THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities in Shell Electric Mfg. (Holdings) Company Limited.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, 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 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.

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)

GROUP RESTRUCTURING, CAPITAL REORGANISATION AND SUBSCRIPTION OF NEW SHARES

Financial adviser to Shell Electric Mfg. (Holdings) Company Limited

SOMERLEY LIMITED

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

taifook

TAIFOOK CAPITAL LIMITED

A letter from the Board is set out on pages 10 to 33 of this circular.

A letter of recommendation from the majority of the Independent Board Committee to the Independent Shareholders and the view of Mr. Simon Yung (the dissenting member of the Independent Board Committee) are set out on page 34 and pages 35 to 36 of this circular respectively. A letter of advice from Taifook to the Independent Board Committee and the Independent Shareholders are set out on pages 37 to 96 of this circular.

A notice convening an extraordinary general meeting of Shell Electric Mfg. (Holdings) Company Limited to be held at 11:00 a.m. on 31st December, 2009 is set out on pages EGM-1 to EGM-5 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Tricor Standard Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so desire.

8th December, 2009

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Latest time for return of form of proxy for the EGM	11:00 a.m. on 29th December, 2009
EGM	31st December, 2009
Publication of an announcement regarding the voting results of the EGM	31st December, 2009

Notes:

(i) A detailed timetable for the COLI Offer and the Privateco Offer will be included in the COLI Offer Document and the Privateco Offer Document respectively.

(ii) Dates and deadlines stated in this circular for events in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable will be announced as appropriate. All times and dates refer to Hong Kong local time.

The Proposal involves, among others, the Capital Reorganisation which is conditional on, among other things, the results of the EGM and the sanctioning of the Capital Reorganisation by the Hong Kong Court. Further announcement(s) will be made to update the Shareholders and potential investors as and when appropriate.

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

"Access Capital"	Access Capital Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the financial adviser to Red Dynasty
"acting in concert"	having the meaning defined in the Takeovers Code
"associate"	having the meaning defined in the Listing Rules
"Assure Win"	Assure Win Investments Limited, a company incorporated in BVI and the beneficial owner of 30% interest in Pan China Land, which is a 70% owned subsidiary of the Company
"Board"	the board of Directors
"Business Day"	means any day (excluding a Saturday and any day on which a tropical cyclone warning signal no. 8 or above or a "black" rainstorm warning signal is hoisted or remains hoisted in Hong Kong at an time between 9 a.m. to 5 p.m. and is not lowered or discontinued at or before 5 p.m.) on which banks are generally open for business in Hong Kong
"BVI"	British Virgin Islands
"Capital Reorganisation"	the Share Capital Reduction (including the Increase of Authorised Share Capital) and the Share Premium Cancellation
"COLI"	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and the shares of which are listed on the Main Board of the Stock Exchange
"COLI Offer"	the possible voluntary unconditional cash offer to be made by J.P. Morgan on behalf of the Offeror to acquire all the issued Shares other than those already held or agreed to be acquired by the Offeror and parties acting in concert with it
"COLI Offer Document"	the offer and response document (in either composite or separate form) and the form of acceptance and transfer to be despatched to the Shareholders pursuant to the COLI Offer

"Company"	Shell Electric Mfg. (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Group Restructuring, the Capital Reorganisation and the Subscription Agreement
"Completion Date"	the date of Completion
"Director(s)"	the director(s) of the Company from time to time and excluding Mr. Simon Yung based on the reasons as set out in the section J headed "Reasons for excluding Mr. Simon Yung" in the letter from the Board
"Distributed Businesses"	all businesses of the Group, other than the Remaining Business, carried on by the Privateco Group, including (a) manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business; (b) property leasing; (c) investment holding in real estates including minority share interests in holding companies for certain retail properties and office units of the Citic Plaza in Tianhe district of Guangzhou, a manufacturing building in the Futian free trade zone in Shenzhen, an industrial building in Chaiwan Hong Kong which also houses the Company's headquarters and other industrial properties in Shunde district of Foshan City (details of which can be found in the latest financial statements of the Company as shown on the Company's website); (d) other investment holdings including a taxi company with 775 taxi licenses in Guangzhou, a small investment portfolio of approximately HK$40 million as of 30th June, 2009 consisting of bonds and shares of certain listed companies; (e) the Shareholder's Loan of approximately HK$824.4 million as of 28th August, 2009 (the actual amount of which is subject to confirmation in writing by COLI based on results of the due diligence review) due from the Remaining Business to the Distributed Businesses as set out in the paragraph headed "Repayment of the Shareholder's Loan" under section D headed "Subscription Agreement" of the letter from the Board in this circular (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion); and (f) holding of all Chinese trademarks bearing the name of SMC & Device owned by the Company (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion)

"Distribution In Specie"	the distribution in specie of the Privateco Shares by the Company to the Shareholders as described in paragraph (ii) under section A headed "Group Restructuring" of the letter from the Board in this circular
"EGM"	the extraordinary general meeting of the Company to be held at 11:00 a.m. on 31st December, 2009 to consider and, if thought fit, approve the resolutions in respect of the Proposal
"Excluded Shareholders(s)"	those overseas Shareholders to whom the Board, based on enquiries made with its legal counsels and on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place, considers it necessary or expedient not to offer the Privateco Shares under the Distribution in Specie
"Executive"	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
"Group"	the Company and its existing subsidiaries
"Group Restructuring"	the proposed reorganisation of the Group comprising the Transfer and the Distribution In Specie, details of which are set out in section A headed "Group Restructuring" of the letter from the Board in this circular
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Increase of Authorised Share Capital"	the increase of the Company's authorised share capital by the creation of 44,100,000,000 new Shares of HK$0.01 each forthwith upon the Share Capital Reduction becoming effective
"Independent Board Committee"	an independent committee of the Board established which comprises all non-executive Director and independent non-executive Directors, namely Mr. Simon Yung, Mr. Peter Wong Chung On, Mr. Peter Lam and Mr. Lawrence Leung Man Chiu, for the purpose of advising the Independent Shareholders in respect of the Proposal, the COLI Offer and the Privateco Offer

"Independent Shareholder(s)"	Shareholder(s) other than Mr. Billy Yung and parties acting in concert with him and their respective associates (excluding Mr. Simon Yung and his nominee(s))
"Joint Announcement"	the announcement dated 29th September, 2009 jointly issued by COLI, the Company and Red Dynasty in respect of, among other things, the Proposal
"J.P. Morgan"	J.P. Morgan Securities (Asia Pacific) Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (Advising on corporate finance) and Type 7 (Providing automated trading services) and the financial adviser to the Offeror
"Latest Practicable Date"	3rd December, 2009, being the latest practicable date for ascertaining certain information included in this circular
"Last Trading Day"	28th July, 2009, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the release of the Joint Announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Madam Yung"	Madam Yung Ho Wun Ching, the mother of Mr. Billy Yung and Mr. Simon Yung
"Madam Yung's Undertaking"	the undertaking given by Madam Yung to Mr. Billy Yung and COLI pursuant to which Madam Yung has undertaken to accept the COLI Offer in respect of the 53,246,300 Shares beneficially owned by her
"Management Options"	options granted to 49 persons on 29th November, 2007 by Terborley Limited, an indirect non wholly-owned subsidiary of the Company, in respect of the shares of Pan China Land, details of which have been set out in the announcement of the Company dated 29th November, 2007
"Mr. Billy Yung"	Mr. Billy K Yung, the chairman and chief executive of the Company and an executive Director
"Mr. Simon Yung"	Mr. Simon Yung Kwok Choi, the non-executive Director and a brother of Mr. Billy Yung
"Ms. Hsu"	Madam Vivian Hsu, the spouse of Mr. Billy Yung

"Offeror"	COLI or one or more special purpose vehicles wholly-owned by COLI
"Pan China Land"	Pan China Land (Holdings) Corporation, a company incorporated in the Cayman Islands with limited liabilities
"Pan China Land Group"	Jodrell Investments Limited, a direct wholly-owned subsidiary of the Company, and its subsidiaries including Terborley Limited and Pan China Land
"PRC"	People's Republic of China
"Privateco"	Shell Electric Holdings Limited, a company incorporated in Bermuda with limited liability pursuant to the Group Restructuring for the purpose of holding the Distributed Businesses and as at the Latest Practicable Date a wholly-owned subsidiary of the Company
"Privateco Group"	Privateco and its subsidiaries
"Privateco Offer"	the possible voluntary unconditional cash offer to be made by Access Capital on behalf of Red Dynasty to acquire all the Privateco Shares (including the Privateco Shares to be held by Mr. Simon Yung) other than those owned or agreed to be owned by Red Dynasty Concert Party
"Privateco Offer Document"	the offer and response document (in either composite or separate form) and the form of acceptance and transfer to be despatched to the Privateco Shareholders pursuant to the Privateco Offer
"Privateco Share(s)"	ordinary share(s) in the capital of the Privateco
"Privateco Shareholder(s)"	holder(s) of the Privateco Shares
"Proposal"	the proposal to be put forward by the Board at the EGM for the approval of the Capital Reorganisation, the Group Restructuring, the Subscription and the transactions contemplated thereunder
"Record Date"	being the record date for determining entitlements of the Shareholders to the Distribution In Specie, which is to be determined and announced by the Company as and when appropriate

"Red Dynasty"	Red Dynasty Investments Limited, a special purpose vehicle incorporated in BVI beneficially owned by Mr. Billy Yung, Ms. Hsu and Madam Yung as to 99.996%, 0.002% and 0.002% respectively
"Red Dynasty Concert Party"	Red Dynasty and parties acting in concert with it excluding Mr. Simon Yung, who has obtained a ruling from the Executive that it does not regard Mr. Simon Yung and Mr. Billy Yung are acting in concert purely by virtue of their relationship of "siblings" or "close relatives" under class (8) of the definition of acting in concert
"Remaining Business"	the Group's business of property investment and development in the PRC to be carried on by the Pan China Land Group after the Group Restructuring
"Remaining Group"	the Group excluding the Privateco Group
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of nominal value HK$0.50 each in the capital of the Company prior to the Share Capital Reduction becoming effective, or ordinary shares of nominal value HK$0.01 each in the capital of the Company arising from the Share Capital Reduction (as the case may be)
"Share Capital Reduction"	the reduction of the nominal value of each of the Shares from HK$0.50 to HK$0.01
"Shareholder(s)"	holder(s) of the Shares
"Shareholder's Loan"	the principal, accrued interest and all relevant fees and penalties (if any) in respect of certain shareholder's loans due from the Remaining Business to the Distributed Businesses up to 28th August, 2009 of approximately HK$824.4 million (the actual amount of which is subject to confirmation in writing by COLI based on results of the due diligence review)
"Share Premium Cancellation"	the cancellation of the entire amount standing to the credit of the share premium account of the Company

"Somerley"	Somerley Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities for the purposes of the SFO and the financial adviser to the Company
"sq. m."	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription by the Offeror of the Subscription Shares pursuant to the Subscription Agreement
"Subscription Agreement"	the agreement dated 9th September, 2009 entered into among the Company, COLI and Mr. Billy Yung in respect of, among other things, the Subscription
"Subscription Price"	HK$2.90, being the price per Subscription Share to be issued pursuant to the Subscription Agreement
"Subscription Shares"	an aggregate of 157,045,368 new Shares, representing 30% of the issued capital of the Company as at the Latest Practicable Date, to be subscribed by the Offeror under the Subscription Agreement
"Taifook"	Taifook Capital Limited, a licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity, the independent financial adviser appointed to advise the Independent Board Committee and/or the Independent Shareholders in relation to, among other things, the Proposal, the Privateco Offer and the COLI Offer
"Takeovers Code"	Hong Kong Code on Takeovers and Mergers
"Transfer"	the transfer of certain assets and liabilities of some of the subsidiaries of the Company to the Privateco as described in paragraph (i) under section A headed "Group Restructuring" of the letter from the Board in this circular

"Trust"	a discretionary trust holding approximately 216.4 million Shares as at the Latest Practicable Date established for the benefit of Mr. Billy Yung's immediate family members including Ms. Hsu and his four children pursuant to the trust deed dated 5th November, 1990, with UBS Trustees (B.V.I.) Limited being the trustee and Mr. Billy Yung being the primary liaison who can give written directions to the trustee in respect of investment of the Shares owned by the trust (including voting and disposal of the Shares)
"Undertaking"	an irrevocable letter of undertaking to be given by Mr. Billy Yung to COLI before Completion in respect of the COLI Offer, details of which are set out in the section headed "Possible voluntary unconditional cash offer for the Shares" in Appendix I to this circular
"US" or "U.S." or "U.S.A."	United States or United States of America, as the case may be
"US$"	United States dollars, the lawful currency of United States of America
"%"	per cent.

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)
Madam YUNG HO Wun Ching
Mr. LEUNG Chun Wah
Mr. Eddie HURIP
Mr. Simon YUNG Kwok Choi[1]
Mr. Peter WONG Chung On[2]
Mr. Peter LAM[2]
Mr. Lawrence LEUNG Man Chiu[2]

Registered office and head office:
Shell Industrial Building
12 Lee Chung Street
Chai Wan Industrial District
Hong Kong

1. *Non-executive Director*
2. *Independent non-executive Directors*

8th December, 2009

To the Shareholders

Dear Sir or Madam,

GROUP RESTRUCTURING,
CAPITAL REORGANISATION
AND
SUBSCRIPTION OF NEW SHARES

INTRODUCTION

On 29th September, 2009, the Company, Mr. Billy Yung and COLI jointly announced the Proposal, including the Capital Reorganisation, the Group Restructuring and the Subscription, which would be put forward for the Independent Shareholders' consideration at the EGM.

The Proposal together with the COLI Offer will enable the introduction of COLI to the Company as the single largest Shareholder and allow the Company to focus on and devote its resources to its property investment and development business in the PRC. As discussed in Appendix I to this circular, COLI is a leading real estate development and investment company in the PRC. The Board is of the view that the introduction of COLI pursuant to the Subscription will bring in synergy effects to the Company and benefit the Company's long term development on the Remaining Business by leveraging on COLI's real estate investment, development and project management expertise, whilst broaden the Company's equity base.

In order to facilitate and as one of the conditions of the Subscription, the Company will distribute to its Shareholders all of its shares in the Privateco which holds the Distributed Businesses. Following completion of the Distribution In Specie, there will be no liquid market for the Privateco Shares as the Privateco Shares are not intended to be listed on any stock exchange. The Privateco Offer will, therefore, provide a cash exit to any Shareholder who wishes to realise all or part of his/her/its interests in the Privateco following Completion. In the view that, among other things, the synergy effects the Offeror will bring in which will benefit the Company's long term development on the Remaining Business, and the COLI Offer and the Privateco Offer will provide cash exits to any Shareholder who wishes to realise all or part of his/her/its interest in the Company and in the Privateco following Completion at a significant premium over the trading price of the Shares before the Joint Announcement, the Board considers the Proposal is in the interest of the Shareholders as a whole.

The purpose of this circular is to provide you with, inter alia, relevant information about the Proposal, the Privateco Offer and the COLI Offer, a letter of recommendation from the majority of the Independent Board Committee, the view of Mr. Simon Yung (being the dissenting member of the Independent Board Committee) and a letter of advice from Taifook in respect of the Proposal and a notice of the EGM.

A. GROUP RESTRUCTURING

Pursuant to the Group Restructuring:

(i) certain assets and liabilities of some of the subsidiaries of the Company, which are carrying on the Distributed Businesses, representing the Group's businesses of (a) manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business; (b) property leasing; (c) investment holding in real estates including minority share interests in holding companies for certain retail properties and office units of the Citic Plaza in Tianhe district of Guangzhou, a manufacturing building in the Futian free trade zone in Shenzhen, an industrial building in Chaiwan Hong Kong which also houses the Company's headquarters and other industrial properties in Shunde district of Foshan City (details of which can be found in the latest financial statements of the Company as shown on the Company's website); (d) other investment holdings including a taxi company with 775 taxi licenses in Guangzhou, a small investment portfolio of approximately HK$40 million as of 30th June, 2009 consisting of bonds and shares of certain listed companies; (e) the Shareholder's Loan of approximately HK$824.4 million as of 28th August, 2009 (the actual amount of which is subject to confirmation in writing by COLI based on results of the due diligence review) due from the Remaining Business to the Distributed Businesses as set out in the paragraph headed "Repayment of the Shareholder's Loan" under section D headed "Subscription Agreement" in this letter from the Board (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion); and (f) holding of all Chinese trademarks bearing the name of SMC & Device owned by the Company (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion), will be transferred to the Privateco, a wholly-owned subsidiary of the Company; and

(ii) all the Privateco Shares held by the Company will be distributed in specie to all of the Shareholders whose names appear on the register of members of the Company on the Record Date on the basis of one Privateco Share for every Share held.

As a result of the Transfer described in (i) above, the Remaining Group will be carrying on the Remaining Business, representing the Group's business of property investment and development in the PRC.

Conditions to the Group Restructuring

Completion of the Group Restructuring will be conditional upon:

(i) the passing of the necessary resolution(s) approving the Group Restructuring by the Independent Shareholders by way of poll at the EGM;

(ii) completion of the formation of the Privateco Group (including the granting of any third party or regulatory consents and approvals required to give effect to the Group Restructuring);

(iii) the Capital Reorganisation and the Distribution In Specie becoming effective (including the grant of all necessary shareholders' approval or regulatory or governmental approval for the transactions contemplated under the Subscription Agreement and the issue of the Subscription Shares); and

(iv) all the conditions to completion of the Subscription Agreement (other than the condition set out in sub-paragraph (b)(iii) under the paragraph headed "Conditions precedent" under section D headed "Subscription Agreement" below) having been fulfilled or waived.

None of the above conditions can be waived.

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

Approval from the Independent Shareholders for the Group Restructuring will be sought at the EGM as part and parcel of the Proposal. Mr. Billy Yung, Ms. Hsu, Madam Yung, the Offeror, their respective associates and parties acting in concert with each of Mr. Billy Yung (excluding Mr. Simon Yung), Ms. Hsu, Madam Yung and the Offeror (including the Directors who hold Shares but excluding Mr. Simon Yung) will abstain from voting on the relevant resolutions regarding the Group Restructuring, which will be taken on a poll at the EGM. As stated in the Joint Announcement, Mr. Simon Yung has obtained a ruling (the "**Ruling**") from the Executive that it does not regard Mr. Simon Yung and Mr. Billy Yung are acting in concert purely by virtue of their relationship of "siblings" or "close relatives" under class (8) of the definition of acting in concert. As such, Mr. Simon Yung is not required to abstain from voting on the relevant resolutions in connection with the Proposal.

Distribution In Specie

Subject to the Capital Reorganisation becoming effective, the Company will distribute all of its Privateco Shares in specie to the Shareholders whose names appear on the register of members of the Company on the Record Date on the following basis:

for every Share held . . . . one Privateco Share

It is intended that it will be a condition of the issue of the Privateco Shares that the share certificates of Privateco will be posted only to the Privateco Shareholders who do not accept the Privateco Offer so that the despatch of the share certificates to the Privateco Shareholders can be managed in an efficient manner.

The Distribution In Specie will be effected by distribution partly from the distributable profits and partly from the such distributable reserve created by using the credits arising from the completion of the Capital Reorganisation. The amount to be distributed will be equivalent to the carrying value of the Privateco Group, which will be ascertained immediately prior to Completion. The Privateco Shares when issued will rank pari passu in all respects with each other. No application will be made for the listing of the Privateco Shares on the Stock Exchange or any other stock exchange.

Neither this circular nor any documents relating to the Distribution in Specie will be registered or filed under applicable securities legislation of any jurisdiction. In the event that as at the Record Date, there are any Shareholders with registered addresses outside Hong Kong, the Board will then proceed to make further enquiries as to the applicable securities legislation of the relevant overseas jurisdiction or the requirements of any relevant regulatory body or stock exchange for the Distribution in Specie of the Privateco Shares to such Shareholders. In the event that based on advice provided by the legal advisers in those jurisdictions, the Board should take the view that it is necessary or expedient not to offer the Privateco Shares to such overseas Shareholders, such overseas Shareholders will be regarded as Excluded Shareholders in the relation to the Distribution In Specie.

For the Privateco Shares to which the Excluded Shareholders are entitled, the Company may vest any such Privateco Shares in trustees in Hong Kong as may seems expedient to the Board who will be authorised by the Board to hold such Privateco Shares on trust for the Excluded Shareholders and to sell such Privateco Shares at its absolute discretion for the benefits and accounts of the Excluded Shareholders.

It is the responsibility of any person (including but not limited to, a nominee, an agent and a trustee) receiving the circular and/or any other documents relating to the Distribution In Specie outside Hong Kong and wishing to receive the Privateco Shares under the Distribution In Specie to satisfy himself/herself/itself as to the full observance of the laws of the relevant territory or jurisdiction including the obtaining of any consent for observing any formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction. Any acceptance of the Privateco Shares under the Distribution In Specie by any Shareholder will be deemed to constitute a representation and warranty from such person to the Company that those local laws and requirements of the relevant territory or jurisdiction have been fully complied with. If you are in any doubt as to your position, you should consult your professional advisers.

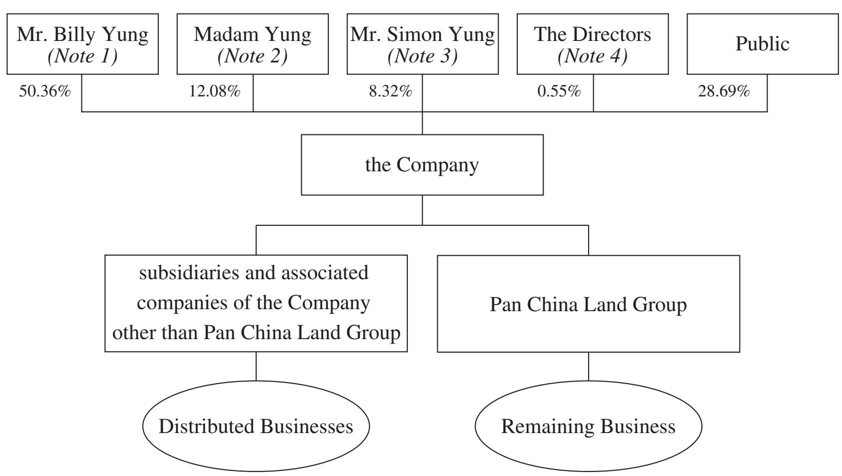
Completion of the Group Restructuring

The Group Restructuring shall become effective upon fulfilment of the conditions precedent set out above.

Completion of the Group Restructuring is inter-conditional with each of the Capital Reorganisation and the Subscription.

Group structures

Set out below in simplified form is the Group structure as at the Latest Practicable Date until completion of the Group Restructuring:



Notes:

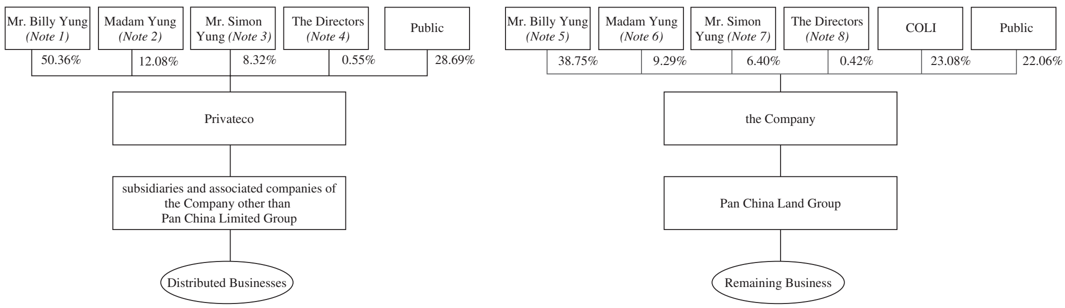
1. Of the 263.65 million Shares, approximately 37.32 million Shares are beneficially interested by Mr. Billy Yung, approximately 10.00 million Shares are jointly owned by Mr. Billy Yung and Ms. Hsu, and approximately 216.33 million Shares are held by the Trust.

2. Of the 63.25 million Shares, approximately 53.25 million Shares are beneficially interested by Madam Yung and the remaining balance of approximately 10.00 million Shares represents the Shares held by the late Dr. Yung Yau.

3. Based on the Joint Announcement and public information, of the 43.58 million Shares, approximately 39.15 million Shares are beneficially interested by Mr. Simon Yung, approximately 3.53 million Shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung, and the remaining balance of 0.90 million Shares represent the Shares held by Mr. Simon Yung's spouse, Madam Chiu Man.

4. Those interests held by Mr. Billy Yung, Madam Yung and Mr. Simon Yung are excluded.

Set out below in simplified form are the respective structures of the Privateco Group and the Remaining Group immediately after Completion, but before the Privateco Offer and the COLI Offer:



Notes:

1. Of the 263.65 million Privateco Shares, approximately 37.32 million Privateco Shares will be beneficially owned by Mr. Billy Yung, approximately 10.00 million Privateco Shares will be jointly owned by Mr. Billy Yung and Ms. Hsu, and approximately 216.33 million Privateco Shares will be held by the Trust.

2. Of the 63.25 million Privateco Shares, approximately 53.25 million Privateco Shares will be beneficially interested by Madam Yung and the remaining balance of approximately 10.00 million Privateco Shares represent the Privateco Shares to be held by the late Dr. Yung Yau.

3. Based on the Joint Announcement and public information, of the 43.58 million Privateco Shares, approximately 39.15 million Privateco Shares will be beneficially interested by Mr. Simon Yung, approximately 3.53 million Privateco Shares will be held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung, and the remaining balance of 0.90 million Privateco Shares represent the Privateco Shares to be held by Mr. Simon Yung's spouse, Madam Chiu Man.

4. The interests are to be held by Mr. Leung Chun Wah and Mr. Peter Lam and those interests to be held by Mr. Billy Yung, Madam Yung and Mr. Simon Yung are excluded.

5. Of the 263.65 million Shares, approximately 37.32 million Shares will be beneficially owned by Mr. Billy Yung, approximately 10.00 million Shares will be jointly owned by Mr. Billy Yung and Ms. Hsu, and approximately 216.33 million Shares will be held by the Trust.

6. Of the 63.25 million Shares, approximately 53.25 million Shares will be beneficially interested by Madam Yung and the remaining balance of approximately 10.00 million Shares represent the Shares to be held by the late Dr. Yung Yau.

7. Based on the Joint Announcement and public information, of the 43.58 million Shares, approximately 39.15 million Shares will be beneficially interested by Mr. Simon Yung, approximately 3.53 million Shares will be held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung, and the remaining balance of 0.90 million Shares represent the Shares to be held by Mr. Simon Yung's spouse, Madam Chiu Man.

8. The interests are to be held by Mr. Leung Chun Wah and Mr. Peter Lam and those interests to be held by Mr. Billy Yung, Madam Yung and Mr. Simon Yung are excluded.

Reasons for and effects of the Group Restructuring

Splitting up of the Group into the Privateco Group and the Remaining Group by way of the Group Restructuring

The Group Restructuring is, among other things, a pre condition of the Subscription by COLI as well as the COLI Offer and Privateco Offer. The main reason of splitting the Group into the Privateco Group and the Remaining Group by way of the Distribution In Specie is that, during the negotiations between the parties to the Subscription Agreement, COLI, as a leading property developer in the PRC, was only interested in taking over the Remaining Business and the listing status of the Company but not the Distributed Businesses. As opposed to an outright disposal of the Distributed Businesses to the controlling Shareholder, the Distribution In Specie and the Privateco Offer together provides an option for the Independent Shareholders to keep or dispose of their investments in the Distributed Businesses through the Privateco Offer, which is an unconditional one when made. The Privateco Offer also provides a cash exit to the Independent Shareholders (at HK$1.80 per Privateco Share) to realise all or part of their shareholdings in the Privateco, which are unlisted and may be illiquid, upon Completion. The Board also considers it may not be practicable to re-list the Privateco Shares on the Stock Exchange in the near term given the current loss-making position and the diverged line of unrelated businesses of the Privateco Group. As such, there is no intention to list the Privateco Shares upon Completion.

For those Independent Shareholders who opt to keep their investment in the Privateco, the constitution of the Privateco offers comparable provisions as a listed company, details of which are set out in the paragraph headed "Constitution and Bermuda company law" under section headed "Information on the Distributed Businesses and the Remaining Business" in this letter and Appendix VIII to this circular. The Privateco will also be subject to the Takeovers Code as long as it remains a public company.

The Privateco Offer at HK$1.80 per Privateco Share

The Distributed Businesses represent around two-third of the Group's consolidated net asset and the Privateco Offer price of HK$1.80 implies a price to book multiple of around 0.50. The Privateco Group however recorded a consolidated net loss for 2008 and the loss-making trend continued for the first half of 2009. The Privateco Group still recorded a substantial decrease in profit in 2008 after taking out the one-off fair value gain/loss items and it remained loss-making for the first half of 2009 if those fair value gain/loss items are excluded. Further information on these fair value gain/loss items is set out in the letter from Taifook in this circular. Because of the decline in profitability and loss-making trend of the Privateco Group, the Board considers the Privateco Offer price of HK$1.80 is fair and reasonable. Independent Shareholders shall also note that the COLI Offer, which offers a significant premium over the trading price of the Shares prior to the Joint Announcement, will not be materialised if the Distributed Businesses are not detached from the Group. The Shares have been consistently trading at significant discounts (ranging from 34% to 76%) to the underlying net asset value per Share over the past year prior to the Joint Announcement. Upon Completion, the Independent Shareholders will have the opportunity to receive up to HK$6.80 per Share, which represents approximately 14.5% over the latest unaudited consolidated net asset value attributable to the Shareholders of approximately HK$5.94 per Share as at 30th June, 2009. The Board therefore believes that the Company is acting correctly to enhance shareholder value in being able to facilitate the sales of the controlling interest in the Company and the Remaining Business to COLI.

The Remaining Group will carry a single line of property investment and development business in the PRC

Following Completion, the Company will only carry on the Remaining Business, i.e. property investment and development in the PRC, rather than a company with multiple lines of operations. The Board is of the view that a single focus line of business, from the market standpoint, can attract a higher valuation than a company with mixed line of unrelated businesses.

The Subscription

The Subscription will bring in new capital to the Remaining Group but more importantly, the Subscription and the Undertaking together allows COLI to take absolute control over the Remaining Group (not less than 50.1% of the issued share capital of the Company) while at the same time Mr. Billy Yung and his associates will remain as a Shareholder and hold a strategic shareholding interest in the Company. During the negotiations among the parties to the Subscription Agreement, it was the intention that Mr. Billy Yung shall remain as a significant Shareholder and COLI will be interested in not less than 50.1% of the issued share capital of the Company after Completion. An outright sale of controlling interest in the Company to COLI by Mr. Billy Yung could not achieve the same effect as Mr. Billy Yung holds only around 50.4% of the current issued share capital of the Company. From the Company's perspective, retaining Mr. Billy Yung as a significant Shareholder and a member of the Board provides a certain degree of management continuity for the Remaining Group. Different shareholding scenarios following the close of the COLI Offer are set out in Appendix I to this circular.

As a result of the Subscription and the COLI Offer, COLI will become the single largest Shareholder holding not less than 50.1% of the issued share capital of the Company as enlarged by the Subscription. COLI, as set out the Appendix I to this circular, is one of the leading property development and investment companies in the PRC. It is also engaged in other property-related businesses such as property management and construction design. COLI has completed property development projects in more than 20 major cities in the PRC and is widely recognised for its industry track record and experience. COLI is also the largest PRC property developer listed on the Stock Exchange as at the date of the Joint Announcement (by market capitalisation). It is a subsidiary of China State Construction Engineering Corporation, one of the largest construction conglomerates in the PRC. As it is COLI's intention to develop the Remaining Group's platform in the PRC by leveraging on the COLI's real estate investment, development and project management expertise, the Board is of the view that the Proposal will enable the Group to enjoy the synergy effect in the pursuit of the Remaining Business after Completion.

Subscription Price of HK$2.90 and the COLI Offer at HK$5.00 per Share

Both the Subscription Price of HK$2.90 and the COLI Offer price of HK$5.00 represent a significant premium over the trading price of the Shares prior to the Joint Announcement on an ex-Distributed Businesses basis. The Board considers that it is beneficial to all Shareholders as the COLI Offer price of HK$5.00 is even higher than the Subscription Price of HK$2.90 which already represents a premium over the trading price of the Shares prior to the Joint Announcement on an ex-Distributed Businesses basis. The Board therefore considers the terms of the Subscription and the COLI Offer are fair and reasonable.

The Proposal and risk of holding the Privateco Shares

All in all, the COLI Offer and the Privateco Offer, in totality, will provide a cash exit to the Shareholder who wishes to realise all or part of his/her/its interests in the Company and in the Privateco following Completion at a significant premium of 80% over the last trading price of the Shares prior to the Joint Announcement. As such, the Board considers that it is in the interests of the Shareholders for them to be provided with an opportunity to consider and, if thought fit, approve the relevant resolution for the Group Restructuring as part and parcel of the Proposal at the EGM. For those Shareholders who wish to retain their investments in the Distributed Businesses after Completion, they can choose not to accept the Privateco Offer and continue to hold the Privateco Shares. They should, however, be aware that there will be no liquid market for the Privateco Shares as there is no intention to list the Privateco Shares on any stock exchange. Moreover, the Privateco Shares may be subject to the compulsory acquisition provision of their Privateco Shares the Companies Act 1981 of Bermuda (as may be amended from time to time) if sufficient Privateco Shares are acquired by Red Dynasty under the Privateco Offer. Details of the possible compulsory acquisition is set out below in the paragraph headed "Background of Red Dynasty and its intentions regarding the Privateco" under section headed "Possible voluntary unconditional cash offer for the Privateco Shares" in Appendix I to this circular.

The Board considers that the Group Restructuring, the Capital Reorganisation, the Subscription, the Privateco Offer and the COLI Offer altogether are in the interests of the Shareholders as a whole whilst at the same time provide an opportunity to the Shareholders to divest all or some of their investments in the Company and in the Privateco if they so wish.

Information on the Distributed Businesses and the Remaining Business

The Distributed Businesses

The Group is principally engaged in the Distributed Businesses and the Remaining Business as at the Latest Practicable Date.

The Distributed Businesses consist principally of (a) manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business; (b) property leasing; (c) investment holding in real estates including minority share interests in holding companies for certain retail properties and office units of the Citic Plaza in Tianhe district of Guangzhou, a manufacturing building in the Futian free trade zone in Shenzhen, an industrial building in Chaiwan Hong Kong which also houses the Company's headquarters and other industrial properties in Shunde district of Foshan City (details of which can be found in the latest financial statements of the Company as shown on the Company's website); (d) other investment holdings including a taxi company with 775 taxi licenses in Guangzhou, a small investment portfolio of approximately HK$40 million as of 30th June, 2009 consisting of bonds and shares of certain listed companies; (e) the Shareholder's Loan of approximately HK$824.4 million as of 28th August, 2009 (the actual amount of which is subject to confirmation in writing by COLI based on results of the due diligence review) due from the Remaining Business to the Distributed Businesses as set out in the paragraph headed

"Repayment of the Shareholder's Loan" under section D headed "Subscription Agreement" in this letter from the Board (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion); and (f) holding of all Chinese trademarks bearing the name of SMC & Device owned by the Company (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion). The electric fans are primarily ceiling fans, which are sold to worldwide. The Distributed Businesses also involve contract manufacturing of optics and imaging products, as well as electric and electronics goods and have commenced to develop and produce paper handling options and LED lighting products.

Upon completion of the Group Restructuring, companies in the Distributed Businesses will cease being subsidiaries of the Company.

The board of the directors of the Privateco currently has three directors, namely Mr. Billy Yung, Ms. Hsu and Madam Yung. It is proposed that the board of the directors of the Privateco will increase to five executive directors, namely Mr. Billy Yung, Ms. Hsu, Madam Yung, Mr. Eddie Hurip and Mr. Chow Kai Chiu, David.

Financial information on the Privateco Group and pro forma financial information on the Privateco Group are set out in Appendices III and V to this circular respectively.

Constitution and Bermuda company law

The Privateco was incorporated on 20th August, 2009 in Bermuda with limited liability. Under Bermuda law, Privateco Shareholders are entitled to have the affairs of the Privateco conducted in accordance with general law and in particular with the Privateco's memorandum of association and bye-laws. The Privateco will adopt new bye-laws which contain provisions regarding rights of the Privateco Shareholders which are comparable to those contained in the bye-laws or articles of association of listed issuers on the Main Board of the Stock Exchange.

Under the new bye-laws of the Privateco, the Privateco is obliged to hold an annual general meeting in each year. Holders of voting shares of Privateco are entitled to receive notice of all general meetings of the Privateco and to attend in person, by proxy or, in the case of a corporation, by an appointed representative.

Under the new bye-laws of the Privateco, it is provided that unless any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists or any share is transferred to more than four (4) joint holders or a transfer of any share (not being a fully paid up share) on which the Privateco has a lien, the board of directors of the Privateco shall not refuse to register a transfer of any share (being a fully paid up share) to any person.

Unless all of the Privateco Shareholders and all of the directors of Privateco agree otherwise, the Privateco must appoint an independent auditor. Privateco Shareholders are entitled to receive the audited financial statements of Privateco at least 21 days before the date of the general meeting in accordance with the new bye-laws of the Privateco.

Privateco Shareholders are also entitled to receive copies of the memorandum of association and bye-laws of the Privateco and minutes of meetings of shareholders. Privateco Shareholders are not, however, generally entitled to inspect accounting records or minutes of meetings of the directors.

Shareholders should note that the Privateco will not be governed by the Listing Rules upon Completion and therefore will not be subject to the same degree of corporate governance and minority protection requirements as set out in the Listing Rules. However, interests of Privateco Shareholders will be safeguarded, though to a lesser extent, by the proposed new bye-laws of the Privateco which will contain provisions, including but not limited to, that (A) no material related party transaction may be undertaken by the Privateco unless (1) it is a transaction on normal commercial terms in the ordinary and usual course of business (as defined in the Listing Rules) of the Privateco or its subsidiaries; or (2) it is a transaction involving any acquisition or disposal of assets with total asset (as defined in the Listing Rules) or attributable revenue (as defined in the Listing Rules) of (a) less than 2.5% of total assets (as defined in the Listing Rules) or total revenue (as defined in the Listing Rules) of the Privateco Group as shown in the latest audited consolidated accounts; or (b) more than 2.5% but less than 25% of total assets (as defined in the Listing Rules) and total revenue (as defined in the Listing Rules) of the Privateco Group as shown in the latest audited consolidated accounts and the total consideration is less than HK$10,000,000; or (3) it is made subject to the approval of disinterested member(s), if any, by way of ordinary resolution in general meeting; (B) no non-related party transaction involving acquisition or disposal of assets with an aggregate value of more than fifty (50) per cent of the value of the aggregate total assets (as defined in the Listing Rules) of the Privateco Group as shown in the latest audited consolidated accounts may be undertaken by the Privateco, unless it is made subject to the approval of the member(s) by way of ordinary resolution in general meeting; and (C) the directors of the Privateco shall obtain the approval of the members by way of ordinary resolution in general meeting prior to allotting, issuing or granting shares, securities convertible into shares or options, warrants or similar rights to subscribe for any shares or such convertible securities. However, no such consent shall be required (i) for the allotment, issue or grant of such shares or securities pursuant to an offer made to the members, excluding for that purpose any member who is resident in a place where such offer is not permitted under the law of that place and where appropriate, to holders of other equity securities of the Privateco entitled to be offered them, in proportion (apart from fractional entitlements) to their then holdings; or (ii) if, but only to the extent that, the existing members have by ordinary resolution given a general mandate to the directors of the Privateco, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to allot or issue such securities or to grant any offers, agreements or options which would or might require securities to be issued, allotted or disposed of, whether during the continuance of such mandate or thereafter, subject to a restriction that the aggregate number of shares or securities allotted or agreed to be allotted must not exceed in aggregate twenty (20) per cent of the issued share capital of the Privateco in issue from time to time.

Set out in Appendix VIII to this circular are further details of the constitution of the Privateco and a general overview of Bermuda company law.

The Remaining Business

The Remaining Business mainly comprises the Company's 70% interest in Pan China Land, which together with its subsidiaries, are principally engaged in property investment and development in the PRC. The Remaining Business holds various properties in the PRC for investment, development and sale purpose. Properties under development are all located in the PRC, including Guangdong and Inner Mongolia Provinces, and they will be developed as residential and commercial premises. Properties held for future development are land situated in the PRC, including Beijing, Guangxi, Inner Mongolia and Guangdong Provinces. The Board has not been involved in any discussion or negotiation with COLI regarding any proposed change in the business of the Remaining Group as at the Latest Practicable Date. Further information on, among other things, background of the Offeror and its intention regarding the Company, are set out in Appendix I to this circular.

Set out in the section F headed "Financial effects of the Proposal" below in this letter is a discussion about the financial effects of the Proposal on the Group. Set out in Appendices II and IV to this circular are the financial information on the Group and pro forma financial information on the Remaining Group respectively.

B. CAPITAL REORGANISATION

The Distribution In Specie is conditional upon the Capital Reorganisation. The Capital Reorganisation comprises:

(i) the Share Capital Reduction, which involves the reduction of the nominal value of HK\$0.50 of each of the issued and unissued Shares to HK\$0.01 and by cancelling the issued and paid-up capital to the extent of HK\$0.49 on each issued Share. On the Share Capital Reduction becoming effective, the issued share capital of the Company of HK\$261,742,281.00 will be reduced by HK\$256,507,435.38 to HK\$5,234,845.62; and

(ii) the Share Premium Cancellation, whereby the entire amount standing to the credit of the share premium account of the Company will be cancelled.

On completion of the Capital Reorganisation, the credit arising from the Share Capital Reduction and the Share Premium Cancellation will be transferred to a distributable reserve account of the Company to be created for this purpose and the Directors be authorised to apply the amount standing to the credit of the reserve account for the implementation of the Distribution In Specie.

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$450,000,000 divided into 900,000,000 Shares, of which 523,484,562 Shares have been issued and are fully paid up. Upon the Share Capital Reduction and the Increase of Authorised Share Capital becoming effective and on the basis of the same number of the Shares in issue, the nominal value of the share of the Company will be reduced from HK\$0.50 to HK\$0.01, the authorised share capital of the Company will remain at HK\$450,000,000 divided into 45,000,000,000 Shares of HK\$0.01 each, but the issued share capital will be reduced from HK\$261,742,281.00 to HK\$5,234,845.62, divided into 523,484,562 Shares.

The Distribution In Specie of the Privateco Shares will then be made out of the distributable reserve account created as described above and the distributable profits of the Company. The exact amount of the distribution will be determined as soon as the carrying value of the Privateco is ascertained immediately prior to Completion.

Other than the expenses to be incurred in relation to the Distribution In Specie and the Capital Reorganisation and subject to the financial implications of the Distribution In Specie which will occur following completion of the Capital Reorganisation as set out in the section F headed "Financial effects of the Proposal" and Appendix IV to this circular, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company.

Conditions precedent

The Share Capital Reduction and the Share Premium Cancellation are conditional upon:

(i) the passing of a special resolution approving the Share Capital Reduction, the Increase of Authorised Share Capital and the Share Premium Cancellation by the Shareholders by way of poll at the EGM;

(ii) all the conditions to completion of the Subscription Agreement (other than the condition set out in sub-paragraph (b)(iii) under the paragraph headed "Conditions precedent" under section D headed "Subscription Agreement" below) having been fulfilled or waived;

(iii) the Court making an order confirming the Capital Reorganisation pursuant to section 60 of the Companies Ordinance;

(iv) the delivery to the Companies Registrar of a copy of the order of the Court confirming the Capital Reorganisation and a copy of the minute containing the particulars required under section 61 of the Companies Ordinance duly approved by the Court; and

(v) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in issue upon the Share Capital Reduction becoming effective.

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

Reason for the Capital Reorganisation

The Capital Reorganisation is a crucial step for achieving completions of the Group Restructuring and the Subscription, which in turn will ultimately lead to the Privateco Offer and the COLI Offer. In order to allow the Company to have sufficient distributable reserves to facilitate the Distribution In Specie in addition to the deployment of the Company's distributable profits, the Board proposed that the Share Capital Reduction and the Share Premium Cancellation be effected. As such, the Board considers that the Capital Reorganisation, as part and parcel of the Proposal, is in the interests of the Shareholders as a whole. The Capital Reorganisation is subject to approval by the Shareholders by way of poll at the EGM.

C. POSSIBLE VOLUNTARY UNCONDITIONAL CASH OFFER FOR THE PRIVATECO SHARES

After Completion, Access Capital will, on behalf of Red Dynasty, make the Privateco Offer on a voluntary basis pursuant to the Takeovers Code. The Privateco Shares to be acquired under the Privateco Offer will include such Privateco Shares as will be held by Mr. Simon Yung but not those to be owned or agreed to be acquired by Red Dynasty Concert Party on the following basis:

for every Privateco Share held * . . . . HK$1.80 in cash

* *The number of the Privateco Shares to be in issue will be equal to the total number of the Shares in issue on the Record Date.*

As the Privateco Offer will only be made upon Completion, which is subject to a number of conditions, the making of the Privateco Offer may or may not proceed and, as such, is a possibility only.

Further information on the Privateco Offer (including the background of Red Dynasty and its intention regarding the Privateco) is set out in Appendix I to this circular.

D. SUBSCRIPTION AGREEMENT

Date

9th September, 2009

Parties

(i) the Company (as issuer);

(ii) Mr. Billy Yung (as covenator); and

(iii) COLI (as subscriber).

To the best of the knowledge, information and belief of the COLI's directors, the Company and Mr. Billy Yung are third parties independent of COLI and its connected persons (as defined in the Listing Rules).

To the best of the knowledge, information and belief of the Directors, COLI is a third party independent of the Group and its connected persons (as defined in the Listing Rules).

Subscription

Subject to the terms and conditions of the Subscription Agreement, the Offeror will subscribe for 157,045,368 Subscription Shares at a consideration of HK$2.90 per Share in cash, representing approximately 30% of the issued share capital of the Company as at the Latest Practicable Date and approximately 23.08% of the issued share capital of the Company as enlarged by the Subscription.

The Subscription Shares will rank pari passu in all respects with the Shares in issue, but the rights to the Distribution In Specie will not be attached to the Subscription Shares.

Consideration

The cash consideration for the Subscription Shares is approximately HK$455.4 million. The consideration will be payable in full on the Completion Date. The estimated net proceeds from the Subscription is approximately HK$450.9 million, representing the net price of approximately HK$2.87 per Subscription Share. The Company intends to apply the net proceeds for general working capital purposes of the Remaining Group.

The Subscription Price of HK$2.90 per Subscription Share has been arrived at after arm's length negotiations between the Company and COLI, with reference to the following factors:

(i) value of the Company taking into account the effect of the Distribution In Specie;

(ii) the Subscription Shares will not have the rights to the Distribution In Specie;

(iii) it is not uncommon that new share placement price is set at a discount to the market price; and

(iv) a premium for the control of the Remaining Businesses has been taken into account for determination of the COLI Offer price.

The Subscription Price of HK$2.90 per Subscription Share represents discounts of approximately 22.7%, 24.3% and 20.5% to the closing price of HK$3.75 per Share as quoted on the Stock Exchange on the Last Trading Day, the average of the closing prices of the Company before the Group Restructuring of approximately HK$3.83 and HK$3.65 per Share for the 10 and 30 consecutive trading days up to and including the Last Trading Day, respectively.

Conditions precedent

Completion of the Subscription Agreement is conditional upon the following conditions:

(a) the representation and warranties given by the Company and Mr. Billy Yung under the Subscription Agreement shall remain true, accurate and not misleading throughout the period from the date of the Subscription Agreement to the Completion Date;

(b) the Group Restructuring and the Capital Reorganisation having been completed (with evidences to the satisfaction of COLI having been provided) and the relevant Shareholders' approvals as required under applicable laws, rules and regulations (including the Listing Rules and the Takeovers Code) having been obtained, including the following conditions, having been fulfilled:

(i) (if required) the relevant Shareholders' approval, where applicable, under the Listing Rules at the EGM in respect of the Group Restructuring and the Capital Reorganisation having been obtained;

(ii) the Transfer having been completed (including the obtaining of all necessary consents and approvals in relation to the Group Restructuring from third parties, regulatory bodies and governmental authorities); and

(iii) the Distribution In Specie and the Capital Reorganisation which is to facilitate the Distribution In Specie, having been completed and becoming effective, including the Company having obtained all necessary Shareholders' approval and governmental approvals (which shall not impose any conditions causing material adverse effect on the Company or COLI) in respect of the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Subscription Shares, the Transfer, the Distribution In Specie and the Share Premium Cancellation, etc.), and all registrations and filings (including court's approval or order in respect of the Distribution In Specie and the Share Premium Cancellation) in respect of such transactions having been completed, and all such approvals, filings and registrations shall remain valid; and the Company having provided evidences satisfactory to COLI (as disclosed above, completion of the Group Restructuring and the Capital Reorganisation is conditional upon, among other things, all conditions precedent to completion of the Subscription Agreement (other than the condition set out in this paragraph (b)(iii)) having been fulfilled or waived);

(c) the granting by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange, and the relevant approval and permission shall not be withdrawn before completion of the Subscription Agreement;

(d) the Company and Mr. Billy Yung having obtained all necessary approvals for entering into the Subscription Agreement and for completing the transactions contemplated under the Subscription Agreement as required under any existing contractual arrangements (including any borrowing or financing documents) to which members of the Group or Mr. Billy Yung is a party in a manner reasonably satisfactory to COLI, and all such approvals shall remain valid;

(e) the Stock Exchange and the SFC not having indicated that the listing of the Shares on the Stock Exchange will be suspended, cancelled or withdrawn following completion of the transactions contemplated under the Subscription Agreement, whether or not such suspension, cancellation or withdrawal relates to the transactions contemplated under the Subscription Agreement;

(f) COLI is satisfied with the result of the due diligence conducted after the date of the Subscription Agreement on the Remaining Group and the Remaining Business;

(g) Mr. Billy Yung having executed and delivered a legally valid and effective Undertaking in the form satisfactory to COLI;

(h) all parties to the Subscription Agreement having agreed to the arrangement or solution in respect of the following matters:

   (i) the 30% equity interest in the Remaining Business directly and indirectly held by Assure Win and the actual economic interests thereof; and

   (ii) the Management Options;

(i) Mr. Billy Yung and the Company having complied with and having performed all of their respective agreements, obligations and conditions as required under the Subscription Agreement before completion of the transactions contemplated under the Subscription Agreement;

(j) there are no events which have caused, causes or may cause material adverse effect on (i) the business, operation, financial condition or most of the assets or property of the Group or (ii) the ability of Mr. Billy Yung or the Company to perform or comply with their respective obligations, undertakings or covenants under the Subscription Agreement;

(k) there are no applicable laws which shall, or which shall reasonably be expected to, forbid, restrict or impose conditions or restrictions on completion of the transactions contemplated under the Subscription Agreement;

(l) there are no ongoing, pending or threatened legal proceedings which shall with reasonable grounds forbid, restrict or impose conditions or restrictions on or in any way challenge the transactions contemplated under the Subscription Agreement; and

(m) all bank loans owed by the Company up to the Completion Date and all related interest, fees and penalties (if any) incurred having been assigned or novated outside the Remaining Group.

Save for conditions (b), (c), (g) and (h) above, COLI may waive any or all of the above conditions at its absolute discretion. As at the Latest Practicable Date, none of the conditions has been fulfilled and/or waived.

The Board considers that the terms of the Subscription Agreement are fair and reasonable and the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole on the basis that completion of the Subscription will enlarge the capital base of the Company and is a pre-condition of the COLI Offer and the Privateco Offer.

The Company did not have any fund raising exercises in the past 12 months immediately preceding the Latest Practicable Date.

Listing application in respect of the Subscription Shares

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange.

Warranty

Mr. Billy Yung warrants that the audited net asset value (the "**Audited NAV**") of the Remaining Business on the Completion Date shall not be less than HK$1,110 million (excluding the proceeds from the Subscription) (the "**Warranted NAV**") which was arrived at after taking into account, among other things, the underlying assets and liabilities of the Remaining Business and future prospect of the Remaining Group. Mr. Billy Yung shall compensate COLI if the Audited NAV is less than the Warranted NAV in the following manner:

Difference between the Warranted NAV and the Audited NAV
x
60%
(which was determined after taking into account
the approximate aggregate shareholdings of Mr. Billy Yung
(together with Ms. Hsu and the Trust) and Madam Yung)
x
the percentage of the shareholding of the Company held by
the Offeror immediately after completion of the COLI Offer (i.e. 50.1%),
which percentage shall have taken into account the shareholdings
in the Company which Mr. Billy Yung has to maintain pursuant to
the Undertaking and the restoration of the minimum public float of
the Company after completion of the COLI Offer

Any claim of the warranty shall be submitted by COLI before 30th April, 2011 subject to certain exceptions including those claims arising out of the Distributed Businesses, the Transfer, the Capital Reorganisation, the Distribution In Specie and the Distributed Businesses, etc..

Assignment of agreements

In association with the Group Restructuring, Mr. Billy Yung and the Company jointly and severally undertake to use their respective reasonable endeavours to procure the termination and assignment of certain intellectual property rights, employment contracts, letter of credits, insurance contracts, guarantees and other business contracts and assets of the Company to parties outside the Group (i.e. the Privateco) within 180 Business Days from the Completion Date or such longer period as agreed by COLI.

Lock up

Mr. Billy Yung irrevocably undertakes to COLI that save with the consent from COLI, he will not, in a period of six months from the Completion Date, sell or dispose of or enter into agreement to sell or dispose of any of his Shares or any rights, benefits or economic interests in such Shares, save for any sale or disposal necessary for the performance of any of his obligations under the Subscription Agreement and the Undertaking.

Mr. Billy Yung also irrevocably undertakes that he (altogether with Ms. Hsu and the Trust) shall maintain a holding of no less than 136 million Shares (representing approximately 26.0% of the issued share capital of the Company as at the Latest Practicable Date and approximately 20.0% of the issued share capital of the Company as enlarged by the Subscription) and the rights, benefits and economic interests in such Shares for a period of one year from the Completion Date (except for the purpose of performing the Undertaking or sale to the subscriber which renders the shareholding held by Mr. Billy Yung be lower than the prescribed percentage), and a holding of no less than 68 million Shares (representing approximately 13.0% of the issued share capital of the Company as at the Latest Practicable Date and approximately 10.0% of the issued share capital of the Company as enlarged by the Subscription) and the rights, benefits and economic interests in such Shares the subsequent one year after the first anniversary of the Completion Date.

