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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 your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Shell Electric Mfg. (Holdings) Company Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or registered institution or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED**

**蜆壳電器工業(集團)有限公司**

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**(Stock Code: 00081)**

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**ACQUISITION OF 42% REGISTERED CAPITAL IN  
廣州市光大花園房地產開發有限公司  
(GUANGZHOU EVERBRIGHT GARDENS REAL ESTATE  
DEVELOPMENT CO. LIMITED\*)**

**Independent financial adviser to the Independent Board Committee  
and the independent Shareholders**

**VINCO**  **城高**

**Grand Vinco Capital Limited**

A letter from the board is set out on pages 4 to 9 of this circular and a letter from the Independent Board Committee is set on page 10 of this circular.

A letter from Grand Vinco Capital Limited, the independent financial adviser to the Independent Board Committee and the independent Shareholders, containing its advice, is set on pages 11 to 19 of this circular.

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## DEFINITIONS

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

“Acquisition”	the acquisition in relation to the 42% of registered capital in Guangzhou EB Gardens from Shenzhen EB Strategic to Beijing EB Real Estate under the Equity Transfer Agreement
“associate(s)”	has the meaning as ascribed in the Listing Rules
“Beijing EB Real Estate”	北京光大房地產開發有限公司 (Beijing EverBright Real Estate Development Limited*), an indirectly 70% owned subsidiary of the Company
“Board”	the Board of Directors
“Business Day”	a day (other than a Saturday, a Sunday or public holiday) on which banks generally are open for business in Hong Kong
“China EB Real Estate”	中國光大房地產開發有限公司 (China EverBright Real Estate Development Limited), an indirectly 70% owned subsidiary of the Company
“Company”	Shell Electric Mfg. (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion Date”	the date when the legal and valid registration in relation to the ownership transfer of 42% equity interest in Guangzhou EB Gardens is completed
“connected person(s)”	has the meaning as ascribed in the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 15 November 2007 entered into by Beijing EB Real Estate and Shenzhen EB Strategic in relation to the Acquisition
“GFA”	Gross Floor Area
“Group”	the Company and its subsidiaries

## DEFINITIONS

“Guangzhou EB Gardens”	廣州市光大花園房地產開發有限公司, (Guangzhou EverBright Gardens Real Estate Development Co. Limited*), a company incorporated in the PRC with limited liability
“Guangzhou EB Gardens Project”	the property development project is located at no. 122 Gong Ye Avenue, Haizhu District, Guangzhou, Guangdong Province, the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a board committee comprising independent non-executive Directors
“Independent Third Party(ies)”	person(s), or in the case of companies, their ultimate beneficial owner(s), who are independent of and not connected with the Company and its subsidiaries and its connected persons or in the case of a corporation (the ultimate beneficial owner) their respective associates (“connected persons” and “associates” as defined in the Listing Rules)
“Latest Practicable Date”	3 December 2007 being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Date”	the date on which dealings in the shares of Pan China Land (Holdings) Corporation commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s), currently with par value of HK\$0.50 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shenzhen EB Strategic”	深圳市光大策略投資有限公司, (Shenzhen Everbright Strategic Investment Limited*), an investment holding company, a company incorporated in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

## DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metres
“%”	per cent.

*Amounts denominated in RMB in this circular have been translated into HK\$ at a rate of RMB1.00=HK\$1.033 for illustration purposes.*

\* For identification purpose only

LETTER FROM THE BOARD



**SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED**  
**蜆壳電器工業(集團)有限公司**

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**(Stock Code: 00081)**

*Directors:*

Mr. Billy K YUNG

*(Group Chairman and Chief Executive)*

Dr. The Hon Leo Tung-Hai LEE,

*GBM, GBS, Cav Gr Cr, OBE*

*Chev Leg d'Hon, Comm Leopold II, LLD, JP<sup>+</sup>*

Mr. Shiu-Kit NGAI, *SBS, OBE, JP<sup>+</sup>*

Madam YUNG HO Wun Ching

Mr. LEUNG Chun Wah

Mr. Eddie HURIP

Mr. Simon YUNG Kwok Choi<sup>#</sup>

Mr. Peter WONG Chung On<sup>+</sup>

Mr. Peter LAM<sup>+</sup>

*Registered office and head office:*

Shell Industrial Building

12 Lee Chung Street

Chai Wan Industrial District

Hong Kong

<sup>#</sup> *non-executive Director*

<sup>+</sup> *independent non-executive Directors*

6 December 2007

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**ACQUISITION OF 42% REGISTERED CAPITAL IN**  
**廣州市光大花園房地產開發有限公司**  
**(GUANGZHOU EVERBRIGHT GARDENS REAL ESTATE**  
**DEVELOPMENT CO. LIMITED\*)**

**1. INTRODUCTION**

On 15 November 2007, 北京光大房地產開發有限公司 (Beijing EverBright Real Estate Development Limited\*) entered into the Equity Transfer Agreement with 深圳市光大策略投資有限公司 (Shenzhen Everbright Strategic Investment Limited\*). Pursuant to the Equity Transfer Agreement, Beijing EB Real Estate agreed to acquire and Shenzhen EB Strategic agreed to dispose of 42% equity interest in Guangzhou EB Gardens for a total payment of RMB58,657,000 (approximately HK\$60,593,000).

\* *For identification purpose only*

## LETTER FROM THE BOARD

As at the Latest Practicable Date, China EB Real Estate holds 58% interest in Guangzhou EB Gardens and Shenzhen EB Strategic holds 42% interest in Guangzhou EB Gardens.

Based on the financials of Guangzhou EB Gardens and the Company, some of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition are more than 5% but less than 25%. The Acquisition constitutes a discloseable transaction to the Company under Rule 14.06(2) of the Listing Rules. Given Shenzhen EB Strategic is a substantial shareholder of Guangzhou EB Gardens and Shenzhen EB Strategic is wholly owned by a director of China EB Real Estate, Mr. Wang Tao Guang, and thus a connected person of the Company, the transaction also constitutes a connected transaction under Rule 14A.13(1)(a) of the Listing Rules.

