floor and Shops A and B on First, Second, Third and Fourth Floors of the property was subject to a tenancy for a term of 5 years from 20 May 2008 to 19 May 2013 at a monthly rent of HK\$914,000 inclusive of government rent, service charges, rates and management fees.</p>	HK\$130,000,000

*Notes:*

- (1) The registered owner of the property is Grandtex Development Limited, a company in which the Company has a 100% attributable interest.
- (2) Shop E on Ground Floor of the property is subject to Order No. CMS/TA/006814/06/HK under section 24(1) of The Buildings Ordinance by The Building Authority vide memorial no. 07032000540208 dated 20 October 2006.
- (3) Shop E on Ground Floor of the property is subject to Superseding Order No. CMS/TA/037218/06/HK under section 24(1) of The Buildings Ordinance by The Building Authority vide memorial no. 09062900670028 dated 12 May 2009.
- (4) The property lies within an area zoned "Residential (Group A)" under Mid-Levels West Outline Zoning Plan No. S/H11/14.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2009
3. Office No. 2101 on 21st Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong	The property comprises an office unit on 21st Floor of a 29-storey (with a basement) commercial building completed in 1980.	The property was subject to a tenancy for a term of 3 years from 15 August 2008 to 14 August 2011 at a monthly rent of HK\$220,000 inclusive of government rent but exclusive of rates and management fees.	HK\$41,800,000
369/123,000th parts or shares of and in Inland Lot No. 8432.	The property has a saleable area of approximately 211.54 sq m (2,277 sq ft).  Inland Lot No. 8432 is held under Conditions of Grant No. UB11187 for a term of 75 years from 15 April 1978 renewable for a further term of 75 years. The government rent payable for the lot is HK\$1,000 per annum.		

*Notes:*

- (1) The registered owner of the property is GOI Limited, a company in which the Company has a 100% attributable interest.
- (2) The property lies within an area zoned "Commercial" under Central District Outline Zoning Plan No. S/H4/12.

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**APPENDIX VI VALUATION REPORT ON THE GROUP'S PROPERTIES**

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			<b>Market value in existing state as at 31 May 2009</b>
<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	
4.	<p>Lot Nos. 1511, 1594, 1595 and 1598 in D.D. 91, Fanling, New Territories, Hong Kong</p> <p>The property comprises four pieces of agricultural lots in irregular shape having a total registered site area of approximately 1.84 acre (7,446.12 sq m or 80,150 sq ft).</p> <p>The property is held under Government Lease for a term of 75 years commencing on 1 July 1898 renewable for a further term of 24 years and has been extended to 30 June 2047 at a government rent of three percent of the Rateable Value for the time being of the lot.</p>	The property was vacant.	HK\$4,000,000

*Notes:*

- (1) The registered owner of the property is Oriental Grand Development Limited, a company in which the Company has a 100% attributable interest.
- (2) The property lies within an area zoned "Agricultural" under Ping Kong District Outline Zoning Plan No. S/NE-PK/11.
- (3) As advised by the management of the Company, there is no development scheme for the property.

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**APPENDIX VI VALUATION REPORT ON THE GROUP'S PROPERTIES**

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<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market value in existing state as at 31 May 2009</b>
5. Office on 30th Floor, United Centre, 95 Queensway, Central, Hong Kong	The property comprises the whole office on 30th Floor of a 37-storey commercial building completed in 1981.	The property was subject to a tenancy for a term of 5 years from 31 March 2009 to 30 March 2014 at a monthly rent of HK\$594,181	HK\$133,000,000
1,742/74,554th parts or shares of and in Inland Lot No. 8469.	The gross floor area of the property is approximately 1,903.47 sq m (20,489 sq ft).  Inland Lot No. 8469 is held under Conditions of Sale No. UB11233 for a term of 75 years from 4 August 1978 renewable for a further term of 75 years. The government rent payable for the lot is HK\$1,000 per annum.	(for the 1st to the 3rd year of the tenancy) and HK\$680,234.80 (for the 4th year and the 5th year of the tenancy) inclusive of government rent but exclusive of rates and management fees.	