Repayment of the Shareholder's Loan

The Distributed Businesses have advanced Shareholder's Loan in aggregate of approximately HK$824.4 million (the actual amount of which is subject to confirmation in writing by COLI based on results of the due diligence review) to the Remaining Business in the past. As such, the Company will repay 50% of the Shareholder's Loan and relevant interest accrued up to the Completion Date to the Privateco Group upon Completion. The Offeror undertakes to procure the Company to repay to the Privateco Group the remaining 50% of the Shareholder's Loan and the relevant interest accrued up to the date of payment in Hong Kong dollars (or in such other currency as mutually agreed by COLI and Mr. Billy Yung) within 45 days from the Completion Date. The Privateco intends to apply the amount of the Shareholder's Loan received for general working capital purpose of the Privateco Group, including but not limited to, for reduction of debts.

Non-competition undertaking

Mr. Billy Yung undertakes that during the period from the Completion Date to the first anniversary of the Completion or as long as he holds no less than 10% of the issued share capital of the Company (whichever is shorter), except with the prior written consent from COLI (such consent should not be unreasonably withheld), Mr. Billy Yung and his associates will not (a) involve in any business, whether by himself or jointly with any individual, entity or corporate or represent any individual or corporate, whether directly or indirectly, in or outside of the PRC, that competes with the business of the Group, such prohibition includes direct or indirect involvement, participation (including being director, employee, adviser or providing other services) in business or interested directly or indirectly in such business; (b) employ any individual who is or has, within 12 months of the date of the Subscription Agreement, been senior staff or employee of the Group (not including those who are related to the Distributed Businesses). This non-competition undertaking does not apply to (i) entities or companies that Mr.

Billy Yung has less than 20% beneficial interests; (ii) the businesses or activities in which Mr. Billy Yung has been engaged on or before the date of the Subscription Agreement (including the Distributed Businesses); and (iii) any business opportunity which has been referred by Mr. Billy Yung to COLI for COLI's consideration and COLI has decided not to participate in such opportunity (such decision has to be made within two weeks from the referral), in such circumstances Mr. Billy Yung's involvement in such opportunity will not be restricted by this undertaking.

Exclusivity

Mr. Billy Yung undertakes that during the period from the signing of the Subscription Agreement to the Completion Date, or to the date on which the Subscription Agreement lapses or being terminated (whichever is earlier), Mr. Billy Yung will not discuss or negotiate with any other party or entity other than COLI regarding the transactions contemplated under the Subscription Agreement or similar transactions. Mr. Billy Yung shall compensate COLI in a sum of US$5,000,000 if Mr. Billy Yung is in breach of this undertaking.

Escrow of Shares owned by Mr. Billy Yung

Mr. Billy Yung undertakes that 60 million Shares (representing approximately 11.5% of the existing issued share capital of the Company and approximately 8.8% of the issued share capital of the Company as enlarged by the Subscription) owned by him will be escrowed (but not pledged) at an escrow agent acceptable to both Mr. Billy Yung and COLI and to be appointed on the Completion Date, during a period from Completion to 30th April, 2011. This 60 million Shares represent part of the 136 million Shares that Mr. Billy Yung has irrevocably undertaken to maintain pursuant to the lock up undertaking as described in the paragraph headed "Lock up" above. During such period, Mr. Billy Yung will not in any way dispose of such Shares unless both Mr. Billy Yung and COLI agree.

Change of Company name

Within 60 days from the posting of the COLI Offer Document, COLI, with the assistance of Mr. Billy Yung, will procure the Company to change the name of the Company such that Mr. Billy Yung and the Privateco Group can use the existing names of the Company (i.e. any names including Shell, Shell Electric, SMC, 蜆壳 and 蜆華). COLI undertakes to Mr. Billy Yung that it and the Remaining Group will not use Shell, Shell Electric, SMC, 蜆壳 and 蜆華 for any commercial purposes upon completion of the aforesaid change of name.

Completion

Each party to the Subscription Agreement shall issue a notice of Completion to the other parties to the Subscription Agreement before fulfilment and/or waiver of the conditions precedent. Completion of the Subscription Agreement shall take place within the fifth Business Day from the date of the last notice of Completion issued by any party to the Subscription Agreement. In the event that any of the conditions precedent cannot be fulfilled, or waived by COLI, by 5:00 p.m. on 2nd February, 2010 or such later date as may be agreed by the parties to the Subscription Agreement, the Subscription Agreement shall lapse and be terminated.

Completion of the Subscription is inter-conditional with the Group Restructuring and the Capital Reorganisation.

E. POSSIBLE VOLUNTARY UNCONDITIONAL CASH OFFER FOR THE SHARES

Subject to Completion, J.P. Morgan will, on behalf of the Offeror, make the COLI Offer, which is a voluntary unconditional cash offer to the Shareholders to acquire all the Shares other than those already held or agreed to be acquired by the Offeror and parties acting in concert with it on the following basis:

for every Share held . . . . HK$5.0 in cash

The making of the COLI Offer is a possibility only and it may or may not proceed.

Further information on the COLI Offer (including the background of the Offeror and its intention regarding the Company) is set out in Appendix I to this circular.

F. FINANCIAL EFFECTS OF THE PROPOSAL

Set out in Appendix IV to this circular is the unaudited pro forma financial information on the Remaining Group (the "**Information**") which illustrates the financial impact of the Proposal on the results and cash flows of the Remaining Group assuming the Proposal had been implemented as at 1st January, 2008 and the financial impact of the Proposal on the assets and liabilities of the Remaining Group assuming the Proposal had been implemented as at 30th June, 2009.

Based on the Information, the total assets of the Group will drop from approximately HK$10,922.4 million to HK$8,778.0 million (representing a decrease of approximately 19.6%); its total liabilities will drop from approximately HK$7,214.5 million to HK$6,484.6 million (representing a decrease of approximately 10.1%); its net assets (excluding non-controlling interests) will drop from approximately HK$3,111.5 million to HK$1,705.4 million (representing a decrease of approximately 45.2%); and the cash position of the Group will drop from approximately HK$878.4 million to HK$497.8 million as a result of the Proposal. The Directors consider that the future profitability of the Remaining Group will depend on a number of factors including the future management and performance of the Remaining Group, which is therefore not quantifiable at this stage.

Based on the unaudited pro forma consolidated net assets value of the Remaining Group attributable to owners of the Company as at 30th June, 2009 of approximately HK$1,705.4 million and after adjusting for the value of property interests held by the Remaining Group based on the valuation report as at 30th September, 2009 as set out in Appendix VII to this circular and the deferred tax and non-controlling interests relating thereto, the unaudited pro forma adjusted consolidated net assets value of the Remaining Group was approximately HK$3,490.6 million.

As at the Latest Practicable Date, the parties to the Subscription Agreement have not agreed on the arrangement in respect of the Management Options and the Group does not intend to enter into any supplementary agreement or similar document which would modify the terms and conditions of the existing deed of the Management Options. As disclosed in Appendix IV to this circular, pursuant to the option deed signed for granting the Management Options, in case of acquisition of more than 50% equity interest (directly/indirectly) in Pan China Land by any third party, provided unanimous agreement reached among the third party, Pan China Land and the grantees on the employment arrangement of the grantees, the Management Options (including both the vested and unvested portions) are immediately exercisable or the grantees are entitled to sell the Management Options to the third party. As a condition to the Subscription, Mr.

Billy Yung undertakes to procure the Offeror in holding not less than 50.1% of the issued share capital of the Company as enlarged by the Subscription. Accordingly, Completion would trigger the share options becoming immediately exercisable which necessitates the acceleration of the charging of the remaining share option cost (being HK$93.1 million as at 30th June, 2009, which is 70% of HK$133 million) attributable to the equity holders of the Company. As disclosed in Appendix IV to this circular, pursuant to the terms of the option deed relating to the Management Options, and on the assumptions that upon Completion (i) unanimous agreement has been reached among the Offeror, Pan China Land and the grantees on the employment arrangement, (ii) there is no change in the number of grantees, and (iii) no subsequent arrangements have made between Terborley Limited/Pan China Land and the grantees on the Management Options which might otherwise give rise to additional option cost, and (iv) no consideration has been given on whether or not the grantees would exercise the Management Options, Completion would accelerate the charging of the remaining share option cost which had not yet been charged to the income statement. Details of the aforesaid are set out in note 10 to section A headed "Unaudited pro forma consolidated statement of financial position of the Remaining Group" of Appendix IV to this circular. In addition, the Board has discussed with the Company's auditors on possible financial impacts on the Remaining Group as a result of some other alternative settlement of the Management Options including that (i) in the event that the Management Options are bought out by the Remaining Group in cash, there will be additional option cost to be charged to the income statement of the Remaining Group in case the buy-out consideration is greater than the re-measurement of the fair value of the Management Options on the buy-out date, assuming the fair value on the re-measurement date does not exceed the fair value on the grant date. Under such circumstance, the buy-out consideration would be deducted from equity i.e. share option reserve except to the extent that the buy-out consideration exceeds the fair value of the Management Options on the re-measurement date, which will be charged to the income statement of the Remaining Group. On the contrary, there will be no additional charge to the income statement of the Remaining Group in case the buy-out consideration is lower than the fair value of the Management Options re-measured on the buy-out date, assuming the fair value on the re-measurement date does not exceed the fair value on the grant date, and the buy-out consideration will be deducted from the share option reserve. On the other hand, the net assets of the Remaining Group attributable to owners of the Company will be reduced by the amount of the buy-out consideration; and (ii) in the event that the Management Options are all exercised by the grantees based on the initial exercise price of HK$600, the Remaining Group will receive gross proceeds of approximately HK$69,600,000 and the net assets of the Remaining Group will increase by such amount. However, as a result of the acquisition of 116,000 ordinary shares of Pan China Land by the grantees from Terborley Limited, the Company's effective interest in Pan China Land will be diluted from 70% to 65.94%. All in all, the exercise in full of the Management Options would give rise to the decrease in net assets and results of the Remaining Group attributable to the owners of the Company, taking into account the proceeds to be received on exercise of the Management Options. However, the above scenarios should not be considered exhaustive and actual financial effect as a result of the settlement of the Management Options will depend on the settlement arrangement and financial position of the Remaining Group at the time of settlement.

Based on information set out in Appendix V to this Circular, the unaudited pro forma consolidated net assets value of the Privateco Group attributable to owners of the Privateco as at 30th June, 2009 of approximately HK$1,894.7 million and after adjusting for the value of property interests held by the Privateco Group based on the valuation report as at 30th September, 2009 as set out in Appendix VI to this circular and the deferred tax and non-controlling interests relating thereto, the unaudited pro forma adjusted consolidated net assets value of the Privateco Group was approximately HK$1,934.3 million.

G. EGM

The EGM will be held for the Shareholders, if thought fit, approving the resolutions in respect of the Proposal. The Subscription and the Group Restructuring are subject to approval by the Independent Shareholders and the Capital Reorganisation is subject to approval by the Shareholders, by way of poll at the EGM. Mr. Billy Yung, Ms. Hsu, Madam Yung, COLI, the Offeror, their respective associates and parties acting in concert with any of Mr. Billy Yung, Ms. Hsu, Madam Yung, COLI and the Offeror (including the Directors who hold Shares but excluding Mr. Simon Yung) will abstain from voting on the relevant resolution(s), which will be taken on a poll at the EGM. As at the Latest Practicable Date, Mr. Billy Yung, Ms. Hsu, Madam Yung, their associates and parties acting in concert with them (including the Directors who hold Shares but excluding Mr. Simon Yung) altogether held 329,756,784 Shares, representing approximately 62.99% of the existing issued share capital of the Company. Mr. Simon Yung has obtained a ruling from the Executive that it does not regard Mr. Simon Yung and Mr. Billy Yung are acting in concert purely by virtue of their relationship of "siblings" or "close relatives" under class (8) of the definition of acting in concert. As such, Mr. Simon Yung is not required to abstain from voting on the relevant resolution(s) in connection with the Proposal. Based on the Joint Announcement and public information, as at the Latest Practicable Date, Mr. Simon Yung was interested in 43,577,351 Shares, representing approximately 8.32% of the existing issued share capital of the Company.

The Board was informed by Mr. Simon Yung, the non-executive Director and the brother of Mr. Billy Yung, that he objected to the Proposal and has indicated to the Board his objection to the Proposal and intends to vote against all the resolutions in connection with the Proposal. Your attention is drawn to the view of Mr. Simon Yung as set out on pages 35 to 36 of this circular.

Save as disclosed above, none of the Offeror, its associates and parties acting in concert with the Offeror held any Shares as at the Latest Practicable Date.

A notice convening the EGM is set out on pages EGM-1 to EGM-5 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Tricor Standard Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so desire.

H. VOTING RECOMMENDATION

The Independent Board Committee comprising all the non-executive Director and independent non-executive Directors has been formed in order to make a recommendation to the Independent Shareholders. As Mr. Simon Yung has obtained a ruling from the Executive that it does not regard Mr. Simon Yung and Mr. Billy Yung are acting in concert purely by virtue of their relationship of "siblings" or "close relatives" under class (8) of the definition of acting in concert, Mr. Simon Yung, being the non-executive Director, has been included as a member of the independent board committee pursuant to Rule 2.8 of the Takeovers Code. However, Mr. Simon Yung, being the non-executive Director, has indicated to the Board his objection to the Proposal. Your attention is drawn to the letter of recommendation of the Independent Board Committee and the view of Mr. Simon Yung on page 34 and pages 35 to 36 of this circular respectively.

I. INDEPENDENT ADVICE

Taifook has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposal. Your attention is drawn to their letter to the Independent Board Committee set out on pages 37 to 96 of this circular.

J. REASONS FOR EXCLUDING MR. SIMON YUNG

The Proposal involves the Capital Reorganisation, the Group Restructuring and the Subscription. Upon Completion, the Privateco Offer will be made to the Privateco Shareholders including Mr. Simon Yung but excluding Red Dynasty Concert Party and the COLI Offer will be made to the Shareholders other than the Offeror and parties acting in concert with it. The Subscription is part and parcel of the Proposal and completion of the Subscription is inter-conditional with the Group Restructuring and the Capital Reorganisation, which is conditional on, among other things, the results of the EGM and the sanctioning of the Capital Reorganisation by the Hong Kong Court.

The current long stop date as provided under the Subscription Agreement is 2nd February, 2010. Given sufficient notice period for convening the EGM is required and it takes time for obtaining the sanction of the Capital Reorganisation by the Hong Kong Court, it is crucial for the Company to convene the EGM and obtain all other relevant approvals as soon as practicable so as to avoid the Proposal becoming lapse and the rights of relevant Shareholders to accept the Privateco Offer and the COLI Offer being jeopardised.

Since the publication of the Joint Announcement dated 29th September, 2009, the Directors have continuously and promptly addressed all comments and questions raised by Mr. Simon Yung in relation to the Proposal and this circular. However, up to the Latest Practicable Date, the Directors have not received any consent from Mr. Simon Yung for despatching this circular to the Shareholders. In order to enable the Company to release the relevant information for the relevant Shareholders to consider approving the Proposal on a timely manner, Mr. Simon Yung is excluded from the Board for the purpose of issuing this circular.

Nevertheless, Mr. Simon Yung's view in relation to the Proposal as extracted from the Joint Announcement has been set out in this circular for information of the Shareholders. In addition, Mr. Simon Yung will be given an opportunity, and the Board has undertaken, to publish information and/or to issue supplemental circular in relation to the Proposal upon reasonable request by Mr. Simon Yung within a reasonable time before the date of the EGM for the Shareholders' consideration. In the event that there is any material information released to the Shareholders from Mr. Simon Yung before the date of the EGM, the Board may, if necessary, consider to adjourn the EGM to a later date so as to allow the Shareholders to have sufficient time to consider the Proposal before the EGM.

Despite Mr. Simon Yung's stance on this transaction and his opposition to accept responsibility for the accuracy of information contained in this circular, the majority of the board of directors of the Company has approved the issue of this circular.

K. FURTHER INFORMATION

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

Yours faithfully,
for and on behalf of
SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED
Billy K Yung
Group Chairman and Chief Executive

Set out below is the text of the letter of recommendation from the Independent Board Committee, excluding Mr. Simon Yung, in respect of the Proposal.

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)

8th December, 2009

To the Independent Shareholders

Dear Sir or Madam,

GROUP RESTRUCTURING,
CAPITAL REORGANISATION
AND
SUBSCRIPTION OF NEW SHARES

As members of the Independent Board Committee, we (together with Mr. Simon Yung, whose view in relation to the Proposal as extracted from the Joint Announcement has been set out in this circular for information of the Shareholders) have been appointed to advise you in connection with the Proposal, details of which are set out in the circular of the Company dated 8th December, 2009 (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.

Having considered the terms of the Proposal and the advice of Taifook in relation thereto as set out on pages 37 to 96 of the Circular, we are of the opinion that the Proposal is in the interests of the Company and the Independent Shareholders as a whole and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend you to vote in favour of the resolutions to approve the Group Restructuring, the Capital Reorganisation and the Subscription at the EGM.

We would like to draw your attention to the advice of Taifook, which is particularly highlighted and summarised in the section headed "Conclusion and recommendation" in their letter, on pages 37 to 96 of the Circular regarding the other factors you may wish to take into consideration for your decision in light of the Proposal.

Yours faithfully,
the majority of Independent Board Committee

Peter WONG Chung On **Peter LAM** **Lawrence LEUNG Man Chiu**
Independent non-executive Directors

Set out below is the text of the view of Mr. Simon Yung, one of the members of the Independent Board Committee, in relation to the Proposal as extracted from the Joint Announcement.

The Board was informed by Mr. Simon Yung, the non-executive Director and the brother of Mr. Yung, that he objected to the Proposal and considered the Proposal would not be in the interests of the Shareholders based on the following reasons as extracted from the Joint Announcement:

(i) the Subscription Price of HK$2.90 per Share, which is substantially lower than the offer price under the COLI Offer of HK$5.0 per Share, was considered by Mr. Simon Yung as not reasonably reflecting the value of the Group and was at a discount of approximately 51.18% to the unaudited consolidated net asset value attributable to the Shareholders of approximately HK$5.94 per Share as at 30th June, 2009;

(ii) Mr. Simon Yung believed that the current corporate structure and diversified businesses of the Group should be maintained;

(iii) the offer price of HK$1.80 by Privateco to the Independent Shareholders is substantially lower than the actual value of the Distributed Business of (a) manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business; (b) property leasing; (c) investment holding in real estates including minority share interests in holding companies for certain retail properties and office units of the Citic Plaza in Tianhe district of Guangzhou, a manufacturing building in the Futian free trade zone in Shenzhen, an industrial building in Chaiwan Hong Kong which also houses the Company's headquarters and other industrial properties in Shunde district of Foshan City (details of which can be found in the latest financial statements of the Company as shown on the Company's website); (d) other investment holdings including a taxi company with 775 taxi licenses in Guangzhou, a small investment portfolio of approximately HK$40 million as of 30th June, 2009 consisting of bonds and shares of certain listed companies; (e) the Shareholder's Loan of approximately HK$824.4 million as of 28th August, 2009 (the actual amount of which is subject to confirmation in writing by COLI based on results of the due diligence review) due from the Remaining Business to the Distributed Businesses as set out in the paragraph headed "Repayment of the Shareholder's Loan" under section D headed "Subscription Agreement" in the Joint Announcement (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion); and (f) holding of all Chinese trademarks bearing the name of SMC & Device owned by the Company (to the extent which can be transferred, assigned, novated to or otherwise vested in the Privateco Group before Completion); and

(iv) Mr. Simon Yung considered that a direct disposal of the Remaining Business to COLI at a price in the interest of the Shareholders should be a better alternative so as to avoid any dilution to the Shareholders' interests in the Company.

Mr. Simon Yung has indicated to the Board his objection to the Proposal and intends to vote against all the resolutions in connection with the Proposal.

The following is the text of a letter of advice to the Independent Board Committee and Independent Shareholders from Taifook for the purpose of incorporation into this circular.

taifook
TAIFOOK CAPITAL LIMITED

25th Floor
New World Tower
16-18 Queen's Road Central
Hong Kong

8th December, 2009

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

GROUP RESTRUCTURING, CAPITAL REORGANISATION AND SUBSCRIPTION OF NEW SHARES

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposal, details of which are set out in the circular dated 8th December, 2009 (the "**Circular**") issued by the Company to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise requires.

On 29th September, 2009, the Company, COLI and Red Dynasty jointly announced the Proposal which involves the Capital Reorganisation, the Group Restructuring and the Subscription. After Completion, a voluntary unconditional cash offer will be made by Access Capital on behalf of Red Dynasty for all the Privateco Shares other than those owned or agreed to be acquired by Red Dynasty Concert Party and a voluntary unconditional cash offer will be made by J.P. Morgan on behalf of COLI or one or more special purpose vehicles wholly owned by COLI (the "**Offeror**") for all the issued Shares other than those already held or agreed to be acquired by the Offeror and parties acting in concert with it. As set out in the "Letter from the Board" of the Circular ("**Letter from the Board**"), the Subscription and the Group Restructuring are subject to approval by the Independent Shareholders and the Capital Reorganisation is subject to approval by the Shareholders, by way of poll at the EGM.

Mr. Billy Yung (an executive Director and the sole director of Red Dynasty), Ms. Hsu (the spouse of Mr. Billy Yung) and Mr. Chu Ka Loy (a director of certain subsidiaries of the Company) maintain stock brokerage accounts with Taifook Securities Company Limited ("**Taifook Securities**"), a fellow subsidiary of us. In addition, (i) several discretionary funds (the "**Funds**") managed by Taifook Asset Management Limited or Taifook Investment Managers Limited (both are subsidiaries of Taifook Securities Group Limited ("**Taifook**", our holding company)) in aggregate held approximately 0.03% of the total issued share capital of COLI as at the Latest Practicable Date; and (ii) certain subsidiaries of Taifook had traded in shares of COLI on their own account and certain funds which are managed by Taifook Asset Management Limited or Taifook Investment Managers Limited and in which subsidiary of Taifook is one of the investors had traded in shares of COLI in the two years immediately prior to the Latest Practicable Date. We consider that the above matters do not affect our independence in giving advice to the Independent Board Committee and the Independent Shareholders, given that:

(a) we operate independently of other subsidiaries of Taifook and a strictly-adopted Chinese wall policy exists between us and other subsidiaries of Taifook;

(b) the provision of stock brokerage services to the aforesaid persons is in the ordinary and usual course of business of Taifook Securities and no trading transactions were executed for such accounts since the opening of such accounts;

(c) none of Taifook and its subsidiaries was a beneficial investor of the Funds as at the Latest Practicable Date. The investment holding of shares of COLI by the Funds mentioned in (i) above were in the ordinary and usual course of business of Taifook Asset Management Limited and Taifook Investment Managers Limited; and

(d) the holding and trading of shares of COLI by the subsidiaries of Taifook and the funds which are managed by Taifook Asset Management Limited or Taifook Investment Managers Limited and in which subsidiary of Taifook is one of the investors as mentioned in (ii) above were in the ordinary and usual course of business of Taifook and its subsidiaries and the value of such holding was not significant when compared to the consolidated total assets of Taifook, and no shares of COLI were beneficially owned by such companies and funds since mid-June 2009.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide you with our independent opinion and recommendation as to whether the Proposal is in the interests of the Company and the Independent Shareholders as a whole and the terms thereof are fair and reasonable so far as the interests of the Company and the Independent Shareholders are concerned, and how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Group Restructuring, the Capital Reorganisation and the Subscription at the EGM. The Independent Board Committee, the composition of which is set out in the paragraph headed "Voting recommendation" of the Letter from the Board, has also been established to advise the Independent Shareholders in relation to the terms of the Proposal.

BASES AND ASSUMPTIONS

In formulating our recommendation, we have relied on the financial and other information and facts supplied to us and representations expressed by the Directors and/or management of the Group and have assumed that all such financial and other information and facts provided and any representations made to us, or contained in the Circular, have been properly extracted from the relevant underlying accounting records (in case of financial information) and made after due and careful inquiry by the Company, the Directors and management of the Group. We have also assumed that all such financial and other information and facts provided and any representations made to us, or contained in the Circular, were complete, true and accurate at the time they were made and continue to be so at the date of despatch of the Circular and during the period up to the date of the EGM. We have been advised by the Directors and/or management of the Group that all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Company as set out below:

(i) the Subscription Agreement;

(ii) the annual report of the Company for each of the three years ended 31st December, 2008 and the interim report of the Company for the six months ended 30th June, 2009 (the "**Interim Report**"); and

(iii) the Circular.

We have also discussed with the Directors and/or management of the Group with respect to the terms of and reasons for the Proposal, and consider that we have reviewed sufficient information to reach an informed view and have no reason to doubt the completeness, truth or accuracy of the information and facts provided and representations made to us. We have not, however, conducted an independent verification of the information nor have we conducted any form of investigation into the businesses, affairs, financial performance and positions or prospects of the Group and the associated companies and jointly controlled entities of the Company, COLI and its associates as well as Red Dynasty and its associates.

Since as mentioned in the Letter from the Board, Mr. Simon Yung, the non-executive Director and a brother of Mr. Billy Yung, objected to the Proposal, reference to the opinion expressed by the "Board" and the "Directors" in relation to the Proposal set out below shall exclude Mr. Simon Yung.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the terms of the Proposal and its effects on the Company and the Independent Shareholders as a whole, we have considered the following principal factors and reasons:

I. Principal terms of the Proposal

The Proposal involves the Group Restructuring, the Capital Reorganisation and the Subscription. Pursuant to the Group Restructuring, the Group will be split into a listed group (namely the Remaining Group) and an unlisted group (namely the Privateco Group). Following the Capital Reorganisation comprising the Share Capital Reduction and the Share Premium Cancellation, the Privateco (the holding company of the unlisted group) will be spun off to the Shareholders through a distribution in specie to the Shareholders of all the issued Privateco Shares on the basis of one Privateco Share for every Share held.

Pursuant to the Subscription Agreement entered into between the Company (as issuer), Mr. Billy Yung (as covenantor) and COLI (as subscriber), COLI has conditionally agreed to the subscription by the Offeror for 157,045,368 Subscription Shares, representing approximately 23.08% of the issued share capital of the Company as enlarged by the Subscription. Completion of the Subscription is inter-conditional with the Group Restructuring and the Capital Reorganisation.

Subject to completion of the Proposal, the Privateco Offer and the COLI Offer (together the "**Offers**") will be made to enable Independent Shareholders to realize all or part of their investments in the Company or the Privateco or in both companies if they so wish.

Set out below are the principal terms of the Proposal, the Privateco Offer and the COLI Offer as extracted from the Circular. Further details of the terms of the Proposal, the Privateco Offer and the COLI Offer, including conditions precedent thereof, are set out in the Letter from the Board and Appendix I to the Circular.

(A) The Group Restructuring

Pursuant to the Group Restructuring:

(i) certain assets and liabilities of some of the subsidiaries of the Company, which are carrying on the Distributed Businesses, representing the Group's businesses of:

(a) manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business;

(b) property leasing;

(c) holding in real estates which are mainly located in Hong Kong, Guangdong Province, the PRC and California and Texas, the US and are used for leasing and self use;

(d) taxi rental operations;

(e) a small investment portfolio of approximately HK$40 million as of 30th June, 2009 consisting of bonds and shares of certain listed companies;

(f) the Shareholder's Loan (which, as set out in the Letter from the Board, amounted to approximately HK$824.4 million as of 28th August, 2009) due from the Remaining Business to the Distributed Businesses; and

(g) holding of all Chinese trademarks bearing the name of SMC & Device owned by the Company, will be transferred to the Privateco, a wholly-owned subsidiary of the Company; and

(ii) all the Privateco Shares held by the Company will be distributed in specie to all of the Shareholders whose names appear on the register of members of the Company on the Record Date on the basis of one Privateco Share for every Share held.

As a result of the Transfer described in (i) above, the Remaining Group will be carrying on the Remaining Business mainly comprising the Company's 70% interest in Pan China Land, which together with its subsidiaries, are principally engaged in property investment, development and leasing in the PRC.

As set out above, the Privateco Group has holding in real estates which are mainly located in Hong Kong, Guangdong Province, the PRC and California and Texas, the US and are used for leasing and self use. On the other hand, the Remaining Group holds properties in the PRC for its property investment, development and leasing business and for self use. As advised by the Directors, properties under development of the Remaining Business are located in the PRC, including Guangdong Province and Inner Mongolia and will be developed as residential and commercial premises while properties held for future development are land situated in the PRC, including Beijing, Guangxi, Inner Mongolia and Guangdong Provinces. In addition, the Remaining Business also has properties held for sale in Beijing and Guangdong Provinces and an investment property portfolio comprising office, commercial and/or residential properties in Beijing, Shanghai and Guangzhou. As set out in Appendix VI to the Circular, the total market value of the property interests held by the Privateco Group (other than associates of the Privateco Group) attributable to the Privateco Group as at 30th September, 2009 was approximately HK$686.5 million while as set out in Appendix VII to the Circular, the total market value of the property interests held by the Remaining Group (other than jointly controlled entities of the Remaining Group) attributable to the Remaining Group as at 30th September, 2009 was approximately RMB6,643.1 million. Please refer to Appendices VI and VII to the Circular for further details.

As set out in the Letter from the Board, no application will be made for the listing of the Privateco Shares on the Stock Exchange or any other stock exchange.

(B) The Capital Reorganisation

The Capital Reorganisation comprises:

(i) the Share Capital Reduction, which involves the reduction of the nominal value of HK$0.50 of each of the issued and unissued Shares to HK$0.01 and by cancelling the issued and paid-up capital to the extent of HK$0.49 on each issued Share; and

(ii) the Share Premium Cancellation, whereby the entire amount standing to the credit of the share premium account of the Company will be cancelled.

On completion of the Capital Reorganisation, the credit arising from the Share Capital Reduction and the Share Premium Cancellation will be transferred to a distributable reserve account of the Company to be created for this purpose. The Distribution In Specie will be made out of the aforesaid distributable reserve account and distributable profits of the Company. The amount to be distributed will be equivalent to the carrying value of the Privateco Group, which will be ascertained immediately prior to Completion.

(C) The Subscription Agreement dated 9th September, 2009

Parties

The Company (as issuer), Mr. Billy Yung (as covenantor) and COLI (as subscriber).

Subscription

Subject to the terms and conditions of the Subscription Agreement, the Offeror will subscribe for the 157,045,368 Subscription Shares at a consideration of HK$2.90 per Share (the "**Subscription Price**") in cash. The Subscription Shares represent approximately 30% of the issued share capital of the Company as at the Latest Practicable Date and approximately 23.08% of the issued share capital of the Company as enlarged by the Subscription. The rights to the Distribution In Specie will not be attached to the Subscription Shares. As mentioned in the Letter from the Board, the Company intends to apply the net proceeds from the Subscription for general working capital purposes of the Remaining Group.

Completion of the Subscription is inter-conditional with the Group Restructuring and the Capital Reorganisation. It was noted that the Management Options had been granted by an indirect non wholly-owned subsidiary of the Company in respect of certain shares of Pan China Land. Completion of the Subscription is also subject to, among others, all parties to the Subscription Agreement having agreed to the arrangement or solution in respect of the Management Options. Please refer to the Letter from the Board in relation to the other conditions precedent to completion of the Subscription Agreement.

Repayment of the Shareholder's Loan

Pursuant to the Subscription Agreement, the Company will repay 50% of the Shareholder's Loan and relevant interest accrued up to the Completion Date to the Privateco Group upon Completion. The Offeror undertakes to procure the Company to repay to the Privateco Group the remaining 50% of the Shareholder's Loan and the relevant interest accrued up to the date of payment within 45 days from the Completion Date. As mentioned in the Letter from the Board, the Privateco intends to apply the amount of the Shareholder's Loan received for general working capital purpose of the Privateco Group, including but not limited to, for reduction of debts.

Warranty, lock up and non-competition undertaking

To facilitate the Subscription, pursuant to the Subscription Agreement, Mr. Billy Yung warrants that the audited net asset value of the Remaining Business on the Completion Date shall not be less than HK$1,110 million (excluding the proceeds from the Subscription), failing which Mr. Billy Yung shall compensate COLI. In addition, Mr. Billy Yung undertakes to, among others, maintain certain levels of shareholding in the Company in the two years from the Completion Date and has provided certain non-competition undertaking. Please refer to the Letter from the Board for further details of the terms of the Subscription Agreement. Independent Shareholders, however, are not required to provide the aforementioned warranty, lock-up and non-competition undertaking and bear the risks in connection with such warranty, lock-up and undertaking while obtaining the benefits which may be brought by the Proposal, the Privateco Offer and the COLI Offer.

(D) The Privateco Offer

After Completion, Access Capital will, on behalf of the Red Dynasty, make the Privateco Offer, which is a voluntary unconditional cash offer to the Shareholders to acquire all the Privateco Shares (including such Privateco Shares to be held by Mr. Simon Yung) other than those owned or agreed to be acquired by the Red Dynasty Concert Party on the following basis:

for every Privateco Share held .HK$1.8 in cash (the "Privateco Offer Price")

No Hong Kong stamp duty is payable on any transfer of the Privateco Shares.

Subject to sufficient Privateco Shares being acquired, Red Dynasty intends to avail itself of any right under the Companies Act 1981 of Bermuda and the Takeovers Code to compulsorily acquire the remaining Privateco Shares not already acquired under the Privateco Offer. Further details are set out in Appendix I to the Circular.

(E) The COLI Offer

Subject to Completion, J.P. Morgan will, on behalf of the Offeror, make the COLI Offer, which is a voluntary unconditional cash offer to the Shareholders to acquire all the Shares other than those already held or agreed to be acquired by the Offeror and parties acting in concert with it on the following basis:

for every Share held . . . . HK$5.0 in cash (the "COLI Offer Price")

The Shares subject to the COLI Offer will be acquired ex-entitlements to the Distribution In Specie pursuant to the Group Restructuring.

The ad valorem stamp duty payable by the accepting Shareholders in connection with the COLI Offer amounting to HK$1.00 for every HK$1,000 or part thereof of the consideration will be payable by the accepting Shareholders.

Pursuant to the Subscription Agreement, as a condition precedent to completion of the Subscription, Mr. Billy Yung will irrevocably undertake to COLI that, among others, he will, and will procure Ms. Hsu and the Trust to, and will use his best endeavours to procure Madam Yung and Mr. Simon Yung to, accept the COLI Offer to the extent that the Offeror will own no less than 50.1% of the issued share capital of the Company as enlarged by the Subscription upon closing of the COLI Offer.

The Offeror intends that the Company remains listed on the Stock Exchange.

II. Background to and reasons for the Proposal

As set out in the Letter from the Board, after arm's length negotiations between the parties to the Subscription Agreement, COLI agreed that the Offeror will subscribe for the Subscription Shares and make the COLI Offer conditional upon, among other things, completion of the Group Restructuring. In order to facilitate completion of the Subscription Agreement, the Board, subject to objections raised by one of its members, Mr. Simon Yung, would like to put forward the Group Restructuring, the Capital Reorganisation and the Subscription for the Shareholders' consideration and approval at the EGM.

The Group Restructuring will split the Group into the Privateco Group and the Remaining Group. As set out in the Letter from the Board and Appendix I to the Circular, COLI, being one of the leading property development and investment companies in the PRC, was only interested in taking over the Remaining Business and the listing status of the Company but not the Distributed Businesses and intends to acquire and expand its real estate platform in the PRC by developing the Remaining Business through the Subscription and the COLI Offer. Accordingly, the Subscription and the COLI Offer will not proceed if the Group Restructuring is not implemented.

In addition, as advised by the Directors, given that COLI was the readily available investor to the Company at that time who showed its interest in investing in the Remaining Group through the implementation of the Proposal, and after arm's length negotiations among COLI, the Company and Mr. Billy Yung, the Proposal is the only proposal which was agreed among the parties involved and put forward for the Shareholders' consideration. In particular, in arriving at the Proposal, as stated in the Letter from the Board, the Directors have considered that, as opposed to an outright disposal of the Distributed Businesses to the controlling Shareholder, the Distribution In Specie and the Privateco Offer together provides an option for the Independent Shareholders to keep or dispose of their investment in the Distributed Businesses through the Privateco Offer, which is an unconditional one when made.

The Board also proposed that the Capital Reorganisation be effected. As stated in the Letter from the Board, the Capital Reorganisation allows the Company to have sufficient distributable reserves to facilitate the Distribution In Specie in addition to the deployment of the Company's distributable profits.

Given the above, the Group Restructuring and Capital Reorganisation are part and parcel of the Proposal. Without the Group Restructuring and Capital Reorganisation, the Subscription and the Privateco Offer and the COLI Offer will not proceed.

As set out in the Letter from the Board, the Board is of the view that the COLI Offer and the Privateco Offer will provide a cash exit to any Shareholder who wishes to realise all or part of his/her/its interests in the Company and in the Privateco following Completion at a significant premium to the trading price of the Shares before the date of the Joint Announcement. Accordingly, the COLI Offer and the Privateco Offer provide an opportunity to the Shareholders to realise their investments in the Shares which were traded at a substantial discount to the consolidated net assets value per Share of the Company (based on the latest published interim report of the Company) before the date of the Joint Announcement (as detailed in the paragraph headed "Market price and liquidity of the Shares" below) and at a low liquidity.

The Board considers that the Group Restructuring, the Capital Reorganisation, the Subscription, the Privateco Offer and the COLI Offer altogether are in the interests of the Shareholders as a whole.

III. Information about the Privateco Group and the Remaining Group

(A) Financial information of the Privateco Group

Set out below are a summary of the combined financial information of the Privateco Group for the three years ended 31st December, 2008 and the six months ended 30th June, 2009 and 2008 based on the accountants' report of the Privateco Group (the "**Accountants' Report of the Privateco Group**") as set out in Appendix III to the Circular and the financial information of the Privateco Group for the purpose of preparing the Accountants' Report of the Privateco Group:

	For the six months ended		**For the year ended**		
	30th June, 2009	**30th June, 2008**	**31st December, 2008**	**31st December, 2007**	**31st December, 2006**
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Turnover	542.3	597.9	1,201.9	1,418.3	1,324.9
Gross profit	114.1	115.4	232.2	264.8	246.7
(Loss)/profit before taxation	(57.6)	85.4	18.8	335.4	265.8
(Loss)/profit after taxation attributable to owners of the Privateco	(142.5)	54.6	(16.8)	310.4	212.2

	As at			
	30th June, 2009	31st December, 2008	31st December, 2007	31st December, 2006
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*
Net assets value attributable to owners of Privateco (the "**Privateco NAV**")	1,901.0	2,057.9	2,083.5	1,819.7

As set out above, the combined profit after taxation attributable to owners of the Privateco reached approximately HK$310.4 million for the year ended 31st December, 2007 ("**FY2007**"), and declined substantially in the year ended 31st December, 2008 ("**FY2008**") and the six months ended 30th June, 2009 which resulted in loss-making results for the Privateco Group.

We understand from the Company that during the three years ended 31st December, 2008 and the six months ended 30th June, 2009, the Group had unrealised fair value gains/(losses) (including share of unrealised fair value gains/(losses) of associates) on investment properties, investments held for trading and/or derivative financial instruments. It was noted that for the year ended 31st December, 2006 ("**FY2006**") and FY2007, the Privateco Group recorded an overall Fair Value Gain (as hereinafter defined) while for FY2008 and the six months ended 30th June, 2009, the Privateco Group recorded an overall Fair Value Loss (as hereinafter defined). Such gains/losses only reflect unrealised gains/losses at the relevant balance sheet dates and do not generate any actual cash inflow or outflow to the Privateco Group until such investment properties or investments or derivative financial instruments are disposed of at similarly revalued amounts. Accordingly, we have compared the combined adjusted profit/loss after taxation attributable to owners of the Privateco ("**Adjusted Profit/Loss of the Privateco Group**") for the three years ended 31st December, 2008 and the six months ended 30th June, 2009 calculated by the Company based on the financial information of the Privateco Group for the purpose of preparing the Accountants' Report of the Privateco Group. We are given to understand that the Adjusted Profit/Loss of the Privateco Group is obtained by (deducting)/adding the unrealised fair value (gains)/losses (including share of unrealised fair value (gains)/losses of associates) on investment properties, investments held for trading and derivative financial instruments (after taking into account the effect of deferred taxation and minority interest relating to such fair value gains or losses, where applicable) ("**Fair Value Gains/Losses**") (from)/to the combined profit/loss after taxation attributable to owners of the Privateco.

However, even after excluding the Fair Value Gains/Losses, the Privateco Group still recorded a substantial decrease in the Adjusted Profit of the Privateco Group in FY2008 and an Adjusted Loss of the Privateco Group for the six months ended 30th June, 2009. Although the turnover of the Privateco Group had dropped by approximately HK$216.4 million in FY2008 as compared with that of FY2007, distribution and selling, administrative and other operating expenses in FY2008 had not been reduced accordingly. In addition, the recognition of a gain on disposal of an associate and the higher reversal of impairment of financial assets in FY2007, and lower income tax expenses in FY2007 (as compared with FY2008) also resulted in the significant reduction in the Adjusted Profit of the Privateco Group in FY2008 as compared with FY2007. The Adjusted Loss of the Privateco Group in the six months ended 30th June, 2009 was mainly attributable to, among others, the increase in income tax expense by approximately HK$54.0 million as compared to the six months ended 30th June, 2008, the recognition of a net foreign exchange loss of approximately HK$0.5 million (as compared with a net foreign exchange gain of approximately HK$33.6 million for the six months ended 30th June, 2008), and the decline in the results of associates. As advised by the Directors, the increase in income tax expense for the six months ended 30th June, 2009 was mainly attributable to the provision of profits tax penalty of approximately HK$79.6 million likely to be imposed by the Hong Kong Inland Revenue Department on an overseas subsidiary of the Privateco Group.

Set out below are segment results of the Privateco Group for the three years ended 31st December, 2008 and six months ended 30th June, 2008 and 2009 as extracted from the Accountants' Report of the Privateco Group:

	Electrical household appliances	Property leasing	Taxi rental	Other segments	Total
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Year ended 31st December, 2006					
Segment turnover	1,190.8	62.6	16.8	54.7	1,324.9
Segment profit	55.1	200.9	15.4	45.1	316.5
Year ended 31st December, 2007					
Segment turnover	1,272.4	66.2	23.4	56.3	1,418.3
Segment profit	68.8	202.4	19.0	73.4	363.6
Year ended 31st December, 2008					
Segment turnover	1,057.1	63.2	38.7	42.9	1,201.9
Segment profit/(loss)	56.2	22.3	25.1	(68.8)	34.8
Six months ended 30th June, 2008					
Segment turnover	524.3	32.0	17.5	24.1	597.9
Segment profit/(loss)	23.5	77.1	12.1	(18.0)	94.7
Six months ended 30th June, 2009					
Segment turnover	477.6	30.2	25.4	9.1	542.3
Segment profit/(loss)	24.7	(91.5)	13.4	0.4	(53.0)

The following is a discussion of the performance of the Privateco Group based on the annual and interim reports of the Company for the relevant periods and the information provided by the Company.

Electrical household appliances segment

The electrical household appliances segment mainly comprise the manufacturing and marketing of electrical household appliances such as fans, contract manufacturing of key components of laser printers such as laser scanner, fuser and paper handling options, and electric and electronics contract manufacturing business for products such as vacuum cleaners, lightings, etc..

The turnover of the electrical household appliances segment demonstrated a growth of approximately HK$81.6 million or approximately 6.9% for FY2007 as compared with that for FY2006. As advised by the Directors, the turnover from the sale of ceiling fans decreased due to fierce market competition and the turnover from the sale of table fans decreased due to the closing of the table fan business in FY2007. Nevertheless, the laser scanner and fuser contract manufacturing business recorded a significant increase in revenue in FY2007 with more new models being put in the market and the revenue of electric and electronics contract manufacturing business also increased in FY2007.

For FY2008, the electrical household appliances segment recorded a turnover of approximately HK$1,057.1 million, representing a decrease of approximately 16.9% as compared with FY2007. As affected by the global financial crisis, the sales and profit of the ceiling fan business slowed down. On the other hand, the fuser and laser scanner sales in FY2008 decreased as compared with FY2007 due to price reductions. Volume production of the paper handling options started in the third quarter with satisfactory progress. Electric and electronics contract manufacturing business maintained stable sales in FY2008.

For the six months ended 30th June, 2009, the turnover of the electrical household appliances segment was approximately HK$477.6 million, representing a decrease of approximately 8.9% as compared with the six months ended 30th June, 2008. The sales of ceiling fan business decreased as compared with the six months ended 30th June, 2008 under the adverse global economic environment. As advised by the Directors, sales of fuser and laser scanner products and the electrical and electronics contract manufacturing business also decreased due to global economic slowdown and loss of bidding to new competitors. Paper handling options moved into mass production stage and were expected to contribute additional revenue in 2009.

Although the segment profit margin had been able to maintain at around 5% for FY2008 and the six months ended 30th June, 2009, the results of the electrical household appliances segment in such year/period were adversely affected by the decline in turnover (as compared with their corresponding last year/period). The Directors consider that the electrical household appliances segment is currently under a difficult position. As advised by the Directors, the segment is heavily rely on the fortune of three customers, which together accounted for approximately 80% and 75% of the total turnover of the electrical household appliances segment for FY2008 and the six months ended 30th June, 2009 respectively. In view of the present economies of US and Europe, they are under pricing pressure from the market. As advised by the Directors, this market pricing pressure is directly transferred to the Privateco Group and even becomes part of the contract term with one of these customers, and all these major customers aggressively search for other new factories of contract manufacturing with international standing in the PRC to relieve their over-reliance of a single source of supply from the Privateco Group, adding pressure to the pricing strategy of the segment. The Directors are of the opinion that the future of the segment is grim and will remain in a competitive environment subject to recovery of the US and European economies.

Property leasing segment

The turnover from the property leasing segment was approximately HK$62.6 million, HK$66.2 million, HK$63.2 million, HK$32.0 million and HK$30.2 million for the year ended 31st December, 2006, 2007 and 2008 and for the six months ended 30th June, 2008 and 2009 respectively. As advised by the Directors, a substantial portion of the turnover in the aforesaid years/periods was derived from the leasing of properties in the PRC and US, and the leasing of properties in the PRC and US accounted for approximately 44.4% and 39.9% of the turnover of the property leasing segment for FY2008 respectively and approximately 41.7% and 42.3% of the turnover of the property leasing segment for the six months ended 30th June, 2009 respectively. The increase in the turnover from property leasing segment in FY2007 (as compared with FY2006) was mainly attributable to the increase in rental income for the office complex in Livermore, California, the US. The decrease in the turnover from property leasing segment in FY2008 (as compared with FY2007) was mainly attributable to the decrease in rental income from the office properties of CITIC Plaza in Guangzhou as some office units were sold. On the other hand, the long term lease for the hi-tech manufacturing facility in Shenzhen has provided stable rental contribution to the Group.

The segment profit/(loss) of the property leasing segment was approximately HK$200.9 million, HK$202.4 million, HK$22.3 million, HK$77.1 million and HK$(91.5) million for the year ended 31st December, 2006, 2007 and 2008 and for the six months ended 30th June, 2008 and 2009 respectively. As advised by the Directors, the aforesaid fluctuations were largely attributable to the fair value gain or loss on the investment properties and the fluctuations in the share of results of associates, including the share of fair value gain or loss on investment properties of such associates, which have leased out certain properties of CITIC Plaza in Guangzhou, in the aforesaid years/periods. As advised by the Directors, without taking into account the share of unrealised fair value gains/losses on investment properties (net of deferred taxation) of the associates and the unrealised fair value gains/losses on investment properties of the Privateco and its subsidiaries in the property leasing segment, based on the financial information provided by the Company, the segment profit of the property leasing segment would increase in FY2007 but decreased (the extent of decrease was higher than the increase in FY2007) in FY2008, and increased for the six months ended 30th June, 2009 (as compared to the six months ended 30th June, 2008). We understand from the Directors that the lower segment profit for FY2008 was mainly attributable to the impairment loss of certain property and decrease in the turnover of the property leasing segment in that year.

As advised by the Directors, the rental income for the leasing of the office complex in Livermore will be affected by the slowdown of the US economy and some of the tenants have demanded reduction of rental. We also understand from the Directors that the lease of the industrial complex in Futian Free Trade Zone, Shenzhen will expire in early 2011 and it is expected that the lease will be renewed at a rental rate lower than that currently paid by the tenant. In addition, the Directors consider that the property leasing market of office complex in Guangzhou will continue to face strong competition from other prime cities such as Shanghai and Beijing and from other new skyscrapers in Guangzhou.

Taxi rental segment

The turnover of the taxi rental segment showed a strong growth during the two years ended 31st December, 2008 and the six months ended 30th June, 2009 and the segment profit of the taxi rental segment showed a strong growth during the two years ended 31st December, 2008. As advised by the Directors, such strong growth was mainly attributable to the gradual change of the operation model of the taxi rental business from the lease-to-own model to the rental model. As advised by the Directors, under the lease-to-own model, the Group only leases taxi licences (and not cars) to taxi drivers while under the rental model, the Group also provides cars to taxi drivers for their use and in turn receives a fee which is much higher than that under the lease-to-own model. As such, under the rental model, the Group would increase its vehicle purchases expenditures and per vehicle rental income and operating profit would also increase. The Directors expect that the revenue of this segment will continue to grow as more taxis operates under the rental model. However, as advised by the Directors, the Communications Commission of Guangzhou Municipality (廣州市交通委員會) together with the Price Control Administration of Guangzhou Municipality (廣州市物價局) jointly issued a notice in November 2008 which provided for the reduction of the fees collected by the taxi companies, and as a result, the fees collected by the Privateco Group per taxi per month have been reduced. This new policy has been taken into effect from December 2008 and initially lasts for 5 years. As advised by the Directors, this policy has an adverse impact on the taxi rental business of the Privateco Group.

Nevertheless, the revenue contribution of the taxi rental segment to the Privateco Group was small, being approximately 1.3%, 1.6%, 3.2%, 2.9% and 4.7% for the year ended 31st December, 2006, 2007 and 2008 and the six months ended 30th June, 2008 and 2009 respectively. The segment assets of the taxi rental segment also represented a small portion of the total Privateco Group's assets. As at 30th June, 2009, the segment assets of the taxi rental segment represented approximately 13.3% of the combined segment assets of the Privateco Group. Based on the above, the Directors consider that the taxi rental segment standalone may not be able to significantly improve the results of the Privateco Group.

Other segments

Other segments including manufacturing and trading of electric cables, trading of securities, development and trading of computer hardware and software, direct investments, property investment and development, etc. As advised by the Directors, since FY2008, the Privateco Group (including its associates) has not carried out the property investment and development business.

In FY2006, the other segments recorded a segment profit of approximately HK$45.1 million, which was mainly attributable to the segment profit of securities trading segment and share of results of associates in the property investment and development segment. In FY2007, the segment profit of the other segments increased to approximately HK$73.4 million, which was mainly attributable to, among others, the gain on disposal of associate in the property investment and development segment. In FY2008, the other segments recorded a segment loss of approximately HK$68.8 million, mainly due to the global economic downturn and segment loss of the securities trading segment.

For the six months ended 30th June, 2009, turnover of the other segments decreased significantly when compared to that of the six months ended 30th June, 2008. As advised by the Directors, the significant decrease in turnover was mainly attributable to the decrease in the turnover of development and trading of computer hardware and software segment (as a result of suspension of procurement plan by customers) and electric cables segment. For the six months ended 30th June, 2008, the other segments recorded a segment loss of approximately HK$18.0 million, which was mainly attributable to the loss recorded in securities trading segment. For the six months ended 30th June, 2009, the other segments recorded a segment profit of approximately HK$0.4 million. Such segment profit was mainly attributable to the segment profit of securities trading segment, which offset the segment loss of among others, the development and trading of computer hardware and software and direct investments segments.

Major assets and liabilities of the Privateco Group

Set out below is a breakdown of the major assets and liabilities of the Privateco Group as at 30th June, 2009 as extracted from the Accountants' Report of the Privateco Group and based on the information provided by the Company:

	As at 30th June, 2009		
	HK$'million	*HK$'million*	*HK$'million*
Non-current assets			
– Investment properties			
– PRC	208.2		
– US	195.0		
– Hong Kong	137.0	540.2	
– Interests in associates (which held certain properties in Guangdong Province, the PRC for leasing and which engaged in information technology and semiconductor device technology businesses respectively)		413.3	
– Other intangible assets (being taxi licences in Guangzhou)		193.4	
– Property, plant and equipment		168.0	
– Loans receivable from associates, investees and others		121.3	
– Other non-current assets		25.3	1,461.5
Net current assets			859.0
Non-current liabilities			(411.1)
Minority interests			(8.4)
Net assets value attributable to owners of the Privateco			1,901.0

Adjusted net assets value of the Privateco Group

The valuation of the property interests of the Privateco Group as at 30th September, 2009 are set out in the valuation reports from Knight Frank Petty Limited and Cushman & Wakefield, independent property valuers, contained in Appendix VI to the Circular. We have discussed with Knight Frank Petty Limited and Cushman & Wakefield their valuation reports and noted that portion of properties held by the Privateco Group for investment purpose have been valued by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of the net incomes of the properties provided by the Privateco Group, after allowing for outgoings, and where appropriate, making provisions for reversionary income potential and redevelopment potential. The other properties have been valued using direct comparison approach whenever market comparable transactions are available and assumed sale of the property interests with the benefit of vacant possession. We understand from the valuers that there are other valuation methodologies including cost approach and discounted cash flow approach which they consider not as appropriate as the income capitalisation approach and direct comparison approach. They are of the opinion that the cost approach is not a market-based valuation approach, and the discounted cash flow approach involves a projection of future cash flow in which the accuracy in estimation and assumptions used can seriously affect the outcome in valuation. In addition, they are of the view that the use of the income capitalisation approach and direct comparison approach in their valuation is in line with market practice. Based on the aforesaid, we concur with the view of the valuers and consider that the valuation methodologies adopted by the valuers are reasonable and acceptable.

As set out in Appendix V to the Circular, the unaudited pro forma combined net assets value attributable to owners of the Privateco as at 30th June, 2009 was approximately HK$1,894.7 million ("**Pro forma NAV of the Privateco Group**"). The difference between the Pro forma NAV of the Privateco Group and the combined net assets value attributable to owners of the Privateco of approximately HK$1,901.0 million as extracted from the Accountants' Report of the Privateco Group shown in the above table was attributable to the pro forma adjustment made relating to the estimated professional and legal fees to be borne by the Privateco Group in relation to the Capital Reorganisation and the Group Restructuring in arriving at the Pro forma NAV of the Privateco Group. Based on the Pro forma NAV of the Privateco Group and assuming that 523,484,562 Privateco Shares will be in issue upon Completion, the unaudited pro forma combined net assets value attributable to owners per share of the Privateco would be approximately HK$3.619 ("**Pro forma NAV Per Share of the Privateco Group**").