As no Shareholders are interested in the Acquisition and no Shareholders are required to abstain from the voting if the Company were to convene a general meeting for considering and, if thought fit, approving the Acquisition.

Members of the Yung's family (being Mr. Billy K YUNG (33,393,000 Shares, representing approximately 6.35%), Madam YUNG HO Wun Ching (53,196,300 Shares, representing approximately 10.12%), On Fat Profits Corporation (72,716,797 Shares, representing 13.84% and Diamond Key Enterprises Inc. (143,612,287 Shares, representing approximately 27.33%) who have no interest in the Acquisition other than their interests as Shareholders holding in aggregate 302,918,384 Shares, representing approximately 57.65% of the existing issued share capital of the Company), have issued on 15 November 2007 a written certificate to the Company to approve the Acquisition in lieu of a general meeting pursuant to Rule 14A.43 of the Listing Rules. Submission had been made by the Company to confirm that Mr. Billy K YUNG, Madam YUNG HO Wun Ching, On Fat Profits Corporation and Diamond Key Enterprises Inc. are closely allied group of Shareholders (with reference to the criteria set out in Rule 14.45 of the Listing Rules). Due to the reasons mentioned above, waiver application has been made by the Company to the Stock Exchange and the Stock Exchange has granted a waiver from strict compliance with Rule 14A.43 of the Listing Rules. (i.e. written independent shareholders' approval is accepted in lieu of holding a general meeting).

On the other hand, an Independent Board Committee comprising all the independent non-executive Directors has been established to consider and advise the independent Shareholders as to whether the terms of the Equity Transfer Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Grand Vinco Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in this respect.

The purpose of this circular is to provide you with the relevant information regarding the Acquisition.

# LETTER FROM THE BOARD

## 2. THE EQUITY TRANSFER AGREEMENT

Summarised below are the principal terms of the Equity Transfer Agreement.

### 2.1 Date

15 November 2007

### 2.2 Parties

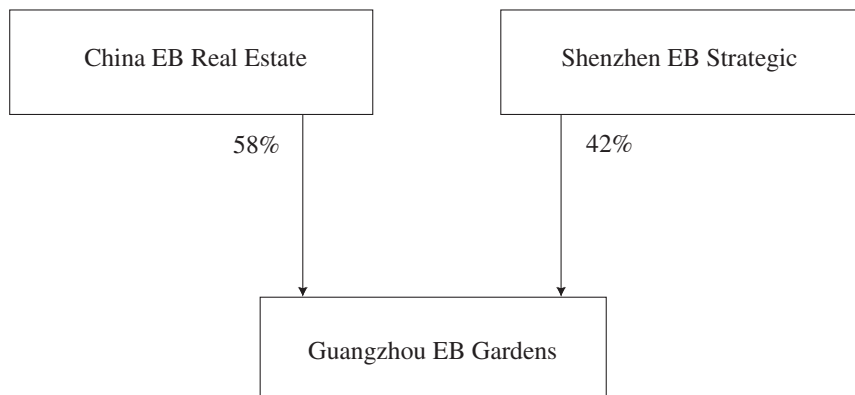
- (a) Beijing EB Real Estate
- (b) Shenzhen EB Strategic

### 2.3 Subject of the Acquisition

Guangzhou EB Gardens is a company incorporated in the PRC with limited liability and with a registered capital of RMB100 million. It is principally engaged in property development business in the PRC. To the best of the directors' knowledge and information from Guangzhou EB Gardens, its sole asset is the Guangzhou EB Gardens Project. As at the Latest Practicable Date, construction of the residential property comprising total GFA of approximately 240,000 sq.m. has been substantially completed. In addition, Guangzhou EB Gardens is planning to construct certain residential properties with total GFA of approximately 342,000 sq.m..

Immediately prior to the completion of the Acquisition, the registered capital of Guangzhou EB Gardens is owned as to 58% by China EB Real Estate and the remaining 42% by Shenzhen EB Strategic. Upon completion, the registered capital of Guangzhou EB Gardens will be owned as to 58% by China EB Real Estate and the remaining 42% by Beijing EB Real Estate.

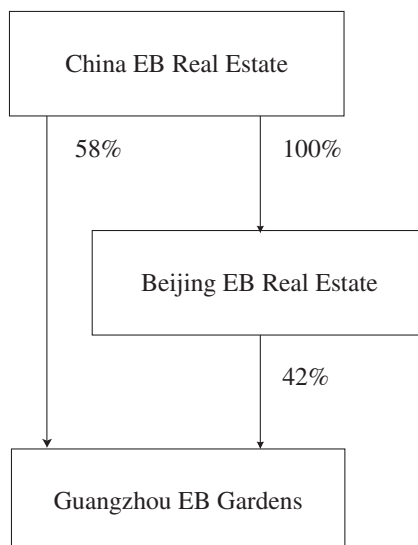
Set out below was the shareholding structure of Guangzhou EB Gardens before the completion of the Acquisition.





## LETTER FROM THE BOARD

Set out below is the shareholding structure of Guangzhou EB Gardens upon the completion of the Acquisition.



According to audited financial information of Guangzhou EB Gardens, it has recorded a net profit (before taxation) of approximately RMB78,808,000 (approximately HK\$81,409,000) and a net profit (after taxation) of approximately RMB60,335,000 (approximately HK\$62,326,000) for the year ended 31 December 2005 and a net loss (before taxation) of approximately RMB8,132,000 (approximately HK\$8,400,000) and a net loss (after taxation) of approximately RMB14,589,000 (approximately HK\$15,070,000) for the year ended 31 December 2006. As at 31 December 2005 and 2006, the audited net assets of Guangzhou EB Gardens were approximately RMB191,891,000 (approximately HK\$198,223,000) and RMB119,622,000 (approximately HK\$123,570,000) respectively (prepared in accordance with PRC generally accepted accounting principles). In accordance with the unaudited accounts of Guangzhou EB Gardens for the nine months up to 30 September 2007, the net tangible assets as of 30 September 2007 was recorded as approximately RMB162,824,000.