*Notes:*

- (1) The registered owner of the property is Stadium Holdings Limited, a company in which the Company has a 100% attributable interest.
- (2) The property lies within an area zoned "Commercial" under Central District Outline Zoning Plan No. S/H4/12.

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**APPENDIX VI VALUATION REPORT ON THE GROUP'S PROPERTIES**

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<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Market value in existing state as at 31 May 2009</b>
6. Dawning Tower, Shahe Road West, Shenzhen High-Tech Park, Nanshan District, Shenzhen, Guangdong Province, PRC	<p>The property comprises a 21-storey (including a 2-level basement for car parks) high-tech industrial tower completed in 2002.</p> <p>The above ground portion of the property has a total gross floor area of approximately 17,235.75 sq m (185,526 sq ft) whilst the floor area for the basement portion of the property is approximately 6,500.63 sq m (69,973 sq ft).</p> <p>The land use rights of the property have been granted for a term of 50 years expiring on 2 April 2050 for workshop use.</p>	As advised, majority of the property was let to various tenants with the latest tenancy expiring in January 2023 at an aggregate monthly rental of approximately RMB1,134,726 inclusive of management fees and air-conditioning charges, whilst the remaining portion of the property was either owner-occupied or vacant.	No commercial value See Note 3

*Notes:*

- (1) Pursuant to the Real Estate Title Certificate No. Shen Fang Di Zi Di 4000384227, the land use rights together with the building ownership of the property is held by Dawning Information Industry (Shenzhen) Company Limited (曙光信息產業(深圳)有限公司) ("Dawning"), a company in which the Company has a 100% attributable interest, for a term of 50 years expiring on 2 April 2050 for workshop use.
- (2) According to the aforesaid Real Estate Ownership Certificate, as the land is subject to a concessionary premium, the property is non-transferable but permission for letting which has been granted to Dawning.
- (3) We have assigned no commercial value to the property because it is subject to a sale restriction and it is not appropriate to value the property on market value basis in this instance. For reference purpose, we have valued the property on the basis of Investment Value with reference to the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards. Investment Value was defined by the RICS as follows:

"Value of property to a particular owner, investor, or class of investors for identified investment or operational objectives."

We would advise that the Investment Value of the property was circa HK\$130,000,000 as at 31 May 2009.

## APPENDIX VI VALUATION REPORT ON THE GROUP'S PROPERTIES

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2009
7.	<p>Block Nos. 2, 11 and 14, Shun Jing Yuan (also known as "Cleanfield"), northwest corner of Siyuan Bridge, Chaoyang District, Beijing, PRC</p> <p>The property comprises 36 residential units of Shun Jing Yuan (also known as "Cleanfield") ("the "Development") which consists a total of 14 low-rise residential blocks and completed in 2006.</p> <p>In accordance with the latest supplied area information of the property, it has a total gross floor area of approximately 17,543.77 sq m (188,841 sq ft).</p> <p>The land use rights of the property have been granted for terms expiring on 26 August 2041 and 26 August 2071 for commercial and residential uses respectively.</p>	<p>Pending for the delivery of the property and it was vacant as at 31 May 2009.</p>	<p>HK\$306,000,000 (RMB269,677,800)</p>