As set out in the Letter from the Board, based on the Pro Forma NAV of the Privateco Group attributable to owners of the Privateco as at 30th June, 2009 of approximately HK$1,894.7 million and after adjusting for the value of property interests held by the Privateco Group based on the valuation as at 30th September, 2009 set out in the valuation reports of Knight Frank Petty Limited and Cushman & Wakefield in Appendix VI to the Circular and the deferred taxation and minority interests relating thereto, the unaudited pro forma adjusted combined net assets value attributable to owners of the Privateco was approximately HK$1,934.3 million. Based on the aforesaid unaudited pro forma adjusted combined net assets value attributable to owners of the Privateco and assuming that 523,484,562 Privateco Shares will be in issue upon Completion, the unaudited pro forma adjusted combined net assets value attributable to owners per share of the Privateco would be approximately HK$3.695.

(B) Outlook relating to the businesses of the Privateco Group

As disclosed in Appendix I to the Circular, it is the intention of Red Dynasty that the Privateco Group will not make material changes to its principal businesses. Red Dynasty intends to continue the employment of the existing employees of the Distributed Businesses. It is also the intention of Red Dynasty that after the close of the Privateco Offer, the Privateco Group will not hold any assets other than those relating to the Distributed Businesses, nor will any major assets be injected into it, or be disposed of, unless necessary approval by the Privateco Shareholders has been obtained. The interests of the Privateco Shareholders will be safeguarded by the new bye-laws of the Privateco. A summary of the key terms of the new bye-laws of the Privateco is set out in Appendix VIII to the Circular. Although there is no intention for the Privateco Group to conduct any fund raising activities, the Privateco Group may require further funding from the Privateco Shareholders for the development of its businesses in the future.

As Red Dynasty has no intention to make material changes to the principal businesses of the Privateco Group, we have assessed the prospects of the key businesses in which the Privateco Group is currently engaged, namely the electrical household appliances and the property leasing segments.

Electrical household appliances segment

According to iSuppli, an international and reputable independent market research and consulting firm specializing in the electronics value chain, the electronics manufacturing services (EMS) industry suffered from the economic downturn during the year 2008, and expected to be more severely impacted in 2009 after a 5% decline in the total revenue of the global EMS providers in 2008. Yet, iSuppli is expecting a slow recovery in the industry starting in the year 2010.

However, iSuppli pointed out that the PRC was the singular focus of the EMS industry two years ago, but the high rising transportation costs due to the increasing oil price and the currency fluctuation had driven some of the manufacturers to other region all over the world to achieve an overall saving in the manufacturing costs.

On the other hand, the global household appliances sales continued to be affected by the global economy downturn, particularly in the US which is the key market of the electrical household appliances segment. The decline in global economy had resulted in a decline in household consumption, in particular durable goods (tangible products that can be stored or inventoried and that have an average life of at least three years including household appliances). According to the data released by the Bureau of Economic Analysis, U.S. Department of Commerce, the personal outlay on durable goods in the US had declined from US$1,126.5 billion in the second quarter of 2008 to US$1,011.5 billion in the second quarter of 2009, representing an approximately 10.2% year-on-year decline in consumption.

Based on the above, we consider that given the impact of the economic downturn on the global electronics manufacturing services industry, the decline in durable goods household consumption in the US and the slow recovery in the global economy, the business prospects of the electrical household appliances segment in the near future remain uncertain.

Property segment

According to the U.S. Census News released by the U.S. Department of Commerce, the non-seasonally adjusted construction value put in place in the US during the first eight months in 2009 had demonstrated an approximately 11.9% decline compared with that in the corresponding period in 2008.

The various measures taken by the US Government to stimulate the US economy, together with the low interest rate in the US, had helped to relief the pressure on the US property market. However, the weak US economy, in particular the 10-year record high unemployment rate, continued to cast great uncertainty on the US property sector.

As stated in the Interim Report, the property demand in the PRC has started to recover during the first half of the year 2009. According to the information available on the website of the National Bureau of Statistics of China, the sales price indices of buildings in 70 medium-large sized cities in the PRC had recovered from 98.7 in early 2009 to 102.8 as at September 2009. In addition, the gross domestic product growth rate of the PRC for the first three quarters of 2009 as compared to the same period in 2008 reached approximately 7.7%, which indicated a stronger growth rate as compared to the US and the Eurozone countries, where most of them had experienced a year-on-year decline in the gross domestic product during the year 2009. It is likely that the PRC Government could achieve its targeted 2009 annual gross domestic product growth of 8%. In addition, the year-on-year growth on the investment in fixed assets in the PRC in the nine months ended 30th September, 2009 was approximately 33.3%, which was higher than the growth on the investment in fixed assets in the PRC in the corresponding period in 2008, whereby the growth rate was approximately 27.6%.

Based on the above, we concur with the view of the Directors that the economic development in the PRC will continue to be on a long term growth track and accordingly, the property leasing segment of the Privateco Group will benefit from the growing PRC economy in the long term. However, the PRC property market may also be affected by uncertainties such as government policies and competitive operating environment and market conditions of different regions. On the other hand, the US property leasing business of the Privateco Group is expected to be affected by the uncertainties brought by the global financial crisis.

Conclusion

In view of competitive operating environment, the Directors consider that there is no sign of profit growth of the Privateco Group in the near future. We note that the electrical household appliances segment has recorded a decrease in turnover since FY2008 though still managed to remain profitable based on its segment results. As advised by the Directors, the results of the electrical household appliances segment will be adversely affected by the economic conditions of the US and European market, and as at the Latest Practicable Date, there were no concrete development plans for the expansion of the business of the electrical household appliances segment in the near future following Completion. Accordingly, the Directors consider that it is unlikely that the electrical appliances segment will have any improvement in its performance in the near future, given the competitive operating environment, general raw material costs inflation as well as labor and operating costs increase in PRC and over concentration of its manufacturing business in a few customers. On the other hand, the revenue of the property leasing segment was relatively stable for the three years ended 31st December, 2008 and six months ended 30th June, 2009 and without taking into account the share of unrealised fair value gains/losses on investment properties (net of deferred taxation) of associates and the unrealised fair value gains/losses on investment properties of Privateco and its subsidiaries in the property leasing segment, the property leasing segment recorded segment profit during the aforesaid years and period. As mentioned above, the Directors consider that the rental income for the leasing of the office complex in Livermore will be affected by the slowdown of the US economy and some of the tenants have demanded reduction of rental. The Directors also expect that the lease of the industrial complex in Futian Free Trade Zone, Shenzhen will be renewed at a rental rate lower than that currently paid by the tenant. In addition, the Directors consider that the property leasing market of office complex in Guangzhou will continue to face strong competition from other prime cities such as Shanghai and Beijing and from other new skyscrapers in Guangzhou. Furthermore, two associates in which the Company currently has an indirect 40% and 20% equity interest respectively, hold certain properties in the PRC for leasing and contribute results to the Privateco Group. Since the Company is a minority shareholder of the 40% and 20% associates, the Directors consider that following Completion, the Privateco Group would have limited control on their operations. For taxi rental segment, the Directors expect that its revenue contribution and financial impact to the whole Privateco Group will remain small.

Taking into account: (i) the historical financial performance of the electrical household appliances segment and property leasing segment, being the two major business segments of the Privateco Group from FY2006 to the first half of the financial year 2009, had not indicated a strong growth in turnover and apparent upward trend in segment profit (without taking into account unrealised fair value gain or loss); (ii) the uncertainties of the general economic environment following the global financial crisis and the uncertainties of the outlook of the Privateco Group's businesses set out in the paragraph headed "Outlook relating to the businesses of the Privateco Group" above; (iii) Red Dynasty has no intention to dispose of its major assets following Completion; (iv) there were no concrete development plans for the expansion of the business of the electrical household appliances segment in the near future following Completion; (v) the Directors' expectation that the rental income for the leasing of the office complex in Livermore will be affected by the slowdown of the US economy and the lease of the industrial complex in Futian Free Trade Zone, Shenzhen will be renewed at a rental rate lower than that currently paid by the tenant, and the competitive operating environment of the property leasing market of office complex in Guangzhou; and (vi) the Privateco Group would have limited control on the operations of the associates which hold certain properties in the PRC for leasing, we concur with the view of the Directors that the outlook of the Privateco Group remains uncertain and there is no guarantee that the prospects of the Privateco Group's businesses will improve significantly in the near future.

(C) Financial information of the Remaining Group

Set out below are a summary of the unaudited pro forma consolidated turnover and profit figures of the Remaining Group for FY2008 and the unaudited pro forma consolidated net assets value of the Remaining Group as at 30th June, 2009 (on the assumption that the Proposal had been completed after incorporating certain unaudited pro forma adjustments) as extracted from Appendix IV to the Circular:

	For the year ended 31st December, 2008 *HK$'million*
Turnover	1,300.7
Gross profit	608.2
Profit before taxation	622.4
Profit after taxation	200.4
Profit after taxation attributable to owners of the Company	136.8

	As at 30th June, 2009 *HK$'million*
Net assets value attributable to owners of the Company (the "**Remaining Group NAV**")	1,705.4

Set out below is a discussion of the performance of the Remaining Group based on the unaudited financial information of the Remaining Group prepared by the Company for the three years ended 31st December, 2008 and the six months ended 30th June, 2009 and 2008 and the annual and interim reports of the Company for the relevant years or periods and the information provided by the Company. We note that the profit figures in the financial information of the Remaining Group prepared by the Company differ from the unaudited pro forma consolidated profit figures for FY2008 as extracted from Appendix IV to the Circular shown in the table above. Such difference is attributable to the following pro forma adjustments made in arriving at the unaudited consolidated pro forma profit figures for FY2008: (i) the exclusion of share option expenses already charged to the consolidated income statement of the Remaining Group for FY2008; and (ii) reduction of finance costs assuming that 50% of the Shareholder's Loan was settled at the commencement of FY2008 and 50% of the Shareholder's Loan was settled within 45 days from the commencement of FY2008 and the tax effect arising from the reduction of the finance costs. Details of the pro forma adjustments are set out in the unaudited pro forma consolidated income statement of the Remaining Group in Appendix IV to the Circular.

The Remaining Group recorded a loss after taxation in FY2006. Such loss was mainly attributable to the share of loss of jointly controlled entities, a substantial portion of which was related to provision for loss resulting from loan and guarantee granted to certain related parties by a jointly controlled entity.

The results of the Remaining Group improved significantly in FY2007 and achieved a profit after taxation. Such profit was mainly attributable to: (i) the surge in revenue from sale of properties, with the recognition of revenue from the sale of Tower 2 and Tower 3 of the Ever Bright World Center in Beijing and a portion of the saleable units of Guangzhou Ever Bright Garden Phase E, which resulted in the surge in gross profit; (ii) the gain arising on acquisition of minority interests; (iii) fair value gain on investment properties; and (iv) reversal of unutilised provision.

For FY2008, profit before taxation increased as compared with FY2007, which was mainly attributable to: (i) despite a substantial drop in revenue largely due to the recognition of revenue of Tower 2 and Tower 3 of the Ever Bright World Center in Beijing in FY2007, gross profit increased since a substantial portion of the turnover of the Remaining Group in FY2008 was derived from the sale of Guangzhou Ever Bright Garden Phase E, which had a higher gross profit margin than Tower 2 and Tower 3 of the Ever Bright World Center; (ii) gain on disposal of a jointly controlled entity; (iii) reversal of unutilised provision in relation to guarantee issued on behalf of a former equity holder of a subsidiary; and (iv) gain on disposal of a subsidiary. However, profit after taxation decreased for FY2008 (as compared with FY2007) as a result of the substantial increase in income tax expenses in FY2008.

For the six months ended 30th June, 2009, the Remaining Group was able to achieve a turnover growth when compared to that for the six months ended 30th June, 2008. However, gross profit decreased as compared with the six months ended 30th June, 2008 due to the lower profit margin of the property development project located in Haidian district in Beijing and Guangzhou Ever Bright Garden Phase K (South). Nevertheless, both profit before and after taxation increased as compared with the six months ended 30th June, 2008, which was mainly attributable to fair value gain on investment properties recorded in the six months ended 30th June, 2009.

As disclosed in Appendix I to the Circular, as at 30th June, 2009, the Remaining Group had a total saleable and leasable land bank of approximately 1.7 million sq. m. as at 30th June, 2009. The Remaining Group's property projects are located across prime tier one cities such as Beijing, Guangzhou and Shanghai as well as emerging cities such as Hohhot, Inner Mongolia. In addition to development projects, the Remaining Group has an investment property portfolio comprising office, commercial and/or residential properties in Beijing, Shanghai and Guangzhou.

Major assets and liabilities of the Remaining Group

Set out below is a breakdown of the major assets and liabilities of the Remaining Group as at 30th June, 2009 (on the assumption that the Proposal had been completed after incorporating certain unaudited pro forma adjustments) as extracted from the unaudited pro forma consolidated statement of financial position of the Remaining Group in Appendix IV to the Circular:

	As at 30th June, 2009	
	HK$'million	*HK$'million*
Non-current assets		
– Investment properties	633.9	
– Interest in jointly controlled entities	216.2	
– Goodwill	85.0	
– Property, plant and equipment	45.9	
– Other intangible assets	45.1	
– Other non-current assets	3.4	1,029.5
Net current assets		2,970.2
Non-current liabilities		(1,706.3)
Minority interest		(588.0)
Net assets value attributable to owners of the Company		1,705.4

It was noted that the net assets value of the Remaining Group attributable to owners of the Company was on an increasing trend for the three years ended 31st December, 2008 and for the six months ended 30th June, 2009 based on the financial information of the Remaining Group prepared by the Company.

Adjusted net assets value of the Remaining Group

The valuation of the property interests of the Remaining Group as at 30th September, 2009 are set out in the valuation report from CB Richard Ellis Limited, an independent property valuer, contained in Appendix VII to the Circular. We have discussed with CB Richard Ellis Limited its valuation report and noted that the following methodologies have been adopted:

(i) for the property interests held by the Remaining Group for investment in the PRC, the valuer has valued those property interests by the direct comparison approach assuming sales of each of these property interests in its existing state with the benefit of vacant possession and making references to comparable sale transactions as available in the relevant markets. The valuer has also valued the property interests by the capitalisation approach taking into account the current rents passing of the property interests and the reversionary potentials of the tenancies;

(ii) in valuing of the property interests held by the Remaining Group for occupation or sale in the PRC, the valuer has valued such property interests by the direct comparison approach assuming sale of each of these property interests in its existing state with the benefit of vacant possession and making references to comparable sales transactions as available in relevant markets;

(iii) for the property interests held by the Remaining Group for development in the PRC, the valuer has valued the property interests on the basis that the property will be or can be developed and completed in accordance with the Remaining Group's latest development schemes. The valuer has adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market to arrive at the capital value of the property as if the property were completed at the date of valuation and has also taken into account the development costs already spent and to be spent to reflect the quality of the completed development. The "capital value of the property as if the property is completed" represents the valuer's opinion of the aggregate selling prices of the property assuming that it would have completed at the date of valuation. For those property interests contracted to be sold, but the formal assignment procedures of which have not yet completed, the valuer has valued this portion of property interests by taking into account the contract prices. The valuer has also valued the property interests by the direct comparison approach, if appropriate, assuming sale of each of these property interests in its existing state with the benefit of vacant possession and making references to comparable sales transactions as available in the relevant markets;

(iv) we also understand from the valuer that in using the comparison method, comparison is based on prices realised on actual transactions or asking price of comparable properties. Comparable properties with similar sizes, character and locations are analyzed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

We understand from the valuer that there are other valuation methodologies including cost approach and discounted cash flow approach which they consider not as appropriate as the methodologies adopted in their valuation as the cost approach is not in line with the market based valuation practice and the discounted cash flow approach is subject to various assumptions and limitations, which could seriously affect the valuation conclusion. In addition, the valuation methodologies currently adopted in their valuation are in line with market practice. Based on the aforesaid, we concur with the view of the valuer and consider that the valuation methodologies adopted by the valuer are reasonable and acceptable.

Based on unaudited pro forma consolidated net assets value of the Remaining Group attributable to owners of the Company of approximately HK$1,705.4 million as at 30th June, 2009 set out in Appendix IV to the Circular and assuming that 680,529,930 Shares will be in issue upon Completion, the unaudited pro forma consolidated net assets value of the Remaining Group attributable to owners of the Company would be approximately HK$2.506 per Share ("**Pro forma NAV Per Share of the Remaining Group**"). As set out in the Letter from the Board, after adjusting for the value of the property interests held by the Remaining Group based on the valuation as at 30th September, 2009 set out in the valuation report of CB Richard Ellis Limited and the deferred taxation and minority interests relating thereto, the unaudited pro forma adjusted consolidated net assets value of the Remaining Group attributable to owners of the Company was approximately HK$3,490.6 million. Based on the aforesaid unaudited pro forma adjusted consolidated net assets value attributable to owners of the Company and assuming that 680,529,930 Shares will be in issue upon Completion, the unaudited pro forma adjusted consolidated net assets value of the Remaining Group attributable to owners of the Company would be approximately HK$5.129 per Share ("**Adjusted NAV Per Share of the Remaining Group**").

(D) Outlook relating to the business of the Remaining Group

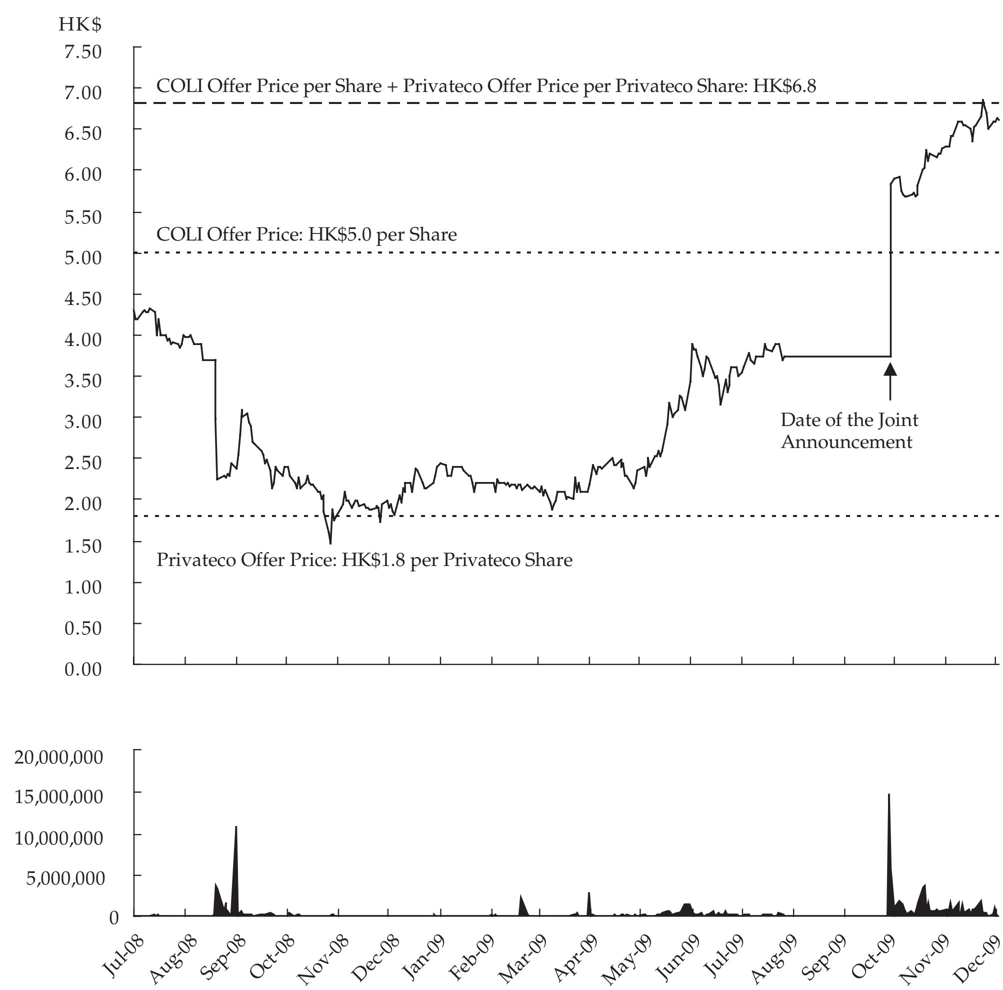
As disclosed in Appendix I to the Circular, it is the Offeror's intention to develop the Remaining Group's platform in the PRC by leveraging on the COLI's real estate investment, development and project management expertise. The primary focus of the Remaining Group will be residential and mixed use developments in emerging second and third tier cities, as well as selective, smaller-scale developments in tier-one and tier-two cities, if opportunities arise. As the Remaining Group will continue to engage in property leasing, investment and development in the PRC, please refer to the overview of the PRC property market set out in the paragraph headed "Outlook relating to the businesses of the Privateco Group – Property segment" above.

As stated in the Interim Report, the property demand in the PRC has started to recover during the first half of the year 2009. According to the information available on the website of the National Bureau of Statistics of China, the gross domestic product growth rate of the PRC for the first three quarters of 2009 as compared to the same period in 2008 reached approximately 7.7%. The Directors consider that the economic development in China will continue to be on a long term growth track and accordingly, the property investment and development business of the Remaining Group will benefit from the growing PRC economy. Based on the aforesaid and the outlook of the PRC property market mentioned above, we concur with the view of the Directors that the property leasing, investment and development business of the Remaining Group will benefit from the growing PRC economy. However, we consider that the PRC property market may also be affected by uncertainties such as government policies and competitive operating environment and market conditions of different regions.

IV. Historical market price and liquidity of the Shares

(A) Share price

The following chart sets out the closing price and trading volume of the Shares as quoted on the Stock Exchange during the period from 2nd July, 2008, being the first trading day of the month falling twelve months prior to 28th July, 2009 (the last trading day of the Shares immediately prior to the suspension of trading in the Shares on 29th July, 2009 pending the release of the Joint Announcement), to the Latest Practicable Date (both dates inclusive) (the "**Review Period**"):



Source: Bloomberg

The aggregate of the COLI Offer Price and the Privateco Offer Price of HK$6.8 ("**Aggregate Offer Price**") represents:

(i) a premium of approximately 14.5% over the unaudited consolidated net assets value attributable to the Shareholders of approximately HK$5.94 per Share as at 30th June, 2009;

(ii) a premium of approximately 81.3% over the closing price of HK$3.75 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) premiums of approximately 77.5%, 81.3%, 86.3%, 125.9% and 165.6% over the average of the closing prices of approximately HK$3.83, HK$3.75, HK$3.65, HK$3.01 and HK$2.56 per Share respectively for the 10, 20, 30, 90 and 180 consecutive trading days up to and including the Last Trading Day; and

(iv) a premium of approximately 2.9% over the closing price of HK$6.61 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As shown in the above chart, the closing prices of the Shares during the Review Period were below the Aggregate Offer Price except for 24th November, 2009, on which the closing price of the Shares on that day was HK$6.83 per Share, representing a premium of approximately 0.4% over the Aggregate Offer Price. The closing price per Share increased from HK$3.75 on the Last Trading Day to HK$5.83 on 30th September, 2009, the first trading day of the Shares immediately after the release of the Joint Announcement. We believe that such increase was due to the Proposal and the expectation of the COLI Offer and the Privateco Offer being made. However, there is no certainty that such level of Share price will be sustained, in particular, if the Group Restructuring does not go through and hence the COLI Offer and the Privateco Offer do not proceed. Further, except for 24th November, 2009, the closing prices of the Shares during the period from 30th September, 2009 to the Latest Practicable Date (both dates inclusive) (the "**Post-Announcement Period**") were still below the Aggregate Offer Price. Accordingly, the Proposal has created an opportunity for the Independent Shareholders to realise their investment through the COLI Offer and the Privateco Offer, at an aggregate offer price which is significantly more favourable than the price of the Shares traded on the market immediately before the publication of the Joint Announcement.

(B) Liquidity of the Shares

The following table sets out the trading volume of the Shares during the Review Period:

Month/ period	Total trading volume for the month/period *(Shares)*	Average daily trading volume for the month/period *(Shares)* *(Note 1)* *(approximately)*	Percentage of average daily trading volume to the total number of Shares in issue *(Note 2)* *(approximately)*	Percentage of average daily trading volume to the total number of Shares held by public Shareholders *(Note 3)* *(approximately)*
2008				
July	1,145,000	52,045	0.01%	0.03%
August	10,870,000	572,105	0.11%	0.38%
September	14,594,000	694,952	0.13%	0.47%
October	1,607,206	76,534	0.01%	0.05%
November	389,200	19,460	0.00%	0.01%
December	710,000	33,810	0.01%	0.02%
2009				
January	503,000	27,944	0.01%	0.02%
February	3,002,855	150,143	0.03%	0.10%
March	1,546,000	70,273	0.01%	0.05%
April	4,563,451	228,173	0.04%	0.15%
May	5,666,400	298,232	0.06%	0.20%
June	7,657,904	348,087	0.07%	0.23%
July (from 2nd July to 28th July, both dates inclusive) *(Note 4)*	2,202,000	115,895	0.02%	0.08%
30th September *(Note 4)*	14,870,000	14,870,000	2.84%	9.90%
October	26,301,932	1,315,097	0.25%	0.88%
November	15,983,960	761,141	0.15%	0.51%
From 1st December up to the Latest Practicable Date, both dates inclusive	1,366,000	455,333	0.09%	0.30%

Source: Bloomberg

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 month/period which exclude any trading day on which trading in the Shares on the Stock Exchange was suspended for the whole trading day.

2. Calculated based on the total number of Shares in issue as at the end of each month/period.

3. Calculated based on the total number of Shares held by public Shareholders as at the end of each month/period.

4. Trading in the Shares on the Stock Exchange was suspended during the period from 29th July, 2009 up to and including 29th September, 2009 pending the release of the Joint Announcement.

As illustrated in the above table, the average daily trading volume of the Shares in each month during the period from 2nd July, 2008 to 28th July, 2009 (both dates inclusive) (the "**Pre-Announcement Period**") ranged from approximately 19,460 Shares in November 2008 (representing less than 0.01% of the total number of Shares in issue at the month end and approximately 0.01% of the total number of Shares held by the public Shareholders at the month end) to 694,952 Shares in September 2008 (representing approximately 0.13% of the total number of Shares in issue at the month end and approximately 0.47% of the total number of Shares held by the public Shareholders at the month end).

Trading volume of the Shares increased to 14,870,000 Shares on 30th September, 2009, the first trading day of the Shares immediately after the release of the Joint Announcement. We consider that the surge in trading volume of the Shares on 30th September, 2009 was due to the announcement of the Proposal and the Privateco Offer and the COLI Offer. However, the average daily trading volume of the Shares after 30th September, 2009 to the Latest Practicable Date (both dates inclusive) fell back to a relatively lower level, ranging from 1,315,097 Shares in October 2009 (representing approximately 0.25% of the total number of Shares in issue at the month end and approximately 0.88% of the total number of Shares held by the public Shareholders at the month end) to approximately 455,333 Shares during the period from 1st December, 2009 up to the Latest Practicable Date (representing approximately 0.09% of the total number of Shares in issue at the month end and approximately 0.30% of the total number of Shares held by the public Shareholders at the month end). However, the average daily trading volume of the Shares during the period after 30th September, 2009 and up to the Latest Practicable Date was still higher than the average daily trading volume of the Shares in the Pre-Announcement Period.

In view of the above, we consider that the overall liquidity of the Shares was relatively low in normal circumstances during the Review Period. As such, Independent Shareholders who intend to dispose of a large number of Shares may not be able to do so without exerting a downward pressure on the price of the Shares. We consider that the Proposal provides an alternative exit to the Independent Shareholders to realise their investment through the COLI Offer and the Privateco Offer at an aggregate offer price which is higher than the closing prices of the Shares in the Pre-Announcement Period.

V. Analysis on the merits and the terms of the Proposal

(A) Certainty offered to the Independent Shareholders for them to realize their investments in the Shares for cash consideration

Following completion of the Proposal, the Privateco Offer and the COLI Offer will be made, which offer the Independent Shareholders with the certainty in being able to realize their investments by accepting the Privateco Offer and/or the COLI Offer. As mentioned above, the Proposal has created an opportunity for the Independent Shareholders to realise their investment through the COLI Offer and the Privateco Offer, at an aggregate offer price which is more favourable than the price of the Shares traded on the market immediately prior to the release of the Joint Announcement and at a premium to the consolidated net assets value of the Shares attributable to the Shareholders as at 30 June 2009, notwithstanding the low liquidity of the Shares.

We note that the Aggregate Offer Price is always higher than the closing prices of the Shares in the Pre-Announcement Period and the trading prices of the Shares surged immediately after the release of the Joint Announcement. As such, we consider that the Proposal, together with the Privateco Offer and COLI Offer, can enhance the Shareholders' value.

(B) The Proposal will enable the Remaining Group to leverage on the experience and expertise of COLI in real estate investment, development and project management

As set out in Appendix I to the Circular, immediately upon completion of the Subscription Agreement and the Capital Reorganisation and before the COLI Offer, the Offeror will be interested in approximately 23.08% of the total issued share capital of the Company. Immediately following the closing of the COLI Offer, the Offeror will own no less than 50.1% of the total issued share capital of the Company.

As disclosed in the Circular, COLI is one of the leading property development and investment companies in the PRC. It is also engaged in other property-related businesses such as property management and construction design. COLI has completed property development projects in more than 20 major cities in the PRC and is widely recognised for its industry track record and experience. In addition, COLI is also a subsidiary of China State Construction Engineering Corporation, one of the largest construction conglomerates in the PRC.

The Remaining Group is principally engaged in property development, investment and leasing in the PRC. As mentioned above, it is the Offeror's intention to develop the Remaining Group's platform in the PRC by leveraging on COLI's real estate investment, development and project management expertise. The Directors consider that the Proposal will be beneficial to the Group's business operations in view of the expertise and experience of COLI in the real estate investment, development and project management and may broaden the Group's chances to potential resources and opportunities in the real estate business.

Although following Completion, the Remaining Group will only be principally engaged in property development, investment and leasing in the PRC and the Remaining Group will engage in similar business as that of COLI which may result in potential competition between the Remaining Group and COLI, it is noted that it is the Offeror's intention to develop the Remaining Group's platform in the PRC by leveraging on COLI's real estate investment, development and project management expertise. Accordingly, the Directors are of the view that in the long run the benefits of the Proposal to the Remaining Group will outweigh the aforementioned unfavourable factors. In addition, the Proposal will have the merits of creating a clear delineation between the business operations of the Distributed Businesses and the Remaining Business, and through the Privateco Offer and the COLI Offer, the Independent Shareholders will be able to choose to retain their investment in Privateco only, in the Company only, in both Privateco and the Company, or realize their investment in both Privateco and the Company. Should the Independent Shareholders are pessimistic about the future of the Remaining Group, they may choose to realise their investment in the Remaining Group by accepting the COLI Offer. We concur with the Directors' view.

(C) The Privateco Offer Price and COLI Offer Price

As mentioned above, completion of the Group Restructuring is inter-conditional with each of the Capital Reorganisation and the Subscription. Accordingly, if the Group Restructuring and the Capital Reorganisation proceed, the Subscription and hence the Offers will proceed. As such, a brief assessment of the Privateco Offer and the COLI Offer is set out below. A more detailed analysis on the Privateco Offer and the COLI Offer will be set out in the composite offer documents in relation to the Privateco Offer and the COLI Offer to be sent to the Privateco Shareholders and the Shareholders respectively in the event that the Proposal is completed.

The Privateco Offer Price

Privateco Comparable Companies

As mentioned above, the Privateco Group mainly comprises the electrical household appliances segment, the property leasing segment and the taxi rental segment. For the purpose of assessing the fairness and reasonableness of the value of the Privateco Group implied by the Privateco Offer, we have identified a number of Hong Kong listed companies (the "**Privateco Comparable Companies**") principally engaged in similar businesses as that of the respective electrical household appliances segment and property leasing segment. We are not aware of any Hong Kong listed company (i) of which the major businesses comprise both electrical household appliances segment and property leasing segment; or (ii) of which the major business is taxi rental business. Accordingly, we have reviewed the price to book multiples ("**P/B**") of the respective Privateco Comparable Companies with principal business being in (i) the electrical household appliances segment or (ii) the property leasing segment similar to the Privateco Group. No comparison of price earnings ratios ("**PER**") has been made between the Privateco Group and the Privateco Comparable Companies as the Privateco Group recorded a consolidated net loss after taxation attributable to owners of the Privateco for FY2008.

The valuation multiples of the Privateco Comparable Companies have been computed on a historical basis, using the financial data obtained from their respective latest published annual reports or annual results announcements, or the interim reports or interim results announcements (where applicable), and based on their respective closing prices of shares as at the Latest Practicable Date.

Electrical household appliances segment

We have identified twelve Hong Kong listed companies principally engaged in the manufacture and sale of electrical household appliances and/or electronics manufacturing services business and the manufacture and sale of electrical household appliances and/or electronics manufacturing services business contributed over 50% of the consolidated turnover of such companies in the last financial year as set out in their respective latest published annual report. We consider the list of Privateco Comparable Companies in the electrical household appliances segment an exhaustive list of the relevant comparable companies. However, we have excluded Hisense Kelon Electrical Holdings Company Limited ("**Hisense Kelon**") in the list of Privateco Comparable Companies since Hisense Kelon had consolidated net liabilities attributable to its equity holders as at the balance sheet date of its latest published financial report and no P/B for Hisense Kelon is available for comparison. In addition, we have excluded Ngai Lik Industrial Holdings Limited ("**Ngai Lik**", a company which had its revenue mainly generated from electronic manufacturing services business for the year ended 31st March, 2009 as disclosed in its latest published annual report) in the list of Privateco Comparable Companies due to the following reasons: (i) Ngai Lik recorded a consolidated net loss attributable to equity holders of Ngai Lik of approximately HK$916.3 million for the year ended 31st March, 2009 and dragging the equity attributable to the equity holders of Ngai Lik of approximately HK$934.0 million as at 31st March, 2008 to approximately HK$17.6 million as at 31st March, 2009; (ii) as disclosed in its circular dated 30th September, 2009, it is undergoing a restructuring proposal following the completion of which the manufacturing activities of Ngai Lik group will not be carried out by itself but rather procured from other independent third party processing agents; (iii) the closing price of the shares of Ngai Lik increased to HK$0.217 per share immediately following the release of the announcement on 4th November, 2009 that a possible general offer will be made on the basis of HK$0.012 for each share of Ngai Lik, which represented a substantial discount to the closing price of the shares of Ngai Lik of HK$0.114 per share on the last trading day immediately before the release of such announcement, and the closing price of Ngai Lik as at the Latest Practicable Date maintained at HK$0.247 per share; and (iv) we consider that the exceptionally increase in price of shares of Ngai Lik may be attributable to the speculations on the prospects of Ngai Lik following the change in control, instead of reflecting the historical business and financial performance of Ngai Lik. For the purpose of our discussion below, reference to "Privateco Comparable Companies in the electrical household appliances segment" shall exclude Hisense Kelon and Ngai Lik.

	Company (stock code)	**Principal activities**	**Market capitalisation (based on the closing price as at the Latest Practicable Date)** *(HK$ million)*	**P/B** *(Note 1)* *(approximate times)*
1.	Techtronic Industries Company Ltd. (669)	Manufacturing and trading of electrical and electronic products	10,247.7	1.33
2.	Kin Yat Holdings Ltd. (638)	Design, manufacture and sale of electrical and electronic products, motors, feature plush and wooden toys, materials primarily for use in liquid crystal display and mine exploration	701.9	0.86
3.	Allan International Holdings Ltd. (684)	Manufacture and distribution of household electrical appliances	637.3	1.03
4.	Kenford Group Holdings Ltd. (464)	Design, manufacture and sale of electrical hair care products, electrical health care products and other small household electrical appliances	238.3	1.02
5.	Haier Electronics Group Co., Ltd. ("**Haier**") (1169)	Research, development, production and sale of washing machines and water heaters under the brand name of "Haier"	9,525.4	6.95

	Company (stock code)	Principal activities	Market capitalisation (based on the closing price as at the Latest Practicable Date) *(HK$ million)*	P/B *(Note 1)* *(approximate times)*
6.	Raymond Industrial Ltd. (229)	Manufacture and sale of electronic products, electrical accessories, ironware products, optic and digital fibre products and electrical appliances	279.6	0.61
7.	Fittec International Group Ltd. (2662)	Provision of pure assembly services; procurement and assembly services; repair and maintenance services; all for printed circuit boards and related products	445.5	0.42
8.	Sinotronics Holdings Ltd. (1195)	Provision of electronic manufacturing services. The group offers a full range of solutions to original design manufacturers and contract electronics manufacturers throughout the production cycle of printed circuit boards. The group also manufactures and trades printed circuit boards	322.8	0.45
9.	Wong's International (Holdings) Ltd. (99)	Mainly engages in manufacture and distribution of electronic products. Also engages in original design and manufacturing	523.0	0.51
10.	Chigo Holding Ltd. (449)	Design, development, manufacture and sale of air-conditioning products	2,477.7	1.33 *(Note 2)*
	Average			**1.45**
	Maximum			6.95
	Minimum			0.42

Source of information for Privateco Comparable Companies: Bloomberg, www.hkex.com.hk and annual reports or announcements or interim reports or announcements of the respective companies above. Amounts denominated in Renminbi ("RMB"), if any, have been translated into HK$ at an exchange rate of RMB1= HK$1.135 for comparison purpose only.

Notes:

1. P/Bs of the Privateco Comparable Companies (other than company no. 10) are calculated based on their respective closing prices per share as quoted on the Stock Exchange as at the Latest Practicable Date and their respective consolidated net assets value attributable to equity holders per share as at the balance sheet date of their latest published annual or interim report or announcement, which is calculated by dividing the consolidated net assets value attributable to the equity holders of the respective companies as at the balance sheet date as disclosed in their latest published annual or interim report or announcement by the total number of ordinary shares in issue of the respective companies as at the balance sheet date.

2. Chigo Holding Limited was listed on the Stock Exchange after its most recent balance sheet date. As such, its consolidated net assets value has been adjusted for the net proceeds from its initial public offering as disclosed in its announcements of allotment results and partial exercise of over-allotment option dated 10th July, 2009 and 5th August, 2009 respectively.

Based on the respective closing prices of the shares of the above ten Privateco Comparable Companies in the electrical household appliances segment as at the Latest Practicable Date, the P/Bs of the Privateco Comparable Companies in the electrical household appliances segment range from approximately 0.42 time to approximately 6.95 times, with an average of approximately 1.45 times. We note that Haier is one of the largest white goods home appliance manufacturers in the PRC and has its own brand name, and its P/B was much higher than the P/Bs of other Privateco Comparable Companies in the electrical household appliances segment. We note that the P/Bs of the Privateco Comparable Companies in the electrical household appliances segment (excluding Haier) range from approximately 0.42 time to approximately 1.33 times, with an average of approximately 0.84 time.

It was also noted that the Privateco Comparable Companies in the electrical household appliances segment which recorded consolidated net loss attributable to equity holders as shown in their last published consolidated annual accounts in general had a lower P/B (ranging from approximately 0.42 time to approximately 0.61 time and having an average of approximately 0.49 time) than those which recorded consolidated net profit attributable to equity holders.

Property leasing segment

We have identified eighteen Hong Kong listed companies principally engaged in the property leasing in Hong Kong, the PRC and/or the US and the property investment or leasing business contributed over 50% of the consolidated turnover of such companies in the last financial year as set out in their respective latest published annual report. We consider the list of Privateco Comparable Companies in the property leasing segment an exhaustive list of the relevant comparable companies.

	Company (stock code)	Principal activities	Market capitalisation (based on the closing price as at the Latest Practicable Date) *(HK$ million)*	**P/B** *(Note)* *(approximate times)*
1.	Liu Chong Hing Investment Ltd. (194)	Property investment and investment holding	2,953.0	0.47
2.	Y.T. Realty Group Ltd (75)	Property investment, property trading and providing property management services	1,095.4	0.34
3.	Melbourne Enterprises Ltd. (158)	Investment holding and property investment in Hong Kong	1,825.0	0.84
4.	Pokfulam Development Co. Ltd. (225)	Property investment, property management and agency, trading of visual and sound equipment, and investment holding	698.5	0.40
5.	Hang Lung Group Ltd. (10)	Property development for sale and leasing, property investment for rental income, operation of car park, property management and dry-cleaning	53,350.7	1.38
6.	Hysan Development Co. Ltd. (14)	Property investment, management and development	25,634.8	0.80
7.	International Entertainment Corporation (8118)	Hotel operations, leasing of properties for casino, ancillary leisure and entertainment operations	1,627.2	0.80
8.	Lai Sun Garment (International) Ltd. (191)	Property development and investment	808.7	0.22

	Company (stock code)	Principal activities	Market capitalisation (based on the closing price as at the Latest Practicable Date) *(HK$ million)*	P/B *(Note)* *(approximate times)*
9.	Dynamic Holdings Ltd. (29)	Property investment and development	354.9	0.25
10.	Buildmore International Ltd. (108)	Property investment and property management	342.3	3.07
11.	Tai Sang Land Development Ltd. (89)	Investment holding and property investment	834.2	0.35
12.	Zhong Hua International Holdings Ltd. (1064)	Property investment and development in Mainland China	121.1	0.20
13.	Zhuguang Holdings Group Co. Ltd. (previously known as Nam Fong International Holdings Ltd) ("**Zhuguang**") (1176)	Property development, property investment and property rental activities in the PRC	6,080.4	9.67
14.	China Properties Investment Holdings Ltd. (736)	Properties investment	414.4	1.47
15.	Emperor International Holdings (163)	Property development and investment, consultancy and advisory services and hotel operations	3,483.9	0.66
16.	Chinese Estates Holdings Ltd. (127)	Property investment and development, brokerage, securities investment, money lending and cosmetics distribution and trading	25,545.0	0.75

	Company (stock code)	Principal activities	Market capitalisation (based on the closing price as at the Latest Practicable Date) *(HK$ million)*	P/B *(Note)* *(approximate times)*
17.	Tern Properties Co. Ltd. (277)	Property leasing and securities investment	1,015.6	0.72
18.	Safety Godown Co. Ltd. (237)	Operation of public godowns and property investment and investment holding	594.0	0.46
	Average			**1.27**
	Maximum			9.67
	Minimum			0.20

Source of information for Privateco Comparable Companies: Bloomberg, www.hkex.com.hk and annual reports or announcements or interim reports or announcements of the respective companies above.

Note: P/Bs of the Privateco Comparable Companies are calculated based on their respective closing prices per share as quoted on the Stock Exchange as at the Latest Practicable Date and their respective consolidated net assets value attributable to equity holders per share as at the balance sheet date of their latest published annual or interim report or announcement, which is calculated by dividing the consolidated net assets value attributable to the equity holders of the respective companies as at the balance sheet date as disclosed in their latest published annual or interim report or announcement by the total number of ordinary shares in issue of the respective companies as at the balance sheet date.

Based on the respective closing prices of the shares of the Privateco Comparable Companies in the property leasing segment as at the Latest Practicable Date, the P/Bs of the Privateco Comparable Companies in the property leasing segment range from approximately 0.20 time to approximately 9.67 times, with an average of approximately 1.27 times.

We note that the closing price of shares of Zhuguang increased from HK$0.198 per Share on 25th March, 2009 to HK$2.68 per Share on the Latest Practicable Date. It was further noted that: (i) Zhuguang recorded a consolidated net loss of approximately HK$24.0 million for the year ended 31st December, 2008 and a slight consolidated net profit of approximately HK$0.3 million for the six months ended 30th June, 2009; (ii) on 17th July, 2009, Zhuguang announced the entering into a conditional sale and purchase agreement and subscription agreement by a new incoming shareholder to acquire control of Zhuguang and a possible mandatory cash offer to acquire all the issued shares in Zhuguang by such shareholder at an offer price of HK$0.10 per share, which represented a substantial discount to the closing price of the shares of Zhuguang of HK$1.02 per share on the last trading day immediately before the date of such announcement; (iii) the closing price of shares of Zhuguang increased to HK$1.25 per share immediately following the release of the aforesaid announcement; (iv) we consider that the exceptionally high P/B of Zhuguang may be partly attributable to the speculations on the prospects of Zhuguang following the change in control, however, we are not aware of any concrete underlying business and financial factors which support the increase in share price during the period from late March 2009 to the Latest Practicable Date and the exceptional high P/B of Zhuguang, in particular, in view of the consolidated financial results of Zhuguang for the year ended 31st December, 2008 and six months ended 30th June, 2009 as mentioned above.

Given the aforesaid, we have also calculated the average of the P/Bs of the Privateco Comparable Companies in the property leasing segment by excluding Zhuguang and the average P/B of such Privateco Comparable Companies in the property leasing segment was approximately 0.78 time.

The Privateco Group

The P/B of the Privateco Group, which is calculated by dividing the Privateco Offer Price by the Pro forma NAV Per Share of the Privateco Group, is approximately 0.50 time ("**Pro Forma Privateco Group P/B**"), which is within the range, but below the average, of P/Bs of the Privateco Comparable Companies in each of the electrical household appliances segment and the property leasing segment. Notwithstanding this, we consider that the Privateco Offer Price is fair and reasonable for the following reasons:

(a) the Privateco Comparable Companies in the electrical household appliances segment which recorded consolidated net loss attributable to equity holders as shown in their last published consolidated annual accounts in general had a lower P/B (ranging from approximately 0.42 time to approximately 0.61 time and having an average of approximately 0.49 time) than those which recorded consolidated net profit attributable to equity holders;

(b) the Privateco Comparable Companies in the electrical household appliances segment excluding Haier range from approximately 0.42 time to approximately 1.33 times, with an average of approximately 0.84 time;

(c) the average of the P/Bs of the Privateco Comparable Companies in the property leasing segment excluding Zhuguang was approximately 0.78 time;

(d) the Privateco will not be listed on any stock exchange following Completion and liquidity of the Privateco Shares would be limited. Given the lack of an active market for the trading of the Privateco Shares as the Privateco Shares will be unlisted, Privateco Shareholders would have difficulty in realising their investments in the Privateco Shares. The lack of liquidity of the Privateco Shares might mean that the Privateco Shareholders may only be able to sell the Privateco Shares at a higher discount to the net assets value of the Privateco Group as compared with other similar companies which are listed on the Stock Exchange; and

(e) we note that the Privateco Group recorded combined net loss attributable to owners of Privateco for FY2008 and for the six months ended 30th June, 2009. Even after adjusting for the Fair Value Gains/Losses, the Privateco Group still recorded a decrease in combined profit after taxation attributable to owners of the Privateco in FY2008 and combined loss after taxation attributable to owners of the Privateco in the six months ended 30th June, 2009. Together with the factors as set out in the sub-paragraph headed "Outlook relating to the businesses of the Privateco Group" under the paragraph headed "Information about the Privateco Group and the Remaining Group" above, we consider that the outlook of the Privateco Group remains uncertain and there is no guarantee that the prospects of the Privateco Group's business will improve significantly in the near future.

The COLI Offer Price

Remaining Group Comparable Companies

For the purpose of assessing the fairness and reasonableness of the value of the Remaining Group implied by the COLI Offer Price, we have identified 43 Hong Kong listed companies (the "**Remaining Group Comparable Companies**") principally engaged in property development business in the PRC and the property development business contributed over 50% of the consolidated turnover of such companies in the last financial year as set out in their respective latest published annual reports or prospectuses, and we consider the list of Remaining Group Comparable Companies an exhaustive list of relevant comparable companies. We have reviewed and compared the PER and P/B of the Remaining Group Comparable Companies with the PER and P/B of the Remaining Group as implied by the COLI Offer Price.

The valuation multiples of the Remaining Group Comparable Companies have been computed on a historical basis, using the financial data obtained from their respective latest published annual reports or annual results announcements, or the interim reports or interim results announcements, or prospectuses (where applicable), and based on their respective closing prices of shares as at the Latest Practicable Date.

	Company (stock code)	Principal activities	Market capitalisation as at the Latest Practicable Date *(HK$ million)*	P/B *(Note 1)* *(approximate times)*	PER *(Note 2)* *(approximate times)*
1.	Country Garden Holdings Co. Ltd. (2007)	Property development, construction, fitting and decoration, property management and hotel operation and theme park	51,986.5	2.23	32.95
2.	Guangzhou R&F Properties Co., Ltd. (2777)	Development of quality residential and commercial properties for sale in China, also develops hotels, office buildings and shopping malls in Guangzhou, Beijing and other cities	48,980.0	3.07	13.77
3.	Agile Property Holdings Ltd. (3383)	Property development, property management, hotel management and decoration service	43,107.9	2.88	7.23
4.	Sino-Ocean Land Holdings Ltd. (3377)	Real estate development, construction, reparation and decoration, property investment, property management and hotel operation businesses	39,633.7	1.99	23.96
5.	Shui On Land Ltd. (272)	Property development and investment	24,108.8	1.10	7.17
6.	SOHO China Ltd. (410)	Investment in real estate developing	22,877.6	1.50	51.12
7.	Beijing North Star Co. Ltd. (588)	Property investment, property leasing, land and property development, retail operation, hotel operation and the provision of food and beverage services	9,865.4	0.79	7.46

	Company (stock code)	Principal activities	Market capitalisation as at the Latest Practicable Date *(HK$ million)*	P/B *(Note 1)* *(approximate times)*	PER *(Note 2)* *(approximate times)*
8.	Greentown China Holdings Ltd. (3900)	Develop quality residential properties targeting middle to higher income residents in China	23,117.0	2.26	35.49
9.	KWG Property Holding Ltd. (1813)	Property development, property investment, and provision of property management services	18,780.4	1.74	40.24
10.	Zhong An Real Estate Ltd. (672)	Property development, leasing and hotel management	5,653.2	1.26	19.94
11.	Beijing Capital Land Ltd. (2868)	Property development and hotel investment and operation	8,132.1	1.63	18.71
12.	Shanghai Forte Land Co. Ltd. (2337)	Property development, property agency, property investment, property management and all consultancy services relating to such businesses	6,753.2	1.05	58.52
13.	SPG Land (Holdings) Ltd. (337)	Property development, property and hotel investment, property management and education	5,927.3	1.51	34.86
14.	Central China Real Estate Ltd. (832)	Residential property development in Henan Province, the PRC	4,360.0	1.35	5.88

	Company (stock code)	Principal activities	Market capitalisation as at the Latest Practicable Date *(HK$ million)*	P/B *(Note 1)* *(approximate times)*	PER *(Note 2)* *(approximate times)*
15.	China Overseas Land & Investment Ltd. (688)	Property development and investment, infrastructure project investments, generation and supply of heat and electricity, real estate agency and management, and treasury operations	145,074.3	3.80	27.41
16.	China Resources Land Ltd. (1109)	Property development, investment and management and construction and decoration services	100,841.9	2.80	42.79
17.	Shimao Property Holdings Ltd. (813)	Property development, property investment and hotel operation in the PRC	58,275.1	2.41	56.76
18.	Hopson Development Holdings Ltd. (754)	Investment holding and property development, investment, property management and hotel operations	21,114.8	0.94	9.97
19.	Poly (Hong Kong) Investments Ltd. (119)	Property development business; property investment and management; hotel and restaurant operations; manufacturing and sales of digital discs and others; and trading of securities and loan financing services	35,807.9	3.64	98.20
20.	New World China Land Ltd. (917)	Property development and investment in the PRC	12,202.2	0.40	8.97

	Company (stock code)	Principal activities	Market capitalisation as at the Latest Practicable Date *(HK$ million)*	P/B *(Note 1)* *(approximate times)*	PER *(Note 2)* *(approximate times)*
21.	Shenzhen Investment Ltd. (604)	Property development, investment and management, provision of transportation services, manufacture and sale of industrial and commercial products, and infrastructure investment	13,476.3	1.12	14.05
22.	Guangzhou Investment Co. Ltd. (123)	Development, operation and management of toll highways and bridges, development, selling and management of properties, holding of investment properties	16,400.3	1.07	26.96
23.	Tian An China Investments Co. Ltd. (28)	Property development and investment, golf course operation, provision of hotel and property management and investment holding	7,111.9	0.70	10.05
24.	Sinolink Worldwide Holdings Ltd. (1168)	Property development, property management and property investment	5,777.2	1.09	15.44
25.	Tomson Group Ltd. (258)	Property development and investment, hospitality and leisure activities, manufacturing of PVC pipes, securities trading and investment holding	4,891.6	0.53	10.64
26.	China Properties Group Ltd. (1838)	Property development and investment, provision of building management and construction consultancy services	4,504.6	0.23	7.52

	Company (stock code)	Principal activities	Market capitalisation as at the Latest Practicable Date *(HK$ million)*	P/B *(Note 1)* *(approximate times)*	PER *(Note 2)* *(approximate times)*
27.	Shanghai Zendai Property Ltd. (755)	Construction of commercial and residential properties for sale, ownership and operation of hotel business, leasing, management and agency of commercial and residential properties, provision of travel and related services	3,956.3	1.16	10.43
28.	SRE Group Ltd. (1207)	Real estate development in the PRC	3,387.6	0.41	10.55
29.	Lai Fung Holdings Ltd. (1125)	Property development for sale and property investment for rental purposes	2,494.9	0.35	6.13
30.	Coastal Greenland Ltd. (1124)	Property development, property investment and provision of property management services	1,981.3	0.63	9.22
31.	China Chengtong Development Group Ltd. (217)	Property investment and property development	3,171.8	3.09	345.45
32.	Hong Long Holdings Ltd. (1383)	Property development and leasing of mid-range residential and commercial properties in Guangdong Province, the PRC	1,092.3	0.57	272.09
33.	China Aoyuan Property Group Ltd. (3883)	Property development and property investment	3,971.0	0.61	N/A *(Note 3)*
34.	Dynamic Global Holdings Ltd. (231)	Development and leasing of properties, investment holding and resort operation	668.7	2.65	N/A *(Note 3)*

	Company (stock code)	Principal activities	Market capitalisation as at the Latest Practicable Date *(HK$ million)*	**P/B** *(Note 1)* *(approximate times)*	**PER** *(Note 2)* *(approximate times)*
35.	Hengli Properties Development (Group) Ltd. (169)	Property development in the PRC	402.7	5.43	N/A *(Note 3)*
36.	New Heritage Holdings Ltd. (95)	Property development and property investment in the PRC	356.7	0.47	N/A *(Note 3)*
37.	Glorious Property Holdings Ltd. (845)	Development and sale of high quality properties in key economic cities in the PRC	30,149.8	2.96 *(Note 4)*	20.38 *(Note 5)*
38.	Mingfa Group (International) Co. Ltd. (846)	Property development primarily on large-scale, mixed use commercial complexes and integrated residential properties in Fujian and Jiangsu Provinces	13,380.0	3.16 *(Note 4)*	26.29 *(Note 5)*
39.	Powerlong Real Estate Holdings Ltd. (1238)	Development and operation of high-quality, large-scale, multi-functional commercial complexes in China	10,913.5	2.16 *(Note 4)*	10.31 *(Note 5)*
40.	Yuzhou Properties Co. Ltd. (1628)	Development of high-quality residential, retail and commercial properties, and provision of property management for both residential and commercial properties	5,328.0	1.47 *(Note 4)*	16.07 *(Note 5)*
41.	Evergrande Real Estate Group Ltd. (3333)	Development of quality residential property projects in different cities across China	64,500.0	4.91 *(Note 4)*	108.29 *(Note 5)*

	Company (stock code)	Principal activities	Market capitalisation as at the Latest Practicable Date *(HK$ million)*	P/B *(Note 1)* *(approximate times)*	PER *(Note 2)* *(approximate times)*
42.	Longfor Properties Co. Ltd. (960)	Property development, property investment and property management businesses in China	45,629.0	3.53 *(Note 4)*	121.24 *(Note 5)*
43.	Fantasia Holdings Group Co., Ltd. (1777)	Property development business, and provision of property operation services, property agency services and hotel services	10,789.2	2.69 *(Note 4)*	112.82 *(Note 5)*
	Average			**1.84**	**45.01**
	Maximum			5.43	345.45
	Minimum			0.23	5.88

Source of information for Remaining Group Comparable Companies: Bloomberg, www.hkex.com.hk and annual reports or announcements or interim reports or announcements or prospectuses of the respective companies above. Amounts denominated in RMB, if any, have been translated into HK$ at an exchange rate of RMB1 = HK$1.135 for comparison purpose only.