### 2.4 Consideration and settlement method

Pursuant to the Equity Transfer Agreement, Beijing EB Real Estate, after arm's length negotiation, agreed to acquire 42% of registered capital of Guangzhou EB Gardens at a consideration of RMB58,657,000. The consideration of RMB58,657,000 will be satisfied by the internal resources of the Company. The original acquisition cost of the 42% of registered capital of Guangzhou EB Gardens by Shenzhen EB Strategic was approximately RMB44.4 million.

The consideration was made with reference to the (i) 42% attributable interest of registered capital of Guangzhou EB Gardens; and (ii) estimate of the management of Guangzhou EB Gardens with reference to the recent market statistics and comparable market transactions as well as the future business potential of Guangzhou EB Gardens (i.e. the underlying value of the property assets of Guangzhou EB Gardens when it is completed).

## LETTER FROM THE BOARD

The aggregate payment of RMB58,657,000 will be paid to Shenzhen EB Strategic's bank account within two Business Days following the Completion Date.

### **2.5 Conditions precedent**

The Equity Transfer Agreement will become effective upon the fulfillment of the following conditions:

- (a) the passing of resolution by the Shareholders approving the Equity Transfer Agreement and the transactions thereunder in accordance with the requirements under the Listing Rules, if required (such approval can be given by the shareholders in general meeting or by way of shareholders' written resolution);
- (b) the board of Guangzhou EB Gardens having resolved at its board meeting to approve the completion of the matters set out in the Equity Transfer Agreement;
- (c) there having been obtained consent(s) from China EB Real Estate to waive its first rights of refusal to acquire interest in Guangzhou EB Gardens;
- (d) there having been obtained approval(s) from relevant governmental authorities for the Acquisition (if required); and
- (e) there having been no material breach of any warranty since the date of signing the Equity Transfer Agreement (or, there having been no breach of warranty which is capable of being remedied but has not been remedied).

If the above conditions are not satisfied on or before 30 December 2007 or such later time may be agreed between Beijing EB Real Estate and Shenzhen EB Strategic, the Equity Transfer Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder.

As at the Latest Practicable Date, condition (a) above has been fulfilled.

### **2.6 Completion**

Subject to the fulfillment of the conditions precedent above, completion will take place on the day when the legal and valid registration in relation to the ownership transfer of 42% equity interest in Guangzhou EB Gardens is completed. Accordingly, Beijing EB Real Estate will be entitled to 42% in Guangzhou EB Gardens and China EB Real Estate will be entitled to remaining 58% in Guangzhou EB Gardens.

## **3. REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in (i) the manufacturing and marketing of electric fans, vacuum cleaners, electric cables and other electrical household appliances, (ii) EMS (Electronic Manufacturing Services) business and (iii) property development and investment in the PRC.

## LETTER FROM THE BOARD

With the expected continuing growth of the economy of the PRC, the Directors are optimistic about the growth potential for the property market in the PRC. The Acquisition is in line with the Group's stated strategy and will further enhance the Group's interest in a portfolio of property development projects by consolidating the Group's interest in Guangzhou EB Gardens after the Acquisition which the Directors are of the view that it is fair and reasonable and is in the interests of the Company and Shareholders as a whole.

#### 4. POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

The Board believes that the Acquisition will not give rise to any material effects on the earning and assets and liabilities of the Group.

#### 5. RECOMMENDATION

Grand Vinco Capital Limited has been appointed to advise the Independent Board Committee and the independent Shareholders as to whether the terms of the Equity Transfer Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A letter from Grand Vinco Capital Limited to the Independent Board Committee and the independent Shareholders is reproduced on pages 11 to 19 of this circular. Having considered the factors and reasons set out in its letter, Grand Vinco Capital Limited is of the view that the transaction as contemplated under the Equity Transfer Agreement 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, Grand Vinco Capital Limited recommends that the Independent Board Committee and the independent Shareholders should vote for the resolution to approve the transaction as contemplated under the Equity Transfer Agreement as if the Company were to convene a general meeting for considering and, if thought fit, approving the Acquisition.

#### 6. ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of the Board of  
**Shell Electric Mfg. (Holdings) Company Limited**  
**Billy K YUNG**  
*Group Chairman and Chief Executive*

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**



**SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED**  
**蜆壳電器工業(集團)有限公司**

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**(Stock Code: 00081)**

6 December 2007

*To the independent Shareholders,*

Dear Sir or Madam,

We refer to the circular dated 6 December 2007 issued by the Company (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been established by the Board for the purpose of advising the independent Shareholders in connection with the Acquisition, details of which are set out in the “Letter from the Board” in the Circular. The Independent Board Committee comprises all independent non-executive Directors. Grand Vinco Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders regarding the Acquisition. Details of the advice from Grand Vinco Capital Limited together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 11 to 19 of the Circular.

Having considered the details of the Acquisition, the interests of the independent Shareholders, the principal factors and reasons considered by Grand Vinco Capital Limited and the advice of Grand Vinco Capital Limited, we consider that the terms of the Acquisition as contemplated under the Equity Transfer Agreement are on commercial terms and 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 for the resolution in relation to the transaction contemplated under the Equity Transfer Agreement as if the Company were required to convene a general meeting for considering and, if thought fit, approving the Acquisition.

Yours faithfully,

Independent Board Committee

**Dr. The Hon Leo Tung-Hai LEE**      **Mr. Shiu-Kit NGAI**  
**Mr. Peter WONG Chung On**      **Mr. Peter LAM**

*Independent non-executive Directors*

## LETTER FROM GRAND VINCO CAPITAL LIMITED

*The following is the text of a letter of advice from Grand Vinco Capital Limited to the Independent Board Committee and the independent Shareholders in connection with the discloseable and connected transaction which has been prepared for the purpose of incorporation in this circular:*



6 December 2007

*To the Independent Board Committee and the independent Shareholders of  
Shell Electric Mfg. (Holdings) Company Limited*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **ACQUISITION OF 42% REGISTERED CAPITAL IN 廣州市光大花園房地產開發有限公司 (GUANGZHOU EVERBRIGHT GARDENS REAL ESTATE DEVELOPMENT CO. LIMITED\*)**

#### **A. INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in connection with the discloseable and connected transaction regarding the acquisition of 42% registered capital in Guangzhou EB Gardens, details of which are set out in the section headed "Letter from the Board" in the circular (the "Circular") issued by the Company to the Shareholders dated 6 December 2007 of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

The Company announced that Beijing EB Real Estate entered into the Equity Transfer Agreement with Shenzhen EB Strategic on 15 November 2007, pursuant to which Beijing EB Real Estate agreed to acquire and Shenzhen EB Strategic agreed to dispose of 42% equity interest in Guangzhou EB Gardens for a total payment of RMB58,657,000 (equivalent to approximately HK\$60,593,000). Upon the Acquisition, Beijing EB Real Estate will be entitled to 42% entire Shares in Guangzhou EB Gardens.