*Notes:*

- (1) Pursuant to the State-owned Land Use Rights Certificate No. Jing Shi Chao Qi Guo Yong (2002 Chu) Zi No. 10068 issued by Beijing Municipal Administration of State Land, Resources and Housing on 29 January 2002, a parcel of land located at the northwest corner of Siyuan Bridge, Chaoyang District with a site area of approximately 43,124.00 sq m is held by Beijing Shun Jing Yuan Real Estate Development Company Limited, the developer for terms expiring on 26 August 2041 and 26 August 2071 for commercial and residential uses respectively.
- (2) Pursuant to a Commodity Housing Pre-sale Contract dated 1 November 2008, Beijing Tianhui Xintai Technology Company (北京天滙信泰科技有限公司) ("Tianhui Xintai"), a company in which the Company has a 100% attributable interest, bought a residential unit of Block No. 2 from the developer. Pursuant to 14 and 21 Commodity Housing Pre-Sale Contracts regarding Block Nos. 11 and 14 dated 1 November 2008 and 4 November 2008 respectively, Beijing Tianhui Yongjia Xinxin Company (北京天滙永嘉信息諮詢有限公司) ("Tianhui Yongjia"), a company in which the Company has a 100% attributable interest, bought a total number of 35 residential units from the developer.
- (3) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
  - (i) Tianhui Xintai and Tianhui Yongjia are the purchasers of the property and there is no legal impediments to acquire the Real Estate Ownership Certificates under the PRC laws; and
  - (ii) Tianhui Xintai and Tianhui Yongjia are entitled to possess, use, dispose of and transfer of the property.

## APPENDIX VI VALUATION REPORT ON THE GROUP'S PROPERTIES

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2009
8. The whole of Level 4 and Units 501-506 on Level 5, Block B, Beijing East Gate Plaza, No. 29 Dong Zhong Street, Dong Cheng District, Beijing, PRC	<p>The property comprises the whole of Level 4 and 6 office units on Level 5 of a commercial complex, known as Beijing East Gate Tower, completed in 1998.</p> <p>The total gross floor area of the property is approximately 5,181.45 sq m (55,773 sq ft).</p> <p>The land use rights of the property have been granted for a term expiring on 24 December 2043.</p>	<p>As at 31 May 2009, a total office area of approximately 4,009.08 sq m was subject to various tenancies with the latest one expiring on 19 December 2010 with a total monthly rental of approximately RMB503,078.30.</p> <p>And the remaining portion of the property was vacant.</p>	<p>HK\$108,950,000 (RMB96,017,635)</p>

*Notes:*

- (1) Pursuant to the 7 Real Estate Title Certificates of the property, the ownership of the property is vested in the following grantees:

Unit/Floor	Certificate No.	Grantee
Whole of Level 4	Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di 1890001	Goldseed Developments Limited (佳思發展有限公司)
Unit 501 on Level 5	Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di 1890002	Master Joyce Limited (萬采有限公司)
Unit 502 on Level 5	Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di 1890003	Good Result Developments Limited (金績發展有限公司)
Unit 503 on Level 5	Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di 1890004	Hottentot Enterprises Limited (浩騰企業有限公司)
Unit 504 on Level 5	Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di 1890005	Moiselle Enterprises Limited (茂錫企業有限公司)
Unit 505 on Level 5	Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di 1890006	Zamora Enterprises Limited (盛茂企業有限公司)
Unit 506 on Level 5	Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di 1890007	True Reality Investments Limited (實盈投資有限公司)

The Company has a 100% attributable interest in each of the above grantees.

- (2) As we have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) the Company legally owns the land use rights of the property and building ownership of the property;
  - (ii) the Company is entitled to transfer the land use rights and the property; and
  - (iii) the property is not subject to any mortgages.

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular concerning the Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained in this circular misleading.

The directors of the Vendor and the director of Thing On Group Limited jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than the information on the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinion expressed in this circular has been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained in this circular misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was, and as a result of the allotment and issue of the Consideration Shares will be, as follows:

HK\$

*Authorised share capital:*

<u>3,000,000,000</u>	Shares	<u>600,000,000.00</u>
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*Issued and fully paid or credited as fully paid:*

<u>1,216,606,059</u>	Shares as at the Latest Practicable Date	<u>243,321,211.80</u>
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*Shares to be issued:*

<u>650,000,000</u>	Consideration Shares to be issued	<u>130,000,000.00</u>
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*Total Shares issued and to be issued:*

<u>1,866,606,059</u>	Shares	<u>373,321,211.80</u>
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The nominal value of the Shares and the Consideration Shares is HK\$0.20 each. All the existing issued Shares rank pari passu in all respects including all rights as to dividends, voting and capital. The Consideration Shares to be issued following Completion will rank pari passu in all respects with the existing Shares on the relevant date of allotment.