Notes:

1. P/Bs of the Remaining Group Comparable Companies (other than companies nos. 37 to 43) are calculated based on their respective closing prices per share as quoted on the Stock Exchange as at the Latest Practicable Date and their consolidated net assets value attributable to equity holders per share as at the balance sheet date of their latest published annual or interim report or announcement, which is calculated by dividing the consolidated net assets value attributable to the equity holders of the respective companies as at the balance sheet date as disclosed in their latest published annual or interim report or announcement by the total number of ordinary shares in issue of the respective companies as at the balance sheet date.

2. PERs of the Remaining Group Comparable Companies (other than companies nos. 37 to 43) are calculated based on their respective closing prices per share as quoted on the Stock Exchange as at the Latest Practicable Date and their respective basic earnings per share for the last financial year as extracted from their latest published annual report or announcement.

3. The relevant Remaining Group Comparable Companies were loss making in their last financial year as shown in their latest published annual report or announcement and hence no PER is presented for such companies and the aforesaid companies have been excluded in arriving at the average, maximum and minimum of the PERs.

4. These Remaining Group Comparable Companies were listed on the Stock Exchange after their most recent balance sheet date. As such, the consolidated net assets value of these newly listed Remaining Group Comparable Companies have been adjusted for the net proceeds from their initial public offering as disclosed in their announcements of allotment results or (if applicable) exercise of over-allotment option.

5. These Remaining Group Comparable Companies were listed on the Stock Exchange after their most recent balance sheet date. As such, the basic earnings per share of these newly listed Remaining Group Comparable Companies are calculated based on the consolidated profit after taxation attributable to the equity holders of the respective companies in their last financial year during their respective track record period divided by their respective number of shares in issue immediately after the capitalisation issue as disclosed in their prospectus and the issue of new shares of the respective companies pursuant to their global offering and (if applicable) exercise of over-allotment option.

Based on the respective closing prices of the shares of the Remaining Group Comparable Companies as at the Latest Practicable Date, the P/Bs of the Remaining Group Comparable Companies range from approximately 0.23 time to approximately 5.43 times, with an average of approximately 1.84 times, and the PERs of the Remaining Group Comparable Companies range from approximately 5.88 times to approximately 345.45 times, with an average of approximately 45.01 times. We note that the PERs of China Chengtong Development Group Ltd. and Hong Long Holdings Ltd., being approximately 345.45 times and approximately 272.09 times, were exceptionally higher than other Remaining Group Comparable Companies and if the PERs of such companies are excluded, the PERs of the Remaining Group Comparable Companies range from approximately 5.88 times to approximately 121.24 times, with an average of approximately 30.75 times.

The Remaining Group

The P/B of the Remaining Group, which is calculated by dividing the COLI Offer Price by the Pro forma NAV Per Share of the Remaining Group, is approximately 2.00 times ("**Pro forma Remaining Group P/B**"), which is higher than 1.84 times, being the average of the P/Bs of the Remaining Group Comparable Companies calculated based on the closing price of shares as at the Latest Practicable Date.

The PER of the Remaining Group, which is calculated by dividing the COLI Offer Price by the unaudited pro forma basic earnings per Share of the Remaining Group attributable to the equity holders of the Company of 20.04 HK cents for FY2008 (details of the calculation of which are set out in Appendix IV to the Circular), is approximately 24.95 times ("**Remaining Group PER**"). We note that the Remaining Group PER is within the range, but lower than the average of the PERs of the Remaining Group Comparable Companies.

We note that pursuant to the Subscription Agreement, completion of the Subscription is subject to, among others, all parties to the Subscription Agreement having agreed to the arrangement or solution in respect of the Management Options. As disclosed in Appendix IV to the Circular, the exercise of the Management Options is conditional on certain performance conditions and vesting periods and as at 30th June, 2009, the amount of share option cost in relation to unexpired portion of the vesting period which is not yet charged to the income statement amounted to HK$133 million. As advised by the Directors, as at the Latest Practicable Date, the parties to the Subscription Agreement had not agreed on the arrangement in respect of the Management Options and the Group does not intend to enter into any supplementary agreement or similar document which would modify the terms and conditions of the existing deed of the Management Options. As disclosed in Appendix IV to the Circular, pursuant to the option deed signed for granting the Management Options, in case of acquisition of more than 50% equity interest (directly/indirectly) in Pan China Land by any third party, provided unanimous agreement reached among the third party, Pan China Land and the grantees on the employment arrangement of the grantees, the Management Options (including both the vested and unvested portions) are immediately exercisable or the grantees are entitled to sell the Management Options to the third party. As a condition to the Subscription, Mr. Billy Yung undertakes to procure the Offeror in holding not less than 50.1% of the issued share capital of the Company as enlarged by the Subscription. Accordingly, Completion would trigger the share options becoming immediately exercisable which necessitates the acceleration of the charging of the remaining share option cost (being HK$93.1 million as at 30th June, 2009, which is 70% of HK$133 million) attributable to the equity holders of the Company. Such acceleration of the charging of the remaining share option cost is made on the assumptions that (i) unanimous agreement has been reached among the Offeror, Pan China Land and the grantees on the employment arrangement; (ii) there is no change in the number of grantees on Completion; (iii) no subsequent arrangements have been made between Terborley Limited/Pan China Land on the grantees on the Management Options which might otherwise give rise to additional option cost; and (iv) no consideration has been given on whether or not the grantees would exercise the Management Options. Details of the aforesaid are set out in note 10 to part (A) "Unaudited pro forma consolidated statement of financial position of the Remaining Group" of Appendix IV to the Circular.

In addition, as advised by the Directors, different settlement arrangements, such as the buying out of the Management Options by the Remaining Group in cash or the exercise of the Management Options, would have different financial effects on the Remaining Group as follows:

(i) in the event that the Management Options are bought out by the Remaining Group in cash, there will be additional option cost to be charged to the income statement of the Remaining Group in case the buy-out consideration is greater than the re-measurement of the fair value of the

Management Options on the buy-out date, assuming the fair value on the re-measurement date does not exceed the fair value on the grant date. Under such circumstance, the buy-out consideration would be deducted from equity i.e. share option reserve except to the extent that the buy-out consideration exceeds the fair value of the Management Options on the re-measurement date, which will be charged to the income statement of the Remaining Group. On the contrary, there will be no additional charge to the income statement of the Remaining Group in case the buy-out consideration is lower than the fair value of the Management Options re-measured on the buy-out date, assuming the fair value on the re-measurement date does not exceed the fair value on the grant date, and the buy-out consideration will be deducted from the share option reserve. On the other hand, the net assets of the Remaining Group attributable to owners of the Company will be reduced by the amount of the buy-out consideration; and

(ii) in the event that the Management Options are all exercised by the grantees based on the initial exercise price of HK$600, the Remaining Group will receive gross proceeds of approximately HK$69,600,000 and the net assets of the Remaining Group will increase by such amount. However, as a result of the acquisition of 116,000 ordinary shares of Pan China Land by the grantees from Terborley Limited, the Company's effective interest in Pan China Land will be diluted from 70% to 65.94%. All in all, the exercise in full of the Management Options would give rise to the decrease in net assets and results of the Remaining Group attributable to the owners of the Company, taking into account the proceeds to be received on exercise of the Management Options.

However, the above scenarios are not exhaustive and the actual financial effect as a result of the settlement of the Management Options will depend on the settlement arrangement and the financial position of the Remaining Group at the time of settlement.

Based on the financial effects as advised by the Directors set out above, in particular, (i) the effect of the acceleration of the charging of the remaining share option cost attributable to the equity holders of the Company as mentioned above on the income statement is one-off; (ii) the buying out of the Management Options by the Remaining Group in cash on the income statement (if applicable) is one-off and accordingly, the Directors consider that this will not materially affect the future revenue generating ability of the recurring business of the Remaining Group; (iii) the consolidated net profit of the Remaining Group attributable to owners of the Company will decrease as a result of the exercise of the Management Options and the resultant dilution of the Company's interest in Pan China Land, which would mean that the PER of the Remaining Group based on the COLI Offer Price would be higher as a result of the exercise of the Management Options; and (iv) the consolidated net assets value of the Remaining Group attributable to owners of the Company will not be increased as a result of the buying out in cash or exercise of the Management Options, which would mean that the P/B of the Remaining Group based on the COLI Offer Price would not be lower as a result of the buying out in cash or exercise of the Management Options, we consider that the settlement of the Management Options would not have adverse impact on our PER and P/B analysis and our conclusion.

Having considered:

(i) the Pro forma Remaining Group P/B is higher than the average of the P/Bs of the Remaining Group Comparable Companies;

(ii) the Remaining Group PER is within the range of the PERs of the Remaining Group Comparable Companies and when China Chengtong Development Group Ltd. and Hong Long Holdings Ltd. which have exceptionally high PERs are excluded, the Remaining Group PER is closer to the average of the PERs of the Remaining Group Comparable Companies; and

(iii) the introduction of COLI as the new substantial Shareholder following Completion will enable the Remaining Group to leverage on the experience and expertise of COLI in real estate investment, development and project management as COLI is one of the leading property development and investment companies in the PRC and is also a subsidiary of China State Construction Engineering Corporation, one of the largest construction conglomerates in the PRC,

we consider that the COLI Offer Price is fair and reasonable.

The Aggregate Offer Price

Based on the basic earnings per share for FY2008 as disclosed in the annual report of the Company for FY2008 and the unaudited consolidated net assets value of the Group attributable to Shareholders per Share as at 30th June, 2009 as disclosed in the Interim Report, the Aggregate Offer Price represents a price earnings ratio of approximately 151.65 times and a price to book multiple of approximately 1.14 times. On the other hand, based on the aforesaid basic earnings per share for FY2008 and the aforesaid unaudited consolidated net assets value attributable to equity holders as at 30th June, 2009 and the closing price of the Shares as at the Last Trading Day, the price earnings ratio and the price to book multiple of the Group were approximately 83.63 times and 0.63 time respectively, which were lower than the price earnings ratio and the price to book multiple of the Group based on the Aggregate

Offer Price. We note that the Aggregate Offer Price is significantly higher than the closing prices of the Shares in the Pre-Announcement Period.

Given the aforesaid, we consider that the Proposal addresses the problem of the substantial discount of the closing price to the consolidated net assets value per Share and allows for the release of the potential value of the Group. However, there is no need for the Independent Shareholders to take a view on whether to accept the COLI Offer and the Privateco Offer now. The composite offer documents containing full details of the COLI Offer and Privateco Offer will be despatched to the Shareholders and Privateco Shareholders respectively in due course in the event that the Proposal is completed.

(D) The Subscription

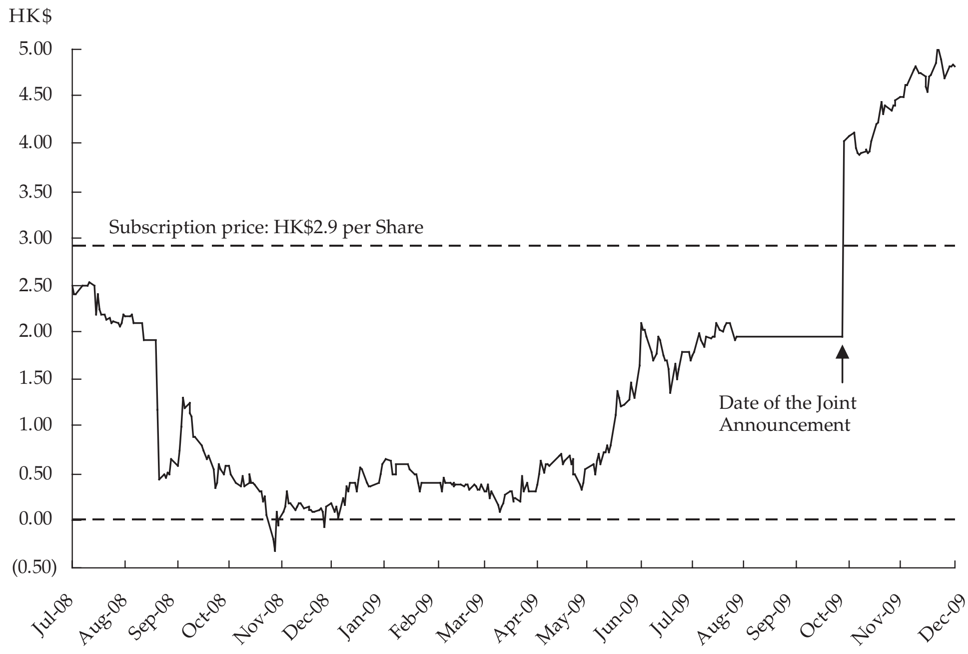
The Subscription Price

Pursuant to the Subscription Agreement, COLI has conditionally agreed to the subscription for the 157,045,368 Subscription Shares by the Offeror at the Subscription Price of HK$2.90 per Share. As mentioned in the Letter from the Board, the Subscription Shares will rank pari passu in all respects with the Shares in issue, but the rights to the Distribution In Specie will not be attached to the Subscription Shares.

Comparison with the historical price of the Shares

When comparing and analysing the Subscription Price relative to the historical price performance of the Shares, since the rights to the Distribution In Specie will not be attached to the Subscription Shares and the Shares were traded cum-entitlement to the Distribution In Specie as at the Latest Practicable Date, we have made adjustments to the historical daily closing prices of Shares by deducting the Privateco Offer Price ("**Adjusted Prices**"). Since there is no open market value for the Privateco Shares which are unlisted and the Privateco Shares (other than those owned or agreed to be acquired by the Red Dynasty Concert Party) will be subject to the Privateco Offer at the Privateco Offer Price, the Privateco Offer Price has been taken as the value of the Privateco Shares for adjustment purpose.

The following chart shows Adjusted Price of the Shares as quoted on the Stock Exchange during the Review Period:



Source: Bloomberg

The Subscription Price represents:

(i) a premium of approximately 48.7% over the Adjusted Price of HK$1.95 per Share on the Last Trading Day;

(ii) premiums of approximately 42.9%, 48.7%, 56.8%, 139.7% and 281.6% over the average of the Adjusted Prices of approximately HK$2.03, HK$1.95, HK$1.85, HK$1.21 and HK$0.76 per Share respectively for the 10, 20, 30, 90 and 180 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 39.7% to the Adjusted Price of HK$4.81 per Share on the Latest Practicable Date; and

(iv) a premium of approximately 15.7% over the Pro forma NAV Per Share of the Remaining Group of approximately HK$2.506 per Share as at 30th June, 2009.

As shown in the above chart, during the Pre-Announcement Period, the highest Adjusted Price of the Shares were HK$2.53 per Share recorded on 11th July, 2008. The Subscription Price represents a premium of approximately 14.6% over the highest Adjusted Price per Share during the Pre-Announcement Period. The lowest closing price of the Shares during the Pre-Announcement Period was below the Privateco Offer Price.

Trading in the Shares was suspended from 29th July, 2009 up to and including 29th September, 2009 pending the release of the Joint Announcement. During the Post-Announcement Period, the highest and lowest Adjusted Prices of the Shares as quoted on the Stock Exchange were HK$5.03 per Share recorded on 24th November, 2009 and HK$3.88 per Share recorded on 8th October, 2009 respectively. The Subscription Price represents a discount of approximately 42.3% to the highest Adjusted Price per Share and a discount of approximately 25.3% to the lowest Adjusted Price per Share during the Post-Announcement Period. The Subscription Price represents a discount of approximately 34.8% to the average Adjusted Price per Share of approximately HK$4.45 during the Post-Announcement Period.

It was noted that during the Pre-Announcement Period, the Adjusted Prices of the Shares were always below the Subscription Price while the Adjusted Prices of the Shares have increased following the publication of the Joint Announcement. We believe that such increase is due to the proposed Group Restructuring and the expectation of the COLI Offer and the Privateco Offer being made. However, there is no certainty that such level of Share price will be sustained, in particular, if the Subscription does not go through and the COLI Offer and the Privateco Offer do not proceed.

Comparison with the market

For the purpose of assessing the fairness and reasonableness of the Subscription Price, we have identified 96 subscriptions or placings of new shares or top-up placings or subscriptions (the "**Comparable Subscriptions**") announced by various Hong Kong listed companies during the period from 1st July, 2009 up to and including 28th September, 2009, being the day before the Joint Announcement was made.

We have reviewed and compared the premium or discount of the Subscription Price over or to: (i) the Adjusted Price of the Shares on the Last Trading Day ("**LTD Adjusted Price**"); and (ii) the average of the Adjusted Prices of the Shares for the 5 consecutive trading days of the Shares up to and including the Last Trading Day ("**5-Day Average Adjusted Price**") with the average premium or discount of the subscription or placing price over or to: (i) the closing price of the shares of the subject companies on the last trading day immediately before the respective Comparable Subscriptions announcements were made ("**LTD Closing Price**"); and (ii) the average of the closing prices of the shares of the subject companies for the 5 consecutive trading days of such shares up to and including the last trading day immediately before the respective Comparable Subscriptions announcements were made ("**5-Day Average Closing Price**").

Comparable Subscriptions

The subscription or placing price

Premium over/ (discount to)	**LTD Closing Price**	**5-day Average Closing Price**
Total number of Comparable Subscriptions with the subscription or placing price being at a premium over the LTD Closing Price or 5-Day Average Closing Price (as the case may be):	3	6
Highest premium	51.65%	56.11%
Lowest premium	3.77%	1.02%
Average premium	19.92%	12.93%
Total number of Comparable Subscriptions with the subscription or placing price being at a discount to the LTD Closing Price or 5-Day Average Closing Price (as the case may be):	93	90
(Highest discount)	(95.00)%	(94.96)%
(Lowest discount)	Nil	(0.33)%
(Average discount)	(14.76)%	(14.93)%
Overall average premium/(discount)	(13.68)%	(13.19)%

Source: website of the Stock Exchange

The Subscription

The Subscription Price

Premium over/ (discount to)	**LTD Adjusted Price**	**5-day Average Adjusted Price**
Premium	48.72%	42.86%

As illustrated in the above table, the premiums of the Subscription Price over the LTD Adjusted Price and the 5-Day Average Adjusted Price in the case of the Subscription are more favourable than the average discounts of the subscription or placing price to the LTD Closing Price and the 5-Day Average Closing Price in the case of the Comparable Subscriptions. It is also noted that when only the Comparable Subscriptions with the subscription or placing price being at a premium over the LTD Closing Price and/or 5-Day Average Closing Price are taken into account, the premiums of the Subscription are above the average of the premiums of the subscription or placing price over the LTD Closing Price and the 5-Day Average Closing Price for the Comparable Subscriptions.

As set out in Appendix I to the Circular, as a result of the issue of the Subscription Shares, the aggregate shareholding interests of the Shareholders (other than Mr. Billy Yung, the Offeror and their respective concert parties but including Mr. Simon Yung) would be diluted from approximately 37.01% as at the Latest Practicable Date to approximately 28.46% immediately after Completion but before the COLI Offer. Although there is dilution effect to the shareholding interests of such Shareholders as a result of the issue of the Subscription Shares and the Subscription Price is substantially below the COLI Offer Price of HK$5.0 per Share and the Adjusted Price on the Latest Practicable Date of HK$4.81 per Share, having taken into account:

(i) completion of the Subscription is a pre-condition of the COLI Offer and the Privateco Offer and the Subscription is part and parcel of the Proposal. Accordingly, if the Subscription does not proceed, the COLI Offer and Privateco Offer will not proceed, and Independent Shareholders will not be given an assured opportunity to realize their investment at the Aggregate Offer Price, which is higher than both the closing price of the Shares as at the Latest Practicable Date and the closing prices of the Shares immediately before the publication of the Joint Announcement;

(ii) the Subscription Price represents a premium of approximately 15.7% over the Pro forma NAV Per Share of the Remaining Group, which indicated that the NAV per Share of the Remaining Group would not be diluted as a result of the Subscription;

(iii) the Comparable Subscriptions had an average discount of approximately 13.68% and 13.19% of the subscription or placing price to LTD Closing Price and to the 5-Day Average Closing Price respectively and accordingly, the premiums of the Subscription Price over the LTD Adjusted Price and the 5-Day Average Adjusted Price of the Subscription are more favourable than the average discounts of the subscription or placing price to the LTD Closing Price and the 5-Day Average Closing Price of the Comparable Subscriptions;

(iv) of the 96 Comparable Subscriptions, there were 93 Comparable Subscriptions of which the subscription or placing prices represent a discount to their respective LTD Closing Prices and there were 90 Comparable Subscriptions of which the subscription or placing prices represent a discount to their respective 5-Day Average Closing Prices. Based on the above, we consider that it is common for the subscription or placing price to be set below the then prevailing closing price. In particular, without the Privateco Offer and COLI Offer, it might not be probable for the Company to procure placing or subscription of new Shares at the Subscription Price, which was much higher than the Adjusted Prices of the Shares in the Pre-Announcement Period;

(v) notwithstanding the Adjusted Prices of the Shares after the publication of the Joint Announcement and the COLI Offer Price were higher than the Subscription Price, we consider that the significant increase of the trading prices of the Shares immediately after the publication of the Joint Announcement was due to the proposed Group Restructuring and the expectation of the COLI Offer and the Privateco Offer being made. As such, if the Proposal was not put forward, it was not probable that the trading prices of the Shares would have increased significantly which resulted in the discount of the Subscription Price to the Adjusted Prices of the Shares in the Post-Announcement Period; and

(vi) the introduction of COLI as the new substantial Shareholder through the Subscription will enable the Remaining Group to leverage on the experience and expertise of COLI in real estate investment, development and project management as COLI is one of the leading property development and investment companies in the PRC and is also a subsidiary of China State Construction Engineering Corporation, one of the largest construction conglomerates in the PRC,

we consider that the Subscription Price and the dilution effect of the Subscription is acceptable.

(E) Clear delineation between the business operations of the Distributed Businesses and the Remaining Business

We consider that the Proposal will have the merits of creating a clear delineation between the business operations of the Distributed Businesses and the Remaining Business. As mentioned above, the business operations and prospects of the Distributed Businesses and the Remaining Business are quite different. As such, through the Privateco Offer and the COLI Offer, the Independent Shareholders will be given an opportunity to formulate their investment strategies and choose to retain their investment in Privateco only, in the Company only, in both Privateco and the Company, or realize their investment in both Privateco and the Company.

(F) Protections for the interests of the Privateco Shareholders

Upon Completion, Privateco, as an unlisted company, will not be governed by the Listing Rules and therefore will not be subject to the same degree of corporate governance and minority protection requirements as set out in the Listing Rules. However, Privateco will continue to be subject to the Takeovers Code for as long as it remains a public company. As set out in the Letter from the Board, the interests of Privateco Shareholders will be safeguarded, though to a lesser extent, by the proposed new bye-laws of the Privateco, a summary of which is set out in the Appendix VIII to the Circular. We concur with the view of the Directors that the provisions of the bye-laws of Privateco and the fact that Privateco will continue to be subject to the Takeovers Code for as long as it remains a public company will give a reasonable protection to the Privateco Shareholders. Should the Independent Shareholders are in doubt of the protections for the interests of the Privateco Shareholders, they may choose to realize their investment in the Privateco by accepting the Privateco Offer.

(G) Diverged view of Mr. Simon Yung

As set out in the section headed "The view of Mr. Simon Yung (the dissenting member of the Independent Board Committee)" of the Circular, Mr. Simon Yung, the non-executive Director and the brother of Mr. Billy Yung, objected to the Proposal. In particular, his views on, among others, the Subscription Price, the Privateco Offer Price, and his views that the current corporate structure and diversified businesses of the Group should be maintained and the advantage of a direct disposal of the Remaining Business to COLI over the current structure are set out in the section headed "The view of Mr. Simon Yung (the dissenting member of the Independent Board Committee)" of the Circular.

We have considered his reasons for objecting the Proposal and our views have been set out in this letter, in particular, in the sections headed "(D) The Subscription", "(C) The Privateco Offer Price and COLI Offer Price", and "(E) Clear delineation between the business operations of the Distributed Businesses and the Remaining Business".

CONCLUSION AND RECOMMENDATION

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

(i) the outlook of the Privateco Group remains uncertain and there is no guarantee that the prospects of the Privateco Group's businesses will improve significantly in the near future;

(ii) the Proposal has created an opportunity for the Independent Shareholders to realise their investment through the COLI Offer and the Privateco Offer at the Aggregate Offer Price, which is higher than the closing prices of the Shares in the Pre-Announcement Period and the closing price of the Shares as at the Latest Practicable Date;

(iii) the trading prices of the Shares surged immediately after the release of the Joint Announcement and there is no certainty that such level of Share price will be sustained, in particular, if the Proposal does not go through and hence the COLI Offer and the Privateco Offer do not proceed;

(iv) the overall liquidity of the Shares was relatively low in normal circumstances during the Review Period, and Independent Shareholders who intend to dispose of a large number of Shares may not be able to do so without exerting a downward pressure on the price of the Shares while the Proposal provides an alternative exit to the Independent Shareholders to realise their investment through the COLI Offer and the Privateco Offer;

(v) by leveraging on COLI's real estate investment, development and project management expertise, the Proposal will be beneficial to the Group's business operations in view of the expertise and experience of COLI in the real estate investment, development and project management and may broaden the Group's chances to potential resources and opportunities in the real estate business;

(vi) the Pro forma Privateco Group P/B is within the range of the P/Bs of the Privateco Comparable Companies and the Privateco will not be listed on any stock exchange following Completion and liquidity of the Privateco Shares would be limited;

(vii) the Pro forma Remaining Group P/B is higher than the average of the P/Bs of the Remaining Group Comparable Companies and the Remaining Group PER is within the range of PERs of the Remaining Group Comparable Companies;

(viii) the Proposal addresses the problem of the substantial discount of the closing price per Share to the consolidated net assets value per Share and allows for the release of the potential value of the Group;

(ix) the Subscription is part and parcel of the Proposal and the Subscription Price represents a premium of approximately 15.7% over the Pro forma NAV Per Share of the Remaining Group; and

(x) Independent Shareholders are not required to provide warranty, lock-up or non-competition undertaking and bear the risks in connection with such warranty, lock-up and undertaking while obtaining the benefits which may be brought by the Proposal, the Privateco Offer and the COLI Offer,

we are of the view that the Proposal is in the interest of the Company and the Independent Shareholders as a whole and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to approve the Group Restructuring, the Capital Reorganisation and the Subscription.

Yours faithfully,
For and on behalf of
Taifook Capital Limited

Derek C. O. Chan	**Kenneth Ng**
Managing Director	*Executive Director*

Certain information contained in this appendix are extracted from the Joint Announcement for the purposes of providing with the Independent Shareholders reference in respect of the key terms of the Privateco Offer and the COLI Offer. Information extracted from the Joint Announcement reflects the situation as of the date of the Joint Announcement. Detailed terms of the Privateco Offer and the COLI Offer were set out in the Joint Announcement and will be set out in the Privateco Offer Document and COLI Offer Document (as the case may be).

POSSIBLE VOLUNTARY UNCONDITIONAL CASH OFFER FOR THE PRIVATECO SHARES

Immediately upon Completion and based on the current shareholding structure of the Company, Mr. Billy Yung and the parties acting in concert with him (including the Directors who hold Shares but excluding Mr. Simon Yung) will be interested in a total of 329,756,784 Privateco Shares, which comprise 263,651,084 Privateco Shares held by Mr. Billy Yung, 63,246,300 Privateco Shares held by Madam Yung and 2,859,400 Shares held by the Directors other than Mr. Billy Yung, Madam Yung and Mr. Simon Yung, representing in aggregate approximately 62.99% of the issued share capital of the Privateco. Mr. Simon Yung has obtained a ruling from the Executive that it does not regard Mr. Simon Yung and Mr. Billy Yung are acting in concert purely by virtue of their relationship of "siblings" or "close relatives" under class (8) of the definition of acting in concert. Mr. Simon Yung will be interested in 43,577,351 Privateco Shares, representing approximately 8.33% of the issued share capital of the Privateco.

Given that the Privateco Shares will not be listed on any stock exchange upon Completion and will therefore be difficult, if not impossible, for the Privateco Shareholders to realise their interests in the Privateco if they desire, Mr. Billy Yung, who will become the controlling shareholder of the Privateco upon Completion, considers that it will be appropriate for him to provide the Privateco Shareholders with an opportunity to realise their holdings of the Privateco Shares by procuring Access Capital on behalf of Red Dynasty to make the Privateco Offer on a voluntary basis pursuant to the Takeovers Code.

The Privateco Shares to be acquired under the Privateco Offer will include such Privateco Shares as will be held by Mr. Simon Yung but not those to be owned or agreed to be acquired by Red Dynasty Concert Party on the following basis:

for every Privateco Share held *. . . . . HK$1.80 in cash

* *The number of the Privateco Shares to be in issue will be equal to the total number of the Shares in issue on the Record Date.*

As the Privateco Offer will only be made upon Completion, which is subject to a number of conditions, the making of the Privateco Offer may or may not proceed and, as such, is a possibility only.

In the event that the Privateco Offer is made, it will be an unconditional cash offer.

On the basis that 523,484,562 Privateco Shares are expected to be in issue upon Completion, the Privateco Offer values the entire issued share capital of the Privateco at approximately HK$942.3 million. Assuming the Group Restructuring is completed and based on 326,897,384 Privateco Shares, representing approximately 62.45% of the share capital of the Privateco expected to be in issue, to be owned collectively by Red Dynasty and parties acting in concert with it (including Mr. Billy Yung, Ms. Hsu and Madam Yung), 196,587,178 Privateco Shares (including the 43,577,351 Privateco Shares to be held by Mr. Simon Yung) which represents approximately 37.55% of the share capital of the Privateco expected to be in issue will be subject to the Privateco Offer under the Takeovers Code. Such Privateco Shares are valued at approximately HK$353.9 million.

Access Capital, the financial adviser to Red Dynasty, is satisfied that sufficient financial resources are available to Red Dynasty to satisfy full acceptance of the Privateco Offer.

The Privateco Offer price, subject to the objections raised by Mr. Simon Yung with details as set out in the letter from Mr. Simon Yung in this circular, has been determined after taking into account, among other things, the underlying assets and liabilities of the Distributed Businesses, the effects of the repayment of the Shareholder's Loan of approximately HK$824.4 million (actual amount of which is subject to confirmation in writing by COLI based on results of the due diligence review), historical earnings capability and future prospect of the Distributed Businesses. As at the date of the Joint Announcement, none of the member of the Red Dynasty Concert Party has received any indication or irrevocable commitment from any Shareholder that it will accept or reject the Privateco Offer. The Privateco Shares subject to the Privateco Offer will be acquired by Red Dynasty with the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of the Privateco Shares and free from all third party rights.

Since the Privateco is a company incorporated in Bermuda and its register of members is located and maintained there, no Hong Kong stamp duty is payable on any transfer of the Privateco Shares.

Background of Red Dynasty and its intentions regarding the Privateco

Red Dynasty is a company incorporated in BVI with limited liability and is beneficially owned by Mr. Billy Yung, Ms. Hsu and Madam Yung as to 99.996%, 0.002% and 0.002% respectively. Red Dynasty is principally engaged in investment holding. Mr. Billy Yung is also the sole director of Red Dynasty.

Mr. Billy Yung is an executive Director, the group chairman and chief executive of the Company. Mr. Billy Yung received a Bachelor's degree in Electrical Engineering from University of Washington and a Master's degree in Industrial Engineering from Stanford University. Mr. Billy Yung has over 30 years of experience in managing manufacturing, retailing, transportation, semi-conductor, computer hardware and software business in USA, Hong Kong and China. He has also over 25 years of experience in real-estate investment and development in USA, Canada, Holland, Hong Kong, Taiwan, Macau and China. He is also a director in various members of the Group.

Ms. Hsu is the spouse of Mr. Billy Yung.

Madam Yung is the mother of Mr. Billy Yung and Mr. Simon Yung, the non-executive Director. Madam Yung has been involved in the development of the Group since inception and was appointed as an executive Director in 1984. She is also a director in various members of the Group.

It is the intention of Red Dynasty that the Privateco Group will not make material changes to its principal businesses. Red Dynasty intends to continue the employment of the existing employees of the Distributed Businesses. It is also the intention of Red Dynasty that after the close of the Privateco Offer, the Privateco Group will not hold any assets other than those relating to the Distributed Businesses, nor will any major assets be injected into it, or be disposed of, unless necessary approval by the Privateco Shareholders has been obtained.

Though there is no intention for the Privateco Group to conduct any fund raising activities, the Privateco Group may require further funding from the Privateco Shareholders for the development of its businesses in the future.

Subject to sufficient Privateco Shares being acquired, Red Dynasty intends to avail itself of any right under the Companies Act 1981 of Bermuda and the Takeovers Code to compulsorily acquire the remaining Privateco Shares not already acquired under the Privateco Offer. Further announcements will be made about the exercise of such compulsory acquisition rights. Under section 103 of the Company Act 1981 of Bermuda, Red Dynasty can compulsorily acquire the Privateco Shares of the remaining Privateco Shareholders once it holds 95% of all issued Privateco Shares. In addition to the aforesaid requirement, Rule 2.11 of the Takeovers Code requires acceptances of the Privateco Offer during the period of 4 months after posting of the Privateco Offer document total 90% of the disinterested Privateco Shares.

POSSIBLE VOLUNTARY UNCONDITIONAL CASH OFFER FOR THE SHARES

After Completion, the Offeror will hold 157,045,368 Shares, representing approximately 23.08% of the issued share capital of the Company as enlarged by the Subscription. The Offeror and Mr. Billy Yung, both of whom are parties acting in concert together will hold in aggregate 420,696,452 Shares upon Completion, representing approximately 61.83% of the issued share capital of the Company as enlarged by the Subscription. Subject to Completion, J.P. Morgan will, on behalf of the Offeror, make the COLI Offer, which is a voluntary unconditional cash offer to the Shareholders to acquire all the Shares other than those already held or agreed to be acquired by the Offeror and parties acting in concert with it on the following basis:

for every Share held . . . . HK$5.0 in cash

In accordance with but subject to the terms of the Undertaking, however, Mr. Billy Yung will irrevocably undertake not to accept the COLI Offer in respect of those Shares beneficially owned by him and not to transfer to any third party or otherwise dispose of or take such actions to make those Shares available for acceptance prior to closing of the COLI Offer. Mr. Billy Yung will procure Ms. Hsu, and subject to other parts of the Undertaking and Madam Yung's Undertaking, will use his best endeavours to procure Madam Yung, to comply with similar non-disposal restrictions in respect of the Shares held by them.

The making of the COLI Offer is a possibility only and it may or may not proceed.

In the event that the COLI Offer is made, it will be an unconditional cash offer.

The COLI Offer price has been determined with reference to (i) the value of the Pan China Land Group; (ii) the value of the Company taking into account the effect of the Distribution In Specie; and (iii) the premium for controlling the Company.

Based on the Company's share capital of 680,529,930 Shares as enlarged by the Subscription, the COLI Offer values the entire issued share capital of the Company at approximately HK$3,402.6 million. Assuming the COLI Offer is accepted in full, the COLI Offer applies to 523,484,562 Shares, representing approximately 76.92% of the issued share capital of the Company after Completion, and the value of the COLI Offer will amount to approximately HK$2,617.4 million (excluding stamp duty).

The Shares subject to the COLI Offer will be acquired ex-entitlements to the Distribution In Specie pursuant to the Group Restructuring but with the right to receive all dividends or distributions declared, paid or made on or after the date of the Subscription Agreement and free from all third party rights attaching thereto on or after that date.

The ad valorem stamp duty payable by the accepting Shareholders in connection with the COLI Offer amounting to HK$1.00 for every HK$1,000 or part thereof of the consideration will be payable by the accepting Shareholders and will be deducted by the Offeror from the consideration payable to them on acceptance of the COLI Offer. The Offeror will then pay the stamp duty on behalf of the accepting Shareholders.

The Undertaking

Pursuant to the Subscription Agreement, as a condition precedent to completion of the Subscription, Mr. Billy Yung will irrevocably undertake to COLI that:

(i) Mr. Billy Yung will, and will procure Ms. Hsu and the Trust to, and will use his best endeavours to procure Madam Yung and Mr. Simon Yung to, accept the COLI Offer to the extent that the Offeror will own no less than 50.1% of the issued share capital of the Company as enlarged by the Subscription upon closing of the COLI Offer;

(ii) subject to performance of obligations of Mr. Billy Yung under (i) above and (vi) below, Mr. Billy Yung together with Ms. Hsu and the Trust will hold

136,000,000 Shares (representing approximately 20.0% of the issued share capital of the Company as enlarged by the Subscription) or above and the rights and economic interests therein for a period of one year from the Completion Date;

(iii) even if the Stock Exchange deems Madam Yung or Mr. Simon Yung as a member of the public (as defined in the Listing Rules) and the Shares held by them as public shareholdings after the COLI Offer, the shareholding held by Mr. Billy Yung, together with Ms. Hsu and the Trust, in the Company still shall not exceed 169,320,000 Shares, representing approximately 24.9% of the issued share capital of the Company as enlarged by the Subscription, after completion of the COLI Offer;

(iv) in the event that Mr. Billy Yung, together with Ms. Hsu and the Trust, own less than 136,000,000 Shares after completion of the COLI Offer, Mr. Billy Yung will, as far as permitted under the Takeovers Code, use his reasonable endeavours to acquire the Shares from Madam Yung and Mr. Simon Yung after completion of the COLI Offer so that Mr. Billy Yung, together with Ms. Hsu and the Trust, will own 136,000,000 Shares;

(v) other than required under (i) and (iii) above and (vi) below, Mr. Billy Yung will not accept the COLI Offer in respect of those Shares beneficially owned by him or take such action to make these Shares available for acceptance of the COLI Offer or transfer to any third party his Shares or the rights and economic interests therein or otherwise dispose of them prior to closing of the COLI Offer, Mr. Billy Yung will procure Ms. Hsu and the Trust, and subject to (i) and (iv) above will use his best endeavours to procure Madam Yung, to comply with similar non-disposal restrictions in respect of the Shares held by them;

(vi) upon the closing of the COLI Offer, Mr. Billy Yung and COLI will jointly undertake to maintain the 25% public float requirement and will jointly sell or transfer the Shares held by them to the public (as defined in the Listing Rules) such that at least 25% of the Shares are held by the public; and

(vii) Mr. Billy Yung irrevocably authorises COLI to sign, transfer and execute all necessary documents to fulfil items (i), (iii), (iv) and (vi) above.

Pursuant to the Undertaking, Mr. Billy Yung (together with Ms Hsu and the Trust) will in any event accept the COLI Offer as to a minimum of approximately 94.33 million Shares held by them.

Pursuant to Madam Yung's Undertaking, Madam Yung has undertaken to Mr. Billy Yung and COLI to accept the COLI Offer in respect of the 53,246,300 Shares beneficially owned by her. Mr. Billy Yung has tried to approach Mr. Simon Yung but no response was received from Mr. Simon Yung with regard to the acceptance of the COLI Offer as detailed in (i) above.

Save for the Undertaking and Madam Yung's Undertaking, the Offeror and parties acting in concert with it have not received any indication or irrevocable commitment from any Shareholders that it will accept or reject the COLI Offer as at the date of the Joint Announcement.

Set out below is the shareholding structure of the Company as at the date of the Joint Announcement and immediately after Completion:

	As at the date of the Joint Announcement		**Immediately upon completion of the Subscription Agreement and the Capital Reorganisation and before the COLI Offer**	
	Number of Shares (in million)	%	*Number of Shares (in million)*	%
Mr. Billy Yung *(Note 1)*	263.65	50.36	263.65	38.75
Madam Yung *(Note 2)*	63.25	12.08	63.25	9.29
The Directors *(Note 3)*	2.86	0.55	2.86	0.42
The Offeror	–	–	157.05	23.08
Subtotal for Mr. Billy Yung, the Offeror and their respective concert parties	329.76	62.99	486.81	71.54
Mr. Simon Yung *(Note 4)*	43.58	8.32	43.58	6.40
Public	150.14	28.69	150.14	22.06
Total	523.48	100.00	680.53	100.00

Notes:

1. Of the 263.65 million Shares, approximately 37.32 million Shares are beneficially interested by Mr. Billy Yung, approximately 10.00 million Shares are jointly owned by Mr. Billy Yung and Ms. Hsu and approximately 216.33 million Shares are held by the Trust.

2. Of the 63.25 million Shares, approximately 53.25 million Shares are beneficially interested by Madam Yung and the remaining balance of approximately 10.00 million shares represents the Shares held by the late Dr. Yung Yau.

3. Those interests held by Mr. Billy Yung, Madam Yung and Mr. Simon Yung are excluded.

4. Of the 43.58 million Shares, approximately 39.15 million Shares are beneficially interested by Mr. Simon Yung, approximately 3.53 million Shares are held by Konvex Enterprises Limited which is wholly-owned by Mr. Simon Yung, and the remaining balance of 0.90 million Shares represent the shares held by Mr. Simon Yung's spouse, Madam Chiu Man. Mr. Simon Yung has obtained a ruling from the Executive that it does not regard Mr. Simon Yung and Mr, Yung are acting in concert purely by virtue of their relationship of "siblings" or "close relatives" under class (8) of the definition of acting in concert.

For illustration purpose, set out below is the possible shareholding structures of the Company following the closing of the COLI Offer:

	Scenario 1 (Note 1): Number of Shares (in million)	%	Scenario 2 (Note 2): Number of Shares (in million)	%	Scenario 3 (Note 3): Number of Shares (in million)	%	Scenario 4 (Note 4): Number of Shares (in million)	%
Mr. Billy Yung	133.00	19.55	136.00	19.98	136.00	19.98	169.32	24.88
Madam Yung *(Note 5)*	10.00	1.47	7.00	1.04	–	0.00	–	0.00
The Directors	2.86	0.42	2.86	0.42	–	0.00	–	0.00
The Offeror	340.95	50.10	340.95	50.10	544.53	80.02	511.21	75.12
Subtotal for Mr. Billy Yung, the Offeror and their respective concert parties	486.80	71.54	486.80	71.54	680.53	100.00	680.53	100.00
Mr. Simon Yung *(Notes 5 and 6)*	43.58	6.40	43.58	6.40	–	0.00	–	0.00
Public	150.15	22.06	150.15	22.06	–	0.00	–	0.00
Total	680.53	100.00	680.53	100.00	680.53	100.00	680.53	100.00

Notes:

1. Scenario 1 assumes nil acceptance by Shareholders other than Mr. Billy Yung and Madam Yung who accept the COLI Offer pursuant to the Undertaking and Madam Yung's Undertaking respectively.

2. Scenario 2 assumes (i) nil acceptance by Shareholders other than Mr. Billy Yung and Madam Yung; (ii) Mr. Billy Yung has successfully procure Madam Yung to sell her Shares to Mr. Billy Yung such that Mr. Billy Yung can maintain 136,000,000 Shares (i.e. approximately 20% shareholding interest in the Company); and (iii) the Offeror can maintain 50.1% shareholding interest in the Company.

3. Scenario 3 assumes (i) 100% acceptance by Shareholders other than Mr. Billy Yung; and (ii) Mr. Billy Yung maintains 136,000,000 Shares (i.e. approximately 20.0% shareholding interest in the Company) pursuant to the Undertaking.

4. Scenario 4 assumes (i) 100% acceptance by Shareholders other than Mr. Billy Yung; and (ii) Mr. Billy Yung maintains 169,320,000 Shares (i.e. approximately 24.9% shareholding interest in the Company) pursuant to the Undertaking.

5. Madam Yung and Mr. Simon Yung, will be regarded as public Shareholders if they resign as Directors upon Completion provided that they have no other connected relationships with the Company.

6. Mr. Simon Yung has obtained a ruling from the Executive that it does not regard Mr. Simon Yung and Mr. Billy Yung are acting in concert purely by virtue of their relationship of "siblings" or "close relatives" under class (8) of the definition of acting in concert.

Background of the Offeror and its intention regarding the Company

COLI is one of the leading property development and investment companies in the PRC. It is also engaged in other property-related businesses such as property management and construction design. COLI has completed property development projects in more than 20 major cities in the PRC and is widely recognized for its industry track record and experience. As at 17th August, 2009, COLI had a total land bank of approximately 25.63 million sq. m. across 22 mainland China cities and districts (including Hong Kong and Macau).

COLI is also the largest PRC property developer listed on the Stock Exchange as at the date of the Joint Announcement (by market capitalization). It is a subsidiary of China State Construction Engineering Corporation, one of the largest construction conglomerates in the PRC.

As a leading real estate development and investment company in the PRC, COLI's strategy is to grow its business both organically and via acquisitions. The proposed COLI Offer represents an opportunity for COLI to acquire and expand its real estate platform in the PRC. The Remaining Group had a total saleable and leasable land bank of approximately 1.7 million sq. m. as at 30th June, 2009. The Remaining Group's property projects are located across prime tier one cities such as Beijing, Guangzhou and Shanghai as well as emerging cities such as Hohhot, Inner Mongolia. The portfolio also has a balanced mix of properties under development and land bank held for future developments. In addition to development projects, the Remaining Group has an investment property portfolio comprising two completed office properties in Beijing and Shanghai and a retail mall under development in Guangzhou with a planned gross floor area of 81,651 sq. m..

It is the Offeror's intention to develop the Remaining Group's platform in the PRC by leveraging on the COLI's real estate investment, development and project management expertise. The primary focus of the Remaining Group will be residential and mixed use developments in emerging second and third tier cities, as well as selective, smaller-scale developments in tier-one and tier-two cities, if opportunities arise. The Remaining Group, through maintaining listing of the Shares on the Stock Exchange, will remain listed to provide access to the public equity capital markets to fund its future expansions.

With a view to ensuring continuity of the management of the Remaining Group and leveraging Mr. Billy Yung's vast experience in the real-estate investment and development industry, pursuant to the Subscription Agreement, COLI agrees to appoint Mr. Billy Yung as the Vice Chairman of the Board if Mr. Billy Yung maintains 20% or more shareholding and beneficial interests in the Company (the "**Interests**") in the year following Completion and 10% or more Interests in each of following years after the first anniversary of Completion. It is the intention that Mr. Billy Yung's remuneration as the Vice-Chairman of the Board will be substantially less than the total remuneration currently received by Mr. Billy Yung from the Company and no other benefits will be paid to Mr. Billy Yung and there will be no fixed term for his appointment. Further announcement will be made as and when there is a change in the composition of the Board.

COMPARISON OF THE COMBINED OFFER PRICE UNDER THE PROPOSAL WITH MARKET PRICES AND NET ASSET VALUE OF THE SHARES

The combined consideration under the Proposal on a part and parcel basis including the COLI Offer and the Privateco Offer is equivalent to HK$6.80 per Share, which represents:

– a premium of approximately 14.5% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK$5.94 per Share as at 30th June, 2009;

– a premium of approximately 81.3% over the closing price of HK$3.75 per Share as quoted on the Stock Exchange on the Last Trading Day; and

– premiums of approximately 77.5%, 81.3%, 86.3%, 125.9% and 165.6% over the average of the closing prices of approximately HK$3.83, HK$3.75, HK$3.65, HK$3.01 and HK$2.56 per Share respectively for the 10, 20, 30, 90 and 180 consecutive trading days up to and including the Last Trading Day.

The COLI Offer price of HK$5.00 per Share represents:

– a premium of approximately 33.3% over the closing price of HK$3.75 per Share as quoted on the Stock Exchange on the Last Trading Day; and

– premiums of approximately 30.5%, 33.3%, 37.0%, 66.1% and 95.3% over the average of the closing prices of approximately HK$3.83, HK$3.75, HK$3.65, HK$3.01 and HK$2.56 per Share respectively for the 10, 20, 30, 90 and 180 consecutive trading days up to and including the Last Trading Day.

GENERAL

Maintenance of the listing status of the Company

The Offeror intends that the Company remains listed on the Stock Exchange. As set out in the section headed "Possible voluntary unconditional cash offer for the Shares" above, COLI and Mr. Billy Yung will irrevocably undertake that, among other things, they will be responsible for maintaining the 25% public float requirement upon the closing of the COLI Offer.

The Stock Exchange has stated that if, at the close of the COLI Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

– a false market exists or may exist in the trading of the Shares; or

– there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

(I) ACCOUNTANTS' REPORT ON THE FINANCIAL STATEMENTS OF THE GROUP

Set out below is the text of the Accountants' Report on the financial statements of the Group from Grant Thornton which is prepared for inclusion in this circular:

Grant Thornton
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Member of Grant Thornton International Ltd

8th December, 2009

The Board of Directors
Shell Electric Mfg. (Holdings) Company Limited
1/F., Shell Industrial Building
12 Lee Chung Street
Chai Wan Industrial District
Hong Kong

Dear Sirs,

Introduction

We set out below our report on the financial statements of Shell Electric Mfg. (Holdings) Company Limited (the "Company") and its subsidiaries (collectively the "Group"), including the consolidated and company balance sheets as at 31st December, 2006, 2007 and 2008, and the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31st December, 2006, 2007 and 2008 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes thereto (collectively the "Financial Statements"), for inclusion in the circular of the Company dated 8th December, 2009 (the "Circular") in connection with the proposed group restructuring and capital reorganisation of the Company as set out in the "Letter from the Board" contained in the Circular.

The Company was incorporated in Hong Kong on 25th September, 1970 with limited liability. The Company prepared its financial statements throughout the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretation) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. The Company's financial statements for the years ended 31st December, 2006, 2007 and 2008 were audited by us. Certain subsidiaries, associates and jointly controlled entities prepared statutory financial statements throughout the Relevant Periods, details of the statutory auditors of these subsidiaries, associates and jointly controlled entities are set out in notes 59, 60 and 61 to the Financial Statements respectively.

Audited financial statements have been prepared for Shell Electric Holdings Limited, a wholly-owned subsidiary of the Company incorporated on 20th August, 2009, for reporting period up to 30th June, 2009 which are included in Section (I) to Appendix III of this Circular. No audited financial statements have been prepared for any of the other entities in the Group in respect of any period subsequent to 31st December, 2008.

Basis of preparation

The Financial Statements has been prepared by the directors of the Company (the "Directors"), based on the financial statements of the Company and its subsidiaries, in accordance with HKFRSs and the Hong Kong Companies Ordinance. The Financial Statements also complies with the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Adjustments have been made, for the purpose of this report, to restate the financial statements of the Group in accordance with the basis set out in note 2 to the Financial Statements to ensure the Financial Statements is prepared on a consistent and comparable basis.

Responsibility

The Directors are responsible for preparing the Financial Statements which are free from material misstatement and gives a true and fair view. In preparing the Financial Statements which gives a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable in the circumstances.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Statements and to report our opinion to you.

Basis of opinion

As a basis for forming an opinion on the Financial Statements for the purpose of this report, we have carried out appropriate audit procedures in respect of the audited financial statements of the Group for each of the three years ended 31st December, 2006, 2007 and 2008 in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline – Prospectuses and the Reporting Accountant (statement 3.340) issued by the HKICPA.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Statements is free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the Financial Statements gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2006, 2007 and 2008 and of the Group's results and cash flows for each of the three years ended 31st December, 2006, 2007 and 2008.