Based on the financials of Guangzhou EB Gardens and the Company, some of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition are more than 5% but less than 25%. The Acquisition constitutes a discloseable

\* For identification purpose only

## LETTER FROM GRAND VINCO CAPITAL LIMITED

transaction to the Company under Rule 14.06(2) of the Listing Rules. Given Shenzhen EB Strategic is a substantial shareholder of the Guangzhou EB Gardens and Shenzhen EB Strategic is wholly owned by a director of China EB Real Estate, Mr. Wang Tao Guang and thus a connected person of the Company, the transaction also constitutes a connected transaction under Rule 14A.13(1)(a) of the Listing Rules.

As no Shareholders are interested in the Acquisition and no Shareholders are required to abstain from the voting if the Company were to convene a general meeting for the approval of the Acquisition, the Company has applied to and has obtained the approval from the Stock Exchange for a waiver pursuant to Rule 14A.43 of the Listing Rules under which written independent Shareholders' approval has been accepted in lieu of holding a general meeting.

As at 15 November 2007, the Company has noted that written approval of the Acquisition from members of the Yung's family (being Mr. Billy K Yung (33,393,000 Shares, representing approximately 6.35%), Madam Yung Ho Wun Ching (53,196,300 Shares, representing approximately 10.12%, On Fat Profits Corporation (72,716,797 Shares, representing approximately 13.84%) and Diamond Key Enterprises Inc. (143,612,287 Shares, representing approximately 27.33%) who have no interest in the Acquisition other than their interests as Shareholders holding in aggregate 302,918,384 Shares, representing approximately 57.65% of the existing issued share capital of the Company), has been obtained.

The Independent Board Committee, comprising Dr. Leo Tung-Hai Lee, Mr. Shiu-Kit Ngai, Mr. Peter Wong Chung On and Mr. Peter Lam, all being the independent non-executive Directors, has been formed to advise the independent Shareholders on the terms of the Acquisition. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in respect of the Acquisition. In our capacity as the independent financial adviser to the Independent Board Committee and the independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the Acquisition are on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **B. BASIS OF OUR OPINION AND RECOMMENDATION**

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

## LETTER FROM GRAND VINCO CAPITAL LIMITED

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

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Acquisition, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

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

### **C. PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and the Shareholders in relation to the Acquisition, we have considered the principal factors and reasons set out below:

#### **1. Information of the Group**

The Group is principally engaged in (i) the manufacturing and marketing of electric fans, vacuum cleaners, electric cables and other electrical household appliances, (ii) EMS (Electronic Manufacturing Services) business and (iii) property development and investment in the PRC.

As disclosed in the annual report 2006 of the Company for the financial year ended 31 December 2006, the Group's turnover was approximately HK\$1,553,063,000 (2005: approximately HK\$1,318,168,000), representing an increase of approximately 17.82% from previous year. Profits attributable to Shareholders was approximately HK\$138,833,000 (2005: approximately HK\$157,171,000), representing a decrease of approximately 11.67% from previous year. The Group's segment revenue and result from property investment and development was approximately HK\$217,845,000 (2005: approximately HK\$73,348,000) and approximately HK\$42,686,000 (2005: approximately a loss of HK\$13,820,000) respectively.

The property investment and development segment revenue recorded a growth of approximately 197% and the segment result turned around from a loss to profit for the year ended 31 December 2006. For the same financial year, the property investment and development segment contributed to approximately 14.03% of the Group's total revenue. We noted that the operating and financial results in the property investment and development segment of the Group for the period under our review were improving.

## LETTER FROM GRAND VINCO CAPITAL LIMITED

Based on the foregoing, we are of the view that the Acquisition is in line with the Group's strategy and will further enhance the Group's interest in its portfolio of property development projects by consolidating the Group's interest in Guangzhou EB Gardens.

### 2. Background to and reason for the Acquisition

#### *i. Information of Guangzhou EB Gardens*

Guangzhou EB Gardens is a company incorporated in the PRC with limited liability and with a registered capital of RMB100 million (equivalent to approximately HK\$103.3 million). It is principally engaged in property development business in the PRC. As stated in the Letter from the Board, its sole asset is the Guangzhou EB Gardens Project. As at the Latest Practicable Date, the construction of residential property, comprising a total GFA of approximately 240,000 sq.m., has been substantially completed. In addition, Guangzhou EB Gardens is planning to construct certain residential properties with total GFA of approximately 342,000 sq.m..

Set out below is a table of the financial summary of Guangzhou EB Gardens prepared in accordance with PRC generally accepted accounting principles:

	Year ended	
	31 December 2005 RMB (approximately)	31 December 2006 RMB (approximately)
Net profit/(loss) before taxation	78,808,000	(8,132,000)
Net profit/(loss) after taxation	60,335,000	(14,589,000)
Net assets	191,891,000	119,622,000

We noted that there was a substantial decrease in the earnings of Guangzhou EB Gardens for the year ended 31 December 2006. As advised by the Directors, it was because of (i) decrease in turnover; and (ii) incurrence of a bad debt provision which related to a defaulted non-trade related loan to a third party. We noted that the decrease in turnover was due to the fact that Guangzhou EB Gardens was carrying out construction work and no sales of real estates had been conducted for the year ended 31 December 2006, where the sales activities are expected to take place again upon the completion of construction work in next year. Based on the foregoing, we are of the view that both incidents are non-recurring in nature and the adverse impacts had been fully accounted for in the financials of Guangzhou EB Gardens.