Since 31 December 2008, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, the Company has not issued any new Shares.

On 23 April 2009, the Company issued a total number of 240,000,000 units of unlisted warrants, each of which entitles the holder thereof to subscribe for one Share at HK\$0.20, subject to adjustment, at any time during the period of 36 months commencing from 23 April 2009, subject to the terms and conditions as set out in the warrant instrument of the New Warrants dated 23 April 2009.

Particulars of the outstanding share options of the Company as at the Latest Practicable Date are as follows:

Category of Grantee	Date of grant	Exercise Price (HK\$)	Outstanding as at Latest Practicable Date	Exercise period
<i>Directors:</i>				
Mr. Wong Chung Tak	12 February 2007	0.72	7,100,000	21.02.2007 to 29.05.2012
Mr. Tse Kam Fai	12 February 2007	0.72	7,100,000	21.02.2007 to 29.05.2012
Mr. Wong Ngo, Derick	12 February 2007	0.72	6,900,000	21.02.2007 to 29.05.2012
Miss Chong Kally	12 February 2007	0.72	6,900,000	21.02.2007 to 29.05.2012
<i>Other employees</i> (in aggregate)	12 February 2007	0.72	13,800,000	21.02.2007 to 29.05.2012
<i>Eligible Participant</i>	12 February 2007	0.72	7,100,000	21.02.2007 to 29.05.2012
		Total:	<u>48,900,000</u>	

Save as disclosed above, the Company did not have any other options, warrants, derivatives and other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

### 3. DISCLOSURE OF INTERESTS

#### (a) Disclosure of interests by the Directors and chief executive

As at the Latest Practicable Date, the Directors and chief executive of the Company had the following interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) (i) 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 or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the “Model Code”):

#### (i) Interests in Shares

Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of Shares held	Approximate % of the issued share capital of the Company
Mr. Wong Chung Tak	Long position	Beneficial owner	Corporate interest	356,589,589 <i>(Note 1)</i>	29.31%
	Long position	Beneficial owner	Corporate interest	650,000,000 <i>(Note 2)</i>	53.43%

*Notes:*

- (1) These 356,589,589 Shares are held through Thing On Group Limited, the entire issued share capital of which is beneficially owned by Mr. Wong Chung Tak.
- (2) These 650,000,000 Shares represents the Consideration Shares to be allotted and issued pursuant to the Supplemented Agreement.

(ii) *Interests in share options*

Name of Directors	Nature of interest	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of shares fall to be issued under the share options	Approximate % of the issued share capital of the Company
Mr. Wong Chung Tak	Personal interest	12 February 2007	21 February 2007 to 29 May 2012	0.72	7,100,000	0.58%
	Spouse interest	12 February 2007	21 February 2007 to 29 May 2012	0.72	6,900,000	0.57%
Mr. Tse Kam Fai	Personal interest	12 February 2007	21 February 2007 to 29 May 2012	0.72	7,100,000	0.58%
Mr. Wong Ngo, Derick	Personal interest	12 February 2007	21 February 2007 to 29 May 2012	0.72	6,900,000	0.57%
Ms. Chong Kally	Personal interest	12 February 2007	21 February 2007 to 29 May 2012	0.72	6,900,000	0.57%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had: (a) under Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO); (b) any interests which are required to be entered into the register kept by the Company pursuant to Section 352 of the SFO; or (c) any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Interests and short positions of Shareholders discloseable under the SFO**

So far as is known to the Directors, as at the Latest Practicable Date, the following persons had interests or short positions in the Shares or 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

*Long positions in the Shares*

Name of Shareholders	Note	Number of Shares held			Approximate % in total number of issued Shares
		Direct interest	Indirect interest	Total	
Mr. Wong Chung Tak	1	7,100,000	1,013,489,589	1,020,589,589	83.89%
Ms. Ng Ka Fong, Jenny	1	6,900,000	1,013,689,589	1,020,589,589	83.89%
Ms. Lucy Tin Chua	2	–	150,524,000	150,524,000	12.37%
Ms. Juvy Ngo Ting	3	–	180,000,000	180,000,000	14.80%