CONSOLIDATED INCOME STATEMENTS

	NOTES	2006 HK$'000	2007 HK$'000	2008 HK$'000
Revenue	5	1,553,063	3,552,030	2,502,632
Cost of goods and services		(1,217,911)	(2,827,559)	(1,662,292)
Gross profit		335,152	724,471	840,340
Other income	7	68,433	68,781	44,231
Distribution and selling expenses		(38,918)	(65,048)	(73,194)
Administrative expenses		(188,415)	(227,391)	(300,415)
Other operating expenses		(49,415)	(70,684)	(107,239)
Other gains/(losses)				
Fair value gain/(loss) on investment properties	15	126,659	92,794	(64,337)
Fair value gain/(loss) on investments held for trading		54,034	20,779	(62,286)
Fair value gain/(loss) on derivative financial instruments		1,292	(8,030)	–
Fair value loss on share-based payment		(1,000)	–	–
Impairment loss on owner-occupied property		(393)	–	(3,423)
Impairment loss on goodwill arising on acquisition of a subsidiary	18	(1,473)	–	(2,283)
Impairment losses on other assets		(8)	(5,494)	(5,116)
Reversal of impairment of financial assets		–	21,008	7,684
Reversal of unutilised provision	38	–	23,478	67,309
Gain on acquisition of minority interests	45(a)	–	106,987	–
Gain on disposal of a subsidiary	47	–	512	56,115
Others		(256)	1,004	4,755
Operating profit		305,692	683,167	402,141
Finance costs	9	(31,867)	(69,284)	(73,109)
Share of results of associates		53,336	80,512	46,354
Share of results of jointly controlled entities		(145,350)	1,635	7,366
Gain on disposal of an associate	35(b)	–	45,302	–
Gain on disposal of a jointly controlled entity	35(c)	–	–	176,533
Impairment loss on interest in a jointly controlled entity	22	–	–	(28,361)
Profit before income tax	8	181,811	741,332	530,924
Income tax expense	10	(95,416)	(198,787)	(456,518)
Profit for the year		86,395	542,545	74,406

	NOTES	2006 HK$'000	2007 HK$'000	2008 HK$'000
Profit for the year attributable to:				
Equity holders of the Company	11	138,833	434,359	23,563
Minority interests		(52,438)	108,186	50,843
		86,395	542,545	74,406
Dividends	12	62,058	105,097	31,470
		HK Cents	*HK Cents*	*HK Cents*
Earnings per share	13			
– Basic		27.70	82.66	4.48
– Diluted		27.70	82.55	3.81

CONSOLIDATED BALANCE SHEETS

	NOTES	2006 HK$'000	2007 HK$'000	2008 HK$'000
Non-current assets				
Investment properties	15	708,118	791,956	747,220
Property, plant and equipment	16	139,024	180,936	209,592
Prepaid lease rental on land	17	16,621	20,592	21,239
Goodwill	18	66,643	106,173	84,934
Other intangible assets	19	219,100	230,813	240,591
Interests in associates	21	289,383	366,962	418,860
Interests in jointly controlled entities	22	377,189	232,591	222,800
Available-for-sale financial assets	23	2,920	7,990	2,920
Loans receivable	24	166,805	152,668	130,138
Other receivable		502	–	–
Deferred tax assets	43	–	–	1,908
Deposit paid for acquisition of other investment	25	10,139	77,496	–
		1,996,444	2,168,177	2,080,202
Current assets				
Inventories of properties	26	1,946,909	4,946,397	6,099,493
Other inventories	27	99,266	113,789	124,228
Trade and other receivables, prepayments and deposits	28	468,483	1,058,792	1,036,644
Prepaid lease rental on land	17	390	489	524
Loans receivable	24	17,787	3,853	15,345
Amounts due from associates	30	1,075	6,535	–
Amounts due from jointly controlled entities	30	240,349	177,140	77,295
Amounts due from investees	30	12,013	6,717	20,831
Amount due from a related party	30	44,203	1,367	–
Amounts due from minority shareholders	30	–	44,448	33,856
Investments held for trading	31	187,952	48,381	20,643
Derivative financial instruments	32	1,292	–	–
Tax prepaid		–	–	8,704
Pledged cash deposits		–	876,858	–
Restricted cash and deposits	33	–	116,288	52,582
Cash and cash equivalents	34	488,753	704,716	873,326
		3,508,472	8,105,770	8,363,471
Assets classified as held for sale	35	156,504	481,238	–
		3,664,976	8,587,008	8,363,471

	NOTES	2006 HK$'000	2007 HK$'000	2008 HK$'000
Current liabilities				
Trade and other payables	36	906,353	2,165,436	2,378,746
Sales deposits received		433,230	776,671	772,395
Amount due to an associate	37	101	–	118
Amounts due to jointly controlled entities	37	302,576	2,044	226
Amounts due to minority shareholders	37	50,760	164,000	186,612
Amounts due to related parties	35(c)&37	–	474,439	291
Consideration payable on acquisition of subsidiaries	45(a)&(b)	–	290,473	210,097
Consideration payable on acquisition of a jointly controlled entity		4,977	–	–
Provisions	38	23,478	64,733	–
Taxation liabilities	10	95,199	215,696	607,398
Derivative financial instruments	32	–	6,738	–
Bank borrowings	39	832,434	1,885,688	929,179
		2,649,108	6,045,918	5,085,062
Liabilities associated to assets classified as held for sale	35(d)	–	46,796	–
		2,649,108	6,092,714	5,085,062
Net current assets		1,015,868	2,494,294	3,278,409
Total assets less current liabilities		3,012,312	4,662,471	5,358,611
Non-current liabilities				
Bank borrowings	39	106,576	673,652	1,282,184
Loan from a minority shareholder	42	2,639	3,005	3,386
Other liabilities		–	–	6,155
Deferred tax liabilities	43	188,804	516,925	436,319
		298,019	1,193,582	1,728,044
Net assets		2,714,293	3,468,889	3,630,567
Capital and reserves				
Share capital	40	262,742	262,742	262,742
Share premium and other reserves	41	2,180,789	2,745,913	2,841,271
Equity attributable to equity holders of the Company		2,443,531	3,008,655	3,104,013
Minority interests		270,762	460,234	526,554
Total equity		2,714,293	3,468,889	3,630,567

BALANCE SHEETS

		As at 31st December,		
		2006	**2007**	**2008**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Investment properties	*15*	18,970	22,000	23,000
Property, plant and equipment	*16*	12,164	11,877	8,499
Interests in subsidiaries	*20*	115	586,630	586,533
Interests in an associate	*21*	101	–	–
Available-for-sale financial assets	*23*	2,920	7,990	2,920
Deposit paid for acquisition of other investment	*25*	10,139	77,496	–
		44,409	705,993	620,952
Current assets				
Other inventories	*27*	2,848	2,391	2,948
Trade and other receivables, prepayments and deposits	*28*	32,512	18,738	14,891
Loans receivable	*24*	–	60	11,339
Amounts due from subsidiaries	*29*	2,423,107	1,984,111	1,959,460
Amounts due from investees	*30*	5,332	3,624	7,250
Pledged cash deposits		–	250,000	–
Cash and cash equivalents		44,741	25,385	1,923
		2,508,540	2,284,309	1,997,811
Current liabilities				
Trade and other payables	*36*	39,000	46,065	36,694
Amounts due to subsidiaries	*29*	33,324	449,933	64,059
Amount due to an associate	*37*	101	–	–
Amount due to a related party	*37*	–	100,000	104,326
Taxation liabilities		–	4,037	–
Bank borrowings	*39*	372,948	387,463	162,387
		445,373	987,498	367,466
Net current assets		2,063,167	1,296,811	1,630,345
Total assets less current liabilities		2,107,576	2,002,804	2,251,297

		As at 31st December,		
		2006	2007	2008
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Bank borrowings	*39*	–	–	375,086
Deferred tax liabilities	*43*	3,466	3,917	3,930
		3,466	3,917	379,016
Net assets		2,104,110	1,998,887	1,872,281
Capital and reserves				
Share capital	*40*	262,742	262,742	262,742
Share premium and other reserves	*41*	1,841,368	1,736,145	1,609,539
Total equity		2,104,110	1,998,887	1,872,281

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital redemp-tion reserve HK$'000	Share option reserve of a subsidiary HK$'000	Transla-tion reserve HK$'000	Assets revalua-tion reserve HK$'000	Dividend reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1st January, 2006	250,242	581,349	43,822	–	14,148	14,501	40,039	3,264	1,323,577	2,270,942	410,385	2,681,327
Exchange difference arising on translation of overseas operations	–	–	–	–	29,527	53	–	–	–	29,580	4,525	34,105
Exchange difference arising on translation of overseas associates and jointly controlled entities	–	–	–	–	5,719	–	–	–	–	5,719	–	5,719
Share of reserve of jointly controlled entities	–	–	–	–	–	–	–	2,522	–	2,522	1,982	4,504
Fair value changes on available-for-sale financial assets	–	–	–	–	–	(13,020)	–	–	–	(13,020)	–	(13,020)
Exchange effect on deferred tax	–	–	–	–	(123)	–	–	–	–	(123)	–	(123)
Net income/(expense) recognised directly in equity	–	–	–	–	35,123	(12,967)	–	2,522	–	24,678	6,507	31,185
Net profit for the year	–	–	–	–	–	–	–	–	138,833	138,833	(52,438)	86,395
Total recognised income and expense for the year	–	–	–	–	35,123	(12,967)	–	2,522	138,833	163,511	(45,931)	117,580
Acquisition of additional interest in a subsidiary *(note 46)*	–	–	–	–	–	–	–	–	–	–	(95,806)	(95,806)
Interim dividend declared *(note 12)*	–	–	–	–	–	–	20,019	–	(20,019)	–	–	–
Dividend paid	–	–	–	–	–	–	(60,058)	–	–	(60,058)	–	(60,058)
Final dividend proposed *(note 12)*	–	–	–	–	–	–	42,039	–	(42,039)	–	–	–
New shares issued on acquisition of additional interest in a subsidiary *(note 46)*	12,500	58,750	–	–	–	–	–	–	–	71,250	–	71,250
Appropriations	–	–	–	–	–	–	–	2,739	(4,853)	(2,114)	2,114	–
At 31st December, 2006	262,742	640,099	43,822	–	49,271	1,534	42,039	8,525	1,395,499	2,443,531	270,762	2,714,293
At 1st January, 2007	262,742	640,099	43,822	–	49,271	1,534	42,039	8,525	1,395,499	2,443,531	270,762	2,714,293
Exchange difference arising on translation of overseas operations	–	–	–	–	70,381	112	–	–	–	70,493	15,726	86,219
Exchange difference arising on translation of overseas associates and jointly controlled entities	–	–	–	–	412	–	–	–	–	412	–	412
Net income recognised directly in equity	–	–	–	–	70,793	112	–	–	–	70,905	15,726	86,631
Net profit for the year	–	–	–	–	–	–	–	–	434,359	434,359	108,186	542,545
Total recognised income and expense for the year	–	–	–	–	70,793	112	–	–	434,359	505,264	123,912	629,176
Released upon wind up of a subsidiary	–	–	–	–	(1,649)	–	–	(48)	–	(1,697)	–	(1,697)
Deemed acquisition of subsidiaries *(note 45(a))*	–	–	–	–	–	140,480	–	–	–	140,480	224,119	364,599

	Attributable to equity holders of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share option reserve of a subsidiary HK$'000	Translation reserve HK$'000	Assets revaluation reserve HK$'000	Dividend reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Acquisition of subsidiaries *(note 45(c))*	–	–	–	–	–	33,252	–	–	–	33,252	62,502	95,754
Acquisition of additional interest in subsidiaries *(note 45(a))*	–	–	–	–	–	–	–	–	–	–	(173,752)	(173,752)
Release upon sales of properties	–	–	–	–	–	(33,010)	–	–	–	(33,010)	(47,115)	(80,125)
Interim dividend declared *(note 12)*	–	–	–	–	–	–	42,039	–	(42,039)	–	–	–
Recognition of share-based payments *(note 44(c))*	–	–	–	4,913	–	–	–	–	–	4,913	2,106	7,019
Dividend paid to minority interests	–	–	–	–	–	–	–	–	–	–	(2,300)	(2,300)
Dividend paid	–	–	–	–	–	–	(84,078)	–	–	(84,078)	–	(84,078)
Final dividend proposed *(note 12)*	–	–	–	–	–	–	63,058	–	(63,058)	–	–	–
Appropriations	–	–	–	–	–	–	–	6,900	(6,900)	–	–	–
At 31st December, 2007	262,742	640,099	43,822	4,913	118,415	142,368	63,058	15,377	1,717,861	3,008,655	460,234	3,468,889
At 1st January, 2008	262,742	640,099	43,822	4,913	118,415	142,368	63,058	15,377	1,717,861	3,008,655	460,234	3,468,889
Exchange difference arising on translation of overseas operations	–	–	–	–	111,265	–	–	–	–	111,265	8,136	119,401
Exchange difference arising on translation of overseas associates and jointly controlled entities	–	–	–	–	14,739	–	–	–	–	14,739	–	14,739
Net income recognised directly in equity	–	–	–	–	126,004	–	–	–	–	126,004	8,136	134,140
Net profit for the year	–	–	–	–	–	–	–	–	23,563	23,563	50,843	74,406
Total recognised income and expense for the year	–	–	–	–	126,004	–	–	–	23,563	149,567	58,979	208,546
Release upon sales of properties	–	–	–	–	–	(12,155)	–	–	–	(12,155)	(8,417)	(20,572)
Interim dividend declared *(note 12)*	–	–	–	–	–	–	15,765	–	(15,765)	–	–	–
Recognition of share-based payments *(note 44(c))*	–	–	–	36,769	–	–	–	–	–	36,769	15,758	52,527
Dividend paid	–	–	–	–	–	–	(78,823)	–	–	(78,823)	–	(78,823)
Final dividend proposed *(note 12)*	–	–	–	–	–	–	15,705	–	(15,705)	–	–	–
Appropriations	–	–	–	–	–	–	–	24,757	(24,757)	–	–	–
At 31st December, 2008	262,742	640,099	43,822	41,682	244,419	130,213	15,705	40,134	1,685,197	3,104,013	526,554	3,630,567

CONSOLIDATED CASH FLOW STATEMENTS

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
Profit before income tax	181,811	741,332	530,924
Adjustments for:			
Share of results of associates	(53,336)	(80,512)	(46,354)
Share of results of jointly controlled entities	145,350	(1,635)	(7,366)
Gain on disposal of an associate	–	(45,302)	–
Gain on disposal of a jointly controlled entity	–	–	(176,533)
Gain on disposal of a subsidiary	–	–	(56,115)
Gain on acquisition of minority interests	–	(106,987)	–
Fair value (gain)/loss on investment properties	(126,659)	(92,794)	64,337
Fair value (gain)/loss on investments held for trading and derivative financial instruments	(14,772)	28,457	28,687
Fair value loss on share-based payments	1,000	–	–
Depreciation and amortisation	18,535	23,608	26,900
Impairment loss on financial and non-financial assets	21,721	19,411	103,759
Allowance/(Reversal of allowance) of inventories	182	(5,443)	(2,935)
Reversal of impairment of financial assets	–	(21,008)	(7,684)
Reversal of unutilised provision	–	(23,478)	(67,309)
Share-based payments	–	7,019	52,527
Write back of long outstanding payables	–	(8,025)	(3,691)
Interest income	(29,710)	(26,543)	(14,178)
Finance costs	31,867	69,284	73,109
Loss/(Gain) on disposal of property, plant and equipment	103	758	(469)
Written-off of property, plant and equipment	576	146	364
Exchange difference	13,551	94,291	49,253

	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*
Operating cash flows before movements in working capital	190,219	572,579	547,226
(Increase)/Decrease in inventories of properties	(637,998)	1,128,173	(527,350)
Increase in other inventories	(10,684)	(9,188)	(7,504)
Increase in trade and other receivables, prepayments and deposits	(75,550)	(356,553)	(297,562)
Decrease/(Increase) in amounts due from associates	17,685	(5,460)	6,535
(Increase)/Decrease in amounts due from jointly controlled entities	(167,305)	76,406	110,097
(Increase)/Decrease in amounts due from investees	(5,263)	5,296	(14,114)
(Increase)/Decrease in amount due from a related party	(44,203)	550,797	1,367
(Increase)/Decrease in amounts due from minority shareholders	–	(40,651)	14,400
(Increase)/Decrease in investments held for trading	(68,932)	119,144	(7,687)
(Decrease)/Increase in trade and other payables	(29,288)	(533,618)	165,610
Increase/(Decrease) in sales deposits received	373,467	(1,070,166)	(49,225)
Increase in amount due to an associate	–	–	118
Increase/(Decrease) in amounts due to jointly controlled entities	300,558	(300,532)	(1,818)
Increase in amounts due to related parties	–	291	–
(Decrease)/Increase in amounts due to minority shareholders	(16,080)	45,398	18,908
Cash (used in)/generated from operations	(173,374)	181,916	(40,999)
Hong Kong profits tax paid	(11,287)	(17,525)	(20,702)
Tax paid in other jurisdictions	(5,389)	(163,226)	(176,957)
Net cash (outflow)/inflow from operating activities	(190,050)	1,165	(238,658)

	NOTES	2006 HK$'000	2007 HK$'000	2008 HK$'000
Investing activities				
Proceeds from disposal of investment properties		31,420	68,556	–
Proceeds from disposal of property, plant and equipment		1,384	936	1,811
Proceeds from disposal of a subsidiary	*47*	–	19,361	75,086
Proceeds from disposal of an associate	*35(b)*	–	176,892	–
Proceeds from disposal of a jointly controlled entity	*35(c)*	–	474,148	27,760
(Deposit paid)/Return of deposit for investment in convertible and non-convertible notes	*25*	(10,139)	(77,496)	77,496
Interest received		30,018	7,139	33,482
Dividend received from an associate		1,045	1,040	–
Dividend received from a jointly controlled entity		–	–	2,575
Purchase of investment properties		(6,268)	(3,921)	(413)
Purchase of property, plant and equipment		(21,550)	(27,288)	(35,974)
Additional interest in subsidiaries	*46*	(66,270)	–	–
Acquisition of subsidiaries	*45*	–	(521,568)	(93,024)
Additional interest in jointly controlled entities		(9,953)	(222,819)	–
Loan to an associate		(8,000)	–	–
Repayment of loans receivable, net		184,315	30,906	21,718
(Increase)/Decrease in pledged cash deposits		–	(876,858)	876,858
Decrease in restricted cash and deposits		–	73,254	63,706
Amounts recovered from impaired financial assets		–	21,008	5,968
Net cash inflow/(outflow) from investing activities		126,002	(856,710)	1,057,049

	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*
Financing activities			
New bank and other borrowings	1,348,927	2,795,223	2,115,261
Repayment of bank and other borrowings	(1,084,715)	(1,601,981)	(2,572,008)
Payment made to redeem cash-settled options	(7,000)	–	–
Dividends paid	(60,058)	(84,078)	(78,823)
Interest paid	(31,625)	(67,150)	(150,505)
Net cash inflow/(outflow) from financing activities	165,529	1,042,014	(686,075)
Net increase in cash and cash equivalents	101,481	186,469	132,316
Cash and cash equivalents at 1st January	376,581	488,753	704,716
Effect of foreign exchange rate change	10,691	29,494	36,294
Cash and cash equivalents at 31st December	488,753	704,716	873,326

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Shell Electric Mfg. (Holdings) Company Limited (the "Company") is a limited company incorporated in the Hong Kong Special Administrative Region ("Hong Kong"), the People's Republic of China (the "PRC") and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office and principal place of business is Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively, the "Group") mainly comprise property investment and development, manufacturing and marketing as well as contract manufacturing of electric fans and other electrical household appliances, property leasing and investment holding.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company and its subsidiaries which comprise the consolidated and company balance sheets as at 31st December, 2006, 2007 and 2008, and the consolidated income statements, the consolidated statement of changes in equity and the consolidated cash flow statements for each of the years ended 31st December, 2006, 2007 and 2008 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes thereto (the "Financial Statements") has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Hong Kong Companies Ordinance and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

For the purpose of preparing this Financial Statements, the Group has adopted all HKFRSs that are relevant to the Group and are effective for the accounting period beginning 1st January, 2008, throughout the Relevant Periods to the extent required by the HKFRSs. The Group did not adopt the following HKFRSs that are issued at the date of this report but are not yet effective for the Relevant Periods:

HKAS 1 (Revised)	Presentation of Financial Statements[4]
HKAS 1, HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[4]
HKAS 23 (Revised)	Borrowing Costs[4]
HKAS 24 (Revised)	Related Party Disclosures[11]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[6]
HKAS 28	Investments in Associates – Consequential Amendments Arising from Amendments to HKFRS 3[4]
HKAS 31	Interest in Joint Ventures – Consequential Amendments Arising from Amendments to HKFRS 3[4]
HKAS 32 (Amendments)	Classification of Rights Issues[10]
HKAS 39 (Amendment)	Eligible Hedged Items[6]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[6]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[9]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate[4]
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations[4]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions[9]
HKFRS 3 (Revised)	Business Combinations[6]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[4]
HKFRS 8	Operating Segments[4]
HKFRS 9	Financial Instruments[12]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2008[3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009[8]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[1]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[4]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[2]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[6]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[7]

[1] Effective for annual periods beginning on or after 1st July, 2008
[2] Effective for annual periods beginning on or after 1st October, 2008
[3] Generally effective for annual periods beginning on or after 1st January, 2009 unless otherwise stated in the specific HKFRSs
[4] Effective for annual periods beginning on or after 1st January, 2009
[5] Effective for annual periods ending on or after 30th June, 2009
[6] Effective for annual periods beginning on or after 1st July, 2009
[7] Effective for transfers of assets from customers received on or after 1st July, 2009
[8] Generally effective for annual periods beginning on or after 1st January, 2010 unless otherwise stated in the specific HKFRSs
[9] Effective for annual periods beginning on or after 1st January, 2010
[10] Effective for annual periods beginning on or after 1st February, 2010
[11] Effective for annual periods beginning on or after 1st January, 2011
[12] Effective for annual periods beginning on or after 1st January, 2013

HKAS 1 (Revised) Presentation of financial statements

The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. Preparers will have the option of presenting items of income and expense 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 other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

HKAS 27 (Revised) Consolidated and Separate Financial Statements

The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Management anticipates that the standard would not result in material impact on the Group's financial statements.

HKFRS 3 (Revised) Business Combinations

The standard is applicable for business combinations occurring in reporting periods beginning on or after 1st July, 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires the use of the purchase method and will have a significant effect on business combinations occurring in reporting periods beginning on or after 1st July, 2009.

HKFRS 7 (Amendment) Improving Disclosures about Financial Instruments

The adoption of the amendments to HKFRS 7 requires expanded disclosures about fair value measurement of financial instruments and categorisation of fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data.

HKFRS 8 Operating Segments

This standard replaces HKAS 14 "Segment reporting". The accounting policy for identifying segments could be based on internal management reporting information that is regularly reviewed by the Group's chief operating decision maker. In contrast HKAS 14 requires the Group to identify two sets of segments (business and geographical) based on the risks and rewards of separating segments. Management anticipate that the adoption of this standard will not affect the identified operating segments of the Group. The new standard will also require a different format of disclosures which would be based on information provided internally to the chief operating decision maker.

The directors of the Company (the "Directors") assessed that the adoption of other new or revised HKFRSs will not result in material impact on the Group's financial statements.

For the purpose of preparing this Financial Statements, certain adjustments have been made to the financial statements of the Group for the year ended 31st December, 2006. Set out below is the reconciliation of the consolidated income statement of the Group for the year ended 31st December, 2006 to the consolidated income statement for the year ended 31st December, 2006 included in the Financial Statements, and the reconciliation of the consolidated balance sheet of the Group as at 31st December, 2006 to the consolidated balance sheet as at 31st December, 2006 included in the Financial Statements.

Reconciliation of consolidated income statement for the year ended 31st December, 2006

	NOTES	**Per audited financial statements** *HK$'000*	**Adjustments** *HK$'000*	**Included in Financial Statements** *HK$'000*
Revenue		1,553,063		1,553,063
Cost of goods and services	*(a)*	(1,227,227)	9,316	(1,217,911)
Gross profit		325,836		335,152
Other income		68,433		68,433
Distribution and selling expenses		(38,918)		(38,918)
Administrative expenses		(188,415)		(188,415)
Other operating expenses	*(b)*	(42,867)	(6,548)	(49,415)
Other gains/(losses)				
Fair value gain/(loss) on investment properties		126,659		126,659
Fair value gain/(loss) on investments held for trading		54,034		54,034
Fair value gain/(loss) on derivative financial instruments	*(b)*	–	1,292	1,292
Fair value loss on share-based payment		(1,000)		(1,000)
Impairment loss on owner-occupied property	*(b)*	–	(393)	(393)
Impairment loss on goodwill arising on acquisition of a subsidiary		(1,473)		(1,473)
Impairment losses on other assets	*(b)*	(6,949)	6,941	(8)
Others	*(b)*	1,036	(1,292)	(256)
Operating profit		296,376		305,692
Finance costs		(31,867)		(31,867)
Share of results of associates		53,336		53,336
Share of results of jointly controlled entities		(145,350)		(145,350)
Profit before income tax		172,495		181,811
Income tax expense	*(a)*	(86,100)	(9,316)	(95,416)
Profit for the year		86,395		86,395

Reconciliation of consolidated balance sheet as at 31st December, 2006

	NOTES	Per audited financial statements HK$'000	Adjustments HK$'000	Included in Financial Statements HK$'000
Non-current assets				
Interests in associates	(c)	454,357	(164,974)	289,383
Loans receivable	(c)	1,831	164,974	166,805
Other assets		1,540,256		1,540,256
		1,996,444		1,996,444
Current assets				
Trade and other receivables, prepayments and deposits	(a)	471,021	(2,538)	468,483
Other assets		3,196,493		3,196,493
		3,667,514		3,664,976
Current liabilities				
Trade and other payables	(a)	915,669	(9,316)	906,353
Taxation liabilities	(a)	88,421	6,778	95,199
Other liabilities		1,647,556		1,647,556
		2,651,646		2,649,108
Net current assets		1,015,868		1,015,868
Total assets less current liabilities		3,012,312		3,012,312
Non-current liabilities		298,019		298,019
Net assets		2,714,293		2,714,293
Total equity		2,714,293		2,714,293

Notes:

(a) In light of the conclusion of the Financial Reporting Standards Committee of HKICPA on the scope of HKAS 12 "Income Taxes" and the nature of PRC land appreciation tax, the directors decided that it is more appropriate to account for and present PRC land appreciation tax as income tax. As a result of this change, PRC land appreciation tax amounting to HK$9,316,000 has been reclassified from cost of sales to income tax in consolidated income statement, and the related assets and liabilities have been reclassified from trade and other receivables, prepayments and deposits and trade and other payables to taxation liabilities in consolidated balance sheet.

(b) These adjustments represent reclassification of certain items including fair value adjustment on financial instruments and impairment loss on assets among "other operating expenses" and "other gains/(losses)" to ensure consistency in presenting these items in the Financial Statements throughout the Relevant Periods.

(c) Loans to associates were included in "Interests in associates" on face of the consolidated balance sheet of the Group as at 31st December, 2006. The loans are included in "Loans receivable" on the face of the consolidated balance sheet included in the Financial Statements as the Directors consider that such classification is more appropriate having considered the nature of the loans.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 General

The significant accounting policies applied in the preparation of the Financial Statements are set out below. These policies have been consistently applied throughout the Relevant Periods unless otherwise stated.

The Financial Statements has been prepared under the historical cost convention except for investment properties, financial instruments classified as available-for-sale and at fair value through profit or loss, and derivative financial instruments which are measured at fair values. Disposal groups and non-current assets held for sale (other than investment properties) are stated at the lower of their carrying amounts and fair values less costs to sell. Their measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions have been used in preparing the Financial Statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. 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 "Critical Accounting Estimates and Judgements".

3.2 Basis of consolidation

The consolidated financial statement incorporates the financial statement of the Company and its subsidiaries (note 3.3) made up to 31st December. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All intercompany transactions, balances and unrealised profits on transactions within the Group are eliminated on consolidation. Unrealised losses resulting from intercompany transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

The acquisition of subsidiaries during the Relevant Periods has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired and liabilities including contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. For business combination achieved in stages, adjustment to fair values relating to previously held interests of the acquirer is a revaluation which is dealt with in the asset revaluation reserve in equity.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of original business combination and the share of changes in equity by minority interests since the date of the combination. Losses applicable to the minority interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority interests have a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the minority interests only after the share of losses of minority interests previously absorbed by the Group has been recovered.

Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

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. The results of the subsidiaries are included in the Company's income statement to the extent of dividend received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses, unless they are classified as held for sale in accordance with HKFRS 5 "Non-current Assets held for Sale and Discontinued Operations" (note 3.9).

3.4 Associates and jointly controlled entities

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

Interests in associates and jointly controlled entities are accounted for in the consolidated financial statements under the equity method of accounting. Under equity method of accounting, investments are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the associates' and the jointly controlled entities' net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, less any identified impairment loss. Where the profit sharing ratio is different to the Group's equity interest in a jointly controlled entity, the share of post-acquisition results of the jointly controlled entity is determined based on the agreed profit sharing ratio. The Group's share of the post-acquisition reserves of the associates and jointly controlled entities is included in the consolidated reserves.

Unrealised gains on transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates and jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

When the Group's share of losses in an associate/a jointly controlled entity equals or exceeds its interest in the associate/jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate/jointly controlled entity.

In the Company's balance sheet, associates and jointly controlled entities are carried at cost less any impairment losses. The results of the associates and jointly controlled entities are included in the Company's income statement to the extent of dividends received and receivable.

When an interest in an associate or a jointly controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 (note 3.9).

3.5 Goodwill

Goodwill arising from the acquisition of subsidiaries, associates and jointly controlled entities represents the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets acquired and liabilities including contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and subsequently measured at cost less any accumulated impairment losses. In case of associates and jointly controlled entities, goodwill is included in the carrying amount of the interests in associates and jointly controlled entities, respectively, rather than recognised as a separate asset on the consolidated balance sheet.

Goodwill is reviewed for impairment annually at the balance sheet date or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 3.12). On subsequent disposal of a subsidiary, associate or jointly controlled entity, the carrying amount of goodwill relating to the entity sold is included in determining the amount of gain or loss on disposal.

3.6 Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of the subsidiaries, associates and jointly controlled entities is recognised immediately in the income statement.

3.7 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the balance sheet date. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in income statement. Rental income from investment properties is accounted for as described in note 3.28(v).

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost for subsequent accounting is its fair value at the date of change in use. For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group accounts for such property in accordance with the policy of property, plant and equipment (note 3.8) up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with in asset revaluation reserve. On disposal of the property, the asset revaluation reserve is transferred to retained profits as a movement in reserves.

For a transfer from inventories to investment properties, any difference between the fair value of the property at the date of change in use and its previous carrying amount is recognised in the income statement. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the income statement.

3.8 Property, plant and equipment

Freehold land is stated at cost and is not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (note 3.12). When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 (note 3.9).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is provided to write off the cost of each item of property, plant and equipment less its residual value, if applicable, over its estimated useful lives on a straight-line basis at the following rates per annum:

Category of property, plant and equipment	Annual rates
Land and buildings *(note 3.11)*	2% to 5%
Plant, machinery, tools, moulds and equipment	10% to 20%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles (including taxi)	20% to 33.33%

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognised in the income statement.

3.9 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups. Non-current assets and disposal groups (other than investment properties) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

3.10 Intangible assets (Other than goodwill)

Intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment (note 3.12) whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but reviewed for impairment annually (note 3.12) either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Research and development expenditures

Expenditure incurred on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognised only if the Group can demonstrate the technical feasibility of the intangible asset; how economic benefits are generated from the intangible asset, the availability of resources to complete the development of the intangible asset, the ability to measure the expenditure attributable to the intangible asset reliably, the Group's intention to complete the intangible asset and the Group's ability to use or sell it. Other development expenditure is recognised as an expense in the period in which it is incurred. Deferred development expenditures are stated at cost less any impairment losses and are amortised on a straight-line basis over the commercial lives of the underlying products.

Taxi licences

Cost incurred in the acquisition of permanent taxi operating licences, which have indefinite useful lives, are carried at cost less any impairment losses and are not amortised.

Shopping mall operating right

Shopping mall operating right represents right of operating a shopping mall. Cost incurred in the acquisition of the right is carried at cost less any impairment losses and is amortised over the period of operation of 30 years.

3.11 Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current asset, and rental receivable under the operating leases are credited to the income statement on a straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received or receivable, are charged to the income statement on a straight-line basis over the lease terms.

Prepaid lease rental on land are up-front prepayments made for the leasehold land and land use rights which are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight- line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in cost of land and buildings as a finance lease in property, plant and equipment (note 3.8).

When the Group's interests in leasehold land and buildings are in the course of development for investment purpose, the leasehold land component is included in properties under development and properties held for sale. During the development period of such properties, the amortisation charge of the prepaid land lease is capitalised as part of the building costs but charged to the income statement on completion of development of such properties.

3.12 Impairment of non-financial assets

Goodwill, other intangible assets, property, plant and equipment and interests in subsidiaries, associates and jointly controlled entities are subject to impairment testing. Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are 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 assets' 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 including impairment losses recognised in an interim period. 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 but 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) had no impairment loss been recognised.

A reversal of such impairment is credited to income statement in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

3.13 Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified into one of the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. 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 the balance sheet date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract when the analysis shows that the economic characteristics and the risks of the embedded derivatives are not closely related to those of the host contract.

All regular way purchases and sales of financial assets are recognised on trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading which are classified as "Investments held for trading" in the balance sheet and financial assets designated by the Group on initial recognition as at fair value through profit or loss. 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. 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 dividends or interests earned on these financial assets. Interests or dividends earned on these financial assets are recognised in the income statement in accordance with the policies set out in note 3.28.

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: (i) 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; (ii) 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; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables including amounts due from related parties are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. 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. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired as well as through amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other categories of financial assets. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interests or dividends earned on these financial assets are recognised in the income statement in accordance with the policies set out in note 3.28.

The fair value of available-for-sale monetary assets denominated in 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 profit or loss, and other changes are recognised in equity.

When the fair value of unlisted equity instruments cannot be reliably measured because the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such instruments are stated at cost less any impairment losses.

3.14 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 of individual financial assets includes observable data that come 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 a 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 include 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:

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 carrying amount of the asset is reduced through the use of an allowance account. The amount of impairment loss is recognised in the income statement of the period in which the impairment occurs. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

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 by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial assets

If there is objective evidence that an available-for-sale financial asset is impaired, an amount comprising the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss on that asset previously recognised in income statement, is transferred from equity to the income statement.

Impairment losses on equity instruments classified as available-for-sale are not reversed through income statement. Impairment losses in respect of debt instruments are reversed through income statement if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted investment that is not carried at fair value has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3.15 Inventory of properties

Inventory of properties comprise properties under development and properties held for sale. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventory of properties are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of inventory of properties consist of land held under operating lease (see note 3.11), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

3.16 Other inventories

Other inventories are stated at the lower of cost, computed using weighted average method, and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.17 Foreign currencies

The Financial Statements is presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. In the separate 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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

The functional currencies of certain entities of the Group are currencies other than HK$. For the purpose of the consolidated financial statements, assets and liabilities of those entities at the balance sheet date are translated into HK$ at exchange rate prevailing on the balance sheet date. Income and expense items are translated into HK$ at the average exchange rate for the year. The resulting exchange differences are dealt with in the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the foreign entity is disposed of.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.18 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand 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. For the purpose of consolidated cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.19 Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the same or different period directly in equity, respectively.

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.

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, including existing temporary differences, 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 interests in subsidiaries, associates and jointly-controlled entities, 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.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

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

3.21 Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. 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.

Financial liabilities at amortised costs

Borrowings and trade and other payables including amounts due to related parties are financial liabilities at amortised cost which are recognised initially at fair value (net of transaction costs incurred for borrowings) and subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised as an expense in finance costs in the income statement. Gains or losses are recognised in the income statement when the liabilities are derecognised as well as through amortisation process.

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. Gains or losses on liabilities held for trading are recognised in income statement. The net fair value gain or loss recognised in the income statement does not include interest charged on these financial liabilities.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

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: (i) 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; (ii) 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 (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

3.22 Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income. The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3.25 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.23 Employee benefits

Salaries, allowance, paid annual leave and other benefits are accrued in the year in which the associated services are rendered by the employee. Payments to the Mandatory Provident Fund Scheme and other retirement benefit scheme as set out in note 48 are charged as an expense when employees have rendered service entitling them to the contributions.

3.24 Share-based payment transactions

Equity-settled share-based payment

The Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of financial instruments e.g. share options are measured at their fair values. The cost of equity-settled share-based compensation is measured by reference to the fair value at the date on which they are granted. In determining the fair value, no account is taken of any non-market vesting conditions (for example, profitability and sales growth targets).

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

When fair value of equity instruments cannot be estimated reliably, the Group measures the equity instruments at their intrinsic value initially at the date the grantees rendered service and subsequently at each reporting date and when equity instruments are exercised, forfeited or lapsed, with any change in intrinsic value recognised in income statement.

All equity-settled share-based compensation is ultimately recognised as an expense in income statement unless it qualifies for recognition as asset with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

In respect of share options, the fair value of the share options granted by the Group to its employees is recognised in income statement with a corresponding increase in share option reserve. Upon exercise of the share options, the amount in the share option reserve is transferred to the share premium account. In case the share options lapsed, the amount in the share option reserve is released directly to retained profits.

Cash-settled share-based payment

The cost of cash-settled share-based payment transactions is measured initially at fair value at the grant date. The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is measured at each balance sheet date up to and including the settlement date with changes in fair value recognised in income statement.

3.25 Provisions and contingent liabilities

Provision is recognised when the Group has a present obligation 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 of the amount of the obligation can be made. When the effect of discounting is material, provision is stated at the present value of the expenditure expected to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in income statement. 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 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 uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.26 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3.27 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognised as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3.28 Revenue and other income recognition

Revenue and other income is recognised when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably on the following bases:

(i) Sales of goods are recognised as revenue when goods are delivered and title has passed.

(ii) Sale of properties is recognised as revenue when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits received on properties sold prior to the date of revenue recognition are included in balance sheet as sales deposits received under current liabilities.

(iii) Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

(iv) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(v) Rental income is recognised on a straight-line basis over the periods of the respective tenancies.

(vi) Licence fee income is recognised when the licence holders' rights to receive payment have been established.

(vii) Building management and service fee income is recognised on an appropriate basis over the relevant period in which the services are rendered.

3.29 Related parties

For the purposes of this 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 the Group's 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.

3.30 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 income and expenses include corporate income and expenses and other income and expenses that cannot be allocated on a reasonable basis to the reportable segments. Segment assets consist primarily of investment properties, property, plant and equipment, prepaid lease rental on land, goodwill, other intangible assets, inventories, receivables, investments held for trading and operating cash, and mainly exclude corporate assets, available-for-sale financial assets and income tax assets. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings incurred for financing purpose.

Capital expenditure comprises additions to investment properties, property, plant and equipment and intangible assets including additions resulting through purchases of subsidiaries.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing financial statements 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.

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 effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimates of fair value of investment properties

As disclosed in note 15, the investment properties were revalued at the balance sheet date by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

Impairment of assets

The Group reviews at least annually and assesses whether goodwill and other intangible assets with indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on a value in use calculation which requires the use of estimates including expected future cash flows of the asset/cash-generating unit and discount rate adopted to calculate the present value of those cash flows. Details about the estimates used in assessing impairment for goodwill and other intangible assets are set out in notes 18 and 19.

Estimates of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Particularly for PRC land appreciation tax, and implementation of these taxes varies amongst various PRC cities. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

Allowance for loans and receivables

The policy on allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of loans and receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including current creditworthiness and the past collection history of each customer. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payments, additional allowances may be required.

Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable values. A considerable amount of judgement is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required.

Estimate of net realisable value of inventory of properties

Management reviews the recoverable amount of inventory of properties at each balance sheet date. The recoverable amount is the estimated selling price of the properties less estimated cost to completion and estimated costs to sell. Management makes estimates in determining the recoverable amount.

Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 3.28(ii). The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction.

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

Some properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in marking its judgement.

5. REVENUE

Breakdown of revenue, which also represents the Group's turnover, is as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Sales of goods	1,245,517	1,328,667	1,100,008
Sales of properties	206,185	2,090,447	1,200,246
Property management fee income	11,661	26,468	56,948
Property rental income	72,909	83,053	106,726
Tax licence fee income	16,791	23,395	38,704
Total revenue	1,553,063	3,552,030	2,502,632

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is organised into eight operating divisions – electrical household appliances, electric cables, property leasing, property investment and development, securities trading, car rental, computer hardware and software, and direct investments. These divisions form the basis on which the Group reports its primary segment information.

The principal activities are as follows:

Electrical household appliances	–	manufacturing and marketing of electric fans, vacuum cleaners and other electrical household appliances, and contract manufacturing business
Electric cables	–	manufacturing and trading of electric cables
Property leasing	–	leasing of properties
Property investment and development	–	property investment and development
Securities trading	–	trading of securities
Car rental	–	taxi rental operation
Computer hardware and software	–	development and trading of computer hardware and software
Direct investments	–	direct investments

Business segments

Segment information about these businesses is presented below:

2006

	Electrical household appliances *HK$'000*	Electric cable *HK$'000*	Property leasing *HK$'000*	Property investment and development *HK$'000*	Securities trading *HK$'000*	Car rental *HK$'000*	Computer hardware and software *HK$'000*	Direct investments *HK$'000*	Other *HK$'000*	Consolidated *HK$'000*
REVENUE AND RESULTS										
Segment revenue*	1,190,840	36,520	72,910	217,845	–	16,791	18,157	–	–	1,553,063
Segment results	56,524	8,079	191,169	52,002	59,101	14,936	(43,084)	(4,870)	–	333,857
Corporate and other unallocated income and expenses										(28,165)
										305,692
Finance costs										(31,867)
Share of results of associates	–	–	25,046	22,541	–	–	–	5,749	–	53,336
Share of results of jointly controlled entities ("JCE")	–	–	–	(145,350)	–	–	–	–	–	(145,350)
Profit before income tax										181,811
Income tax expense										(95,416)
Profit for the year										86,395
FINANCIAL POSITIONS										
Segment assets:										
Assets classified as held for sale	–	–	24,914	131,590	–	–	–	–	–	156,504
Other assets	431,477	37,202	618,393	2,768,383	192,621	209,047	33,664	30,116	–	4,320,903
Interests in associates	–	–	239,296	–	–	–	–	49,986	101	289,383
Loans to associates *(note 24)*										164,974
Interests in JCE	–	–	–	377,189	–	–	–	–	–	377,189
Corporate and other unallocated assets										352,467
Total assets										5,661,420
Segment liabilities	182,134	4,026	26,889	1,429,177	50	51,487	7,344	1,716	–	1,702,823
Corporate and other unallocated liabilities										1,244,304
Total liabilities										2,947,127
OTHER INFORMATION										
Capital expenditure	7,695	235	10,100	1,184	–	2,648	431	–	–	
Depreciation and amortisation	7,185	1,062	666	5,071	–	246	1,678	–	–	
Impairment losses recognised in income statement	9,898	–	–	1,172	–	–	1,866	2,229	–	
Allowance/(Reversal of allowance) for inventories	(6,397)	237	–	–	–	–	6,817	–	(475)	
Fair value gain on derivative financial instruments	–	–	–	–	(1,292)	–	–	–	–	
Write-off of property, plant and equipment	251	–	–	–	–	15	300	–	–	
Fair value gain on investment properties	–	–	(126,659)	–	–	–	–	–	–	

2007

	Electrical household appliances HK$'000	Electric cable HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	Computer hardware and software HK$'000	Direct investments HK$'000	Other HK$'000	Consolidated HK$'000
REVENUE AND RESULTS										
Segment revenue*	1,272,443	31,145	78,992	2,120,976	–	23,395	17,607	–	7,472	3,552,030
Segment results	71,642	5,510	135,605	460,171	13,493	18,681	(22,816)	14,407	6,678	703,371
Corporate and other unallocated income and expenses										(20,204)
										683,167
Finance costs										(69,284)
Share of results of associates	–	–	74,949	–	–	–	–	5,563	–	80,512
Share of results of JCE	–	–	(1,598)	(308)	–	–	3,541	–	–	1,635
Gain on disposal of an associate										45,302
Profit before income tax										741,332
Income tax expense										(198,787)
Profit for the year										542,545
FINANCIAL POSITIONS										
Segment assets:										
Assets classified as held for sale	–	–	–	481,238	–	–	–	–	–	481,238
Other assets	509,871	37,341	782,858	6,708,601	72,338	215,475	27,602	7,980	–	8,362,066
Interests in associates	–	–	312,298	–	–	–	–	54,664	–	366,962
Loans to associates *(note 24)*										152,668
Interests in JCE	–	–	–	228,270	–	–	4,321	–	–	232,591
Corporate and other unallocated assets										1,159,660
Total assets										10,755,185
Segment liabilities:										
Liabilities associated to assets classified as held for sale	–	–	–	46,796	–	–	–	–	–	46,796
Other liabilities	210,022	2,501	21,373	3,522,555	6,838	51,728	4,303	1,716	1,887	3,822,923
Corporate and other unallocated liabilities										3,416,577
Total liabilities										7,286,296
OTHER INFORMATION										
Capital expenditure	6,369	151	3,966	42,963	–	12,109	120	–	–	
Depreciation and amortisation	8,405	640	934	7,495	–	1,265	990	–	644	
Impairment losses recognised in income statement	7,678	212	–	4,184	–	–	–	6,900	12	
Allowance/(Reversal of allowance) for inventories	(3,282)	504	–	–	–	–	3,285	–	(5,950)	
Fair value loss on derivative financial instruments	–	–	–	–	8,030	–	–	–	–	
Write-off of property, plant and equipment	130	–	–	–	–	2	14	–	–	
Fair value gain on investment properties	–	–	(92,794)	–	–	–	–	–	–	
Gain arising on acquisition of minority interests	–	–	–	(106,987)	–	–	–	–	–	
Reversal of unutilised provision	–	–	–	(23,478)	–	–	–	–	–	
Write back of long outstanding payables	–	–	–	(8,025)	–	–	–	–	–	
Share option expenses	–	–	–	7,019	–	–	–	–	–	

2008

	Electrical household appliances	Electric cable	Property leasing	Property investment and development	Securities trading	Car rental	Computer hardware and software	Direct investments	Other	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE AND RESULTS										
Segment revenue*	1,057,136	23,398	106,726	1,257,194	–	38,704	19,474	–	–	2,502,632
Segment results	59,474	(1,584)	14,853	419,030	(64,405)	24,818	(10,702)	6,099	–	447,583
Corporate and other unallocated income and expenses										(45,442)
										402,141
Finance costs										(73,109)
Share of results of associates	–	–	46,435	–	–	–	–	(81)	–	46,354
Share of results of JCE	–	–	41,581	(36,671)	–	–	2,456	–	–	7,366
Gain on disposal of a JCE										176,533
Impairment loss on interest in a JCE										(28,361)
Profit before income tax										530,924
Income tax expense										(456,518)
Profit for the year										74,406
FINANCIAL POSITIONS										
Segment assets	535,465	24,940	846,633	7,527,001	23,466	243,230	23,934	5,221	–	9,229,890
Interests in associates	–	–	355,335	–	–	–	–	63,525	–	418,860
Loans to associates *(note 24)*										128,928
Interests in JCE	–	–	55,494	163,043	–	–	4,263	–	–	222,800
Corporate and other unallocated assets										443,195
Total assets										10,443,673
Segment liabilities	248,738	1,764	41,580	2,874,821	105	44,425	6,013	–	–	3,217,446
Corporate and other unallocated liabilities										3,595,660
Total liabilities										6,813,106
OTHER INFORMATION										
Capital expenditure	15,079	148	413	2,797	–	16,822	22	–	–	
Depreciation and amortisation	8,527	462	5,422	3,948	–	3,647	611	–	–	
Impairment losses recognised in income statement	2,262	1,896	3,491	86,107	–	–	1,355	9,006	–	
Allowance/(Reversal of allowance) for inventories	(2,257)	980	–	–	–	–	(2,069)	–	–	
Write-off of property, plant and equipment	63	–	–	282	–	–	–	–	–	
Fair value loss on investment properties	–	–	64,337	–	–	–	–	–	–	
Reversal of unutilised provision	–	–	–	(67,309)	–	–	–	–	–	
Write back of long outstanding payables	(1,003)	–	–	–	–	(1,675)	–	–	–	
Share option expenses	–	–	–	52,527	–	–	–	–	–	

* *There were no inter-segment sales between different business segments for the years ended 31st December, 2006, 2007 and 2008.*

Geographical segments

The Group's operations are located in Hong Kong, other regions in the PRC, Asia other than the PRC, North America (comprising Canada and the United States) and Europe (mainly in the United Kingdom).

An analysis of the Group's revenue by geographical markets, irrespective of the origin of the goods, is as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	22,164	25,667	18,624
Other regions of the PRC	759,833	2,905,023	2,018,853
Asia, other than the PRC	46,342	49,188	46,266
North America	538,153	342,196	265,291
Europe	79,403	105,448	56,427
Others	107,168	124,508	97,171
	1,553,063	3,552,030	2,502,632

The following is an analysis of the carrying amount of segment assets and capital expenditure analysed by the geographical area in which the assets are located:

	Segment assets			Capital expenditure		
	2006	2007	2008	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	135,425	238,373	172,980	422	2	13
Other regions of the PRC	3,832,086	8,130,614	8,693,559	14,254	61,252	34,826
Asia, other than the PRC	28,960	31,859	27,097	–	–	–
North America	469,557	369,421	313,488	7,617	4,424	442
Europe	3,927	14,446	5,510	–	–	–
	4,469,955	8,784,713	9,212,634	22,293	65,678	35,281

7. OTHER INCOME

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Interest income on:			
Bank deposits	7,052	16,693	9,564
Loans to investees	1,485	1,167	1,991
Others, including loans receivable	21,173	8,683	2,623
Total interest income on financial assets not at fair value through profit or loss	29,710	26,543	14,178
Dividends from listed equity securities	4,683	1,743	971
Other rental income	14,248	5,687	2,216
Handling fee income	4,722	14,811	16,220
Write back of long outstanding payables	–	8,025	3,691
Sundry income	15,070	11,972	6,955
	68,433	68,781	44,231

8. PROFIT BEFORE INCOME TAX

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax is arrived at after charging/(crediting):			
Amortisation:			
Prepaid lease rental on land	438	704	607
Other intangible assets#	3,979	4,269	4,449
Depreciation of property, plant and equipment	14,190	18,872	21,844
Total amortisation and depreciation	18,607	23,845	26,900
Auditors' remuneration	3,220	5,171	4,090
Cost of inventories recognised as expense	1,148,072	2,638,093	1,485,487
Donations	2,848	3,239	17,634
Loss/(Gain) on disposal of property, plant and equipment	103	758	(469)
Impairment loss on non-financial assets:			
Property, plant and equipment	393	–	3,224
Prepaid lease rental on land	–	–	199
Inventories of properties	–	–	5,116
Goodwill	1,473	–	2,283
Other intangible assets	8	–	–
Interest in a jointly controlled entity	–	–	28,361
Impairment loss on financial assets:			
Loans and receivables*	19,847	14,342	63,271
Available-for-sale financial assets	–	5,069	1,305
Net foreign exchange losses/(gain)**	813	(9,273)	(2,105)
Operating lease charge on land and buildings	6,500	3,984	3,456
Outgoings in respect of investment properties	4,310	7,798	13,931
Net rental income	(68,599)	(75,255)	(92,795)
Research and development costs* ^	2,396	607	824
Staff costs *(note)*	139,043	147,352	222,949
Allowance/(Reversal of allowance) for inventories#	182	(5,443)	(2,935)
Write-off of property, plant and equipment	576	146	364
Business tax and other levies	14,651	174,758	111,808

included in "Cost of goods and services" on the face of the consolidated income statement

* *included in "Other operating expenses" on the face of the consolidated income statement*

** *included in "Other gains/(losses) – Others" on the face of the consolidated income statement*

^ *excluding depreciation of property, plant and equipment and staff costs*

Note: *Staff costs (including directors' emoluments)*

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and other benefits	135,577	131,865	164,134
Retirement fund contributions *(note 48)*	3,466	4,035	6,152
Equity-settled share-based payments *(note 44(c))*	–	7,019	52,527
Termination benefits	–	4,433	136
	139,043	147,352	222,949

9. FINANCE COSTS

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Interest charges on:			
Bank loans and overdrafts			
– wholly repayable within five years	49,194	67,939	142,813
– wholly repayable over five years	7,654	7,664	8,999
Other loans wholly repayable within five years	–	–	1,436
Total interest expense on financial liabilities not at fair value through profit or loss	56,848	75,603	153,248
Bank charges	–	2,025	1,167
Total borrowing costs	56,848	77,628	154,415
Less: Amount capitalised in properties under development	(24,981)	(8,344)	(81,306)
	31,867	69,284	73,109

10. INCOME TAX

Income tax expense

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Income tax expenses comprise:			
Current tax for the year			
Hong Kong profits tax	9,682	5,017	1,123
Other regions of the PRC			
– Enterprise income tax	29,862	165,837	276,580
– Land appreciation tax	9,316	125,082	272,226
Others	–	–	1,022
	48,860	295,936	550,951
Under/(Over) provision in prior years			
Hong Kong profits tax	30,164	5,305	(117)
Other regions of the PRC			
– Enterprise income tax	–	(3,947)	18,671
– Land appreciation tax	–	–	(4,291)
Others	–	–	28
	30,164	1,358	14,291
Deferred tax *(note 43)*	16,392	(98,507)	(108,724)
	95,416	198,787	456,518

Hong Kong profits tax for the years ended 31st December, 2006 and 2007 is calculated at 17.5% on the estimated assessable profits of the respective year while that for the year ended 31st December, 2008 is calculated at the rate of 16.5%.

Enterprise income tax ("EIT") arising from other regions of the PRC for the years ended 31st December, 2006 and 2007 is calculated at 15% – 33% of the estimated assessable profits.

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New EIT Law"). On 6th December, 2007, the State Council issued Implementation Regulations of the New EIT Law. The New EIT Law introduces a wide range of changes which include, but are not limited to, the unification of the EIT rate for domestic and foreign investment enterprises at a rate of 25% with effect from 1st January, 2008. For those group entities enjoying preferential rate of 15%, the new tax rate is progressively accelerated to 25% over a period of 5 years starting from 1st January, 2008. Under the new EIT Law, a corporate withholding income tax will be levied on the foreign investor for dividend distributed out of the profits of foreign investment enterprises generated since 1st January, 2008. The withholding income tax rate applicable to the Group is 5% or 10%. Accordingly, the tax rate of the EIT for the year ended 31st December, 2008 is 10% – 25%.

PRC land appreciation tax ("LAT") is levied at progressive rates from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

The income tax expenses can be reconciled to the profit before income tax at applicable tax rates as follows:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	181,811	741,332	530,924
Tax on profit at the rates applicable to profits in the countries concerned	120,121	177,415	138,503
Expenses not deductible for tax purpose	26,452	110,313	185,079
Income not taxable for tax purpose	(57,540)	(122,724)	(136,917)
Share of results of associates and jointly controlled entities	(22,132)	(14,498)	(1,785)
Tax exemption	(3,599)	(4,288)	(5,087)
Effect of charge in tax rate on deferred tax assets/liabilities	(15,439)	(35,931)	(1,117)
Utilisation of tax losses previously not recognised	(8,890)	(32,657)	(8,952)
LAT deductible for calculation of income tax	(3,074)	(41,277)	(23,373)
Tax losses not recognised	13,773	42,441	24,031
Under provision in prior years	30,164	1,358	18,582
Others	6,264	(6,447)	3,626
	86,100	73,705	192,590
LAT	9,316	125,082	263,928
Income tax expense	95,416	198,787	456,518

Taxation liabilities

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong profits tax liabilities	49,853	42,651	22,956
Other regions of the PRC			
– EIT liabilities	38,568	63,580	277,303
– LAT liabilities	6,778	109,465	307,139
	95,199	215,696	607,398

EIT liabilities as at 31st December, 2008 include income tax liabilities arising from the disposal of a subsidiary (note 47) and a jointly controlled entity (note 35(c)) during 2008 amounting to approximately HK$153,000,000 in aggregate.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Among the consolidated profit attributable to equity holders of the Company, the profit/(loss) that has been dealt with in the financial statements of the Company are as follows:

	2006 *HK$'000*	**2007** *HK$'000*	**2008** *HK$'000*
Loss attributable to equity holders dealt with in the Company's financial statements	(17,330)	(29,145)	(47,783)
Final dividends from subsidiaries attributable to profits of previous financial years, approved and paid during the year	28,900	8,000	–
Company's profit/(loss) for the year *(note 41)*	11,570	(21,145)	(47,783)

12. DIVIDENDS

	2006 *HK$'000*	**2007** *HK$'000*	**2008** *HK$'000*
Interim dividend declared and paid during the year	20,019	42,039	15,765
Final dividend proposed after the balance sheet date	42,039	63,058	15,705
	62,058	105,097	31,470
Interim dividend per share	HK$0.04	HK$0.08	HK$0.03
Final dividend per share	HK$0.08	HK$0.12	HK$0.03

The final dividend proposed for the year ended 31st December, 2008 was determined based on number of shares in issue as at the date of issue of the financial statements of 31st December, 2008 taking into account the share redemption of 2,000,000 shares after 31st December, 2008.

The final dividend proposed after the respective balance sheet dates is subject to approval by the shareholders in annual general meeting and thus has not been recognised as a liability at the respective balance sheet dates.