## LETTER FROM GRAND VINCO CAPITAL LIMITED

### *ii. Prospect of property market of Guangdong, the PRC*

According to Statistical Communique of Guangdong Province prepared by the Statistics Bureau of Guangdong Province, Guangdong Province had a population of approximately 93 million as of 31 December 2006 and the GDP of Guangdong Province for the year ended 31 December 2006 was approximately RMB2,596.9 billion (equivalent to approximately HK\$2,682.6 billion), representing an increase of approximately 14.1% over the previous year.

According to the National Bureau of Statistics, a total GFA of approximately 31.8 million sq.m. (2005: approximately 27.4 million sq.m.) residential properties were completed in Guangdong Province in 2006, representing an increase of approximately 16.06% over 2005. A total GFA of approximately 51.1 million sq.m. of residential properties was sold in Guangdong Province in 2006, which represented an increase of approximately 9.0% over 2005.

Guangzhou is one of the largest growing residential property markets in China. According to the National Bureau of Statistics, a total GFA of approximately 5.6 million sq.m. (2005: approximately 4.4 million sq.m.) residential buildings were completed in Guangzhou in 2006, representing an increase of approximately 27.27% over 2005.

In view of the robust economic growth in the property market in Guangdong Province, the PRC and the business of Guangzhou EB Gardens, we are of the view that the property market in the subject region is growing. Although there were setbacks in the performance in Guangzhou EB Gardens for the year ended 31 December 2006 which were non-recurring in nature, we are of the view that the Acquisition is in the interest of the Company and Shareholders as a whole.

### **3. Principal terms of the Equity Transfer Agreement**

#### *i. Consideration and payment terms*

The consideration for the Acquisition of RMB58,657,000 (equivalent to approximately HK\$60,593,000) was arrived at after arm's length negotiations and on normal commercial terms between the parties to the Equity Transfer Agreement with reference to (1) 42% attributable interest of registered capital of Guangzhou EB Gardens, which is RMB42,000,000 (equivalent to approximately HK\$43,386,000); and (2) estimate of the management of Guangzhou EB Gardens with respect to the recent market statistics and comparable market transactions as well as the future business potential of Guangzhou EB Gardens (i.e. the underlying value of the property assets of Guangzhou EB Gardens when it is completed).

## LETTER FROM GRAND VINCO CAPITAL LIMITED

According to audited accounts of the Guangzhou EB Gardens, the net assets as at 31 December 2006 was recorded as approximately RMB119,622,000 and 42% of the equity interest would be amounted to approximately RMB50,241,000. The consideration of approximately RMB58,657,000 (equivalent to approximately HK\$60,593,000) represents a premium over the net assets being acquired of approximately RMB8,416,000 (equivalent to approximately HK\$8,694,000). In accordance with the unaudited accounts of Guangzhou EB Gardens for the nine months up to 30 September 2007 provided by the Company, the net tangible assets as of 30 September 2007 was recorded as approximately RMB162,824,000 and 42% of the equity interest would be amounted to approximately RMB68,386,000. Under such circumstances, the Company is paying a discount to the net assets being acquired of approximately RMB9,729,000 (equivalent to approximately HK\$10,050,000). Having considered the prospect of the property market of Guangdong Province, the PRC in the above section and by comparing the most recent unaudited net tangible assets value of the Guangzhou EB Gardens, we are of the view that the basis of consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company intends to finance the consideration of the Acquisition of RMB58,657,000 (equivalent to approximately HK\$60,593,000) by the Group's internal resources. As at the Latest Practicable Date and confirmed by the Directors, the Company had sufficient internal resources to pay the consideration of the Acquisition. Pursuant to the Equity Transfer Agreement, the consideration will be payable to Shenzhen EB Strategic within two Business Days following the Completion Date.

In view of the above, we consider the consideration and payment terms of the Acquisition are fair and reasonable to the Company and Shareholders as a whole.

### *ii. Conditions precedent and completion of the Acquisition*

As disclosed in the Letter from the Board, we noted that the Equity Transfer Agreement will become effective upon the fulfillment of the following conditions:

- (a) the passing of resolution by the Shareholders approving the Equity Transfer Agreement and the transactions thereunder in accordance with the requirements under the Listing Rules, if required (such approval can be given by the shareholders in general meeting or by way of shareholders' written resolution);
- (b) the board of Guangzhou EB Gardens having resolved at its board meeting to approve the completion of the matters set out in the Equity Transfer Agreement;
- (c) there having been obtained consent(s) from China EB Real Estate to waive its first rights of refusal to acquire interest in Guangzhou EB Gardens;

## LETTER FROM GRAND VINCO CAPITAL LIMITED

- (d) there having been obtained approval(s) from relevant governmental authorities for the Acquisition (if required); and
- (e) there having been no material breach of any warranty since the date of signing the Equity Transfer Agreement (or, there having been no breach of warranty which is capable of being remedied but has not been remedied).

If the above conditions are not satisfied on or before 30 December 2007 or such later time may be agreed between Beijing EB Real Estate and Shenzhen EB Strategic, the Equity Transfer Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder. As at the Latest Practicable Date, condition (a) of the above has been fulfilled.

Subject to the fulfillment of the conditions precedent above, completion will take place on the day when the legal and valid registration in relation to the ownership transfer of 42% equity interest in Guangzhou EB Gardens is completed. Accordingly, Beijing EB Real Estate will be entitled to 42% in Guangzhou EB Gardens and China EB Real Estate will be entitled to remaining 58% in Guangzhou EB Gardens.

Following the review of the aforementioned conditions precedent on completion, we consider the terms of the Equity Transfer Agreement are on normal commercial terms, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

#### **4. Financial effects of the Acquisition**

##### *i. Earnings*

Upon completion of the Acquisition, the Group will share 100% of the net earnings of Guangzhou EB Gardens. The remaining 42% of the net profits of Guangzhou EB Gardens, as a result of the Acquisition, will be fully consolidated into the account of net profits after the minority interests of the Group.