*Notes:*

- (1) Ms. Ng Ka Fong, Jenny (“Ms. Ng”) is the spouse of Mr. Wong Chung Tak (“Mr. Wong”), and both of them are deemed to be interested in (i) 7,100,000 options granted by the Company to Mr. Wong; (ii) 6,900,000 options granted by the Company to Ms. Ng; (iii) 356,589,589 Shares held through Thing On Group Limited, a company wholly and beneficially owned by Mr. Wong; (iv) 650,000,000 Shares to be allotted and issued pursuant to the Supplemented Agreement.
- (2) Ms. Lucy Tin Chua (“Ms. Chua”) is interested in (i) 30,524,000 Shares held through Year Top Limited, a company wholly and beneficially owned by Ms. Chua, and (ii) derivative of 120,000,000 Shares pursuant to the 120,000,000 New Warrants held by Time Favour Limited, a company wholly and beneficially owned by Ms. Chua.
- (3) Ms. Juvy Ngo Ting (“Ms. Ting”) is interested in (i) 60,000,000 Shares held through Willfame Group Limited, a company wholly and beneficially owned by Ms. Ting, and (ii) derivative of 120,000,000 Shares pursuant to the 120,000,000 New Warrants held by Power Ace Limited, a company wholly and beneficially owned by Ms. Ting.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company 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 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 members of the Group, or any options in respect of such capital.

**4. LITIGATION**

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

**5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Group which is not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

None of the Directors has a service contract with the Company or any of its subsidiaries or associated companies which:

- (a) (including continuous and fixed term contracts) was entered into or amended within six months before the date of the Announcement;
- (b) is a continuous contract with a notice period of 12 months or more; or
- (c) is a fixed term contract with more than 12 months to run irrespective of the notice period.

**6. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES**

As at the Latest Practicable Date, none of the Directors and his respective associates was considered to have interests in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses in which the Group is engaged.

**7. DIRECTORS' MATERIAL INTERESTS**

- (a) Save as disclosed in this circular, none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries;
- (b) Save as disclosed in this circular, none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group;
- (c) Save as disclosed in the paragraphs headed "2. Share Capital" and "3. Disclosure of Interests" of this appendix, none of the Directors had any shares, convertible securities, warrants, options or other derivatives of the Company. None of the Directors had dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Company during the Recent Period;

- (d) The Vendor is ultimately wholly and beneficially owned by the Guarantor. None of the Directors has dealt for value in any shares, convertible securities, warrants, options or derivatives of the Vendor during the Recent Period and none of the Directors (other than the Guarantor) has any shareholding in the Vendor;
- (e) No benefit will be given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Acquisition and/or the Whitewash Waiver;
- (f) As at the Latest Practicable Date, save for the Supplemented Agreement, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Acquisition and/or the Whitewash Waiver or otherwise connected with the Acquisition and/or the Whitewash Waiver; and
- (g) As at the Latest Practicable Date, save for the Supplemented Agreement, there was no material contract entered into by the Vendor in which a Director had a material personal interest.

Upon Completion, Yue Tin will enter into the Tenancy Agreements with the Vendor for a period commencing from the Completion Date and expiring on 31 December 2011. Details of the Tenancy Agreements have been disclosed in the Announcement.

## 8. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given opinion or advice which are contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Cinda International Capital Limited	A licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Grant Thornton	Certified Public Accountants
Savills	Professional valuer

Each of Cinda International Capital Limited, Grant Thornton and Savills has given and has not withdrawn its written consent to the issue of this circular with copies of its letter or report (as the case may be) and the references to its name included herein the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Cinda International Capital Limited, Grant Thornton and Savills was interested in any Share or share in any member of the Enlarged Group, nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Enlarged Group.

As at the Latest Practicable Date, none of the aforesaid parties had any direct or indirect interests in any assets which have since 31 December 2008 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to or by the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to or by the Company or any of its subsidiaries.