Dividend recognised as distributions during the Relevant Periods amounted to HK$60,058,000, HK$84,078,000 and HK$78,823,000 for the years ended 31st December, 2006, 2007 and 2008 respectively.

13. EARNINGS PER SHARE

The calculation of basic earnings per share for the Relevant Periods are based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the respective years as follows:

	2006 *HK$'000*	**2007** *HK$'000*	**2008** *HK$'000*
Profit attributable to equity holders	138,833	434,359	23,563

	2006 *'000*	**2007** *'000*	**2008** *'000*
Weighted average number of ordinary shares in issue	501,169	525,485	525,485

The calculation of diluted earnings per share for the Relevant Periods is based on the following data:

	2006 *HK$'000*	**2007** *HK$'000*	**2008** *HK$'000*
Earnings			
Earnings used in calculating basic earnings per share	138,833	434,359	23,563
Adjustment to the share of profit of a subsidiary based on dilution of its earnings per share#	–	(568)	(3,549)
Earnings for the purpose of calculating diluted earnings per share	138,833	433,791	20,014

\# *The calculation of diluted earnings per share does not assume conversion or exercise of potential ordinary shares that would have an anti-dilutive effect on earnings per share.*

The denominators for the calculation of diluted earnings per share are the same as those used for the basic earnings per share.

14. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

	Fees *HK$'000*	**Salaries, allowances and other benefits** *HK$'000*	**Retirement fund contribution** *HK$'000*	**Share-based payments** *HK$'000*	**Total** *HK$'000*
2006					
Executive directors					
Mr. Billy K Yung	100	5,066	226	–	5,392
Mdm Yung Ho Wun Ching	100	1,577	–	–	1,677
Mr. Leung Chun Wah	100	1,795	60	–	1,955
Mr. Plato Poon Chak Sang *(note (a))*	100	1,497	53	–	1,650
Mr. Eddie Hurip	17	450	–	–	467
Non-executive director					
Mr. Simon Yung Kwok Choi	100	–	–	–	100
Independent non-executive directors					
Dr. The Hon Leo Tung-Hai Lee *(note (b))*	100	80	–	–	180
Mr. Shiu-Kit Ngai *(note (c))*	100	60	–	–	160
Mr. Peter Wong Chung On	100	90	–	–	190
Mr. Peter Lam	100	40	–	–	140
	917	10,655	339	–	11,911

	Fees	Salaries, allowances and other benefits	Retirement fund contribution	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2007					
Executive directors					
Mr. Billy K Yung	120	5,511	230	1,210	7,071
Mdm Yung Ho Wun Ching	120	1,601	–	–	1,721
Mr. Leung Chun Wah	120	1,651	69	–	1,840
Mr. Plato Poon Chak Sang *(note (a))*	60	970	27	–	1,057
Mr. Eddie Hurip	120	2,563	–	48	2,731
Non-executive director					
Mr. Simon Yung Kwok Choi	120	–	–	–	120
Independent non-executive directors					
Dr. The Hon Leo Tung-Hai Lee *(note (b))*	120	96	–	–	216
Mr. Shiu-Kit Ngai *(note (c))*	120	72	–	–	192
Mr. Peter Wong Chung On	120	108	–	–	228
Mr. Peter Lam	120	180	–	–	300
	1,140	12,752	326	1,258	15,476

	Fees	Salaries, allowances and other benefits	Retirement fund contribution	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008					
Executive directors					
Mr. Billy K Yung	120	4,694	191	9,056	14,061
Mdm Yung Ho Wun Ching	120	1,525	–	–	1,645
Mr. Leung Chun Wah	120	1,213	60	–	1,393
Mr. Eddie Hurip	120	2,699	–	362	3,181
Non-executive director					
Mr. Simon Yung Kwok Choi	120	–	–	–	120
Independent non-executive directors					
Dr. The Hon Leo Tung-Hai Lee *(note (b))*	120	96	–	–	216
Mr. Shiu-Kit Ngai *(note (c))*	120	72	–	–	192
Mr. Peter Wong Chung On	120	108	–	–	228
Mr. Peter Lam	120	120	–	–	240
	1,080	10,527	251	9,418	21,276

Notes:

(a) Mr. Plato Poon Chak Sang resigned on 1st July, 2007.

(b) Dr. The Hon Leo Tung-Hai Lee resigned on 30th January, 2009.

(c) Mr. Shiu-Kit Ngai resigned on 19th December, 2008.

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

Five highest paid individuals

The five individuals with the highest emoluments in the Group for the years ended 31st December, 2006, 2007 and 2008 included 2, 2 and 3 directors, respectively, whose emoluments are included in the disclosures above. The emoluments of the remaining 3, 3, and 2 non-director individuals for the years ended 31st December, 2006, 2007 and 2008, respectively, were as follows:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and other benefits	11,893	6,853	4,230
Retirement fund contributions	83	100	12
Share-based payments	–	1,524	11,411
	11,976	8,477	15,653

Their emoluments were within the following bands:

	Number of employee		
	2006	**2007**	**2008**
HK$1,500,001-HK$2,000,000	1	1	–
HK$2,000,001-HK$2,500,000	1	1	–
HK$4,000,001-HK$4,500,000	–	1	1
HK$7,500,001-HK$8,000,000	1	–	–
HK$11,500,001-HK$12,000,000	–	–	1

No emolument was paid by the Group to any of the five highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office.

15. INVESTMENT PROPERTIES

	THE GROUP			**THE COMPANY**		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount at 1st January	594,377	708,118	791,956	14,200	18,970	22,000
Translation adjustment	751	4,801	19,188	–	–	–
Additions	6,268	3,921	413	–	–	–
Addition through acquisition of a subsidiary *(note 45(a))*	–	32,739	–	–	–	–
Disposals	–	(63,600)	–	–	–	–
Transfer (to)/from assets classified as held for sale *(note 35)*	(24,914)	7,212	–	–	–	–
Transfer from property, plant and equipment *(note 16)*	4,977	–	–	–	–	–
Transfer from inventories of properties	–	5,971	–	–	–	–
Increase/(Decrease) in fair value	126,659	92,794	(64,337)	4,770	3,030	1,000
Carrying amount at 31st December	708,118	791,956	747,220	18,970	22,000	23,000

The carrying amount of the Group's and Company's interests in investment properties are analysed as follows:

	THE GROUP			THE COMPANY		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
In Hong Kong, held under long leases	98,220	135,280	136,000	18,970	22,000	23,000
In other regions of the PRC, held under medium-term leases	283,858	325,176	339,780	–	–	–
In the USA, freehold	326,040	331,500	271,440	–	–	–
	708,118	791,956	747,220	18,970	22,000	23,000

Investment properties which are situated in Hong Kong and other regions of the PRC were revalued by Knight Frank Petty Limited as at 31st December, 2006 and 2007, and revalued by Knight Frank Petty Limited and CB Richard Ellis Limited as at 31st December, 2008, on an open market basis. The valuations were arrived at by reference to comparable market transaction and where appropriate, on the basis of capitalisation of net income. Investment properties situated in the USA were revalued as at 31st December, 2006, 2007 and 2008 by Cushman & Wakefield of California on an income approach with reference to comparable market conditions. Knight Frank Petty Limited, CB Richard Ellis Limited and Cushman & Wakefield of California are independent firms of professionally qualified valuers and have appropriate qualifications and recent experiences in the valuation of similar properties in nearby locations.

The investment properties are leased to third parties under operating leases to earn rental income, further details of which are included in note 51.

As at 31st December, 2007, certain investment properties of a subsidiary with a total carrying value of HK$65,142,000 had been impounded by the court of the PRC government. During the year ended 31st December, 2008, the Group received a court order regarding the release of those properties as further detailed in note 38(b)(ii).

In securing a three-year term loan borrowed from a bank during the year ended 31st December, 2008, the Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain investment properties with carrying value of HK$136,000,000 as at 31st December, 2008.

Certain investment properties of the Group are pledged as further detailed in note 49.

Further particulars of the investment properties are included on page II-115.

16. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Land and buildings HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1st January, 2006	120,352	36,319	58,470	60,017	7,445	282,603
Translation adjustment	3,260	1,175	1,519	1,252	223	7,429
Revaluation deficit	(198)	–	–	–	–	(198)
Additions	254	2,250	8	11,022	8,016	21,550
Disposals	(512)	(265)	–	(1,556)	(1,717)	(4,050)
Write-off	–	(259)	(12)	(1,423)	(158)	(1,852)
Transfer to investment properties *(note 15)*	(5,171)	–	–	–	–	(5,171)
Reclassification	(938)	938	–	–	–	–
At 31st December, 2006 and 1st January, 2007	117,047	40,158	59,985	69,312	13,809	300,311
Translation adjustment	6,732	2,619	3,225	2,226	835	15,637
Additions	137	3,531	99	4,815	18,706	27,288
Additions through acquisition of subsidiaries *(note 45)*	–	–	–	1,327	3,181	4,508
Disposals	(184)	(1,058)	–	(7,347)	(1,109)	(9,698)
Disposal of a subsidiary	–	–	–	(2,291)	–	(2,291)
Write-off	–	(42)	–	(3,878)	–	(3,920)
Transfer to assets classified as held for sale	–	–	–	(246)	–	(246)
Transfer from inventories of properties	26,292	–	–	–	–	26,292
At 31st December, 2007 and 1st January, 2008	150,024	45,208	63,309	63,918	35,422	357,881
Translation adjustment	7,715	2,556	2,931	2,182	1,795	17,179
Additions	10,091	1,996	–	5,052	18,835	35,974
Disposals	(1,606)	–	–	(32)	(631)	(2,269)
Write-off	–	(166)	(1,192)	(1,875)	(475)	(3,708)
Transfer from inventories of properties	10,394	–	–	–	–	10,394
At 31st December, 2008	176,618	49,594	65,048	69,245	54,946	415,451

	THE GROUP					
	Land and buildings	Plant and machinery	Tools and moulds	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2006	22,750	23,051	57,958	37,892	5,228	146,879
Translation adjustment	613	752	1,514	808	171	3,858
Impairment	–	–	–	393	–	393
Depreciation provided	2,994	2,255	144	7,037	1,760	14,190
Disposals	(184)	(59)	–	(675)	(1,645)	(2,563)
Write-off	–	(100)	(5)	(1,025)	(146)	(1,276)
Transfer to investment properties *(note 15)*	(194)	–	–	–	–	(194)
Reclassification	(145)	145	–	–	–	–
At 31st December, 2006 and 1st January, 2007	25,834	26,044	59,611	44,430	5,368	161,287
Translation adjustment	1,541	1,792	3,216	1,737	471	8,757
Depreciation provided	4,702	3,445	132	6,603	3,990	18,872
Disposals	(61)	(690)	–	(5,478)	(710)	(6,939)
Disposal of a subsidiary	–	–	–	(1,117)	–	(1,117)
Write-off	–	(25)	–	(3,749)	–	(3,774)
Transfer to assets classified as held for sale	–	–	–	(141)	–	(141)
At 31st December, 2007 and 1st January, 2008	32,016	30,566	62,959	42,285	9,119	176,945
Translation adjustment	1,556	1,728	2,925	1,410	498	8,117
Impairment	3,224	–	–	–	–	3,224
Depreciation provided	4,340	3,352	138	6,677	7,337	21,844
Disposals	(359)	–	–	(26)	(542)	(927)
Write-off	–	(118)	(1,192)	(1,592)	(442)	(3,344)
At 31st December, 2008	40,777	35,528	64,830	48,754	15,970	205,859
NET CARRYING AMOUNT						
At 31st December, 2006	91,213	14,114	374	24,882	8,441	139,024
At 31st December, 2007	118,008	14,642	350	21,633	26,303	180,936
At 31st December, 2008	135,841	14,066	218	20,491	38,976	209,592

THE COMPANY

	Land and buildings *HK$'000*	Plant and machinery *HK$'000*	Tools and moulds *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST						
At 1st January, 2006	3,085	366	479	18,016	2,835	24,781
Additions	–	–	–	1,329	4,198	5,527
Disposals	–	–	–	(30)	(988)	(1,018)
At 31st December, 2006 and 1st January, 2007	3,085	366	479	19,315	6,045	29,290
Additions	–	–	–	580	2,200	2,780
Disposals	–	–	–	(49)	–	(49)
At 31st December, 2007 and 1st January, 2008	3,085	366	479	19,846	8,245	32,021
Additions	–	–	–	307	799	1,106
Disposals	(1,606)	–	–	(23)	–	(1,629)
At 31st December, 2008	1,479	366	479	20,130	9,044	31,498
DEPRECIATION						
At 1st January, 2006	571	334	479	11,760	2,508	15,652
Depreciation provided	62	12	–	1,517	899	2,490
Disposals	–	–	–	(28)	(988)	(1,016)
At 31st December, 2006 and 1st January, 2007	633	346	479	13,249	2,419	17,126
Depreciation provided	62	12	–	1,468	1,525	3,067
Disposals	–	–	–	(49)	–	(49)
At 31st December, 2007 and 1st January, 2008	695	358	479	14,668	3,944	20,144
Depreciation provided	48	5	–	1,322	1,842	3,217
Disposals	(359)	–	–	(3)	–	(362)
At 31st December, 2008	384	363	479	15,987	5,786	22,999
NET CARRYING AMOUNT						
At 31st December, 2006	2,452	20	–	6,066	3,626	12,164
At 31st December, 2007	2,390	8	–	5,178	4,301	11,877
At 31st December, 2008	1,095	3	–	4,143	3,258	8,499

The carrying amounts of land and buildings and prepaid lease rental on land held by the Group and the Company are analysed as follows:

	THE GROUP			THE COMPANY		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
In Hong Kong, held under long leases	4,273	4,073	3,873	1,153	1,124	1,095
In other regions of the PRC, held under						
– medium-term leases	91,343	122,610	142,760	–	–	–
– long leases	6,061	5,950	4,606	1,299	1,266	–
In the USA, freehold	6,547	6,456	6,365	–	–	–
	108,224	139,089	157,604	2,452	2,390	1,095
Land and buildings included in property, plant and equipment	91,213	118,008	135,841	2,452	2,390	1,095
Prepaid lease rental on land *(note 17)*	17,011	21,081	21,763	–	–	–
	108,224	139,089	157,604	2,452	2,390	1,095

As at 31st December, 2007, certain properties of a subsidiary with a total carrying value of HK$4,798,000 had been impounded by the court of the PRC government. During the year ended 31st December, 2008, the Group received a court order regarding the release of those properties as further detailed in note 38(b)(ii).

In securing a three-year term loan borrowed from a bank during the year ended 31st December, 2008, the Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain property, plant and equipment with carrying value of HK$77,835,000 as at 31st December, 2008.

17. PREPAID LEASE RENTAL ON LAND

	THE GROUP		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount at 1st January	16,854	17,011	21,081
Translation adjustment	595	1,210	1,295
Amortisation charged	(438)	(704)	(607)
Impairment loss	–	–	(199)
Transfer from inventories of properties	–	3,564	193
Carrying amount at 31st December	17,011	21,081	21,763
Analysed into:			
Non-current portion included in non-current assets	16,621	20,592	21,239
Current portion included in current assets	390	489	524
	17,011	21,081	21,763

18. GOODWILL

	THE GROUP		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount at 1st January *(note (a))*	26,402	66,643	106,173
Translation adjustment	–	1,142	2,275
Acquisition of additional interest in subsidiaries *(note (a))*	41,714	–	–
Acquisition of subsidiaries *(note (b))*	–	38,388	–
Elimination on disposals of indirectly held subsidiary and jointly controlled entity *(note (c))*	–	–	(21,231)
Impairment loss	(1,473)	–	(2,283)
Carrying amount at 31st December *(note (d))*	66,643	106,173	84,934

Notes:

(a) Goodwill as at 31st December, 2006 comprised the goodwill arising from the acquisition of 100% interest in Tigerlily Overseas Limited ("Tigerlily") on 28th June, 2005 amounting to HK$26,402,000 and the goodwill arising from the acquisition of additional 20% equity interest in Jodrell Investments Limited ("Jodrell"), on 22nd December, 2006 amounting to HK$40,241,000 (note 46). On the date of acquisition of Tigerlily, Tigerlily was holding 80% equity interest in Jodrell and the Group's effective interest in Jodrell was 56%. The Group's effective interest in Jodrell has increased from 56% to 70% since the acquisition of additional 20% equity interest from the minority equity holder on 22nd December, 2006. The principal activity of the Tigerlily and Jodrell is investment holding. 中國光大房地產開發有限公司 (China Everbright Real Estate Development Limited) ("EBRE") is a subsidiary of Jodrell engaging in property development in the PRC.

(b) Goodwill arising from the acquisitions of subsidiaries during the year ended 31st December, 2007 mainly comprises:

(i) HK$3,168,000 and HK$29,565,000 arising from obtaining control over the jointly controlled entities, 廣州市光大花園房地產開發有限公司 (Guangzhou Everbright Gardens Real Estate Development Co. Limited) ("Guangzhou EB Gardens") and 北京中順超科房地產開發有限公司 (Beijing Zhong Shun Chao Ke Property Development Company Limited) ("Beijing Zhong Shun"), respectively, as a result of further investment made in these entities during the year ended 31st December, 2007 as mentioned in notes 45(a) and (c);

(ii) HK$3,531,000 arising from the acquisition of 90% equity interest in 北京華世柏利房地產開發有限公司 (Beijing Huashiboli Property Development Limited) ("Huashiboli") as mentioned in note 45(b); and

(iii) HK$2,124,000 arising from the acquisition of 80% share capital of SLP (China) Pte. Ltd. as mentioned in note 45(d).

(c) During the year ended 31st December, 2008, the Group disposed of its entire equity interest in an indirect subsidiary, 安徽博鴻房地產開發有限公司, and its interest in an indirect jointly controlled entity, 廣州市環博展覽有限公司. Goodwill allocated to the cash generating unit of this subsidiary and jointly controlled entity of HK$1,793,000 and HK$19,438,000, respectively, were eliminated accordingly. Further details about the disposals of this subsidiary and this jointly controlled entity are set out in note 47 and note 35(c)) respectively.

(d) The amount of goodwill as at each balance sheet dates is allocated to the cash-generating units within property investment and development segment and is tested for impairment by the management by estimating the recoverable amount of these cash-generating units based on value in use calculations. The calculations use cash flow projections based on the financial budgets approved by the management. The period covered by the financial budgets is 4 years up to year 2010 for year ended 31st December, 2006, 4 years up to year 2011 for year ended 31st December, 2007 and 3 years up to year 2011 for year ended 31st December, 2008. Based on the results of the impairment testing, management determines that there are impairment of HK$1,473,000 and HK$2,283,000, respectively, as at 31st

December, 2006 and 2008 and no impairment of these cash-generating units within property investment and development segment attributed to the goodwill as at 31st December, 2007.

Key assumptions used by the management in the value in use calculations of these cash-generating units include gross profit margin of 20% – 45% for the year ended 31st December, 2006, 20% – 40% for the year ended 31st December, 2007 and 25% – 45% for the year ended 31st December, 2008, and growth rate by reference to the Gross Domestic Products Index in the PRC. These assumptions have been determined based on past performance and management's expectations in respect of the market development in the PRC. The pre-tax discount rate applied to the cash flow projections is 35% for the year ended 31st December, 2006, 35% for the year ended 31st December, 2007 and 14% for the year ended 31st December, 2008.

Apart from the considerations described above in determining the value in use of the cash generating units of property investment and development, the management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

19. OTHER INTANGIBLE ASSETS

		THE GROUP	
	Taxi licences	Shopping mall operating right	Total
	HK$'000	*HK$'000*	*HK$'000*
COST			
At 1st January, 2006	202,267	55,395	257,662
Translation adjustment	7,198	2,374	9,572
At 31st December, 2006 and 1st January, 2007	209,465	57,769	267,234
Translation adjustment	15,279	5,040	20,319
At 31st December, 2007 and 1st January, 2008	224,744	62,809	287,553
Translation adjustment	13,890	4,582	18,472
At 31st December, 2008	238,634	67,391	306,025
AMORTISATION AND IMPAIRMENT			
At 1st January, 2006	38,400	3,841	42,241
Translation adjustment	1,366	540	1,906
Amortisation charged	–	3,979	3,979
Impairment recognised	–	8	8
At 31st December, 2006 and 1st January, 2007	39,766	8,368	48,134
Translation adjustment	2,901	1,436	4,337
Amortisation charged	–	4,269	4,269
At 31st December, 2007 and 1st January, 2008	42,667	14,073	56,740
Translation adjustment	2,637	1,608	4,245
Amortisation charged	–	4,449	4,449
At 31st December, 2008	45,304	20,130	65,434
NET CARRYING AMOUNT			
At 31st December, 2006	169,699	49,401	219,100
At 31st December, 2007	182,077	48,736	230,813
At 31st December, 2008	193,330	47,261	240,591

The carrying amount of taxi licences as at 31st December, 2006, 2007 and 2008 are tested for impairment by the management by estimating its recoverable amount based on a value in use calculation. The calculations use cash flow projections based on the financial budgets approved by the management.

The financial budgets prepared for the years ended 31st December, 2006 and 2007 are up to year 2013 which is the year in which the business licence of the respective subsidiary engaging in taxi rental operation would expire. The financial budget prepared for the year ended 31st December, 2008 is up to year 2023 as management considers that the application for extending the business period of the subsidiary by 10 years to year 2023 will be approved by the PRC government.

Other key assumptions used by management in the value in use calculation of the taxi licences have been determined based on past performance and its expectations for the market development. Key assumptions underlying the cash flow projections include (i) the number of taxi licences held by the Group remains the same throughout the forecast period, and (ii) the forecast taxi licence fee income is determined based on the fee income received during the respective year, adjusted by the expected market development. The discount rate applied to the cash flow projections is 6% (post-tax) for the year ended 31st December, 2006, 9% (pre-tax) for the year ended 31st December, 2007 and 8% (pre-tax) for the year ended 31st December, 2008 which reflects specific risks relating to the taxi rental operation.

20. INTERESTS IN SUBSIDIARIES

	THE COMPANY		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	105,126	677,059	676,962
Less: Impairment	(105,011)	(90,429)	(90,429)
	115	586,630	586,533

Details of the Company's subsidiaries are set out in note 59. Certain of the Group's interests in subsidiaries are pledged as further detailed in note 49.

21. INTERESTS IN ASSOCIATES

	THE GROUP			THE COMPANY		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	–	–	–	195	101	–
Share of net assets	288,533	366,112	418,010	–	–	–
Goodwill on acquisition of an associate	850	850	850	–	–	–
	289,383	366,962	418,860	195	101	–
Less: Impairment	–	–	–	(94)	(101)	–
	289,383	366,962	418,860	101	–	–

Details of the Group's associates are set out in note 60.

The following illustrates the summarised financial statements of the Group's associates extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	100% basis		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Results for the year			
Revenue	876,203	835,591	1,104,349
Profit	250,363	286,170	167,345
Financial positions			
Assets	3,368,063	3,820,224	3,910,594
Liabilities	(2,353,083)	(2,527,368)	(2,437,661)
Net assets	1,014,980	1,292,856	1,472,933

For the year ended 31st December, 2006, the associates, Yue Tian Development Limited and Guangzhou Cheng Jian Tian Yu Real Estate Development Company Limited (collectively referred to as the "Yue Tian Group"), are accounted for using equity method up to the date on which they are classified as assets held for sales in accordance with HKFRS 5. The Group's interests in Yue Tian Group as at 31st December, 2006 was reclassified and presented as assets classified as held for sale on the face of the consolidated balance sheet as at 31st December, 2006 as further detailed in note 35(b).

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Share of net assets	362,992	205,650	222,410
Goodwill on acquisition	14,197	26,941	28,751
	377,189	232,591	251,161
Less: Impairment	–	–	(28,361)
	377,189	232,591	222,800

Details of the Group's jointly controlled entities are set out in note 61.

During the year ended 31st December, 2008, the Group recognised impairment loss of HK$28,361,000 for its interest in a jointly controlled entity, which is engaging in property development in the PRC. Due to the decrease in estimated net realisable value of the properties under development owned by the jointly controlled entity, the Group has revised the cash flow forecast and reduced the carrying value of this cash generating unit to its recoverable amount as at 31st December, 2008 through recognition of impairment. The pre-tax discount rate used in the forecast is 14%. The amount of the impairment loss for the year ended 31st December, 2008 is attributed to the Group's property investment and development segment.

The following illustrates the summarised financial information of the Group's jointly controlled entities extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Share of results for the year			
Revenue	71,382	17,014	10,697
(Loss)/Profit after income tax expenses	(145,350)	1,635	7,366
Share of assets and liabilities			
Total non-current assets	231,968	1,512	117,454
Total current assets	1,954,781	248,994	532,326
Total current liabilities	(1,579,358)	(43,045)	(361,174)
Total non-current liabilities	(244,399)	(1,811)	(66,196)
	362,992	205,650	222,410

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP AND THE COMPANY		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investments			
Convertible notes *(note (a))*	–	5,070	–
Club debentures *(note (b))*	2,920	2,920	2,920
	2,920	7,990	2,920

Notes:

(a) As mentioned in note 25, the Company subscribed for certain convertible notes during the year ended 31st December, 2007. Based on the assessment of the Directors, the convertible notes are impaired with impairment loss of HK$5,069,000 being recognised in the consolidated income statement for the year ended 31st December, 2007. The recoverable amount of the convertible notes of HK$5,070,000 as at 31st December, 2007 is determined based on the cash flow projections discounted using the market interest rate.

(b) Club debentures are stated at cost less impairment since the Directors are of the opinion that the fair value cannot be determined reliably.

24. LOANS RECEIVABLE

	THE GROUP			THE COMPANY		
	2006	2007	2008	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loans receivable from						
Investees *(note (a))*	15,600	–	14,212	–	–	8,996
Associates *(note (b))*	164,974	152,668	128,928	–	–	–
Others *(note (c))*	42,269	49,730	40,593	6,358	6,843	11,339
	222,843	202,398	183,733	6,358	6,843	20,335
Less: Impairment *(notes (a) and (c))*	(38,251)	(45,877)	(38,250)	(6,358)	(6,783)	(8,996)
	184,592	156,521	145,483	–	60	11,339
Analysed into:						
Amount repayable in more than one year included in non-current assets	166,805	152,668	130,138	–	–	–
Amount repayable within one year included in current assets	17,787	3,853	15,345	–	60	11,339
	184,592	156,521	145,483	–	60	11,339

Notes:

(a) The balance as at 31st December, 2006 was unsecured, interest-bearing at 4% per annum and repayable on 15th December, 2007. The balance as at 31st December, 2008 was unsecured, interest-bearing at 4% – 9% per annum and repayable as to HK$5,796,000 within twelve months from the balance sheet date and HK$8,416,000 after twelve months from the balance sheet date. Having considered the financial position of the borrowers, management assessed that only a portion of the balance as at 31st December, 2008 can be recovered and accordingly, impairment provision of HK$8,996,000 was made in respect of the loans receivable from investees as at 31st December, 2008.

(b) The loans to associates are unsecured and interest-free. The amortised costs of the loans to associates as at 31st December, 2006, 2007 and 2008 are calculated at the present values of the expected settlements from the associates in accordance with the business plans of the respective associates, discounted at the rates of return of similar financial assets. The loans to associates will not be repayable within twelve months from the respective balance sheet dates and accordingly, they are classified as non-current assets. Having considered the financial position of these associates, and the status of settlements from them, the management assessed that there is no indication of impairment in respect of these loans.

(c) The balance as at 31st December, 2006 was unsecured, interest-bearing at 5% – 7% per annum and repayable on demand except for an amount of HK$1,831,000 which was not repayable within twelve months from the balance sheet date and was thereby included in non-current assets. The balances as at 31st December, 2007 and 2008 were unsecured, interest-bearing at 5% – 8% per annum and repayable on demand. Having considered the financial position of the borrowers, management assessed that only a portion of the balances can be recovered and accordingly, impairment provision of HK$38,251,000, HK$45,877,000 and HK$29,254,000 were made in respect of the respective balances as at 31st December, 2006, 2007 and 2008.

In the opinion of the Directors, the carrying amounts of the loans receivable at the balance sheet dates approximate their fair values.

25. DEPOSIT PAID FOR ACQUISITION OF OTHER INVESTMENT

On 27th December, 2006, the Company entered into a legally binding memorandum of undertaking with certain independent third parties to subscribe for convertible and non-convertible notes in an aggregate principle amount of S$17,000,000 (equivalent to approximately HK$87,635,000) in cash (the "Subscription"). As at 31st December, 2006, deposit amounting to S$2,000,000 (equivalent to approximately HK$10,139,000) (the "1st Deposit") as required under the memorandum of undertaking was paid which was classified as "Deposit paid for acquisition of other investment" on face of the consolidated balance sheet for the year ended 31st December, 2006.

On 26th April, 2007, the Company and the third parties entered into an agreement for the Subscription and the Company paid further deposit of S$15,000,000 (equivalent to approximately HK$77,496,000) (the "2nd Deposit") to an escrow account. At the same time, the Company has subscribed for the underlying convertible notes in respect of the 1st Deposit paid to the issuer during the year ended 31st December, 2006 and the convertible notes subscribed are accounted for as available-for-sale financial assets as at 31st December, 2007. As certain conditions for subscribing the underlying convertible and non-convertible notes in respect of the 2nd Deposit were not yet fulfilled by the third parties up to the fulfillment date, the 2nd Deposit was accounted as "Deposit paid for acquisition of other investment" as at 31st December, 2007.

During the year ended 31st December, 2008, management has decided to terminate the Subscription and the 2nd Deposit was returned to the Company in the same year.

26. INVENTORIES OF PROPERTIES

	THE GROUP		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Properties under development, at cost	1,860,095	3,614,855	5,196,004
Properties held for sale, at cost	86,814	1,331,542	903,489
	1,946,909	4,946,397	6,099,493

Properties under development amounting to HK$277,963,000, HK$3,614,855,000 and HK$3,220,400,000 as at 31st December, 2006, 2007 and 2008, respectively, are not expected to be recovered within twelve months from corresponding balance sheet date.

The Group's properties under development and properties held for sale are located in other regions of the PRC. Leasehold interests in land included in inventories of properties which are held under long or medium leases amounted to HK$587,191,000, HK$1,236,712,000 and HK$1,383,869,000 as at 31st December, 2006, 2007 and 2008 respectively.

As at 31st December, 2007, certain inventories of properties of a subsidiary with a total carrying value of HK$77,427,000 had been impounded by the court of the PRC government. During the year ended 31st December, 2008, the Group received a court order regarding the release of the properties as further detailed in note 38(b)(ii).

Certain inventories of properties are pledged by the Group for obtaining certain banking facilities with further details stated in note 49.

27. OTHER INVENTORIES

	THE GROUP			THE COMPANY		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	66,252	70,686	72,290	–	–	–
Work-in-progress	10,526	4,501	6,636	–	–	–
Finished goods	22,488	38,602	45,302	2,848	2,391	2,948
	99,266	113,789	124,228	2,848	2,391	2,948
Inventories stated						
At cost	85,591	103,002	107,668	2,848	2,391	2,948
At net realisable value	13,675	10,787	16,560	–	–	–
	99,266	113,789	124,228	2,848	2,391	2,948

28. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	THE GROUP			THE COMPANY		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	180,180	212,645	284,390	10,229	4,168	4,510
Less: Impairment of trade receivables	(19,275)	(13,805)	(22,701)	(2,761)	(2,651)	(2,546)
Trade receivables, net *(note (a))*	160,905	198,840	261,689	7,468	1,517	1,964
Prepayments and deposits *(note (b))*	221,046	697,246	690,059	3,885	1,391	1,877
Other receivables	86,532	162,706	84,896	21,159	15,830	11,050
	468,483	1,058,792	1,036,644	32,512	18,738	14,891

Notes:

(a) The ageing analysis of the trade receivables (based on invoice date) net of impairment allowance is as follows:

	THE GROUP			THE COMPANY		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
30 days or below	93,037	86,339	108,982	7,434	1,338	1,928
31-60 days	53,355	71,379	66,713	34	9	5
61-90 days	8,879	13,722	45,710	–	119	4
91-180 days	4,051	21,592	38,071	–	51	11
181-360 days	978	2,292	916	–	–	10
Over 360 days	605	3,516	1,297	–	–	6
	160,905	198,840	261,689	7,468	1,517	1,964

The Group maintains a defined credit policy. For sales of goods, the Group normally allows a credit period of 45 days or 60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The credit terms in connection with sales of properties granted to the buyers are set out in the sale and purchase agreements and vary from different agreements.

In general, trade receivables that are aged below one year are not considered impaired based on management's historical experience and the Group would consider allowance for impairment of trade receivables which are aged one year or above.

The movement in the allowance for impairment of trade receivables during the Relevant Periods is as follows:

	THE GROUP			THE COMPANY		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January	20,095	19,275	13,805	2,835	2,761	2,651
Translation adjustment	179	298	360	–	–	–
Impairment losses recognised	1,584	3,497	10,328	–	–	–
Impairment losses reversed	(2,350)	(192)	(1,553)	(14)	–	–
Amounts written off as uncollectible	(60)	(7,883)	(239)	(60)	(110)	(105)
Transfer to assets held for sale	–	(1,190)	–	–	–	–
Amounts recovered	(173)	–	–	–	–	–
At 31st December	19,275	13,805	22,701	2,761	2,651	2,546

At each balance sheet dates, the Group reviewed receivables for evidence of impairment on both an individual and collective basis. The Group's trade receivables of HK$19,275,000, HK$13,805,000 and HK$22,701,000 as at 31st December, 2006, 2007 and 2008, respectively, were impaired and accordingly allowance were made in respect of these balances. The Company's trade receivables of HK$2,761,000, HK$2,651,000 and HK$2,546,000 as at 31st December, 2006, 2007 and 2008, respectively, were impaired and accordingly allowance were made in respect of these balances. The individually impaired receivables mainly relate to customers that were in financial difficulties and management assessed that the entire amount of the receivable balances is unlikely to be recovered.

The Group and the Company do not hold any collateral over these balances. The ageing analysis of trade receivables which were impaired and for which allowances were made as at the respective balance sheet dates are as follows:

	THE GROUP			THE COMPANY		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
30 days or below	4,141	341	298	–	–	–
31-60 days	161	697	132	161	168	–
61-90 days	–	2	905	–	3	–
91-180 days	35	291	499	–	1	–
181-360 days	48	166	1,276	36	–	–
Over 360 days	14,890	12,308	19,591	2,564	2,479	2,546
	19,275	13,805	22,701	2,761	2,651	2,546

The ageing analysis of trade receivables that are past due, based on due date, but are not considered impaired as at the respective balance sheet dates are as follows:

	THE GROUP			THE COMPANY		
	2006	2007	2008	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
61-90 days	8,879	13,722	45,710	–	119	4
91-180 days	4,051	21,592	38,071	–	51	11
181-360 days	978	2,292	916	–	–	10
Over 360 days	605	3,516	1,297	–	–	6
	14,513	41,122	85,994	–	170	31

Trade receivables that were not yet past due relate to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good payment record with the Group and the Company. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group and the Company do not hold any collateral over these balances.

(b) The balances of prepayments and deposits include the followings:

(i) The amounts of HK$173,511,000, HK$381,955,000 and HK$250,276,000, respectively, as at 31st December, 2006, 2007 and 2008 were paid by the Group mainly for the primary development on certain areas in Hohhot, Inner Mongolia (the "Primary Development Land"). During the year ended 31st December, 2008, the Group successfully acquired the land use right for certain area of the Primary Development Land through a public tender. According to the approval document issued by the relevant land authority in Hohhot, the cost of these lands was offset against the payment made by the Group for the Primary Development Land. It is the assessment as well as intention of the Directors that the amount of prepayment made for the Primary Development Land can be fully recovered through similar land auction exercise in future.

(ii) The amounts of HK$160,185,000 and HK$226,780,000, respectively, as at 31st December, 2007 and 2008 were paid by the Group to a third party, 深圳市眾望投資集團有限公司 ("Shenzhen Zhongwang"), in relation to certain potential investments in the PRC. The amounts are secured by an unconditional right granted to the Group for acquiring 30% equity interest in a PRC entity, 惠州眾望光耀城房地產有限公司, which is engaging in property development in the PRC and is 100% held by Shenzhen Zhongwang. The Group is still pursuing the potential investments in the PRC and considers that the deposit paid is fully recoverable.

Trade and other receivables are short term and hence the Directors consider the carrying amounts of trade and other receivables approximate their fair values.

29. AMOUNTS DUE FROM/TO SUBSIDIARIES

The balances are unsecured and repayable on demand. Except for an amount of HK$1,985,218,000, HK$284,764,000 and HK$48,447,000 as at 31st December, 2006, 2007, and 2008, respectively, which are interest-bearing at prevailing market rate, the balances due from the subsidiaries are interest-free. Except for an amount of HK$25,084,000, HK$67,301,000 and HK$16,994,000 as at 31st December, 2006, 2007 and 2008, respectively, which are interest-bearing at prevailing market rate, the balances due to the subsidiaries are interest-free. The Directors consider that the carrying amounts of the balances approximate their fair values.

30. AMOUNT(S) DUE FROM ASSOCIATES/JOINTLY CONTROLLED ENTITIES/INVESTEES/ MINORITY SHAREHOLDERS/A RELATED PARTY

The amounts due are unsecured, interest-free and repayable on demand. The Directors consider that the carrying amounts of the balances approximate their fair values.

31. INVESTMENTS HELD FOR TRADING

	THE GROUP		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Equity securities, at fair value			
Unlisted	4	–	–
Listed in Hong Kong	109,043	30,531	11,349
Listed outside Hong Kong	78,905	17,850	9,294
	187,952	48,381	20,643

The fair values of the listed equity securities are determined based on quoted market prices available on the relevant stock exchanges. Certain equity securities are pledged as further detailed in note 49.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Equity derivatives – assets/(liabilities)	1,292	(6,738)	–

As at 31st December, 2006, the Group held two forward contracts in respect of the shares of a listed company in Hong Kong. As at 31st December, 2007, the Group held another three forward contracts in respect of the shares of a listed company in the United Kingdom, a listed company in Singapore and another listed company in Hong Kong. The aggregate notional amount of the contracts as at 31st December, 2006 and 2007 were HK$123,173,000 and HK$85,287,000 respectively. Under the contracts, the Group is required to buy certain numbers of the shares, depending on the market price of the listed companies' shares on the settlement dates during the period of the contracts at the underlying forward prices. When the market price of the listed companies' shares exceeds the knock-out prices as set forth in the contracts, the contracts would be terminated. Further details about the terms of these contracts are as follows:

	Forward price	**Number of Shares#**		**Knock-out price**	**Maturity date**
		Lower	**Higher**		
	HK$			*HK$*	
2006					
Contract 1	14.625	43,500	87,000	17.0625	14th May, 2007
Contract 2	14.4254	38,000	76,000	17.064	17th July, 2007
2007					
Contract 1	GBP5.4395	4,000	8,000	GBP6.129	21st July, 2008
Contract 2	SGD6.63	8,000	16,000	SGD7.875	17th July, 2008
Contract 3	HK$81.6387	4,000	8,000	HK$99.6751	12th November, 2008

\# *To be settled on weekly basis*

The equity derivatives are not designated as hedging instrument and their fair values are determined by reference to the valuation conducted by a third party financial institution.

These financial instruments are subject to financial risk exposure in term of price risk (note 58.4(a)).

33. RESTRICTED CASH AND DEPOSITS

In accordance with the relevant documents issued by the PRC State-Owned Land and Resources Bureau, certain subsidiaries of the Group engaging in property development are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC State-Owned Land and Resources Bureau is obtained. Such guarantee deposits will only be released after the completion of the related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier. The amount of cash restricted for such purpose amounted to nil, HK$99,890,000 and HK$52,582,000, respectively, as at 31st December, 2006, 2007 and 2008.

Other than the above, cash balance placed with certain security brokers amounting to HK$16,398,000 as at 31st December, 2007 was restricted for the purpose of securities trading. The cash balance deposited with these security brokers as at 31st December, 2006 and 2008 were not subject to such restriction and was therefore included in cash and cash equivalents.

34. CASH AND CASH EQUIVALENTS

		THE GROUP	
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Cash at bank, in hand and deposited with security brokers	488,753	1,697,862	925,908
Less: Restricted cash and deposits classified under current assets *(note 33)*	–	(116,288)	(52,582)
Less: Pledged cash deposits classified under current assets	–	(876,858)	–
	488,753	704,716	873,326

Cash balance denominated in Renminbi ("RMB") amounted to approximately HK$403,160,000, HK$1,313,796,000 and HK$866,120,000, respectively, as at 31st December, 2006, 2007 and 2008. The RMB is not freely convertible into other currencies.

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for period depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The directors consider that the fair value of the short-term deposits is not materially different from their carrying amount because of the short maturity period.

35. ASSETS CLASSIFIED AS HELD FOR SALE

		THE GROUP	
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Investment properties *(note (a))*	24,914	–	–
Interest in an associate *(note (b))*	131,590	–	–
Interest in a development project held by a jointly controlled entity *(note (c))*	–	325,680	–
Interest in a development project held by a subsidiary *(note (d))*	–	155,558	–
	156,504	481,238	–

Notes:

(a) During the year ended 31st December, 2006, the Group entered into provisional sale and purchase agreements with independent third parties to dispose of these properties. These properties were revalued as at 31st December, 2006 based on the selling price as stipulated in the provisional sale and purchase agreements and were reclassified as assets classified as held for sale.

(b) In September, 2006, the Group entered into a non-legally binding letter of intent in relation to the proposed disposal of its 20% effective interest in a property development project (the "Development Project"). On 2nd March, 2007, SMC Property Investment Limited ("SMC Property"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a related company and an independent third party in relation to the disposal of the entire issued share capital of Allright Investments Limited ("Allright"), the then wholly-owned subsidiary of SMC Property, and assigned to the purchaser the total principal amount due from Allright to SMC Property at an aggregate consideration of HK$177,302,000 (the "Allright Sale"). The Development Project is effectively held by Yue Tian Group, associates of the Group in which Allright holds 20% equity interest. Further details about the Allright Sale are set out in the circular to the shareholders of the Company dated 28th March, 2007.

In the opinion of the Directors, the Allright Sale is highly probable and thus the Group's interests in Yue Tian Group are reclassified and presented in the consolidated balance sheet as at 31st December, 2006 as assets classified as held for sale. The Allright Sale was completed in 2007 and a gain on disposal of an associate of HK$45,302,000 is recorded for the year ended 31st December, 2007.

(c) On 24th April, 2007, EBRE entered into an agreement (the "Huan Bo Disposal Agreement") with 廣州銀宜企業集團有限公司 (Guangzhou Yingyi Enterprises Group Limited) ("Guangzhou Yingyi"), another joint venture partner of 廣州市環博展覽有限公司 (Guangzhou City Huan Bo Exhibition Company Limited) ("Guangzhou Huan Bo"). Guangzhou Huan Bo is principally engaged in property development and its registered capital is owned as to 50% by EBRE and 50% by Guangzhou Yingyi. Pursuant to the Huan Bo Disposal Agreement, EBRE agreed to dispose of its 50% registered capital in Guangzhou Huan Bo to Guangzhou Yingyi at a cash consideration of RMB469 million and Guangzhou Huan Bo has agreed to repay the shareholder's loan of RMB76 million due to EBRE (the "Huan Bo Sale"). On 2nd May, 2007, the board of directors convened a meeting to approve the Huan Bo Disposal Agreement and the Group subsequently received deposit of RMB444 million (equivalent to approximately HK$474 million) from Guangzhou Yingyi which was classified as amount due to a related party as at 31st December, 2007. The Huan Bo Sale was not yet completed up to 31st December, 2007 and accordingly, the Group's interests in Guangzhou Huan Bo were reclassified and presented in the consolidated balance sheet as at 31st December, 2007 as assets classified as held for sale. Further details about the Huan Bo Sale are set out in the circular to the shareholders of the Company dated 30th May, 2007. The Huan Bo Sale was completed in 2008 and a gain on disposal of a jointly controlled entity of HK$176,533,000 is recorded for the year ended 31st December, 2008. The gain on the disposal net of tax is HK$51,747,000.

(d) Pursuant to an agreement dated 16th January, 2008, the Group has agreed to dispose of its interest in a property development project through the disposal of its entire equity interest in a subsidiary, 安徽博鴻房地產開發有限公司 ("安徽博鴻"), to an independent third party at a cash consideration of RMB121 million. The transaction was approved by the board of directors near the end of 2007 and is expected to be completed on or before 30th April, 2008. Accordingly, the Group's interest in the development project held by 安徽博鴻 was reclassified and presented in the consolidated balance sheet as at 31st December, 2007 as assets classified as held for sale and the liabilities associated to property development project as at 31st December, 2007 amounted to HK$46,796,000. The disposal was completed in 2008 and further details about the disposal are set out in note 47.

36. TRADE AND OTHER PAYABLES

	THE GROUP			THE COMPANY		
	2006	2007	2008	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	572,587	1,290,662	1,462,252	13,559	9,684	12,495
Temporary receipts	37,904	33,651	37,690	310	54	121
Deferred income	29,725	23,672	17,509	–	–	–
Other payables and accruals	266,137	783,475	819,861	25,131	33,501	22,140
Deposit received	–	33,976	41,434	–	2,826	1,938
	906,353	2,165,436	2,378,746	39,000	46,065	36,694

The ageing analysis of trade payables (based on invoice date) is as follows:

	THE GROUP			THE COMPANY		
	2006	2007	2008	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
30 days or below	52,887	381,047	670,690	10,622	7,624	10,763
31-60 days	352,060	43,480	27,639	938	379	1,291
61-90 days	21,722	18,597	15,521	57	555	21
91-180 days	5,431	453,855	10,424	911	24	11
181-360 days	9,731	1,655	166,389	32	63	8
Over 360 days	130,756	392,028	571,589	999	1,039	401
	572,587	1,290,662	1,462,252	13,559	9,684	12,495

Trade and other payables are short term and hence the Directors consider the carrying amounts of trade and other payables approximate their fair values.

37. AMOUNT(S) DUE TO AN ASSOCIATE/JOINTLY CONTROLLED ENTITIES/RELATED PARTIES/MINORITY SHAREHOLDERS

The amounts due are unsecured, interest-free and repayable on demand. The Directors consider that the carrying amounts of the balance approximate their fair values.

38. PROVISIONS

	THE GROUP		
	Provision for claim	Guarantee	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st January, 2006, 31st December, 2006 and 1st January, 2007 *(note (a))*	–	23,478	23,478
Translation adjustment	–	2,464	2,464
Recognised on acquisition of a subsidiary *(note (b))*	16,000	60,277	76,277
Provision utilised *(note (b)(i))*	(16,000)	–	(16,000)
Reversal of unutilised provision *(note (a))*	–	(23,478)	(23,478)
Additional provision	–	1,992	1,992
At 31st December, 2007 and 1st January, 2008	–	64,733	64,733
Translation adjustment	–	2,576	2,576
Reversal of unutilised provision *(note (b)(ii))*	–	(67,309)	(67,309)
At 31st December, 2008	–	–	–

Notes:

(a) On the date of acquisition of Tigerlily on 28th June, 2005, Tigerlily and its subsidiaries gave guarantees to banks for mortgage bank loans granted to purchasers of their properties and for credit facilities granted to third parties which amounted to approximately HK$382,165,000 in aggregate. Contingent liabilities have arisen from certain of these guarantees issued to banks and the fair value of the contingent liabilities at the date of acquisition as assessed by the directors of the Company amounted to HK$23,478,000, which, in the opinion of the directors, approximates the amount of provision required as at 31st December, 2006. The guarantees issued to the banks expired in November 2007 and accordingly, the provision was released during the year ended 31st December, 2007.

(b) Provisions recognised during the year ended 31st December, 2007 arise from the deemed acquisition of Guangzhou EB Gardens as mentioned in note 45(a). Such provisions consist of:

(i) Pursuant to a court order issued in the PRC during year ended 31st December, 2007, Guangzhou EB Gardens is liable to the claim from one of the creditors of a former equity holder (the "Former Equity Holder") of Guangzhou EB Gardens and bank deposit of Guangzhou EB Gardens amounting to RMB15,600,000 had been frozen since 10th May, 2007. Accordingly, a provision for the claim amounting to HK$16,000,000 was made during 2007. The bank deposit was sequestrated by the court near the end of 2007 and thus the amount of provision made was utilised in the same year. Guangzhou EB Gardens has lodged objection to the court.

(ii) In prior years, Guangzhou EB Gardens issued guarantee with maximum amount of RMB50 million in favour of the Former Equity Holder as security for loans granted by a bank in the PRC to the Former Equity Holder. Since the Former Equity Holder could not repay the loans, the bank has claimed Guangzhou EB Gardens for repayment on behalf of the Former Equity Holder. Pursuant to the court order issued by the PRC government, Guangzhou EB Gardens is liable to the claim and certain investment properties, property, plant and equipment and inventories of properties with carrying value of HK$65,142,000, HK$4,798,000 and HK$77,427,000, respectively, as at 31st December, 2007 were impounded by the court. Accordingly, provision for the maximum amount of the guarantee together with the subsequent interest accrual up to 31st December, 2007 of HK$64,733,000 is made by the Group.

Pursuant to the subsequent court order issued by the PRC government on 17th June, 2008, settlement agreement has been made between the Former Equity Holder and the bank and, based on the request from the bank, legal proceeding against Guangzhou EB Gardens was withdrawn and the impounded properties were released. Accordingly, the Directors of the Company consider that there is no financial impact arising from the guarantee issued by Guangzhou EB Gardens and full amount of the provision made in respect of this guarantee of HK$67,309,000 was reversed during the year ended 31st December, 2008.

39. BANK BORROWINGS

	THE GROUP			THE COMPANY		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings						
Secured	512,905	1,993,605	1,883,169	–	–	300,000
Unsecured	426,105	565,735	328,194	372,948	387,463	237,473
	939,010	2,559,340	2,211,363	372,948	387,463	537,473

The maturity of bank borrowings is as follows:

	THE GROUP			THE COMPANY		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due within one year	832,434	1,885,688	929,179	372,948	387,463	162,387
Due more than one year, but not exceeding two years	3,470	573,728	448,414	–	–	48,771
Due more than two years, but not exceeding five years	11,720	11,720	794,083	–	–	326,315
Due more than five years	91,386	88,204	39,687	–	–	–
	939,010	2,559,340	2,211,363	372,948	387,463	537,473
Less: Amounts due within one year in included in current liabilities	(832,434)	(1,885,688)	(929,179)	(372,948)	(387,463)	(162,387)
Amounts due after one year included in non-current liabilities	106,576	673,652	1,282,184	–	–	375,086

The carrying amounts of the bank loans are denominated in the following currencies:

	THE GROUP			THE COMPANY		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong Dollar	363,922	378,403	400,357	363,922	370,531	400,352
RMB	452,862	1,886,979	1,530,766	–	–	–
US Dollar	122,226	293,958	280,240	9,026	16,932	137,121
	939,010	2,559,340	2,211,363	372,948	387,463	537,473

Among the bank borrowings as at 31st December, 2006, 2007 and 2008, HK$452,862,000, HK$1,217,406,000 and HK$178,098,000, respectively, were arranged at fixed annual interest rates of 5.76% – 7.49%, 5.27% – 8.02% and 0.95% – 3.84%, respectively. The remaining balance of the bank borrowings of HK$486,148,000, HK$1,341,934,000 and HK$2,033,265,000, respectively, as at 31st December, 2006, 2007 and 2008 were arranged at floating annual interest rates of 1.51% – 5.9%, 3.55% – 9.71% and 3.15% – 7.72%, respectively.

The Company has been granted certain loan facilities from a bank which requires the Company to fulfill certain covenants. Subsequent to the year ended 31st December, 2008, the Company was not able to meet certain of the financial covenants as set out in the banking facility agreements. As a result of this, the non-current portion of the relevant borrowings amounting to HK$193,030,000 as at 30th June, 2009 is reclassified as current liabilities by the Group. The Directors have been negotiating with the bank for a relaxation of the financial covenants and the bank has verbally confirmed to the Company that it has not, so far, taken any action against the Company for breach of the financial covenants. The Directors have also assessed that the violation of the loan covenants would not have significant financial impact to the Group.

In the opinion of the Directors, the carrying amounts of the Group's and the Company's current and non-current bank borrowings approximate their fair values. The fair values of the non-current borrowings are calculated by discounting their expected future cash flows at market rate.

40. SHARE CAPITAL

	2006		2007		2008	
	Number of shares	**Nominal value**	**Number of shares**	**Nominal value**	**Number of shares**	**Nominal value**
	'000	*HK$'000*	*'000*	*HK$'000*	*'000*	*HK$'000*
Authorised						
Ordinary share of HK$0.50 each						
Balance at beginning and end of year	900,000	450,000	900,000	450,000	900,000	450,000
Issued and fully paid						
Ordinary shares of HK$0.50 each						
Balance at beginning of year	500,485	250,242	525,485	262,742	525,485	262,742
Shares issued on acquisition of additional interest in a subsidiary *(note 46)*	25,000	12,500	–	–	–	–
Balance at end of year	525,485	262,742	525,485	262,742	525,485	262,742

None of the Company or its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Relevant Periods. In February 2009, the Company repurchased on the Stock Exchange a total of 2,000,000 ordinary shares of HK$0.5 each of the Company at an aggregate price of HK$4,200,000 before expenses. All of these shares had been cancelled.

The share capital of the Company comprises only of fully paid ordinary shares with a par value of HK$262,742,000. All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders' meeting of the Company.

41. SHARE PREMIUM AND OTHER RESERVES

The Group

Details of the movements on the Group's share premium and other reserves are set out in the consolidated statement of changes in equity on page 10 to 11 in Appendix II. The nature and purpose of reserves are as follows:

Share premium and capital redemption reserve

The application of the share premium and capital redemption reserve is governed by the relevant provisions of the Hong Kong Companies Ordinance.

Share option reserve of a subsidiary

Share option reserve of a subsidiary has been set up in accordance with the accounting policy set out in note 3.24.

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy adopted in note 3.17.

Asset revaluation reserve

Asset revaluation reserve has been set up in accordance with the accounting policies set out in notes 3.2 and 3.7.

Statutory reserves

In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to appropriate certain % of their profits after tax to the respective statutory reserves. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to make good previous years' losses, if any, or to increase the paid-up capital of the respective subsidiaries, and may be used for capital expenditure on staff welfare facilities, as appropriate.