We are of the view that the sharing of 100% of the net earnings of Guangzhou EB Gardens will further expand the income base of the Group. There will be no accounting impact on the consolidated turnover, profit before tax, profit after tax and before minority interests after the completion of the Acquisition as Guangzhou EB Gardens has already been a subsidiary of the Company and these figures have already been consolidated in the Group's accounts.

## LETTER FROM GRAND VINCO CAPITAL LIMITED

### *ii. Net tangible assets*

Upon completion of the Acquisition, a total amount of approximately RMB58,657,000 (equivalent to approximately HK\$60,593,000) would be paid to the Shenzhen EB Strategic in exchange for net tangible assets value of approximately RMB50,241,240 (equivalent to approximately HK\$51,899,000) (being 42% of the net tangible assets value of approximately RMB119,622,000 as at 31 December 2006 prepared in accordance with PRC generally accepted accounting principles). Accordingly, there will be a reduction of net tangible assets of approximately RMB8,416,000 (equivalent to approximately HK\$8,694,000) (being the net position of the consideration of approximately HK\$60,593,000 and net tangible assets value of approximately HK\$51,899,000). As advised by Company, the unaudited net tangible assets value of Guangzhou EB Gardens as at 30 September 2007 was approximately RMB162,824,000 and thus the 42% net tangible value would be estimated to be approximately RMB68,386,080 (equivalent to approximately HK\$70,643,000). As such, there will be an increase of net tangible assets of approximately RMB9,729,080 (equivalent to approximately HK\$10,050,000) (being the net position of the consideration of approximately HK\$58,657,000 and net tangible assets value of approximately HK\$68,386,080). In accordance with the unaudited interim condensed consolidated balance sheet as of 30 June 2007, the unaudited net assets value of the Group was approximately HK\$3.31 billion of which the reduction and the increase of the net tangible assets value represent only 0.26% and 0.32% of the net assets value of the Group respectively. We are of the view that the effects of the change in the net tangible assets as aforementioned are not material relative to the net assets of the Group.

Shareholders should also note that the Acquisition has a strategic value to the Group, as the Group can attain full control in Guangzhou EB Gardens and the potential profit of Guangzhou EB Gardens will be fully consolidated in the accounts of the Group. The simplified shareholding structure as illustrated in the Letter from the Board will allow more flexible funding in Guangzhou EB Gardens to support further projects. As such, we consider the premium in the consideration over the net tangible assets value of Guangzhou EB Gardens as of 31 December 2006 is acceptable and in the interests of the Company and the Shareholders as a whole.

### *iii. Working capital*

The consideration will be fully financed by the internal resources of the Group. Therefore, there will be a net cash outflow of approximately HK\$60,593,000 after the completion of Acquisition.

The working capital of the Group was approximately HK\$2,071,548,000 as at 30 June 2007 according to the interim report 2007 of the Group. The working capital of the Group after the completion of the Acquisition would be reduced by approximately HK\$60,593,000 or 2.9% which will be satisfied by the Group's existing cash and cash equivalents of aggregated amount of approximately HK\$862,557,000.

## LETTER FROM GRAND VINCO CAPITAL LIMITED

We are of the view that the relatively slight reduction of working capital of approximately 2.9% after the completion of the Acquisition would have minor impact on the financial position of the Group.

### D. CONCLUSION

Having taken into consideration of the following principal factors and reasons regarding the Acquisition, including:

- (a) the information of Guangzhou EB Gardens and the prospect of property market in Guangdong Province, the PRC;
- (b) the consideration, payment terms, conditions precedent and completion of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable; and
- (c) the minor financial effects of the Acquisition,

we are of the view that the Acquisition is on normal commercial terms, fair and reasonable, so far as the independent Shareholders are concerned and that the Acquisition is in the interests of the Shareholders and the Company as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Shareholders to vote and the independent Shareholders to vote for the resolution in relation to the transaction contemplated under the Equity Transfer Agreement as if the Company were required to convene a general meeting for considering and, if thought fit, approving of the Acquisition.

Yours faithfully,  
For and on behalf of  
**Grand Vinco Capital Limited**  
**Alister Chung**  
*Managing Director*

## 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 collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO), or were required to be recorded in the register required to be maintained by the Company under Section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

### (a) Long position in the Shares

Name of Director	Capacity	Nature of Interests	Number of Shares held	Aggregate long position	Percentage of aggregate long position in Shares to the issued share capital of the Company
Mr. Billy K Yung	Beneficial owner	Personal	33,393,000	259,722,084	49.43%
	Interest of child under 18 or spouse ( <i>note 1</i> )	Other	216,329,084		
	Interest held jointly with another person ( <i>note 2</i> )	Other	10,000,000		
Dr. Leo Tung-Hai Lee	Beneficial owner	Personal	3,206,000	3,206,000	0.61%
Mr. Peter Lam	Beneficiary of a trust ( <i>note 3</i> )	Other	1,300,000	1,300,000	0.25%

Name of Director	Capacity	Nature of Interests	Number of Shares held	Aggregate long position	Percentage of aggregate long position in Shares to the issued share capital of the Company
Madam Yung Ho Wun Ching	Beneficial owner	Personal	53,196,300	63,196,300	12.03%
	Interest of spouse (note 4)	Family	10,000,000		
Mr. Leung Chun Wah	Beneficial owner	Personal	1,559,400	1,559,400	0.30%
Mr. Simon Yung Kwok Choi	Beneficial owner	Personal	39,147,911	43,577,351	8.29%
	Interest of controlled corporation (note 5)	Corporate	3,529,440		
	Interest of spouse (note 6)	Family	900,000		

*Notes:*

- (1) These Shares are held by a trust for the benefit of Mr. Billy K Yung's family members.
- (2) These Shares are held by jointly with his wife, Madam Hsu Vivian.
- (3) These Shares are held by a trust for the benefit of Mr. Peter Lam.
- (4) This interest represents the holding of Shares held by the late Dr. Yung Yau.
- (5) These Shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung Kwok Choi.
- (6) This interest represents the holding of Shares held by Mr. Simon Yung Kwok Choi's spouse, Madam Chiu Man.