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date and are or may be material:

- (i) the sale and purchase agreement dated 5 July 2007 entered into between the Company and Ms. Lucy Tin Chua for the acquisition of 100% equity interests in and the shareholder's loan of Glory Faith Holdings Limited at a consideration of HK\$28,500,000;
- (ii) the subscription agreement dated 5 July 2007 entered into between the Company and Excel Aim Group Limited for the subscription of 96,600,000 new Shares at HK\$0.53 per Share;
- (iii) the placing agreement dated 8 October 2007 entered into between the Company and Quam Securities Company Limited for the placing of 240,000,000 unlisted warrants at an issue price of HK\$0.015 per warrant;
- (iv) the sale and purchase agreement dated 8 October 2007 entered into by Sharp World Investments Limited, a wholly-owned subsidiary of the Company for the sale of the property located at office No. 1102, 11th Floor, Tower 1, Admiralty Centre, No. 18 Harcourt Road, Hong Kong at a consideration of HK\$52,248,000;
- (v) the loan agreement dated 18 February 2008 in respect of the granting by Cathay Holdings Limited, a wholly-owned subsidiary of the Company, to an independent third party a secured term loan facility of HK\$26,000,000 for a period from 18 February 2008 to 31 December 2008 with repayment amount of HK\$36,400,000;
- (vi) an offer letter dated 15 April 2009 issued by the Company to each of Ideal China International Limited, Growth Time Holdings Limited, Trade Magic Limited and Topfirm Limited containing an offer made by the Company to each of them to purchase the relevant outstanding warrants issued by the Company on 22 October 2007 held by it at a consideration of HK\$450,000;
- (vii) the subscription agreement dated 15 April 2009 entered into between the Company and Willfame Group Limited and Year Top Limited in relation to the subscription of the New Warrants at an issue price of HK\$0.012 per warrant; and
- (viii) the Supplemented Agreement.

**10. MARKET PRICES**

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last trading day of the Stock Exchange for each calendar month during the Recent Period; (ii) the last trading day prior to the date of the Announcement; and (iii) the Latest Practicable Date:

<b>Date</b> <b>2009</b>	<b>Closing price</b> <b>per Share</b> <i>HK\$</i>
30 January	0.1980
27 February	0.1700
31 March	0.1920
30 April	0.1900
29 May	0.2600
30 June	0.2600
4 June 2009 (the last trading day prior to the date of the Announcement)	0.2750
Latest Practicable Date	0.2750

The highest and lowest closing prices per Share recorded on the Stock Exchange during the Recent Period were HK\$0.275 on 4 June 2009 and the Latest Practicable Date, and HK\$0.170 on 27 February 2009 respectively.

**11. MISCELLANEOUS**

- (i) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The head office and principal place of business of the Company in Hong Kong is at Unit 2406, 24th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.
- (ii) The Company's principal share registrar and transfer office is Butterfield Fulcrum Group (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke HM 08, Bermuda. The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iii) The company secretary of the Company is Ms. Chan Yuen Ying, Stella. She is an associate member of The Institute of Chartered Secretaries and Administrators and an associate member of The Hong Kong Institute of Chartered Secretaries.
- (iv) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

- (v) The registered office of the Vendor is Unit 2401, 24/F, World-Wide House, 19 Des Voeux Road, Central, Hong Kong. The Vendor is ultimately wholly and beneficially owned by Thing On Group Limited, a company wholly and beneficially owned by the Guarantor. The Guarantor and Ms. Ng Ka Fong Jenny (the spouse of the Guarantor) are the directors of the Vendor and the Guarantor is the sole director of Thing On Group Limited.