**(b) Share options scheme**

Details of the share options held by the Directors as at the Latest Practicable Date were as follows:

*(i) Share options to subscribe for shares in Appeon Corporation (“Appeon”)*

Name of Director	Capacity	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of	Percentage to
					share options held as at the Latest Practicable Date	the issued share capital of Appeon as at the Latest Practicable Date
Mr. Billy K Yung	Beneficial Owner	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750	
		09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375	
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375		
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375		
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375		
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375		
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375		
Total number of share options held by Director					27,000	0.74%

Appeon is a company incorporated in December 2001 with limited liability and engaged in investment holding and computer software development. As at the Latest Practicable Date, the issued share capital of Appeon is held as to 89.33% by the Company indirectly, 0.82% by an employee of Appeon and 9.85% by Independent Third Parties.



(ii) *Share options to subscribe for shares in Galactic Computing Corporation (“Galactic”)*

Name of Director	Capacity	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options held as at the Latest Practicable Date	Percentage to the issued share capital of Galactic as at the Latest Practicable Date
Mr. Billy K Yung	Beneficial Owner	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000	
		09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000	
		09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000	
		09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000	
		09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000	
		09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000	
		09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000	
		09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000	
Total number of share options held by Director					200,000	0.84%

Galactic is a company incorporated in September 2001 with limited liability and engaged in investment holding and computer software and hardware development. As at the Latest Practicable Date, the Company indirectly held 100% of the issued share capital of Galactic.

(iii) *Share options to subscribe for shares in Pan China Land (Holdings) Corporation (“Pan China”)*

Name of Director	Capacity	Date of grant	Period during which options are exercisable	Subscription price per share HK\$	Number of share options held as Practicable at Latest Date	Percentage to the issued share capital of Pan China as at the Latest Practicable Date
Mr. Billy K Yung	Beneficiary Owner	29.11.2007	On the Listing Date – 10 years after the Listing Date	600	4,000	
			6 months after the Listing Date – 10 years after the Listing Date	600	4,000	
			12 months after the Listing Date – 10 years after the Listing Date	600	4,000	
			18 months after the Listing Date – 10 years after the Listing Date	600	4,000	
			24 months after the Listing Date – 10 years after the Listing Date	600	4,000	
	Trustee (Note)	29.11.2007	On the Listing Date – 10 years after the Listing Date	600	800	
			6 months after the Listing Date – 10 years after the Listing Date	600	800	
			12 months after the Listing Date – 10 years after the Listing Date	600	800	
			18 months after the Listing Date – 10 years after the Listing Date	600	800	
			24 months after the Listing Date – 10 years after the Listing Date	600	800	
Mr. Eddie Hurip	Beneficiary Owner	29.11.2007	On the Listing Date – 10 years after the Listing Date	600	160	
			6 months after the Listing Date – 10 years after the Listing Date	600	160	
			12 months after the Listing Date – 10 years after the Listing Date	600	160	
			18 months after the Listing Date – 10 years after the Listing Date	600	160	
			24 months after the Listing Date – 10 years after the Listing Date	600	160	
	Trustee (Note)	29.11.2007	On the Listing Date – 10 years after the Listing Date	600	240	
			6 months after the Listing Date – 10 years after the Listing Date	600	240	
			12 months after the Listing Date – 10 years after the Listing Date	600	240	
			18 months after the Listing Date – 10 years after the Listing Date	600	240	
			24 months after the Listing Date – 10 years after the Listing Date	600	240	
Total number of share options held by Directors					26,000	1.30%

*Note:* These share options are held in trust for the benefit of Timely Hero Limited, a wholly owned subsidiary of the Company.

Pan China is a company incorporated in November 2007 with limited liability and engaged in investment holding.

As at the Latest Practicable Date, the Company indirectly held 70% of the issued share capital of Pan China.

**(c) Disclosure of other interests**

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company was interested in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code for Securities Transaction by the Directors of Listing Companies to be notified to the Company and the Stock Exchange.

**3. DISCLOSURE INTEREST UNDER DIVISIONS 2 AND 3 PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors and chief executives of the Company, the persons, other than a Director or chief executive of the Company, who had an interest or short position in the Shares and 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 was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities or in any options in respect of such capital were as follows:

**(a) Shares in the Company**

Name of substantial Shareholder	Capacity	Nature of interests	Number of Shares held	Aggregate long position	Percentage of Shares held to the issued share capital of the Company
UBS Trustees (BVI) Limited	Trustee of a trust (note 1)	Other	224,437,334	224,437,334	42.71%
Diamond Key Enterprises Inc.	Beneficial owner (note 1)	Beneficial	143,612,287	143,612,287	27.33%
On Fat Profits Corporation	Beneficial owner (note 1)	Beneficial	72,716,797	72,716,797	13.84%
Madam Chiu Man	Beneficial owner	Personal	900,000	43,577,351	8.29%
	Interest of spouse (note 2)	Family	42,677,351		
Madam Hsu Vivian	Interest of spouse	Family	33,393,000	43,393,000	8.26%
	Interest held jointly with another person (note 3)	Other	10,000,000		
Madam Yung Siu Chee Margaret (note 4)	Beneficial owner	Personal	28,154,604	28,154,604	5.36%

*Notes:*

- (1) 143,612,287 Shares and 72,716,797 Shares form part of the 224,437,334 Shares held by UBS Trustees (BVI) Limited. Of which, the aggregate number of 143,612,287 Shares and 72,716,797 Share (i.e. 216,329,084 Shares) are disclosed in the sub-paragraph headed “2.(a) Long position in the Shares” under the paragraph headed “2. Disclosure of interests” above as being held under a trust with Mr. Billy K Yung’s family as the beneficiaries. None of the directors are directors or employees of On Fat Profits Corporation and Diamond Key Enterprises Inc.
- (2) Madam Chiu Man’s Shares held under personal and family interests are in fact the same block of Shares already disclosed respectively under family, personal and corporate interests of her husband, Mr. Simon Yung Kwok Choi as disclosed in the sub-paragraph headed “2.(a) Long position in the Shares” under the paragraph headed “2. Disclosure of interests” above.
- (3) Madam Hsu Vivian’s Shares held under family and other interests are in fact the same block of Shares already disclosed respectively under personal and other interests of her husband, Mr. Billy K Yung as disclosed in the sub-paragraph headed “2.(a) Long position in the Shares” under the paragraph headed “2. Disclosure of interests” above.
- (4) Madam Yung Siu Chee Margaret is daughter of Madam Yung Ho Wun Ching. She is also a sister of Mr. Billy K Yung and Mr. Simon Yung Kwok Choi.