## 12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the head office of the Company at Unit 2406, 24th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong up to and including the date of the SGM:

- (i) the memorandum of association of the Company and the Bye-laws;
- (ii) the memorandum and articles of association of the Vendor;
- (iii) the annual reports and accounts of the Company for each of the two financial years ended 31 December 2007 and 2008 and the interim report and accounts of the Company for the six months ended 30 June 2008;
- (iv) the accountants' report of Yue Tin as set out in Appendix II to this circular;
- (v) the report from Grant Thornton on the unaudited pro forma financial information of the Enlarged Group dated 31 July 2009 as set out in Appendix III to this circular;
- (vi) the report from Grant Thornton on the profit estimate of the Company, the text of which is set out in Appendix IV to this circular;
- (vii) the report from Cinda International Capital Limited on the profit estimate of the Company, the text of which is set out in Appendix IV to this circular;
- (viii) the valuation report in respect of the Properties from Savills, the text of which is set out in Appendix V to this circular;
- (ix) the valuation report in respect of the Group's properties, the text of which is set out in Appendix VI to this circular.
- (x) the letter from the Board, the text of which is set out on pages 6 to 22 of this circular;
- (xi) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 23 of this circular;
- (xii) the letter of advice from the IFA, the text of which is set out on pages 24 to 46 of this circular;

- (xiii) the written consents referred to in the paragraph headed “Qualifications and consents of experts” in this Appendix; and
- (xiv) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix.

The above documents will be available at the website of the SFC at [www.sfc.hk](http://www.sfc.hk) and the Company’s website at <http://www.finance.thestandard.com.hk/en/0106shenzhenhitec/index.asp> from the date of this circular up to (and including) the date of the SGM in accordance with Note 1 to Rule 8 of the Takeovers Code.

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## NOTICE OF SPECIAL GENERAL MEETING

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### SHENZHEN HIGH-TECH HOLDINGS LIMITED

深圳科技控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 106)**

**NOTICE IS HEREBY GIVEN THAT** a special general meeting of Shenzhen High-Tech Holdings Limited (the “Company”) will be held at Bridges Executive Centre, 20th Floor, Central Tower, 28 Queen’s Road Central, Hong Kong on Monday, 17 August 2009 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions as ordinary resolutions:

#### ORDINARY RESOLUTIONS

1. **“THAT** the entering into of the Supplemented Agreement (as defined and described in the circular of the Company dated 31 July 2009) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified and the Directors (or a duly authorized committee thereof) be and are hereby authorized to take all such steps to implement the same and to execute all documents or deeds as they may consider necessary or appropriate in relation thereto, including but not limited to make any changes, modifications, amendments, waivers, variations or extensions of any of the terms and conditions of the Supplemented Agreement (as defined and described in the circular of the Company dated 31 July 2009) as they may think fit;
2. **THAT:**
  - (a) the allotment and issue of the Consideration Shares (as defined and described in the circular of the Company dated 31 July 2009) by the Company to the Vendor be and is hereby approved and confirmed; and
  - (b) any one director of the Company be and is hereby authorized to allot, issue and deal with the Consideration Shares;
3. **THAT** the waiver (the “Whitewash Waiver”) granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers waiving any obligation on the part of Junny Diamond Co., Limited and the parties acting in concert with it to make a general offer for all the securities of the Company not already owned or agreed to be acquired by them as a result of the allotment and issue of the Consideration Shares and the transactions contemplated therein be and are hereby approved; and

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## NOTICE OF SPECIAL GENERAL MEETING

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4. **THAT** Mr. Chung Koon Yan be re-elected as a director of the Company and the board of directors of the Company be and is hereby authorized to fix his remuneration.”

By Order of the Board  
**Shenzhen High-Tech Holdings Limited**  
**Chan Yuen Ying, Stella**  
*Company Secretary*

Hong Kong, 31 July 2009

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting convened by this notice shall be entitled to appoint proxy to attend and vote in his stead in accordance with the Bye-Laws of the Company. A proxy need not be a member of the Company but must be present in person to represent the member.
2. A form of proxy for use at the above meeting is enclosed.
3. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjournment thereof should they so wish.
4. As at the date of this notice, the Directors of the Company are Mr. Wong Chung Tak, Mr. Tse Kam Fai, being executive Directors of the Company, Mr. Liu Sing Piu, Chris and Mr. Wong Ngo, Derick, being non-executive Directors of the Company, and Mr. Lee Kuo Ching, Stewart, Mr. Chung Koon Yan and Miss Chong Kally, being independent non-executive Directors of the Company.