**(b) Shares in the Company’s subsidiaries**

Name of substantial shareholder	Capacity	Name of subsidiary	Percentage of equity interest
APD Semiconductor, Inc.	Beneficial Owner	Phoenix Atlantic Limited	35.00%
Honwise International Limited	Beneficial Owner	Brentwood Ventures Limited	12.50%
Wylar Investments Limited	Beneficial Owner	Brentwood Ventures Limited	12.50%
Poly Bright Holdings Limited	Beneficial Owner	Brentwood Ventures Limited	12.50%
Assure Win Investments Limited	Beneficial Owner	China EverBright Real Estate Development Limited	30.00%
呼和浩特繞城公路建設開發有限責任公司 (Hohhot Rao Cheng Gong Lu Construction and Development Company Limited*)	Beneficial Owner	呼和浩特光大環城建設開發有限公司 (Hohhot Guang Da Huan Cheng Construction and Development Company Limited*)	20.00%
深圳市光大策略投資有限公司 (Shenzhen Everbright Strategic Investment Limited*)	Beneficial Owner	廣州市光大花園房地產開發有限公司 (Guangzhou EverBright Gardens Real Estate Development Co. Limited*)	42.00%
北京世紀隆興投資有限公司 (Beijing Century Longxing Investment Limited*)	Beneficial Owner	北京華世柏利房地產開發有限公司 (Beijing Huashiboli Property Development Limited*)	10.00%

\* For identification purpose only

Name of substantial shareholder	Capacity	Name of subsidiary	Percentage of equity interest
北京世紀恆信諮詢有限公司 (Beijing Century Hengxin Consulting Limited*)	Beneficial Owner	北京華世柏利房地產開發有限公司 (Beijing Huashiboli Property Development Limited*)	20.00%
桂林光大國富房地產開發有限責任公司 (Guilin Guang Da Guo Fu Real Estate Development Company Limited*)	Beneficial Owner	廣西光大旅遊投資有限公司 (Guangxi Guang Da Travel Investment Company Limited*)	10.00%
廣西農墾集團有限責任公司 (Guangxi Nong Ken Group Company Limited*)	Beneficial Owner	廣西桂林光大立元生態家園開發建設有限公司 (Guangxi Guilin Guang Da Li Yuan Sheng Tai Jia Yuan Development Company Limited*)	12.00%
廣西國有良豐農場 (Guangxi State-owned Liang Feng Farm*)	Beneficial Owner	廣西桂林光大立元生態家園開發建設有限公司 (Guangxi Guilin Guang Da Li Yuan Sheng Tai Jia Yuan Development Company Limited*)	18.00%
王吉順 (Wang Ji Shun*)	Beneficial Owner	北京寅豐房地產開發有限責任公司 (Beijing Yin Feng Real Estate Development Limited*)	33.00%
青島崇杰集團有限公司 (Qingdao Chongjie Company Limited*)	Beneficial Owner	青島頤景房地產開發有限公司 (Qingdao Yijing Real Estate Development Limited*)	18.00%
吳祖華 (Wu Zu Hua*)	Beneficial Owner	青島頤景房地產開發有限公司 (Qingdao Yijing Real Estate Development Limited*)	12.00%

Save as disclosed above, as at the Latest Practicable Date, as far as is known to the Directors and chief executives of the Company, none of the persons, other than a Director or chief executive of the Company, had any interest or short position in the Shares and 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 had, directly or indirectly, any interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

\* For identification purpose only

#### 4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

#### 5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2006 (being the date to which the latest published audited consolidated accounts of the Company were made up).

#### 6. QUALIFICATIONS OF EXPERT AND CONSENT

- (a) The following are the qualifications of the expert who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Grand Vinco Capital Limited	a licensed corporation for type 1 (dealing in securities), type 6 (advising on corporate finance) regulated activities as set out in schedule 5 to the SFO

- (b) (i) Grand Vinco Capital Limited does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.
- (ii) Grand Vinco Capital Limited does not have any direct or indirect interest in any assets which have been since 31 December 2006 (being the date to which the latest published audited consolidated accounts of the Company were made up) acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.
- (iii) Grand Vinco Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice dated 6 December 2007 and the references to its name, in the form and context in which they respectively appear.

#### 7. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

**8. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respectively associates had any interest in businesses, which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong during normal business hours on any business day up to and including 21 December 2007:

- (a) the Equity Transfer Agreement;
- (b) the letter from Grand Vinco Capital Limited, the text of which is set out in this circular;
- (c) the written consents referred to in the paragraph headed "Qualifications of expert and consent" of this appendix.

**10. PROCEDURES FOR DEMANDING A POLL**

Although no shareholder' meeting is required to be convened in this transaction, this paragraph is included herein for information purpose only. Pursuant to article 74 of the articles of association of the Company, a resolution put to the vote at the general meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless a poll (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand of a poll) is demanded:

- (a) by the chairman of the Meeting; or
- (b) by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy shall be deemed to be the same as a demand by a Shareholder.

**11. MISCELLANEOUS**

- (a) The head office and registered office of the Company is at Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.
- (b) The share registrar and transfer office of the Company is Tricor Standard Limited, Share Registration Public Office, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Mr. Peter Lee Yip Wah, a qualified solicitor practising in Hong Kong.
- (d) The qualified accountant of the Company is appointed pursuant to Rule 3.24 of the Listing Rules is Mr. Chu Ka Loy, the Group Financial Controller, who is an associate member of both the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Management Accountants of the United Kingdom and is also an associate member of the Hong Kong Institute of Certified Public Accountants.
- (e) The translation into Chinese language of this circular is for reference only. In the event of any inconsistency, the English text of this circular shall prevail over the Chinese language text.