The Company

Details of the movements on the Company's share premium and other reserves are as follows:

	Share premium	Capital redemption reserve	Assets revaluation reserve	Dividend reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2006	581,349	43,822	13,020	40,039	1,165,896	1,844,126
Fair value changes on available-for-sale financial assets recognised directly in equity	–	–	(13,020)	–	–	(13,020)
Net profit for the year	–	–	–	–	11,570	11,570
Total recognised income and expense for the year	–	–	(13,020)	–	11,570	(1,450)
New shares issued on acquisition additional interest in a subsidiary *(note 46)*	58,750	–	–	–	–	58,750
Interim dividend declared	–	–	–	20,019	(20,019)	–
Dividends paid	–	–	–	(60,058)	–	(60,058)
Final dividend proposed *(note 12)*	–	–	–	42,039	(42,039)	–
At 31st December, 2006 and 1st January, 2007	640,099	43,822	–	42,039	1,115,408	1,841,368
Net loss for the year/Total recognised income and expense for the year	–	–	–	–	(21,145)	(21,145)
Interim dividend declared	–	–	–	42,039	(42,039)	–
Dividends paid	–	–	–	(84,078)	–	(84,078)
Final dividend proposed *(note 12)*	–	–	–	63,058	(63,058)	–
At 31st December, 2007 and 1st January, 2008	640,099	43,822	–	63,058	989,166	1,736,145
Net loss for the year/Total recognised income and expense for the year	–	–	–	–	(47,783)	(47,783)
Interim dividend declared	–	–	–	15,765	(15,765)	–
Dividends paid	–	–	–	(78,823)	–	(78,823)
Final dividend proposed *(note 12)*	–	–	–	15,705	(15,705)	–
At 31st December, 2008	640,099	43,822	–	15,705	909,913	1,609,539

The Company's reserves available for distribution to shareholders pursuant to section 79B of the Hong Kong Companies Ordinance are as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Dividend reserve	42,039	63,058	15,705
Retained profits	1,115,408	989,166	909,913
	1,157,447	1,052,224	925,618

42. LOAN FROM A MINORITY SHAREHOLDER

The loan is unsecured, interest-free and not repayable within twelve months from the balance sheet dates. The fair value of the loan is calculated by discounting the expected future cash flows at prevailing interest rate.

43. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised and movements thereon during the Relevant Periods:

	THE GROUP							
	Accelerated tax depreciation	Amortisation on intangible assets	Allowance on trade receivables	Inventories of properties	Revaluation of properties	Tax losses	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2006	3,312	3,548	(496)	152,183	19,998	(6,244)	(12)	172,289
Charged/(Credited) to income statement	2,329	5,776	13	5,252	3,242	(1,413)	1,193	16,392
(Credited)/Charged to equity	(7)	125	–	–	3	1	1	123
At 31st December, 2006 and 1st January, 2007	5,634	9,449	(483)	157,435	23,243	(7,656)	1,182	188,804
Translation adjustment	269	782	–	8,492	550	(208)	93	9,978
Acquisition of subsidiaries	–	–	–	416,650	–	–	–	416,650
Charged/(Credited) to income statement								
– effect of change in tax rate	–	(2,449)	–	(38,166)	2,488	1,856	340	(35,931)
– others	(4,125)	4,586	20	(77,432)	8,665	6,008	(298)	(62,576)
	(4,125)	2,137	20	(115,598)	11,153	7,864	42	(98,507)
At 31st December, 2007 and 1st January, 2008	1,778	12,368	(463)	466,979	34,946	–	1,317	516,925
Translation adjustment	–	807	–	24,312	1,005	–	86	26,210
Charged/(Credited) to income statement								
– effect of change in tax rate	(100)	–	27	–	(1,049)	–	5	(1,117)
– others	(694)	4,911	381	(120,079)	9,282	–	(1,408)	(107,607)
	(794)	4,911	408	(120,079)	8,233	–	(1,403)	(108,724)
At 31st December, 2008	984	18,086	(55)	371,212	44,184	–	–	434,411

Represented by:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax liabilities	188,804	516,925	436,319
Deferred tax assets	–	–	(1,908)
	188,804	516,925	434,411

At each balance sheet dates, the expiry dates of the Group's unused tax losses available for offset against future profits, not recognised as deferred tax assets, are analysed as follows:

	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
2007	19,375	N/A	N/A
2008	25,511	6,788	N/A
2009	52,709	22,395	23,679
2010	96,356	68,971	64,540
2011	55,049	24,873	9,969
2012	35,341	40,399	23,958
2013	3,471	1,910	13,217
2014	4,867	4,867	–
2015	1	–	–
2016	4	–	–
2018	22,376	22,376	–
2019	63,782	63,782	9,980
2020	20,101	20,101	10,629
2021	7,482	7,482	7,482
2022	4,230	4,230	2,970
2024	9,834	9,834	9,805
2025	2,868	2,868	2,868
2026	752	1,383	1,380
Carried forward indefinitely	80,570	44,284	100,515
	504,679	346,543	280,992

No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The tax losses of the subsidiaries in Hong Kong may be carried forward indefinitely. The tax losses of the subsidiaries in the PRC except Hong Kong and the U.S.A. may be carried forward for five years and twenty years, respectively, from the financial year when the corresponding loss was incurred.

Deferred tax liabilities of HK$55,000,000 have not been established for the withholding and other taxation that would be payable on the unremitted earnings of certain PRC subsidiaries for the year ended 31st December, 2008, as in the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Such unremitted earnings amounted to approximately HK$628,000,000 for the year ended 31st December, 2008.

The following are the movements of the Company's deferred tax liabilities during the Relevant Periods:

	THE COMPANY				
	Accelerated tax depreciation	**Allowance on trade receivables**	**Revaluation of properties**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2006	886	(496)	1,617	(24)	1,983
Charged/(Credited) to income statement	1,022	13	511	(63)	1,483
At 31st December, 2006 and 1st January, 2007	1,908	(483)	2,128	(87)	3,466
(Credited)/Charged to income statement	(160)	20	593	(2)	451
At 31st December, 2007 and 1st January, 2008	1,748	(463)	2,721	(89)	3,917
Effect of change in tax rate (credited)/charged to income statement	(100)	27	(156)	5	(224)
(Credited)/Charged to income statement	(693)	436	410	84	237
At 31st December, 2008	955	–	2,975	–	3,930

For the purposes of balance sheet presentation, the deferred tax assets and liabilities have been offset as they are related to income taxes levied by the same tax authority and the assets and liabilities are intended to be settled in net, or settled/realised simultaneously.

44. SHARE OPTION SCHEMES

The Company

At the annual general meeting of the Company held on 11th May, 2005, the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme") for a period of 10 years commencing on the adoption date. Since 11th May, 2005, the Board of Directors of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares in the Company subject to the terms and conditions as stipulated in the Scheme. No share options were granted during the period since adoption.

Subsidiaries

Pursuant to the Company's shareholders approval in the extraordinary general meeting held on 11th November, 2002, the share option schemes of Appeon Corporation ("Appeon") and Galactic Computing Corporation ("Galactic"), subsidiaries of the Company, became effective. Certain directors, employees and consultants of Appeon and Galactic were granted options as an incentive to them for their continuing contribution to the companies they worked for at a consideration of HK$1 on acceptance of the option offer. Details of the share option schemes of the subsidiaries are set out in the Company's circular to the shareholders dated 25th October, 2002.

(a) *Appeon*

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Appeon ("Appeon Scheme"), together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of Appeon and/or its subsidiary, must not exceed 30% of the number of the issued shares from time to time (subject to the approval of the shareholders of the Company). The total maximum number of options available for further issue under the Appeon Scheme amounted to 866,985, 991,984 and 1,000,985, respectively, as at 31st December, 2006, 2007 and 2008 (subject to approval of the shareholders of the Company) which represented 23.70%, 27.12% and 27.36%, respectively, of the issued share capital of Appeon (excluding any shares issued pursuant to the Appeon Scheme) on the same date.

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2006 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	Number of share options As at 1.1.2006	Cancelled during the year	Granted during the year	As at 31.12.2006
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750	–	–	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375	–	–	3,375
				27,000	–	–	27,000
Other directors of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	11,812	(11,250)	–	562
	25.11.2002	01.04.2003 – 10.11.2012	2.50	11,813	(11,250)	–	563
	25.11.2002	01.10.2003 – 10.11.2012	2.50	11,812	(11,250)	–	562
	25.11.2002	01.04.2004 – 10.11.2012	2.50	11,813	(11,250)	–	563
	25.11.2002	01.10.2004 – 10.11.2012	2.50	11,812	(11,250)	–	562
	25.11.2002	01.04.2005 – 10.11.2012	2.50	11,813	(11,250)	–	563
	25.11.2002	01.10.2005 – 10.11.2012	2.50	11,812	(11,250)	–	562
	25.11.2002	01.04.2006 – 10.11.2012	2.50	11,813	(11,250)	–	563
	02.06.2003	02.06.2003 – 10.11.2012	2.50	2,250	–	–	2,250
	02.06.2003	01.10.2003 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2004 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.10.2004 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2005 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.10.2005 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2006 – 10.11.2012	2.50	1,125	–	–	1,125
	25.05.2005	25.05.2005 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.07.2005 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.01.2006 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.07.2006 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.01.2007 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.07.2007 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.01.2008 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.07.2008 – 10.11.2012	3.00	10,000	–	–	10,000
				183,500	(90,000)	–	93,500
Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	7,687	–	–	7,687
	25.11.2002	01.04.2003 – 10.11.2012	2.50	5,813	–	–	5,813
	25.11.2002	01.10.2003 – 10.11.2012	2.50	5,812	–	–	5,812
	25.11.2002	01.04.2004 – 10.11.2012	2.50	5,813	–	–	5,813
	25.11.2002	01.10.2004 – 10.11.2012	2.50	5,812	–	–	5,812
	25.11.2002	01.04.2005 – 10.11.2012	2.50	5,813	–	–	5,813
	25.11.2002	01.10.2005 – 10.11.2012	2.50	5,812	–	–	5,812
	25.11.2002	01.04.2006 – 10.11.2012	2.50	3,938	–	–	3,938
	02.06.2003	02.06.2003 – 10.11.2012	2.50	750	–	–	750
	02.06.2003	01.10.2003 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2006 – 10.11.2012	2.50	375	–	–	375

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options As at 1.1.2006	Cancelled during the year	Granted during the year	As at 31.12.2006
			US$				
	25.05.2005	25.05.2005 – 10.11.2012	3.00	625	(625)	–	–
	25.05.2005	01.10.2005 – 10.11.2012	3.00	625	(625)	–	–
	25.05.2005	01.04.2006 – 10.11.2012	3.00	625	(625)	–	–
	25.05.2005	01.10.2006 – 10.11.2012	3.00	625	(625)	–	–
	25.05.2005	01.04.2007 – 10.11.2012	3.00	625	(625)	–	–
	25.05.2005	01.10.2007 – 10.11.2012	3.00	625	(625)	–	–
	25.05.2005	01.04.2008 – 10.11.2012	3.00	625	(625)	–	–
	25.05.2005	01.10.2008 – 10.11.2012	3.00	625	(625)	–	–
	26.09.2005	01.03.2006 – 10.11.2012	3.00	1,625	–	–	1,625
	26.09.2005	01.09.2006 – 10.11.2012	3.00	1,625	–	–	1,625
	26.09.2005	01.03.2007 – 10.11.2012	3.00	1,625	–	–	1,625
	26.09.2005	01.09.2007 – 10.11.2012	3.00	1,625	–	–	1,625
	26.09.2005	01.03.2008 – 10.11.2012	3.00	1,625	–	–	1,625
	26.09.2005	01.09.2008 – 10.11.2012	3.00	1,625	–	–	1,625
	26.09.2005	01.03.2009 – 10.11.2012	3.00	1,625	–	–	1,625
	26.09.2005	01.09.2009 – 10.11.2012	3.00	1,625	–	–	1,625
	17.10.2005	18.02.2006 – 10.11.2012	3.00	1,000	(1,000)	–	–
	17.10.2005	18.08.2006 – 10.11.2012	3.00	1,000	(1,000)	–	–
	17.10.2005	18.02.2007 – 10.11.2012	3.00	1,000	(1,000)	–	–
	17.10.2005	18.08.2007 – 10.11.2012	3.00	1,000	(1,000)	–	–
	17.10.2005	18.02.2008 – 10.11.2012	3.00	1,000	(1,000)	–	–
	17.10.2005	18.08.2008 – 10.11.2012	3.00	1,000	(1,000)	–	–
	17.10.2005	18.02.2009 – 10.11.2012	3.00	1,000	(1,000)	–	–
	17.10.2005	18.08.2009 – 10.11.2012	3.00	1,000	(1,000)	–	–
	18.01.2006	17.07.2006 – 10.11.2012	3.00	–	–	1,250	1,250
	18.01.2006	17.01.2007 – 10.11.2012	3.00	–	–	1,250	1,250
	18.01.2006	17.07.2007 – 10.11.2012	3.00	–	–	1,250	1,250
	18.01.2006	17.01.2008 – 10.11.2012	3.00	–	–	1,250	1,250
	18.01.2006	17.07.2008 – 10.11.2012	3.00	–	–	1,250	1,250
	18.01.2006	17.01.2009 – 10.11.2012	3.00	–	–	1,250	1,250
	18.01.2006	17.07.2009 – 10.11.2012	3.00	–	–	1,250	1,250
	18.01.2006	17.01.2010 – 10.11.2012	3.00	–	–	1,250	1,250
	01.06.2006	14.10.2006 – 10.11.2012	3.00	–	–	875	875
	01.06.2006	14.04.2007 – 10.11.2012	3.00	–	–	875	875
	01.06.2006	14.10.2007 – 10.11.2012	3.00	–	–	875	875
	01.06.2006	14.04.2008 – 10.11.2012	3.00	–	–	875	875
	01.06.2006	14.10.2008 – 10.11.2012	3.00	–	–	875	875
	01.06.2006	14.04.2009 – 10.11.2012	3.00	–	–	875	875
	01.06.2006	14.10.2009 – 10.11.2012	3.00	–	–	875	875
	01.06.2006	14.04.2010 – 10.11.2012	3.00	–	–	875	875
				75,500	(13,000)	17,000	79,500

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options As at 1.1.2006	Cancelled during the year	Granted during the year	As at 31.12.2006
			US$				
Consultants of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2006 – 10.11.2012	2.50	1,250	–	–	1,250
	09.06.2003	09.06.2003 – 10.11.2012	0.10	5,106	–	–	5,106
	09.06.2003	01.10.2003 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2006 – 10.11.2012	0.10	2,554	–	–	2,554
				30,425	–	–	30,425
				316,425	(103,000)	17,000	230,425
Weighted average exercise price (HK$)				19.60	19.99	23.40	19.70

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2007 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options As at 1.1.2007	Cancelled during the year	Granted during the year	As at 31.12.2007
			US$				
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750	–	–	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375	–	–	3,375
				27,000	–	–	27,000

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options As at 1.1.2007	Cancelled during the year	Granted during the year	As at 31.12.2007
			US$				
Other directors of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2003 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2003 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2004 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2004 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2005 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2005 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2006 – 10.11.2012	2.50	563	–	–	563
	02.06.2003	02.06.2003 – 10.11.2012	2.50	2,250	–	–	2,250
	02.06.2003	01.10.2003 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2004 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.10.2004 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2005 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.10.2005 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2006 – 10.11.2012	2.50	1,125	–	–	1,125
	25.05.2005	25.05.2005 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.07.2005 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.01.2006 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.07.2006 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.01.2007 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.07.2007 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.01.2008 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.07.2008 – 10.11.2012	3.00	10,000	(10,000)	–	–
				93,500	(80,000)	–	13,500
Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	7,687	(5,000)	–	2,687
	25.11.2002	01.04.2003 – 10.11.2012	2.50	5,813	(3,125)	–	2,688
	25.11.2002	01.10.2003 – 10.11.2012	2.50	5,812	(3,125)	–	2,687
	25.11.2002	01.04.2004 – 10.11.2012	2.50	5,813	(3,125)	–	2,688
	25.11.2002	01.10.2004 – 10.11.2012	2.50	5,812	(3,125)	–	2,687
	25.11.2002	01.04.2005 – 10.11.2012	2.50	5,813	(3,125)	–	2,688
	25.11.2002	01.10.2005 – 10.11.2012	2.50	5,812	(3,125)	–	2,687
	25.11.2002	01.04.2006 – 10.11.2012	2.50	3,938	(1,250)	–	2,688
	02.06.2003	02.06.2003 – 10.11.2012	2.50	750	–	–	750
	02.06.2003	01.10.2003 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2006 – 10.11.2012	2.50	375	–	–	375

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	As at 1.1.2007	Cancelled during the year	Granted during the year	As at 31.12.2007
	26.09.2005	01.03.2006 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.09.2006 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.03.2007 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.09.2007 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.03.2008 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.09.2008 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.03.2009 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.09.2009 – 10.11.2012	3.00	1,625	(375)	–	1,250
	18.01.2006	17.07.2006 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.01.2007 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.07.2007 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.01.2008 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.07.2008 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.01.2009 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.07.2009 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.01.2010 – 10.11.2012	3.00	1,250	(1,250)	–	–
	01.06.2006	14.10.2006 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.04.2007 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.10.2007 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.04.2008 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.10.2008 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.04.2009 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.10.2009 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.04.2010 – 10.11.2012	3.00	875	(875)	–	–
				79,500	(45,000)	–	34,500
Consultants of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2006 – 10.11.2012	2.50	1,250	–	–	1,250
	09.06.2003	09.06.2003 – 10.11.2012	0.10	5,106	–	–	5,106
	09.06.2003	01.10.2003 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2006 – 10.11.2012	0.10	2,554	–	–	2,554
				30,425	–	–	30,425
				230,425	(125,000)	–	105,425
Weighted average exercise price (HK$)				19.70	22.62	–	16.24

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2008 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options			
				As at 1.1.2008	Cancelled during the year	Granted during the year	As at 31.12.2008
			US$				
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750	–	–	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375	–	–	3,375
				27,000	–	–	27,000
Other directors of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2003 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2003 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2004 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2004 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2005 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2005 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2006 – 10.11.2012	2.50	563	–	–	563
	02.06.2003	02.06.2003 – 10.11.2012	2.50	2,250	(2,250)	–	–
	02.06.2003	01.10.2003 – 10.11.2012	2.50	1,125	(1,125)	–	–
	02.06.2003	01.04.2004 – 10.11.2012	2.50	1,125	(1,125)	–	–
	02.06.2003	01.10.2004 – 10.11.2012	2.50	1,125	(1,125)	–	–
	02.06.2003	01.04.2005 – 10.11.2012	2.50	1,125	(1,125)	–	–
	02.06.2003	01.10.2005 – 10.11.2012	2.50	1,125	(1,125)	–	–
	02.06.2003	01.04.2006 – 10.11.2012	2.50	1,125	(1,125)	–	–
				13,500	(9,000)	–	4,500

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options As at 1.1.2008	Cancelled during the year	Granted during the year	As at 31.12.2008
			US$				
Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2003 – 10.11.2012	2.50	2,688	–	–	2,688
	25.11.2002	01.10.2003 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2004 – 10.11.2012	2.50	2,688	–	–	2,688
	25.11.2002	01.10.2004 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2005 – 10.11.2012	2.50	2,688	–	–	2,688
	25.11.2002	01.10.2005 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2006 – 10.11.2012	2.50	2,688	–	–	2,688
	02.06.2003	02.06.2003 – 10.11.2012	2.50	750	–	–	750
	02.06.2003	01.10.2003 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2006 – 10.11.2012	2.50	375	–	–	375
	26.09.2005	01.03.2006 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2006 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.03.2007 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2007 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.03.2008 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2008 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.03.2009 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2009 – 10.11.2012	3.00	1,250	–	–	1,250
				34,500	–	–	34,500
Consultants of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2006 – 10.11.2012	2.50	1,250	–	–	1,250
	09.06.2003	09.06.2003 – 10.11.2012	0.10	5,106	–	–	5,106
	09.06.2003	01.10.2003 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2006 – 10.11.2012	0.10	2,554	–	–	2,554
				30,425	–	–	30,425
				105,425	(9,000)	–	96,425
Weighted average exercise price (HK$)				16.24	19.50	–	15.94

No option was exercised by the grantees during the Relevant Periods.

The number of options which are exercisable under the Appeon Scheme as at 31st December, 2006, 2007 and 2008 is 173,300, 100,425 and 93,925, respectively. The weighted average remaining contractual life of the outstanding share options under the Appeon Scheme as at 31st December, 2006, 2007 and 2008 is 5.86, 4.86 and 3.86 years, respectively.

During the year ended 31st December, 2006, 17,000 options were granted under the Appeon Scheme and consideration received from the grantees for taking up the options granted amounted to HK$2 in aggregate.

The fair values of the share options granted under the Appeon Scheme are insignificant and accordingly, they are not accounted for in the financial statements.

(b) *Galactic*

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Galactic ("Galactic Scheme"), together with all outstanding options granted and yet to be exercised under other share option scheme(s) of Galactic and/or its subsidiary, must not exceed 30% of the number of issued shares from time to time (subject to the approval of the shareholders of the Company). The total number of options available for issue under the Galactic Scheme amounted to 6,022,122, 681,328 and 1,762,744 as at 31st December, 2006, 2007 and 2008, respectively, (subject to the approval of the shareholders of the Company) which represented 25.24%, 2.86% and 7.39%, respectively, of the issued share capital of Galactic (excluding any shares issued pursuant to the Galactic Scheme) on the same date.

Movements in the options to subscribe for shares in Galactic for the year ended 31st December, 2006 are as follows:

				Number of share options			
Grantee	Date of grant	Period during which options are exercisable	Subscription price per share *US$*	As at 1.1.2006	Cancelled during the year	Granted during the year	As at 31.12.2006
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000	–	–	25,000
				200,000	–	–	200,000
Other directors of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	28,750	(6,250)	–	22,500
	25.11.2002	01.12.2003 – 10.11.2012	0.45	28,750	(6,250)	–	22,500
	25.11.2002	01.06.2004 – 10.11.2012	0.45	28,750	(6,250)	–	22,500
	25.11.2002	01.12.2004 – 10.11.2012	0.45	28,750	(6,250)	–	22,500
	25.11.2002	01.06.2005 – 10.11.2012	0.45	28,750	(6,250)	–	22,500
	25.11.2002	01.12.2005 – 10.11.2012	0.45	28,750	(6,250)	–	22,500
	25.11.2002	01.06.2006 – 10.11.2012	0.45	28,750	(6,250)	–	22,500
	25.11.2002	01.12.2006 – 10.11.2012	0.45	28,750	(6,250)	–	22,500

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	As at 1.1.2006	Cancelled during the year	Granted during the year	As at 31.12.2006
				Number of share options			
			US$				
	09.06.2003	09.06.2003 – 10.11.2012	0.45	47,500	(6,250)	–	41,250
	09.06.2003	01.12.2003 – 10.11.2012	0.45	47,500	(6,250)	–	41,250
	09.06.2003	01.06.2004 – 10.11.2012	0.45	47,500	(6,250)	–	41,250
	09.06.2003	01.12.2004 – 10.11.2012	0.45	47,500	(6,250)	–	41,250
	09.06.2003	01.06.2005 – 10.11.2012	0.45	47,500	(6,250)	–	41,250
	09.06.2003	01.12.2005 – 10.11.2012	0.45	47,500	(6,250)	–	41,250
	09.06.2003	01.06.2006 – 10.11.2012	0.45	47,500	(6,250)	–	41,250
	09.06.2003	01.12.2006 – 10.11.2012	0.45	47,500	(6,250)	–	41,250
	25.05.2005	25.05.2005 – 10.11.2012	0.60	50,000	(50,000)	–	–
	25.05.2005	01.07.2005 – 10.11.2012	0.60	18,750	(18,750)	–	–
	25.05.2005	01.10.2005 – 10.11.2012	0.60	12,500	(12,500)	–	–
	25.05.2005	01.01.2006 – 10.11.2012	0.60	18,750	(18,750)	–	–
	25.05.2005	01.04.2006 – 10.11.2012	0.60	12,500	(12,500)	–	–
	25.05.2005	01.07.2006 – 10.11.2012	0.60	18,750	(18,750)	–	–
	25.05.2005	01.10.2006 – 10.11.2012	0.60	12,500	(12,500)	–	–
	25.05.2005	01.01.2007 – 10.11.2012	0.60	18,750	(18,750)	–	–
	25.05.2005	01.04.2007 – 10.11.2012	0.60	12,500	(12,500)	–	–
	25.05.2005	01.07.2007 – 10.11.2012	0.60	18,750	(18,750)	–	–
	25.05.2005	01.10.2007 – 10.11.2012	0.60	12,500	(12,500)	–	–
	25.05.2005	01.01.2008 – 10.11.2012	0.60	18,750	(18,750)	–	–
	25.05.2005	01.04.2008 – 10.11.2012	0.60	12,500	(12,500)	–	–
	25.05.2005	01.10.2008 – 10.11.2012	0.60	12,500	(12,500)	–	–
				860,000	(350,000)	–	510,000
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	01.06.2004	01.06.2004 – 10.11.2012	0.45	18,750	–	–	18,750
	01.06.2004	01.01.2005 – 10.11.2012	0.45	18,750	–	–	18,750
	01.06.2004	01.03.2005 – 10.11.2012	0.45	25,000	(25,000)	–	–
	01.06.2004	01.07.2005 – 10.11.2012	0.45	18,750	–	–	18,750
	01.06.2004	01.01.2006 – 10.11.2012	0.45	18,750	–	–	18,750
	01.06.2004	01.07.2006 – 10.11.2012	0.45	18,750	–	–	18,750
	01.06.2004	01.01.2007 – 10.11.2012	0.45	18,750	–	–	18,750
	01.06.2004	01.07.2007 – 10.11.2012	0.45	18,750	–	–	18,750
	01.06.2004	01.01.2008 – 10.11.2012	0.45	18,750	–	–	18,750
	25.05.2005	25.05.2005 – 10.11.2012	0.60	38,750	(22,500)	–	16,250
	25.05.2005	01.10.2005 – 10.11.2012	0.60	38,750	(22,500)	–	16,250
	25.05.2005	01.04.2006 – 10.11.2012	0.60	22,500	(16,250)	–	6,250
	25.05.2005	01.10.2006 – 10.11.2012	0.60	22,500	(16,250)	–	6,250
	25.05.2005	01.04.2007 – 10.11.2012	0.60	22,500	(16,250)	–	6,250
	25.05.2005	01.10.2007 – 10.11.2012	0.60	22,500	(16,250)	–	6,250
	25.05.2005	01.04.2008 – 10.11.2012	0.60	22,500	(16,250)	–	6,250
	25.05.2005	01.10.2008 – 10.11.2012	0.60	22,500	(16,250)	–	6,250
				437,500	(167,500)	–	270,000

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	Number of share options As at 1.1.2006	Cancelled during the year	Granted during the year	As at 31.12.2006
Consultants of Galactic	25.11.2002	01.06.2003 – 16.12.2007	0.45	31,250	–	–	31,250
	25.11.2002	01.12.2003 – 16.12.2007	0.45	31,250	–	–	31,250
	25.11.2002	01.06.2004 – 16.12.2007	0.45	31,250	–	–	31,250
	25.11.2002	01.12.2004 – 16.12.2007	0.45	31,250	–	–	31,250
	25.11.2002	01.06.2005 – 16.12.2007	0.45	31,250	–	–	31,250
				156,250	–	–	156,250
				1,653,750	(517,500)	–	1,136,250
Weighted average exercise price (HK$)				3.84	4.40	–	3.58

Movements in the options to subscribe for shares in Galactic for the year ended 31st December, 2007 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	Number of share options As at 1.1.2007	Cancelled during the year	Granted during the year	As at 31.12.2007
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000	–	–	25,000
				200,000	–	–	200,000
Other directors of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2003 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2004 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2004 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2005 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2005 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2006 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2006 – 10.11.2012	0.45	22,500	–	–	22,500
	09.06.2003	09.06.2003 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.12.2003 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.06.2004 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.12.2004 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.06.2005 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.12.2005 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.06.2006 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.12.2006 – 10.11.2012	0.45	41,250	–	–	41,250
	31.12.2007	01.01.2008 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.07.2008 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.01.2009 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.07.2009 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.01.2010 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.07.2010 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.01.2011 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.07.2011 – 10.11.2012	0.45	–	–	372,831	372,831
				510,000	–	2,982,655	3,492,655

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options As at 1.1.2007	Cancelled during the year	Granted during the year	As at 31.12.2007
			US$				
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	01.06.2004	01.06.2004 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.01.2005 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.07.2005 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.01.2006 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.07.2006 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.01.2007 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.07.2007 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.01.2008 – 10.11.2012	0.45	18,750	(18,750)	–	–
	25.05.2005	25.05.2005 – 10.11.2012	0.60	16,250	(10,000)	–	6,250
	25.05.2005	01.10.2005 – 10.11.2012	0.60	16,250	(10,000)	–	6,250
	25.05.2005	01.04.2006 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2006 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.04.2007 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2007 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.04.2008 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2008 – 10.11.2012	0.60	6,250	–	–	6,250
	31.12.2007	01.01.2008 – 10.11.2012	0.45	–	–	335,554	335,554
	31.12.2007	01.07.2008 – 10.11.2012	0.45	–	–	335,542	335,542
	31.12.2007	01.01.2009 – 10.11.2012	0.45	–	–	335,554	335,554
	31.12.2007	01.07.2009 – 10.11.2012	0.45	–	–	335,542	335,542
	31.12.2007	01.01.2010 – 10.11.2012	0.45	–	–	335,553	335,553
	31.12.2007	01.07.2010 – 10.11.2012	0.45	–	–	335,546	335,546
	31.12.2007	01.01.2011 – 10.11.2012	0.45	–	–	335,550	335,550
	31.12.2007	01.07.2011 – 10.11.2012	0.45	–	–	335,548	335,548
				270,000	(170,000)	2,684,389	2,784,389
Consultants of Galactic	25.11.2002	01.06.2003 – 16.12.2007	0.45	31,250	(31,250)	–	–
	25.11.2002	01.12.2003 – 16.12.2007	0.45	31,250	(31,250)	–	–
	25.11.2002	01.06.2004 – 16.12.2007	0.45	31,250	(31,250)	–	–
	25.11.2002	01.12.2004 – 16.12.2007	0.45	31,250	(31,250)	–	–
	25.11.2002	01.06.2005 – 16.12.2007	0.45	31,250	(31,250)	–	–
				156,250	(156,250)	–	–
				1,136,250	(326,250)	5,667,044	6,477,044
Weighted average exercise price (HK$)				3.58	3.58	3.51	3.52

Movements in the options to subscribe for shares in Galactic for the year ended 31st December, 2008 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options As at 1.1.2008	Cancelled during the year	Granted during the year	As at 31.12.2008
			US$				
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000	–	–	25,000
				200,000	–	–	200,000
Other directors of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2003 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2004 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2004 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2005 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2005 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2006 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2006 – 10.11.2012	0.45	22,500	–	–	22,500
	09.06.2003	09.06.2003 – 10.11.2012	0.45	41,250	(31,250)	–	10,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	41,250	(31,250)	–	10,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	41,250	(31,250)	–	10,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	41,250	(31,250)	–	10,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	41,250	(31,250)	–	10,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	41,250	(31,250)	–	10,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	41,250	(31,250)	–	10,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	41,250	(31,250)	–	10,000
	31.12.2007	01.01.2008 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2008 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.01.2009 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2009 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.01.2010 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2010 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.01.2011 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2011 – 10.11.2012	0.45	372,831	–	–	372,831
				3,492,655	(250,000)	–	3,242,655

					Number of share options		
Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	As at 1.1.2008	Cancelled during the year	Granted during the year	As at 31.12.2008
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	25.05.2005	25.05.2005 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2005 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.04.2006 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2006 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.04.2007 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2007 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.04.2008 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2008 – 10.11.2012	0.60	6,250	–	–	6,250
	31.12.2007	01.01.2008 – 10.11.2012	0.45	335,554	(96,939)	–	238,615
	31.12.2007	01.07.2008 – 10.11.2012	0.45	335,542	(96,934)	–	238,608
	31.12.2007	01.01.2009 – 10.11.2012	0.45	335,554	(106,260)	–	229,294
	31.12.2007	01.07.2009 – 10.11.2012	0.45	335,542	(106,255)	–	229,287
	31.12.2007	01.01.2010 – 10.11.2012	0.45	335,553	(106,259)	–	229,294
	31.12.2007	01.07.2010 – 10.11.2012	0.45	335,546	(106,255)	–	229,291
	31.12.2007	01.01.2011 – 10.11.2012	0.45	335,550	(106,257)	–	229,293
	31.12.2007	01.07.2011 – 10.11.2012	0.45	335,548	(106,257)	–	229,291
				2,784,389	(831,416)	–	1,952,973
				6,477,044	(1,081,416)	–	5,395,628
Weighted average exercise price (HK$)				3.52	3.51	–	3.52

No option was exercised by the grantees during the Relevant Periods.

The number of options which are exercisable under the Galactic Scheme as at 31st December, 2006, 2007 and 2008 is 1,049,000, 797,500 and 1,782,887, respectively. The weighted average remaining contractual life of the outstanding share options under the Galactic Scheme as at 31st December, 2006, 2007 and 2008 is 5.13, 4.86 and 3.86 years, respectively.

During the year ended 31st December, 2007, 5,667,044 options were granted under the Galactic Scheme and consideration received from the grantees for taking up the options granted amounted to HK$15 in aggregate. Details of the inputs to the Black-Scholes Option Pricing Model used in calculating the fair value of the share options granted under the Galactic Scheme during the year ended 31st December, 2007 are as follows:

Expected volatility (%)	43.99%
Risk-free interest rate (%)	2.684%
Dividend yield (%)	0%
Expected life of option (years)	2.5 years

The fair values of the share options granted under the Galactic Scheme are insignificant and accordingly, they are not accounted for in the financial statements.

(c) *Terborley Limited*

During the year ended 31st December, 2007, Terborley Limited (the "Grantor"), an indirect non-wholly owned subsidiary of the Company, entered into option deeds (the "Option

Deeds") with an aggregate of 49 individuals who are employees of the Group (the "Grantees"). Pursuant to the Option Deeds, the Grantor has granted to the Grantees certain options to acquire from the Grantor an aggregate of 116,000 ordinary shares (the "Option Shares") of Pan China Land (Holdings) Corporation ("Pan China"), an investee of the Grantor, at the exercise price specified in the Option Deeds. The options will vest on the date on which the shares of Pan China are listed on the Stock Exchange (the "Listing Date") and are exercisable for a period of 10 years from the Listing Date (the "Option Period"). Details of these Option Deeds were set out in the announcement of the Company dated 29th November, 2007.

Details of the Grantees and their entitlement to the Option Shares are as follows:

Grantee	Number of Option Shares to which the Grantee are entitled	Approximate percentage of the total of Option Shares number
Mr. Billy K Yung	20,000	17.2%
Mr. Eddie Hurip	800	0.7%
Senior staff and other employees of the Group#	95,200	82.1%
Total	116,000	100%

An aggregate of 5,200 Option Shares are held on trust by Mr. Billy K Yung and Mr. Eddie Hurip.

The Grantees may exercise the options in whole or in part by giving exercise notice to the Grantor at any time during the Option Period provided that the Grantees shall exercise the options to acquire the Option Shares in accordance with the following vesting schedule:

Vesting schedule	Maximum percentage of Option Shares comprised in an option which may be exercised
On or after the Listing Date	20%
Six months after the Listing Date	40%
Twelve months after the Listing Date	60%
Eighteen months after the Listing Date	80%
Twenty-four months after the Listing Date	100%

The Grantor will receive an aggregate amount of HK$69,600,000 if all the options are exercised based on the initial exercise price of HK$600 per share. A consideration of HK$1 is payable on acceptance of the offer of the grant of an option.

The fair value of the options is determined by an independent valuer using the Binomial Model. Details of the inputs to the model are as follows:

Expected volatility (%)	52.8%
Risk-free interest rate (%)	3.28%
Dividend yield (%)	0%
Expected life of option (years)	10 years
Weighted average share price (HK$)	HK$2,241

Expected volatility is determined by referring to the statistical analysis of the weekly share prices of certain listed companies engaging in similar industry for two years prior to the grant date. It is assumed that the volatility is constant throughout the option life. The expected life of option is based on management's best estimates for the effects of non-transferability of the options, exercise restrictions and behavioural considerations. No other feature of the options granted was incorporated into the measurement of fair value.

The fair value of the options granted on the grant date, was HK$201,420,000 in aggregate. Based on the expected Listing Date as determined by the management, the amount of share option expense recognised in the consolidated income statement for the years ended 31st December, 2007 and 2008 amounted to HK$7,019,000 and HK$52,527,000 respectively. The corresponding amount has been credited to the share option reserve and minority interests. No liabilities were recognised as those are equity settled share-based payment transactions.

No option has been exercised, cancelled or lapsed during the years ended 31st December, 2007 and 2008. As at 31st December, 2007 and 2008, no option is exercisable by the Grantees. The weighted average exercise price of the options as at 31st December, 2007 and 2008 is HK$600 and the weighted average remaining contractual life of the options is 9 years after the Listing Date.

45. ACQUISITION OF SUBSIDIARIES

(a) Additional interest in Guangzhou EB Gardens and its subsidiaries

During the year ended 31st December, 2007, 廣東萬家樂電纜有限公司, a subsidiary of the Company, transferred its 8% interest in Guangzhou EB Gardens, a former jointly controlled entity of the Group, to EBRE, at a consideration of RMB17,334,000. Upon completion of the transfer on 27th June, 2007, EBRE's interest in Guangzhou EB Gardens increased from 50% to 58% while the Group's effective interest in Guangzhou EB Gardens decreased from 43% to 40.6%. On the same date, the shareholders of Guangzhou EB Gardens approved for the reduction of the number of directors from five to three, two of whom were appointed by EBRE and the remaining one was appointed by the minority shareholder. As a result of the change in the composition of the board of directors on 27th June, 2007, Guangzhou EB Gardens has become a subsidiary of the Group (the "Deemed Acquisition").

The fair values of the identifiable assets and liabilities of Guangzhou EB Gardens and its subsidiaries as at the date of the Deemed Acquisition and the corresponding carrying amounts immediately before the Deemed Acquisition are as follows:

	Carrying amount on the date of Deemed Acquisition	Fair value adjustments	Fair value on the date of Deemed Acquisition
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	3,111	–	3,111
Investment properties	32,739	–	32,739
Interests in jointly controlled entities	9,327	–	9,327
Inventories of properties	1,509,700	456,493	1,966,193
Trade and other receivables, prepayments and deposits	159,229	–	159,229
Amounts due from shareholders	25,440	–	25,440
Amounts due from jointly controlled entities	13,197	–	13,197
Amounts due from related companies	503,625	–	503,625
Restricted bank deposit	189,542	–	189,542
Bank balances and cash	7,836	–	7,836
Trade and other payables	(787,056)	–	(787,056)
Sales deposits received	(1,417,860)	–	(1,417,860)
Provision	(76,277)	–	(76,277)
Tax liabilities	(50)	–	(50)
Bank borrowings	(81,078)	–	(81,078)
Deferred tax liabilities	(40,896)	(149,733)	(190,629)
	50,529	306,760	357,289

Following the change in the composition of the board of directors of Guangzhou EB Gardens, 廣西光大旅遊投資有限公司 ("廣西光大旅遊"), a jointly-controlled entity of Guangzhou EB Gardens and EBRE, also become a subsidiary of the Group on the same date. The fair values of the identifiable assets and liabilities of 廣西光大旅遊 and its subsidiaries as at the date of the Deemed Acquisition and the corresponding carrying amounts immediately before the Deemed Acquisition are as follows:

	Carrying amount on the date of Deemed Acquisition	Fair value adjustments	Fair value on the date of Deemed Acquisition
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	651	–	651
Inventories of properties	28,667	23,137	51,804
Trade and other receivables, prepayments and deposits	2,599	–	2,599
Amounts due from minority shareholders	3,797	–	3,797
Bank balances and cash	7,467	–	7,467
Trade and other payables	(679)	–	(679)
Amounts due to shareholders	(13,402)	–	(13,402)
Amount due to holding company	(4,316)	–	(4,316)
Deferred tax liabilities	–	(5,784)	(5,784)
	24,784	17,353	42,137

Notes:

(i) The Deemed Acquisition has resulted in inflow of cash and cash equivalents of HK$15,303,000.

(ii) Among the net amount of fair value adjustments to the identifiable assets and liabilities of Guangzhou EB Gardens on the date of Deemed Acquisition, HK$131,228,000 solely relates to the interest held by the Group prior to the Deemed Acquisition and accordingly, the entire amount is treated as a revaluation which is dealt with in the asset revaluation reserve in equity.

(iii) Among the net amount of fair value adjustments to the identifiable assets and liabilities of 廣西光大旅遊 on the date of Deemed Acquisition, HK$9,252,000 solely relates to the interest held by the Group prior to the Deemed Acquisition and accordingly, the entire amount is treated as a revaluation which is dealt with in the asset revaluation reserve in the equity.

Since the Deemed Acquisition, Guangzhou EB Gardens, 廣西光大旅遊 and their subsidiaries contributed HK$1,005,700,000 to the Group's turnover and HK$199,289,000 to the consolidated profit for the year ended 31st December, 2007. Had the Deemed Acquisition been taken place on 1st January, 2007, the revenue of the Group and the profit of the Group in 2007 would have been HK$3,573,109,000 and HK$531,967,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that would actually have been achieved had the Deemed Acquisition been taken place on 1st January, 2007, nor is it intended to be a projection of future results.

On 15th November, 2007, 北京光大房地產開發有限公司 (Beijing Everbright Real Estate Development Limited) ("Beijing EB Real Estate"), a wholly owned subsidiary of EBRE, entered into an equity transfer agreement with 深圳市光大策略投資有限公司 ("Shenzhen EB Strategic"), pursuant to which Beijing EB Real Estate agreed to acquire and Shenzhen EB Strategic agreed to dispose of its 42% equity interest in Guangzhou EB Gardens for a cash consideration of RMB58,657,000. Upon the completion of the acquisition of further 42% equity interest in Guangzhou EB Gardens (the "MI Acquisition"), Guangzhou EB Gardens has become a wholly owned subsidiary of EBRE and the Group's effective interest in Guangzhou EB Gardens has increased to 70%.

Further information about the MI Acquisition is as follows:

	HK$'000
Net assets acquired	173,752
Excess of the carrying values of net assets acquired over the consideration	(106,987)
Total cost of investment#	66,765

including professional fees incidental to the MI Acquisition

To be satisfied by:	
Cash	66,765

The excess of the carrying values of the underlying assets and liabilities attributable to the additional interests in Guangzhou EB Gardens over the consideration paid of HK$106,987,000 is credited to the consolidated income statement.

Among the total cost of investment of HK$66,765,000, HK$62,640,000 remain unpaid as at 31st December, 2007 and is included in "consideration payable on acquisition of subsidiaries" on the face of the consolidated balance sheet at 31st December, 2007.

(b) Acquisition of Huashiboli

On 21st May, 2007, Beijing EB Real Estate entered into an agreement with 北京世紀隆興投資有限公司 ("Beijing Century Longxing") and 北京世紀恒信投資咨詢有限公司 ("Beijing Century Hengxin"). Pursuant to the agreement, Beijing EB Real Estate agreed to acquire 90% of the registered capital of Huashiboli at a total consideration of RMB630 million (equivalent to approximately HK$647 million) which is to be satisfied by way of cash (the "Huashiboli Acquisition"). Huashiboli is principally engaged in property development in the PRC. Details of the Huashiboli Acquisition were set out in the circular to the shareholders of the Company dated 31st August, 2007.

The fair values of the identifiable assets and liabilities of Huashiboli as at the date of the Huashiboli Acquisition on 31st May, 2007 and the corresponding carrying amounts immediately before the Huashiboli Acquisition are as follows:

	Carrying amount on the date of Huashiboli Acquisition	**Fair value adjustments**	**Fair value on the date of Huashiboli Acquisition**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	473	–	473
Inventories of properties	249,358	536,494	785,852
Trade and other receivables, prepayments and deposits	42,942	–	42,942
Bank balances and cash	10,292	–	10,292
Trade and other payables	(17,133)	–	(17,133)
Amounts due to minority shareholders	(513)	–	(513)
Minority interest	(4,514)	(40,237)	(44,751)
Deferred tax liabilities	–	(134,124)	(134,124)
	280,905	362,133	643,038
Goodwill on Huashiboli Acquisition *(note 18(b))*			3,531
Total consideration			646,569

An analysis of the net cash outflow arising on the Huashiboli Acquisition is as follows:

	HK$'000
Cash consideration paid *(note (i))*	418,736
Bank balances and cash acquired	(10,292)
Net outflow of cash and cash equivalents in respect of the Huashiboli Acquisition	408,444

Notes:

(i) Cash consideration amounting to HK$227,833,000 and HK$210,097,000 as at 31st December, 2007 and 2008, respectively, remained unpaid and are included in "consideration payable on acquisition of subsidiaries" on the face of the consolidated balance sheet at the respective dates. As at 31st December, 2007, Beijing EB Real Estate has already held the legal title in 70% of the registered capital of Huashiboli and the legal title of the remaining 20% registered capital would entirely be transferred to the Group by the time the outstanding consideration is fully paid.

(ii) The goodwill arising from the Huashiboli Acquisition is attributable to the anticipated profitability of the property development market in the PRC and the expected continuing growth of the economy of the PRC.

(iii) Being in its early stage of development, Huashiboli did not generate material revenue and net results for the year ended 31st December, 2007. It follows that Huashiboli did not have significant contribution to the Group's revenue and profit for the period between the date of the Huashiboli Acquisition and the balance sheet date or for the year ended 31st December, 2007 had the Huashiboli Acquisition been taken place on 1st January, 2007.

(c) Additional interest in Beijing Zhong Shun

On 9th November, 2007, Beijing EB Real Estate entered into certain agreements to acquire the remaining 54.10% equity interests in Beijing Zhong Shun and, as part of the transaction, to dispose of its 51% equity interests in 北京金華星置業有限公司 (Beijing Jin Hua Xing Properties Company Limited) ("Jin Hua Xing") which, as of the date of the transaction, held 70% interest in the registered capital of Beijing Zhong Shun (the "Zhong Shun Acquisition"). Before the Zhong Shun Acquisition, Beijing EB Real Estate held 35.7% effective interest in Beijing Zhong Shun. After the Zhong Shun Acquisition, EBRE becomes the sole equity holder of Beijing Zhong Shun and does not have any interest in Jin Hua Xing. The aggregate consideration of the Zhong Shun Acquisition is approximately RMB338 million (equivalent to approximately HK$349 million). Details of the Zhong Shun Acquisition were set out in the circular to the shareholders of the Company dated on 12th December, 2007.

The fair values of the identifiable assets and liabilities of Beijing Zhong Shun as at the date of the Zhong Shun Acquisition on 9th November, 2007 and the corresponding carrying amounts immediately before the Zhong Shun Acquisition are as follows:

	Carrying amount on the date of Zhong Shun Acquisition	**Fair value adjustments**	**Fair value on the date of Zhong Shun Acquisition**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	85	–	85
Inventories of properties	873,128	281,471	1,154,599
Trade and other receivables, prepayments and deposits	831	–	831
Bank balances and cash	190,972	–	190,972
Trade and other payables	(651,622)	–	(651,622)
Amounts due to minority shareholders	(29,750)	–	(29,750)
Bank borrowings	(309,900)	–	(309,900)
Deferred tax assets/(liabilities)	12,713	(98,826)	(86,113)
	86,457	182,645	269,102

An analysis of the net cash outflow arising on the Zhong Shun Acquisition is as follows:

	HK$'000
Cash consideration paid	348,760
Bank balances and cash acquired	(190,972)
Net outflow of cash and cash equivalents in respect of the Zhong Shun Acquisition	157,788

Notes:

(i) The goodwill arising from the Zhong Shun Acquisition amounting to HK$29,565,000 is attributable to the anticipated profitability of the property development market in the PRC and the expected continuing growth of the economy of the PRC.

(ii) Since Beijing Zhong Shun is still in its development stage thus generating no material revenue and net results for the year ended 31st December, 2007, it did not have significant contribution to the Group's revenue and profit for the period between the date of the Zhong Shun Acquisition and the balance sheet date or for the year ended 31st December, 2007 had the Zhong Shun Acquisition been taken place on 1st January, 2007.

(iii) The fair value adjustment on the Zhong Shun Acquisition relating to interests previously held by Beijing EB Real Estate as a jointly controlled entity amounting to HK$33,252,000 is treated as a revaluation which is dealt with in the asset revaluation reserve in the equity.

(d) Acquisition of SLP (China) Pte. Ltd.

On 13th November, 2007, Sharp China Limited, a subsidiary of the Group, entered into an agreement with Sim Lian Properties Pte Ltd and Kuik Chim Mui to acquire SLP (China) Pte. Ltd. Pursuant to the agreement, Sharp China Limited agreed to acquire 80% of the share capital of SLP (China) Pte. Ltd at a total consideration of Singapore $260,000 (equivalent to approximately HK$1,697,000) which is to be satisfied by way of cash (the "SLP Acquisition"). SLP (China) Pte. Ltd. is principally engaged in property development in the PRC.

The carrying amounts of the identifiable assets and liabilities of SLP (China) Pte. Ltd. immediately before the SLP Acquisition approximate their respective fair values as at the date of SLP Acquisition on 20th November, 2007 which are as follows:

	Carrying amount/Fair value on date of SLP Acquisition *HK$'000*
Property, plant and equipment	188
Inventories of properties	4,860
Trade and other receivables, prepayments and deposits	7
Bank balances and cash	31,058
Trade and other payables	(1,367)
Amounts due to shareholders	(35,173)
Assets and liabilities acquired	(427)
Goodwill on SLP Acquisition *(note 18(b))*	2,124
Total consideration	1,697

An analysis of the net cash inflow arising on the SLP Acquisition is as follows:

	HK$'000
Cash consideration paid	1,697
Bank balances and cash acquired	(31,058)
Net inflow of cash and cash equivalents in respect of the SLP Acquisition	(29,361)

Notes:

(i) The goodwill arising from the SLP Acquisition is attributable to the anticipated profitability of the property development market in the PRC and the expected continuing growth of the economy of the PRC.

(ii) Being in its early stage of development, SLP (China) Pte. Ltd. generated no material revenue and net results for the year ended 31st December, 2007 and did not therefore have significant contribution to the Group's revenue and profit for the period between the date of the SLP Acquisition and the balance sheet date or for the year ended 31st December, 2007 had the SLP Acquisition been taken place on 1st January, 2007.

46. ADDITIONAL INTEREST IN A SUBSIDIARY

On 22nd December, 2006, the Group acquired 20% equity interest of Jodrell from its minority equity holder at an aggregate consideration of approximately HK$134,126,000 which was satisfied as to HK$62,876,000 by way of cash and HK$71,250,000 by issuing 25,000,000 ordinary shares of the Company at the issue price of HK$2.85 per share which represented the market price of the Company's share as at the date of acquisition (the "Additional Jodrell Acquisition"). After taking into account the professional fee incidental to the Additional Jodrell Acquisition of HK$1,921,000, the total cost of the Additional Jodrell Acquisition amounted to HK$136,047,000. As a result of the Additional Jodrell Acquisition, Jodrell has become a wholly owned subsidiary of the Group. Further information about the Additional Jodrell Acquisition is as follows:

	HK$'000
Net assets acquired	95,806
Goodwill arising on the Additional Jodrell Acquisition *(note 18(a))*	40,241
Total cost of investments	136,047
Satisfied by:	
Cash	64,797
Shares of the Company issued	71,250
	136,047
Net cash outflow arising on the Additional Jodrell Acquisition:	
Cash consideration paid	64,797

47. GAIN ON DISPOSAL OF A SUBSIDIARY

As mentioned in note 35(d), the Group disposed of its interest in 安徽博鴻 at a cash consideration of RMB121 million (equivalent to approximately HK$134,358,000). The disposal was completed during the year ended 31st December, 2008 and a gain on disposal of the subsidiary of HK$56,115,000 is recorded for the year. The gain on the disposal net of tax is HK$27,729,000.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	8,114
Deferred tax assets	739
Inventories of properties	116,498
Trade and other receivables, prepayments and deposits	16,787
Restricted cash and deposits	732
Cash and cash equivalents	19,298
Trade and other payables	(57,460)
Sales deposits received	(4,422)
Bank borrowings	(11,104)
Taxation liabilities	(12,732)
Goodwill	1,793
	78,243
Gain on disposal of a subsidiary	56,115
Total consideration – satisfied by cash	134,358

An analysis of the net inflow of cash and cash equivalents in respect of the disposal is as follows:

	HK$'000
Cash consideration received during the year ended 31st December, 2008#	94,384
Cash and bank balances disposed of	(19,298)
Net inflow of cash and cash equivalents in respect of the disposal	75,086

Part of the consideration of RMB36 million was received during the year ended 31st December, 2007 which was included in trade and other payables as at 31st December, 2007.

48. RETIREMENT BENEFITS SCHEMES

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme is a defined contribution retirement benefits scheme and contributions to the scheme are made based on percentage of the employees' basic salaries 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 Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Prior to joining the MPF Scheme, the Group operated another defined contribution retirement benefit scheme ("Old Scheme") for its qualifying employees in Hong Kong. All the assets under the Old Scheme were transferred to the MPF Scheme and are separately identified within the MPF Scheme and members can withdraw their entitled benefits from the Old Scheme in accordance with the scheme rules once they resign from the Group. Forfeited contributions in relation to the Old Scheme, if any, will be used to reduce the contribution payable in the future years.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute 8% to 10% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become paid/payable in accordance with the rules of the central pension scheme.

The total expenses recognised in the income statement of HK$3,466,000, HK$4,035,000 and HK$6,152,000, respectively, represent contributions paid/payable to these schemes by the Group for the years ended 31st December, 2006, 2007 and 2008.

49. PLEDGE OF ASSETS

At the balance sheet dates, the carrying amount of the assets pledged by the Group to secure general banking and other loan facilities granted to the Group and the Company are analysed as follows:

	THE GROUP			THE COMPANY		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Pledged cash deposits	–	876,858	–	–	250,000	–
Investment properties	326,040	331,500	271,440	–	–	–
Inventories of properties	1,140,678	2,262,800	3,530,022	–	–	–
Investments held for trading	14,862	5,652	8,315	–	–	–
	1,481,580	3,476,810	3,809,777	–	250,000	–

As at 31st December, 2006, the Group pledged its 20% interest of the issued share capital of the associate, Yue Tian, to a bank to secure for the banking facilities granted to the associate.

As at 31st December, 2006, 2007 and 2008, the Group pledged its 100% interest of the issued share capital of its subsidiary, Full Revenue Inc, to a bank to secure for the banking facilities granted to the Group. A long-term loan was granted to the Group under the facilities during the year ended 31st December, 2008 and the net asset value of the subsidiary as at 31st December, 2008 was approximately HK$290 million.

50. NOTES TO THE CONSOLIDATED CASH FLOWS STATEMENT

Part of the investment cost incurred for the acquisition of additional 20% interest of Jodrell as mentioned in note 46 was settled by issuing 25,000,000 ordinary shares of the Company at the issue price of HK$2.85 per share, which amounted to HK$71,250,000. This constitutes a non-cash transaction for the year ended 31st December, 2006. The remaining balance of the investment cost amounting to HK$64,797,000 was settled by cash. This cash consideration together with the cash consideration paid for addition interest in another subsidiary amounting to HK$1,473,000 resulted in net cash outflow of HK$66,270,000 in aggregate in respect of increase in investment in subsidiaries during the year ended 31st December, 2006.

51. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain of its manufacturing plants, office properties and quarters under operating leases arrangement. Leases of these properties are negotiated for period ranging from 1 – 23 years, 1 – 22 years and 1 – 27 years, respectively, for the years ended 31st December, 2006, 2007 and 2008, and rentals are fixed over the contracted period. At the balance sheet dates, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	THE GROUP			THE COMPANY		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	6,873	4,867	5,691	1,200	900	1,200
In the second to fifth year, inclusive	14,688	15,246	15,739	900	–	4,800
Over five years	45,359	44,718	44,647	–	–	5,700
	66,920	64,831	66,077	2,100	900	11,700

As lessor

The Group leases its investment properties (note 15) under operating lease arrangements with leases negotiated for period ranging from 1 – 9 years, 1 – 9 years and 1 – 20 years, respectively, for the years ended 31st December, 2006, 2007 and 2008. At the balance sheet dates, the Group and the Company had contracted with tenants for the following future minimum lease payments:

	THE GROUP			THE COMPANY		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	66,230	88,664	117,629	5,891	6,245	6,184
In the second to fifth year, inclusive	183,199	232,651	249,745	2,268	2,785	1,148
Over five years	26,907	80,266	73,645	–	–	–
	276,336	401,581	441,019	8,159	9,030	7,332

52. OTHER COMMITMENTS

As at the balance sheet dates, the Group and the Company had other significant commitments as follows:

	THE GROUP			THE COMPANY		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contracted for but not provided for in the financial statements:						
Subscription of convertible and non-convertible notes *(note 25)*	75,711	–	–	75,711	–	–
Property development	1,446,291	1,747,632	3,407,341	–	–	–
Property, plant and equipment	–	2,547	6,400	–	694	490
	1,522,002	1,750,179	3,413,741	75,711	694	490

As at 31st December, 2006, 2007 and 2008, the Group's share of the jointly-controlled entities' own capital commitments in respect of property development, which were contracted for but not provided for and were not included in the above, were HK$296,089,000, HK$835,000 and HK$315,000 respectively.

53. GUARANTEES

As at the balance sheet dates, the Group and the Company had issued the following significant guarantees:

	THE GROUP		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Guarantees given to:			
A supplier of an associate, to secure the repayment of balance due by the associate to the supplier	26,980	13,525	13,525
Banks for credit facilities granted to			
– an associate	102,400	22,400	22,400
– a jointly controlled entity	44,789	48,056	44,902
Banks for mortgage loans granted to purchasers of certain subsidiaries' properties	290,946	1,014,623	1,202,861
	465,115	1,098,604	1,283,688

	THE COMPANY		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Guarantees given to:			
A supplier of an associate, to secure the repayment of balance due by the associate to the supplier	26,980	13,525	13,525
Banks for credit facilities granted to			
– certain subsidiaries	120,695	281,974	143,124
– an associate	102,400	22,400	22,400
	250,075	317,899	179,049

As at 31st December, 2006, the Group provided guarantees in respect of the mortgage bank loans granted by certain banks to purchasers of certain jointly controlled entities' properties amounted to HK$216,200,000. No such guarantees existed as at 31st December, 2007 and 2008.

As at 31st December, 2006, 2007 and 2008, the Company together with certain of its subsidiaries, issued cross guarantees to bankers as part of the security for credit facilities granted to the Company and its subsidiaries.

In the opinion of the Directors, the financial impact arising from providing financial guarantees by the Group and the Company is insignificant and accordingly, they are not accounted for in their financial statements for the years ended 31st December, 2006, 2007 and 2008.

54. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Save as disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Minority shareholders			
Interest received	1,258	–	–
Service income received	3,900	–	–
Associates			
Commission paid	149	104	25
Jointly controlled entities			
Handling income received	448	–	–
Investees			
Interest received	–	1,167	1,991

Total staff costs include compensations to the key management personnel (including directors), the details of which are as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Short-term employee benefits	18,954	15,167	13,508
Share-based payments	–	3,338	20,830
Post-employment benefits	369	330	203
	19,323	18,835	34,541

55. EVENTS AFTER THE BALANCE SHEET DATE AS AT 31ST DECEMBER, 2008

Several events occurred after the balance sheet date as of 31st December, 2008 as follows:

(a) In April 2009, the Group disposed of its interest in 67% registered capital of a subsidiary, 北京寅豐房地產開發有限責任公司 ("北京寅豐"), to a substantial equity holder of 北京寅豐, at a cash consideration of RMB46.5 million which give rise to a gain on disposal of the subsidiary of approximately HK$17,286,000.

(b) Pursuant to a termination agreement and a settlement agreement dated 24th June, 2009, the Group has agreed to dispose of its interest in a property development project through the disposal of its interest in 70% registered capital of a subsidiary, 青島頤景房地產開發有限公司 ("青島頤景"), to a substantial equity holder of 青島頤景, at a consideration of RMB7 million. Pursuant to the settlement agreement, the substantial equity holder agreed to repay the outstanding shareholder's loan and pay certain amount of penalty and fund appropriation fees of approximately RMB197 million in aggregate to the Group before the transfer of the 70% registered capital of 青島頤景 to the substantial equity holder (the "青島頤景Disposal"). Further details about the transactions were disclosed in the announcement of the Company dated 25th June, 2009. Up to the date of this report, the 青島頤景 Disposal is still in progress.

(c) On 29th September, 2009, the Company announced a proposal to be put forward by the board of directors before the shareholders of the Company. Upon approval and implementation of the proposal and the transactions contemplated thereunder, the following will be resulted:

(i) To facilitate the distribution in specie as mentioned in (ii) below, the share capital of the Company will be reduced by an amount of HK$256,507,000 from 523,485,000 shares (after the share redemption took place in February 2009 as mentioned in note 40) of HK$0.5 each, totalling HK$261,742,000, to 523,485,000 shares of HK$0.01 each, totalling HK$5,235,000, and the amount standing to the credit of the share premium account of the Company will be cancelled (the "Capital Reorganisation").

(ii) A wholly-owned subsidiary of the Company, Shell Electric Holdings Limited (the "Privateco"), will acquire certain subsidiaries (collectively the "Privateco Group"), and certain assets and liabilities of the Company by issuing shares to the Company. Subject to satisfying the underlying conditions and the completion of the Capital Reorganisation, all the shares of the Privateco held by the Company will then be distributed in specie to the shareholders of the Company (the "Group Restructuring"). The financial statements about the Privateco Group are included in the Accountants' report on the Privateco Group set out in Section (I) of Appendix (III) to the Circular issued by Grant Thornton.

(iii) The Company will continue to be a public listed company with its subsidiaries concentrating on the business of property investment and development in the PRC.

(iv) Upon completion of the Capital Reorganisation and the Group Restructuring, the Company will issue 157,045,369 new ordinary shares of the Company at HK$2.90 each to an independent third party. The estimated net proceeds from the subscription is approximately HK$450.9 million.

As at the date of this report, the group structure of the Privateco intended under the Group Restructuring is effectively in place.

(d) Up to the date of this report, the Directors have reached agreement with the two principal bankers of the Company on revising the existing facilities granted by the bankers to the Company which are currently available for use by the Company and certain of its subsidiaries. Under the revised facilities, the Privateco would become one of the group entities entitled to utilise the banking facilities and at the same time, it would become a guarantor of the facilities. The Company continues to be a guarantor of those facilities, though the Company would not be entitled to utilise the revised banking facilities. However, upon satisfying certain conditions as set forth in the revised facilities, the guarantee provided by the Company would be released. The revised banking facilities are yet to be signed by the parties involved. In the opinion of the Directors, the revised banking facilities, upon effective, would not have significant impact to the consolidated balance sheet of the Group as at 31st December, 2008.

Save as disclosed above and elsewhere in the Financial Statements, no other significant events took place subsequent to 31st December, 2008.

56. LITIGATION

A writ of summons dated 18th August, 2009 was served to the Company and certain subsidiaries of the Company as defendants by a minority shareholder of another subsidiary (the "PRC Entity") claiming the defendants for disposing of their interests in the PRC Entity without first allowing the minority shareholder to consider the interests, and for removal of the general manager and director of the PRC Entity without going through proper procedures as disclosed in the announcements made by the Company dated 20th August, 2009. A notice of discontinuance was filed by the minority shareholder of the PRC Entity to the High Court of Hong Kong on 20th October, 2009 to terminate such legal proceedings against the Company and the related subsidiaries of the Company with effect from 20th October, 2009.

57. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's financial stability and growth.

The Group monitors its capital structure on the basis of gearing ratio i.e. net debt to equity. Net debt includes borrowings less cash and cash equivalents and pledged cash deposits. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios of the Group as at 31st December, 2006, 2007 and 2008 were as follows:

	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Debt	939,010	2,559,340	2,211,363
Less: cash and cash equivalents and pledged cash deposits	(488,753)	(1,581,574)	(873,326)
Net debt	450,257	977,766	1,338,037
Capital represented by total equity	2,714,293	3,468,889	3,630,567
Gearing ratio	16.6%	28.2%	36.9%

The Group targets to maintain a gearing ratio of not higher than 60% to be in line with the expected changes in economic and financial conditions. Other than this, the Group's overall strategy on capital management remains unchanged throughout the Relevant Periods.

58. FINANCIAL INSTRUMENTS

58.1 Categories of financial instruments

	THE GROUP		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Financial assets at fair value through profit or loss			
– classified as held for trading	189,244	48,381	20,643
Loans and receivables#	1,218,101	2,611,551	1,549,958
Available-for-sale financial assets	2,920	7,990	2,920
Financial liabilities			
Financial liabilities at fair value through profit or loss			
– classified as held for trading	–	6,738	–
Financial liabilities at amortised cost^	2,090,576	5,556,597	4,879,560

	THE COMPANY		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables#	2,501,807	2,280,527	1,992,986
Available-for-sale financial assets	2,920	7,990	2,920
Financial liabilities			
Financial liabilities at amortised cost^	443,414	980,581	740,493

including trade and other receivables, loans receivable, amounts due from subsidiaries, associates, jointly controlled entities and other related parties, and cash at bank and deposited with security brokers

^ *including trade payables, other payables and accruals, amounts due to subsidiaries, associates, jointly controlled entities and other related parties, consideration payable, bank borrowings and other liabilities*

58.2 Financial results by financial instruments

	THE GROUP		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Fair value gains or (losses) on:			
Financial assets at fair value through profit or loss			
– classified as held for trading	55,326	20,779	(62,286)
Financial liabilities at fair value through profit or loss			
– classified as held for trading	–	(8,030)	–
Available-for-sale financial assets			
– recognised directly in equity	(13,020)	–	–
Interest income or (expenses) on			
Loans and receivables	29,710	26,543	14,178
Financial liabilities at amortised cost	(56,848)	(75,603)	(153,248)
Dividend income from financial assets at fair value through profit or loss			
– classified as held for trading	4,683	1,743	971
(Impairment loss)/Reversal of impairment on:			
Loans and receivables	(19,847)	(14,342)	(63,271)
Available-for-sale financial assets, net	–	15,939	6,379

58.3 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk, equity price risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

58.4 Financial risk management

(a) Market risk

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 mainly operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are mainly HK Dollars and RMB with certain of their business transactions being settled in US Dollars and RMB. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily US Dollar and RMB, against the functional currency of the relevant Group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group continued to conduct its sales mainly in US Dollars and RMB and make payments either in US Dollars, Hong Kong Dollars or RMB. In addition, the Group's bank borrowings were mainly denominated in Hong Kong Dollars, US Dollars and RMB. The directors considered that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the RMB exchange rate. All in all, the directors considered that the Group's risk exposure to foreign exchange rate fluctuations remained minimal.

The overall net exposure in respect of the carrying amount of the Group's and the Company's foreign currency denominated financial assets and liabilities in net position as at 31st December, 2006, 2007 and 2008 were as follows:

	THE GROUP		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Net financial assets/(liabilities)			
US Dollars	59,726	(89,129)	(85,210)
RMB	25,711	5,501	14,567

	THE COMPANY		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Net financial assets/(liabilities)			
US Dollars	13,568	(677)	(137,999)
RMB	20,290	7,221	9,915

In respect of those group entities with Hong Kong Dollars as functional currency, as HK Dollar is linked to US Dollar, the Group does not have material exchange risk on such currency. The following sensitivity demonstrates the Group's and the Company's exposure to a reasonably possible change in RMB exchange rate against the HK Dollars on the Group's and the Company's net asset position denominated in RMB as at the balance sheet dates (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Increase/(Decrease) in profit after tax			
RMB against HK Dollars			
– strengthen by 5%	1,286	275	728
– weaken by 5%	(1,286)	(275)	(728)

	THE COMPANY		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Increase/(Decrease) in profit after tax			
RMB against HK Dollars			
– strengthen by 5%	1,015	361	496
– weaken by 5%	(1,015)	(361)	(496)

The change in exchange rate does not affect the Group's and the Company's other component of equity.

Equity Price risk

Equity Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rate). The Group is exposed to equity security price risk because of its investments in equity securities held for trading and are classified as at fair value through profit or loss (see note 31).

The Group's investments in equity of other entities are publicly traded mainly in the stock exchanges of Hong Kong, the United States and London. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity securities, the Group maintains a portfolio of diversified investments in terms of industry distribution such as energy, industrial goods and financial services. Also, the Group has appointed a special team to monitor the price risk and will consider hedging of the risk if necessary. The policies to manage price risk have been followed by the Group since prior years and are considered to be effective.

Management's best estimate of the effect on the Group's profit after tax due to a reasonably possible change in the relevant stock market index, with all other variables held constant, at the balance sheet dates are as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Increase/(Decrease) in profit after tax			
Hong Kong – Hang Seng Index			
(2006: +26%) (2007: +26%) (2008: +50%)	23,390	6,549	5,675
(2006: -26%) (2007: -26%) (2008: -50%)	(23,390)	(6,549)	(5,675)
London – FTSE 100			
(2006: NA) (2007: +17%) (2008: NA)	NA	1,725	NA
(2006: NA) (2007: -17%) (2008: NA)	NA	(1,725)	NA
U.S.A. – NASDAQ (2006)/ SPX Index (2008)			
(2006: +17%) (2007: NA) (2008: +40%)	11,935	NA	2,666
(2006: -17%) (2007: NA) (2008: -40%)	(11,935)	NA	(2,666)

The change in equity prices do not effect the Group's other components of equity.

Other than the above, the Group is exposed to equity security price risk arising from its investment in derivative financial instruments. Details about the derivative financial instruments are set out in note 32. The effect on the Group's profit after tax as a result of a reasonably possible change in the market price of the underlying equity securities, with all other variables held constants, is as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Increase/(Decrease) in profit after tax			
Market price of underlying equity securities			
+ 20%*	7,938	6,649	NA
– 20%	(12,268)	(40,022)	NA

* *When the underlying shares' prices increased by 20%, some of them triggers the knock-out prices and the contracts will be terminated. This analysis only shows the effect up to the knock-out prices.*

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 rate. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from bank borrowings. Bank borrowings arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31st December, 2006, 2007 and 2008, approximately 52%, 52% and 92% of the bank borrowings, respectively, bore interest at floating rates. The interest rate and repayment terms of the bank borrowings outstanding at year end are disclosed in note 39.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances. The directors consider the Group's exposure of the bank deposits and bank borrowings to fair value interest rate risk is not significant as interest bearing bank deposits and borrowings at fixed rate are within short maturity periods in general.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following sensitivity demonstrates the Group's and the Company's exposure to a reasonably possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the balance sheet dates (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Increase/(Decrease) in profit after tax			
Increase/Decrease in basis points ("bp")			
+ 50 bp	(1,855)	(4,853)	(8,208)
-100 bp	3,770	9,705	16,415

	THE COMPANY		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Increase/(Decrease) in profit after tax			
Increase/Decrease in basis points ("bp")			
+ 50 bp	(1,538)	(1,598)	(2,000)
-100 bp	3,077	3,197	4,001

The changes in interest rates do not affect the Group's and the Company's other components of equity.

The above sensitivity analysis is prepared based on the assumption that the borrowing period of the loans outstanding at each year end date resembles that of the corresponding financial year.

(b) *Credit risk*

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's and the Company's maximum exposure to credit risk in relation to each class of recognised financial assets (note 58.1) is the carrying amount of those assets as stated in the consolidated and the company's balance sheets and the amount of guarantees issued by the Group as disclosed in note 53.

The Group limits its exposure to credit risk by rigorously selecting the counterparties. Credit risk on cash and cash equivalents (note 34) is mitigated as cash is deposited in banks of high credit rating. Credit risk on loans and receivables is minimised as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

None of the Group's financial assets as at 31st December, 2006, 2007 and 2008 are secured by collateral or other credit enhancements except for the amount due from Shenzhen Zhongwang as disclosed in note 28(b)(ii).

(c) *Liquidity risk*

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents as well as the availability of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

The table below analyses the remaining contractual maturities at the balance sheet dates of the Group's and the Company's financial liabilities which are based on contractual undiscounted cash flows and the earliest date the Group and the Company may be required to pay:

	THE GROUP			
	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st December, 2006				
Interest-bearing bank borrowings	865,842	13,361	32,488	138,532
Trade payables *(note)*	572,587	–	–	–
Other payables and accruals	217,926	–	–	–
Other liabilities	358,414	2,639	–	–
	2,014,769	16,000	32,488	138,532
As at 31st December, 2007				
Interest-bearing bank borrowings	1,976,819	610,019	29,889	124,941
Trade payables *(note)*	1,290,662	–	–	–
Other payables and accruals	772,633	–	–	–
Derivative financial instruments	6,738	–	–	–
Other liabilities	930,956	3,005	–	–
	4,977,808	613,024	29,889	124,941
As at 31st December, 2008				
Interest-bearing bank borrowings	1,020,102	505,120	873,403	44,261
Trade payables *(note)*	1,462,252	–	–	–
Other payables and accruals	799,060	–	–	–
Other liabilities	397,344	–	6,155	3,386
	3,678,758	505,120	879,558	47,647

Note: As at 31st December, 2006, 2007 and 2008, around 80%, 80% and 80% of the trade payables, respectively, relates to construction costs of EBRE and its subsidiary companies (the "EBRE Group") the settlement of which will, in practice, be deferred by twelve months in view of the strong bargaining power of the EBRE Group over its construction contractors.

	THE COMPANY			
	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st December, 2006				
Interest-bearing bank borrowings	373,706	–	–	–
Trade payables	13,559	–	–	–
Other payables and accruals	23,482	–	–	–
Other liabilities	33,425	–	–	–
	444,172	–	–	–
As at 31st December, 2007				
Interest-bearing bank borrowings	394,552	–	–	–
Trade payables	9,684	–	–	–
Other payables and accruals	33,501	–	–	–
Other liabilities	549,933	–	–	–
	987,670	–	–	–
As at 31st December, 2008				
Interest-bearing bank borrowings	177,341	63,571	332,782	–
Trade payables	12,495	–	–	–
Other payables and accruals	22,140	–	–	–
Other liabilities	168,385	–	–	–
	380,361	63,571	332,782	–

The directors are of the opinion that, at the balance sheet dates, it is not probable for the counterparties to the financial guarantee contracts to claim the Group for any losses covered by the guarantee contracts. Therefore, the maturity analysis does not include any amount that the Group may have to pay under the guarantee contracts granted.

The contractual financial guarantees are disclosed in note 53.

58.5 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet dates. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group takes reference to professional valuations where necessary and uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value of trade receivables and payables (including amounts from/to related companies/parties) is a reasonable approximation of its fair value. The fair value of interest-bearing loans is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

59. PARTICULARS OF SUBSIDIARIES

The particulars of the subsidiaries set out below are the same as at 31st December, 2006, 2007 and 2008 unless otherwise stated.

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
Allright Investments Limited[1]	Samoa	Ordinary	1 share of US$1	–	100%	Investment holding
Appeon Corporation[1]	British Virgin Islands	Ordinary	3,658,032 shares of US$0.01 each	–	89.33%	Investment holding
Appeon (USA) Corporation[20]	USA	Ordinary	100 share of US$300 each	–	89.33%	Investment holding
Appeon Corporation (HK) Limited[17]	Hong Kong	Ordinary	1 share of HK$1	–	89.33%	Investment holding
China Ever Bright Real Estate Development Limited[2]	PRC^	Paid up capital	Rmb133,000,000	–	70%	Investment holding and property development
Crown Silver Investment Limited[14]	Hong Kong	Ordinary	1 share of HK$1	–	100%	Investment holding
Extra-Fund Investment Limited[3]	Hong Kong	Ordinary	2 shares of HK$1 each	100%	–	Securities trading
Fast City Limited[1]	Cayman Islands	Ordinary	1 share of US$1	100%	–	Investment holding
Fast-Gain Overseas Limited[3]	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Property investment
Foremost Pacific Limited[1]	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding
Full Revenue Inc.[1]	Samoa	Ordinary	1 share of US$1	100%	–	Investment holding
Galactic Computing Corporation[3]	British Virgin Islands	Ordinary	23,861,240 shares of US$0.01 each	–	100%	Investment holding
Guangdong Macro Cables Co., Ltd.[4]	PRC*	Paid up capital	US$20,960,000	–	98%	Manufacturing and trading of cables and electrical wires
Guangzhou SMC Car Rental Company Limited[5]	PRC^	Paid up capital	2006 & 2007: HK$15,000,000 2008: HK$28,000,000	–	2006 & 2007: 95% 2008: 100%	Taxi operations
Jodrell Investments Limited[1]	British Virgin Islands	Ordinary	10 shares of US$1 each	100%	–	Investment holding
Kar Hang Limited[18]	Hong Kong	Ordinary	100 shares of HK$1.00 each	–	100%	Trading of electric fans
Kinder Limited[1]	Samoa	Ordinary	1 share of US$1	–	100%	Investment holding
Lotus Atlantic Limited[1]	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding
Moonstar Development Limited[14]	Hong Kong	Ordinary	1 share of HK$1	–	70%	Investment holding
Neo Future Limited[14]	Hong Kong	Ordinary	1 share of HK$1	–	70%	Investment holding
Pan China Land (Holdings) Corporation[1]	Cayman Islands	Ordinary	2,000,000 shares of HK$0.1 each	–	70%	Investment holding
Pan China Land (Holdings) Corporation Limited[14]	Hong Kong	Ordinary	1 share of HK$1	100%	–	Investment holding
Pandue Investments Limited[1]	British Virgin Islands	Ordinary	100 shares of US$1 each	–	70%	Investment holding
Pandue Investments Limited[14]	Hong Kong	Ordinary	1 share of HK$1	–	70%	Investment holding

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Phoenix Atlantic Limited [1]	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding
Quanta Global Limited[3]	British Virgin Islands/Hong Kong	Ordinary	1 share of US$1	100%	–	Trading of electric fans
Quanta Global Macao Commercial Offshore Limited[6]	Macau	Paid up capital	MOP100,000	100%	–	Trading of electric fans
Quanta Global (USA), Inc.[1]	USA	Ordinary	500 shares of US$1 each	100%	–	Investment holding
Quickjay Management Limited[1]	British Virgin Islands	Ordinary	50,000 shares of US$1 each	100%	–	Investment holding
Sharp China Limited[1]	British Virgin Islands	Ordinary	1 share of US$1	–	70%	Investment holding
Shell Electric Mfg. (China) Company Limited[3]	British Virgin Islands	Ordinary	100 shares of US$10 each	100%	–	Trading of electric fans
Shell Electric Mfg. (China) Company Sdn. Bhd.[1]	Malaysia	Ordinary	2 shares of RM1 each	100%	–	Trading of electric fans
Shell Electric Mfg. (China) Company Limited[1]	Samoa	Ordinary	1 share of US$1	100%	–	Trading of electric fans
Shell Electric Mfg. (H.K.) Company Limited[3]	Hong Kong	Ordinary	1,000 shares of HK$10 each	100%	–	Trading of electric fans
Shunde Hua Feng Stainless Steel Welded Tubes Limited[4]	PRC*	Paid up capital	US$6,792,000	–	90.1%	Manufacturing and trading of welded tubes
SLP (China) Pte. Ltd.[7]	Singapore	Ordinary	1,700,000 shares of S$1 each	–	56%	Investment holding
佛山市順德區蜆華多媒體製品有限公司[4]	PRC^	Paid up capital	2006 & 2007: US$10,710,000 2008: US$18,870,000	–	100%	Manufacturing and trading of electrical appliances
佛山市順德區蜆華先進晶體元件有限公司[4]	PRC^	Paid up capital	US$500,000	–	100%	Trading of semi-conductor
SMC Cable Limited[3]	British Virgin Islands	Ordinary	1 share of US$1	100%	–	Investment holding
SMC Development Corp.[8]	USA	Ordinary	1,000 shares of US$10 each	–	100%	Property development
SMC Home Products Corp.[9]	Canada	Ordinary	2,100,100 shares of CAN$1 each	100%	–	Property investment
SMC Investments Limited[3]	Hong Kong	Ordinary	2 shares of HK$1 each	100%	–	Property investment
SMC Marketing Corp.[8]	USA	Ordinary	10,000 shares of US$1,021 each	100%	–	Marketing of the Group's products
SMC Microtronic Company Limited[3]	Hong Kong	Ordinary	10,000 shares of HK$1 each	100%	–	Provision of management services
SMC Multi-Media Products Company Limited[3]	British Virgin Islands	Ordinary	1 share of US$1	100%	–	Contract manufacturing for optics and imaging
SMC Multi-Media (H.K.) Limited[3]	Hong Kong	Ordinary	2 shares of HK$1 each	–	100%	Contract manufacturing for optics and imaging
SMC Property Investment Limited[3]	Hong Kong	Ordinary	2 shares of HK$1 each	100%	–	Investment holding

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
SMC Real Estate Fund Limited[19]	Hong Kong	Ordinary	100 shares of HK$1 each	99%	1%	Investment holding
SMC Steel Pipes Limited[3]	British Virgin Islands	Ordinary	1 share of US$1	100%	–	Investment holding
Speed Power Limited[3]	Hong Kong	Ordinary	2 shares of HK$1 each	100%	–	Trading of electric fans
Sybond Venture Limited[1]	Cayman Islands	Ordinary	1 share of US$1	100%	–	Investment holding
Terborley Limited[1]	British Virgin Islands	Ordinary	100 share of US$1 each	–	70%	Investment holding
Tigerlily Overseas Limited[1]	British Virgin Islands	Ordinary	50,000 shares of US$1 each	–	100%	Investment holding
Timely Hero Limited[1]	Samoa	Ordinary	1 share of US$1	100%	–	Investment holding
Vineyard Management Company[8]	USA	Ordinary	1,000 shares of US$10 each	–	100%	Property investment
Vortex Worldwide Limited[1]	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding
業盈置業(深圳)有限公司[10]	PRC^	Paid up capital	HK$10,000,000	–	100%	Property investment
正陽軟件(深圳)有限公司[10]	PRC^	Paid up capital	HK$9,000,000	–	89.33%	Computer software development
蜆壳星盈科技(深圳)有限公司[10]	PRC^	Paid up capital	2006 & 2007: HK$24,000,000 2008: HK$27,200,000	–	100%	Computer software and hardware development
蜆壳星盈軟件(深圳)有限公司[10]	PRC^	Paid up capital	HK$8,000,000	–	100%	Computer software and hardware development
深圳市建地投資有限公司[11]	PRC#	Paid up capital	Rmb10,000,000	–	70%	Investment holding
深圳市建禹投資有限公司[11]	PRC#	Paid up capital	Rmb10,000,000	–	70%	Investment holding
北京光大房地產開發有限公司[2]	PRC#	Paid up capital	Rmb28,000,000	–	70%	Investment holding and property development
光大物業管理有限公司[2]	PRC#	Paid up capital	2006: Rmb3,500,000 2007 & 2008: Rmb5,000,000	–	70%	Property management
北京快樂城堡購物中心有限公司[2]	PRC#	Paid up capital	Rmb10,000,000	–	70%	Property investment
安徽博鴻房地產開發有限公司[12]	PRC#	Paid up capital	Rmb20,000,000	–	70%	Property development
北京中京藝苑房地產開發有限責任公司[2]	PRC#	Paid up capital	Rmb30,000,000	–	70%	Property development
北京華世柏利房地產開發有限公司[13]	PRC#	Paid up capital	Rmb50,000,000	–	63%	Property development
北京光大置業有限責任公司[2]	PRC#	Paid up capital	Rmb50,000,000	–	70%	Investment holding
北京中順超科房地產開發有限公司[2, 16]	PRC#	Paid up capital	Rmb10,000,000	–	70%	Property development
呼和浩特光大環城建設開發有限公司[2]	PRC#	Paid up capital	Rmb120,000,000	–	56%	Property development
呼和浩特市景輝房地產開發有限責任公司[13]	PRC#	Paid up capital	Rmb20,000,000	–	70%	Investment holding and property development
呼和浩特市榮城房地產開發有限公司[13]	PRC#	Paid up capital	Rmb10,000,000	–	70%	Property development
呼和浩特市榮凱房地產開發有限公司[11]	PRC#	Paid up capital	Rmb10,000,000	–	70%	Property development
呼和浩特市榮恒房地產開發有限公司[11]	PRC#	Paid up capital	Rmb10,000,000	–	70%	Property development

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
呼和浩特市榮輝房地產開發有限公司[11]	PRC#	Paid up capital	Rmb10,000,000	–	70%	Property development
呼和浩特市錦綉城物業服務有限公司[14]	PRC#	Paid up capital	Rmb800,000	–	70%	Property management
上海光大置業發展有限公司[2]	PRC#	Paid up capital	Rmb15,000,000	–	70%	Investment holding
合肥光大置業有限公司[2]	PRC#	Paid up capital	Rmb20,000,000	–	70%	Investment holding
廣西光大旅遊投資有限公司[2, 16]	PRC#	Paid up capital	Rmb30,000,000	–	65.8%	Investment holding
廣西桂林光大生態家園開發建設有限公司[2, 16]	PRC#	Paid up capital	Rmb10,000,000	–	46.06%	Property development
廣州光大置業有限公司[2]	PRC#	Paid up capital	Rmb10,000,000	–	70%	Property development
廣州市光大花園房地產開發有限公司[2, 16]	PRC#	Paid up capital	2007: Rmb100,000,000 2008: Rmb240,867,970	–	70%	Property development
廣州市光大花園物業管理有限公司[2, 16]	PRC#	Paid up capital	Rmb3,000,000	–	70%	Property management
森聯南太湖(湖州)建設發展有限公司[15]	PRC#	Paid up capital	US$4,499,955	–	56%	Property development

* *The companies are incorporated in the PRC as sino-foreign equity joint ventures.*
^ *The companies are incorporated in the PRC as wholly foreign owned enterprises.*
\# *The companies are incorporated in the PRC as limited liability companies.*

Notes:

1 The financial statements of these companies have not been audited as there is no requirement to prepare audited financial statements under the legislation of their respective jurisdiction of incorporation. Quanta Global (USA), Inc., Pan China Land (Holdings) Corporation, Pandue Investments Limited (incorporated in the British Virgin Islands), Terborley Limited and Timely Hero Limited were newly set up during the year ended 31st December, 2007, and Sharp China Limited was newly set up during the year ended 31st December, 2008.

Allright Investment Limited was disposed during the year ended 31st December, 2007.

2 The statutory financial statements of these companies for the years ended 31st December, 2006 and 2007 were audited by 天華中興會計師事務所有限公司 (named as 北京天華中興會計師事務所有限公司 in 2006). 北京中興新世紀會計師事務所有限公司 were the auditors of these companies for the year ended 31st December, 2008.

3 The financial statements of these companies for the years ended 31st December, 2006, 2007 and 2008 were audited by Grant Thornton.

4 The statutory financial statements of these companies for the years ended 31st December, 2006, 2007 and 2008 were audited by 廣東德正有限責任會計師事務所. 佛山市順德區蜆華先進晶體元件有限公司 was deregistered on 31st July, 2006.

5 The statutory financial statements of this company for the years ended 31st December, 2006, 2007 and 2008 were audited by 廣州眾誠會計師事務所有限公司.

6 The statutory financial statements of this company for the year ended 31st December, 2006 and for the period from 1st January, 2007 to 13th November, 2007 were audited by Leong Kam Chun & Co. The company was deregistered on 13th November, 2007.

7 This company was newly acquired in 2007. The statutory financial statements of this company for the years ended 31st December, 2007 and 2008 were audited by Deloitte & Touche LLP and RSM Chio Lim LLP respectively.

8 The financial statements of these companies for the years ended 31st December, 2006, 2007 and 2008 were audited by Tseng Lee & Wu LLP (named as Tseng & Lee LLP in 2006).

9 This company was dormant since 2006, and was winded up during the year ended 31st December, 2007. No audited financial statements have been made up for this company for the years ended 31st December, 2006 and 2007 as there is no statutory requirement to do so.

10 The statutory financial statements of these companies for the years ended 31st December, 2006, 2007 and 2008 were audited by 深圳正大華明會計師事務所.

11 The financial statements of these companies have not been audited for the years ended 31st December, 2006 and 2007 as they are newly incorporated. 北京中興新世紀會計師事務所有限公司 were auditors of these companies for the year ended 31st December, 2008.

12 The statutory financial statements of this company for the year ended 31st December, 2006 was audited by 天華中興會計師事務所有限公司. The company has been classified as "assets classified as held for sale" as at 31st December, 2007 and disposed in 2008.

13 The financial statements of these companies have not been audited for the year ended 31st December, 2006 as 北京華世柏利房地產開發有限公司 was newly acquired, and 呼和浩特市景輝房地產開發有限責任公司 and 呼和浩特市榮城房地產開發有限公司 were newly incorporated. 天華中興會計師事務所有限公司 and 北京中興新世紀會計師事務所有限公司 were auditors of these companies for the years ended 31st December, 2007 and 2008 respectively.

14 The financial statements of these companies have not been audited as they are newly incorporated during the Relevant Periods. Crown Silver Investment Limited and Neo Future Limited were newly set up during the year ended 31st December, 2007 and Moonstar Development Limited, Pan China Land (Holdings) Corporation Limited and Pandue Investments Limited (incorporated in Hong Kong) were newly set up during the year ended 31st December, 2008.

15 This company was newly acquired in 2007. 中勤萬信會計師事務所有限公司浙江分公司 were the auditors of this company for the years ended 31st December, 2007 and 2008.

16 The companies are jointly controlled entities as at 31st December, 2006.

17 The statutory financial statements of this company for the year ended 31st December, 2006 were audited by Grant Thornton. The company has become a 50% owned jointly controlled entity of the Group during the year ended 31st December, 2007.

18 The statutory financial statements of this company for the years ended 31st December, 2006 and 2007 and for the period from 1st January, 2008 to 18th November, 2008 were audited by Grant Thornton. The company ceased business operation on 18th November, 2008.

19. This company was dormant during the Relevant Periods. No audited financial statements have been made up for this company for the years ended 31st December, 2006, 2007 and 2008 as it is exempted from Hong Kong Companies Ordinance.

20. The statutory financial statements of this company for the year ended 31st December, 2006 and for the period from 1st January, 2007 to 28th December, 2007 were audited by Nelson S.Lee, CPA. The company was deregistered on 28th December, 2007.

60. PARTICULARS OF ASSOCIATES

The particulars of the associates set out below are the same as at 31st December, 2006, 2007 and 2008 unless otherwise stated.

Name of associates	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
MDCL-Frontline (China) Limited[1]	British Virgin Islands	Ordinary	65,269,561 shares of HK$1 each	–	26.66%	Trading of computer hardware, provision of information technology services and investment holding
China Dynasty Development Ltd[2]	British Virgin Islands	Ordinary	1,000 shares of US$1 each	–	40%	Property investment
Hong Kong Construction SMC Development Limited[3]	Hong Kong	Ordinary	10,000,000 shares of HK$1 each	–	20%	Investment holding
Kumagai SMC Development (Guangzhou) Ltd.[4]	PRC^	Paid up capital	US$59,000,000	–	20%	Property development
Yue Tian Development Limited[5]	Hong Kong	Ordinary	72,000 shares of HK$1 each	–	20%	Investment holding

Name of associates	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Guangzhou Cheng Jian Tian Yu Real Estate Development Company[5]	PRC*	Paid up capital	US$22,500,000	–	20%	Property development
PFC Device Corporation[6]	British Virgin Islands	Preferred	2,122,820 shares of US$1 each	–	47.11%	Design and trading of semiconductors and electric components

* *The company is incorporated in the PRC as sino-foreign cooperative enterprise.*
^ *The company is incorporated in the PRC as wholly foreign owned enterprise.*

Notes:

1 The financial statements of this company for the year ended 31st December, 2006 were audited by Baker Tilly Hong Kong Limited. 香港天華會計師事務所有限公司 were the auditors of this company for the years ended 31st December, 2007 and 2008.

2 The financial statements of this company for the years ended 31st December, 2006, 2007 and 2008 were audited by Eric H.L. Chung & Co.

3 This company did not carry out business in Hong Kong during the Relevant Periods. No audited financial statements have been made up for this company for the years ended 31st December, 2006, 2007 and 2008 as it is exempted from Hong Kong Companies Ordinance.

4 The statutory financial statements of this company for the year ended 31st December, 2006 were audited by 廣東羊城會計師事務所有限公司. 立信羊城會計師事務所有限公司 were the auditors of this company for the years ended 31st December, 2007 and 2008.

5 The statutory financial statements of these companies for the year ended 31st December, 2006 were audited by Deloitte Touche Tohmatsu. They were disposed in 2007.

6 The company was newly set up during the year ended 31st December, 2007. The financial statements of this company has not been audited as there is no requirement to prepare audited financial statements under the legislation of its respective jurisdiction of incorporation.

61. PARTICULARS OF JOINTLY CONTROLLED ENTITIES

The particulars of the jointly controlled entities set out below are the same as at 31st December, 2006, 2007 and 2008 unless otherwise stated.

Name of jointly controlled entities	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
廣州市環博展覽有限公司[1]	PRC#	Paid up capital	Rmb50,000,000	–	35%	Property development
上海金鶴數碼科技發展有限公司[2]	PRC*	Paid up capital	US$2,400,000	–	45.5%	Property development
北京金華星置業有限公司[3]	PRC#	Paid up capital	Rmb20,000,000	–	35.7%	Property development
北京中順超科房地產開發有限公司[4]	PRC#	Paid up capital	Rmb10,000,000	–	24.99%	Property development
廣州市光大花園房地產開發有限公司[4]	PRC#	Paid up capital	Rmb100,000,000	–	43%	Property development
廣州光大花園物業管理有限公司[4]	PRC#	Paid up capital	Rmb500,000	–	56.23%	Property management
廣西光大旅遊投資有限公司[4]	PRC#	Paid up capital	Rmb30,000,000	–	52.9%	Investment holding
廣西桂林光大生態家園開發建設有限公司[4]	PRC#	Paid up capital	Rmb10,000,000	–	37.03%	Property development
桂林光大國富房地產開發有限責任公司[5]	PRC#	Paid up capital	Rmb8,000,000	–	28%	Investment holding

Name of jointly controlled entities	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
北京通惠房地產開發有限責任公司[5]	PRC#	Paid up capital	Rmb100,000,000	–	31.15%	Property development
Appeon Corporation (HK) Limited[6]	Hong Kong	Class A voting	25,000 shares of HK$0.01 each	–	50%	Investment holding and sale of software licence
		Class B non-voting	27,181 shares of HK$0.01 each	–	52.18%	
艾普陽軟件(深圳)有限公司[7]	PRC^	Paid up capital	US$500,000	–	52.18%	Computer software and hardware development

\# *The companies are incorporated in the PRC as limited liability companies.*

* *The company is incorporated in the PRC as sino-foreign equity joint venture.*

^ *The company is incorporated in the PRC as wholly foreign owned enterprises.*

Notes:

1 The statutory financial statements of this company for the year ended 31st December, 2006 was audited by 廣州市建弘會計師事務所有限公司. The company was classified as "assets classified as held for sale" as at 31st December, 2007 and disposed in 2008.

2 The statutory financial statements of this company for the years ended 31st December, 2006 and 2007 were audited by 天華中興會計師事務所有限公司 (named as 北京天華中興會計師事務所有限公司 in 2006), 北京中興新世紀會計師事務所有限公司 was auditors of this company for the year ended 31st December, 2008.

3 The statutory financial statements of this company for the year ended 31st December, 2006 was audited by 天華中興會計師事務所有限公司. The Company was disposed in 2007.

4 These companies were accounted for as subsidiaries as at 31st December, 2007 and 2008. Details of auditors were set out in note 59.

5 The financial statements of these companies have not been audited for the year ended 31st December, 2006 as they are newly acquired. 天華中興會計師事務所有限公司 and 北京中興新世紀會計師事務所有限公司 were auditors of these companies for the years ended 31st December, 2007 and 2008 respectively.

6 The statutory financial statements of this company for the years ended 31st December 2007 and 2008 were audited by Francis S.L. Yan & Co.

7 The financial statements of this company have not been audited for the year ended 31st December, 2006 as it is newly incorporated in 2007. 深圳正大華明會計師事務所 was auditor of the company for the years ended 31st December, 2007 and 2008.

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

(II) PARTICULARS OF MAJOR PROPERTIES

(A) PROPERTIES HELD AS PROPERTY, PLANT AND EQUIPMENT

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
Shell Industrial Building , 12 Lee Chung Street, Chaiwan, Hong Kong *(Note)*	Industrial premises	125,315.99 sq.ft.	100%	100%	Long
No. 18 San Le East Road, Beijiao Residents' Committee Industrial Park, Bejiao Town, Shunde District, Foshan, Guangdong Province, the PRC	Industrial premises	62,805.00 sq.m.	100%	100%	Medium
4th Floor, 1 Ning Foo Street, Chaiwan, Hong Kong	Industrial premises	4,860.00 sq.ft.	100%	100%	Long
1925-1933 North Great Southwest Parkway Grand Prairie, Texas 75050, U.S.A.	Commercial premises and warehouses	97,134.00 sq.ft. (Site area of Land.)	100%	100%	Freehold
No. 162 and 168 Flying Goose Hillock, Da Men Residents' Committee, Da Liang Street Office, Shunde District, Foshan, Guangdong Province, the PRC *(Note)*	Industrial premises	26,188.10 sq.m.	90.10%	100%	Medium
Rooms 701 and 702, Block C, Ever Bright Convention and Exhibition Centre, No. 70 Caobao Road, Xuhui District, Shanghai City, the PRC	Commercial premises	269.72 sq.m.	70%	100%	Medium
23th Floor, Tower 1, Ever Bright World Centre, No. 28 Ping'anli West Avenue, Xicheng District, Beijing City, the PRC	Commercial premises	2,309.23 sq.m.	70%	100%	Medium
Level 4 and Unit 202 on Level 2 of B5 block clubhouse, Phase B, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Clubhouse	1,687 sq.m.	70%	100%	Medium

Note: Partly classified as property, plant and equipment and partly as investment properties.

(B) PROPERTIES HELD FOR INVESTMENT

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
Workshop on Lower Ground Floor, Tak King Industrial Building, 27 Lee Chung Street, Chaiwan, Hong Kong	Industrial premises	9,384.00 sq.ft.	100%	100%	Long
The Vineyard Business Park, Livemore, Alameda Country, California 94550, U.S.A. (Phases I & II)	Commercial complex	234,901.00 sq.ft. (Site area – 19.59 acres)	100%	100%	Freehold
Office unit 7104, CITIC Plaza, No. 233 Tian He North Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	Commercial premises	309.55 sq.m..	100%	100%	Medium
Lot No. B105-19-3 at Hong Mian Road, Futian Free Trade Zone, Shenzhen, Guangdong Province, the PRC	Hi-tech Industrial factory premises	31,348.00 sq.m. (site area of land)	100%	100%	Medium
Rooms 801 and 802, Block C, Ever Bright Convention and Exhibition Centre, No. 70 Caobao Road, Xuhui District, Shanghai City, the PRC	Commercial premises	269.72 sq.m.	70%	100%	Medium
Room 602 of Block 6, Room 1003 and Room 1103 of Block 11, Ever Bright Hongqiao Garden, Lane 269 Cheng Jia Qiao Road, Minxing District, Shanghai City, the PRC	Residential	540.55 sq.m.	70%	100%	Long
C8 block supermarket, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Supermarket	2,809.46 sq.m.	70%	100%	Medium
Level 1, B5 block clubhouse, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Clubhouse	986.69 sq.m.	70%	100%	Medium

(C) PROPERTIES HELD AS INVENTORIES

(a) Properties under development

Name/location	Type	Site area	Effective% held	Stage of completion	Lease terms
Various residential units, retail shops, office units and car parking spaces, Academic Sect, Xue Yuan South Road, Haidian District, Beijing City, the PRC	Residential and commercial premises	14,151.00 sq.m.	70%	98%	Medium
Phases J and K, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Residential and commercial premises	129,666.00 sq.m.	70%	50%	Medium
Various residential units, retail shops and car parking spaces, Jinxiu City, Saihan District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	Residential and commercial premises	87,062.00 sq.m.	70%	30%	Medium

(b) Properties held for future development

Name/location	Type	Site area	Effective% held	Stage of completion	Lease terms
The parcel of land for Guangzhou Xindu Project, Binjiang Road, Guangzhou City, Guangdong Province, the PRC	Land under development	7,263.00 sq.m.	63%	0%	Medium
The parcel of land for Ever Bright Duhui Project, Gongye Road North, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Land under development	43,288.00 sq.m.	70%	0%	Medium

Name/location	Type	Site area	Effective% held	Stage of completion	Lease terms
The parcel of land for Qingdao Project, No. 466 Hong Kong East Road, Laoshan District, Qingdao City, Shandong Province, the PRC	Land under development	66,667.00 sq.m.	49%	0%	Medium
The parcel of land for Construction project, Shanghu, Shahe Town, Changping District, Beijing City, the PRC	Land under development	285,338.00 sq.m.	63%	0%	Medium
The parcel of land for Guilin Environment Garden, Guiyang Road, Yanshan District, Guilin City, Guangxi Zhuang Autonomous Region, the PRC	Land under development	724,396.00 sq.m.	46.06%	0%	Medium
The parcel of land, Jinxiu City, Saihan District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	Land under development	84,880.00 sq.m.	70%	0%	Long

(c) Properties held of Sale

Name/location	Type	Site area	Effective% held	Stage of completion	Lease terms
Tower 1, Ever Bright World Centre, No. 28 Ping' anli West avenue Xicheng District, Beijing City, the PRC	Commercial premises	53,343.75 sq.m.	70%	100%	Medium
Various residential units, retail shops, and car parking spaces, Phase A to Phase E, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Residential and commercial premises	23,868.00 sq.m.	70%	100%	Medium

(D) PROPERTIES HELD BY ASSOCIATES

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
CITIC Plaza, No. 233 Tian He North Road, Tianhe District, Guangzhou, Guangdong Province, the PRC (excluding partly of office units)	Commercial	34,690.00 sq.m.	20%	100%	Medium
CITIC Plaza, No. 233 Tian He North Road, Tianhe District, Guangzhou, Guangdong Province, the PRC (partly of office units)	Commercial complex	38,368.95 sq.m.	40%	100%	Medium

(E) PROPERTIES HELD BY JOINTLY CONTROLLED ENTITIES

(a) Properties held for future development

Name/location	Type	Site area	Effective% held	Stage of completion	Lease terms
The parcel of land for Beijing Tonghui River Project, Chaoyang District, Beijing City, the PRC	Land under development	10,096.00 sq.m.	31.15%	0%	Medium

(b) Properties held for investment

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
Shanghai Jinhe Digital Tower, Zhangheng Road, Shanghai Zhangjiang Hi-tech Park, Pudong District, Shanghai City, the PRC	Commercial premises	16,876.00 sq.m.	45.5%	100%	Medium

(III) UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2009

		Six months ended 30th June,	
		2009	**2008**
		(Unaudited)	**(Unaudited)**
	Notes	*HK$'000*	*HK$'000*
Revenue	*4*	1,672,451	1,588,404
Cost of goods and services		(1,197,087)	(1,028,157)
Gross profit		475,364	560,247
Other income	*6*	19,992	23,034
Distribution and selling expenses		(40,992)	(45,872)
Administrative expenses		(120,342)	(181,915)
Other operating expenses		(21,737)	(54,637)
Other gains/(losses)			
Gain on disposal of a subsidiary	*25*	17,286	56,115
Fair value gain on investment properties and inventories of properties	*12(b)*	171,460	17,387
Fair value gain/(loss) on investments held for trading		14,491	(27,367)
Fair value gain/(loss) on derivative financial instruments		(1,073)	–
Reversal of impairment of financial assets		–	1,716
Reversal of unutilised provision		–	67,309
Impairment loss on owner-occupied property		(992)	(5,948)
Others		403	12,861
Operating profit	*7*	513,860	422,930
Finance costs	*8*	(16,447)	(48,480)
Share of results of associates		(4,816)	41,324
Share of results of jointly controlled entities		(1,416)	(130)
Gain on disposal of a jointly controlled entity		–	176,533
Profit before income tax		491,181	592,177
Income tax expense	*9*	(384,110)	(361,442)
Profit for the period		107,071	230,735
Profit for the period attributable to:			
Owners of the Company		34,053	153,314
Non-controlling interests		73,018	77,421
		107,071	230,735
		HK Cents	*HK Cents*
Earnings per share for profit attributable to the owners of the Company during the period	*11*		
– Basic		6.50	29.18
– Diluted		5.06	28.06

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2009

	Six months ended 30th June,	
	2009	**2008**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Profit for the period	107,071	230,735
Other comprehensive income		
Exchange difference arising on translation of overseas operations		
– subsidiaries	938	127,947
– associates and jointly controlled entities	1,965	14,530
	2,903	142,477
Reclassification from assets revaluation reserve to profit or loss upon sales of properties	(60,321)	(34,471)
Income tax	19,762	13,375
	(40,559)	(21,096)
Other comprehensive income for the period, net of tax	(37,656)	121,381
Total comprehensive income for the period	69,415	352,116
Total comprehensive income attributable to:		
Owners of the Company	7,929	252,780
Non-controlling interests	61,486	99,336
	69,415	352,116

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30th June, 2009

	Notes	30th June, 2009 (Unaudited) HK$'000	31st December, 2008 (Audited) HK$'000
Non-current assets			
Investment properties	12	1,174,159	747,220
Property, plant and equipment	13	213,965	209,592
Prepaid lease rental on land		20,102	21,239
Goodwill	14	84,950	84,934
Other intangible assets		238,498	240,591
Interests in associates	15	413,266	418,860
Interests in jointly controlled entities	16	219,905	222,800
Available-for-sale financial asset		2,920	2,920
Loans receivable		121,284	130,138
Deferred tax assets		1,980	1,908
		2,491,029	2,080,202
Current assets			
Inventories of properties	17	5,232,157	6,099,493
Other inventories		84,167	124,228
Trade and other receivables, prepayments and deposits	18	930,551	1,036,644
Prepaid lease rental on land		526	524
Loans receivable		15,351	15,345
Amounts due from jointly controlled entities		76,482	77,295
Amount due from an investee		7,744	20,831
Amounts due from minority shareholders		33,871	33,856
Investments held for trading	19	41,301	20,643
Tax prepaid		2,956	8,704
Restricted cash and deposits	20	312,360	52,582
Cash and cash equivalents	21	878,363	873,326
		7,615,829	8,363,471
Assets classified as held for sale	26	815,568	–
		8,431,397	8,363,471

	Notes	30th June, 2009 (Unaudited) HK$'000	31st December, 2008 (Audited) HK$'000
Current liabilities			
Trade and other payables	22	2,011,651	2,378,746
Sales deposits received		960,532	772,395
Amount due to an associate		156	118
Amount due to a jointly controlled entity		226	226
Amount due to a minority shareholder		82,383	186,612
Amount due to a related party		291	291
Consideration payable on acquisition of a subsidiary		161,887	210,097
Taxation liabilities		685,332	607,398
Derivative financial instruments		1,073	–
Bank borrowings	23	552,687	929,179
		4,456,218	5,085,062
Liabilities associated to assets classified as held for sale	26	640,851	–
		5,097,069	5,085,062
Net current assets		3,334,328	3,278,409
Total assets less current liabilities		5,825,357	5,358,611
Non-current liabilities			
Bank borrowings	23	1,552,252	1,282,184
Loan from a minority shareholder		3,490	3,386
Other liabilities		10,145	6,155
Deferred tax liabilities		551,509	436,319
		2,117,396	1,728,044
Net assets		3,707,961	3,630,567
Capital and reserves			
Share capital	24	261,742	262,742
Share premium and reserves		2,849,807	2,841,271
Equity attributable to owners of the Company		3,111,549	3,104,013
Non-controlling interests		596,412	526,554
Total equity		3,707,961	3,630,567

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2009

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Share option reserve of a subsidiary *HK$'000*	Translation reserve *HK$'000*	Assets revaluation reserve *HK$'000*	Dividend reserve *HK$'000*	Statutory reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1st January, 2008	262,742	640,099	43,822	4,913	118,415	142,368	63,058	15,377	1,717,861	3,008,655	460,234	3,468,889
Net profit for the period	–	–	–	–	–	–	–	–	153,314	153,314	77,421	230,735
Other comprehensive income	–	–	–	–	112,183	(12,717)	–	–	–	99,466	21,915	121,381
Total comprehensive income for the period	–	–	–	–	112,183	(12,717)	–	–	153,314	252,780	99,336	352,116
Interim dividend declared *(note 10)*	–	–	–	–	–	–	15,765	–	(15,765)	–	–	–
Recognition of share-based payments	–	–	–	29,476	–	–	–	–	–	29,476	12,633	42,109
Dividend paid *(note 10)*	–	–	–	–	–	–	(63,058)	–	–	(63,058)	–	(63,058)
Appropriations	–	–	–	–	–	–	–	29,019	(29,019)	–	–	–
Transactions with owners	–	–	–	29,476	–	–	(47,293)	29,019	(44,784)	(33,582)	12,633	(20,949)
At 30th June, 2008 (Unaudited)	262,742	640,099	43,822	34,389	230,598	129,651	15,765	44,396	1,826,391	3,227,853	572,203	3,800,056
At 1st January, 2009	262,742	640,099	43,822	41,682	244,419	130,213	15,705	40,134	1,685,197	3,104,013	526,554	3,630,567
Net profit for the period	–	–	–	–	–	–	–	–	34,053	34,053	73,018	107,071
Other comprehensive income	–	–	–	–	3,669	(29,793)	–	–	–	(26,124)	(11,532)	(37,656)
Total comprehensive income for the period	–	–	–	–	3,669	(29,793)	–	–	34,053	7,929	61,486	69,415
Interim dividend declared *(note 10)*	–	–	–	–	–	–	10,470	–	(10,470)	–	–	–
Recognition of share-based payments	–	–	–	19,534	–	–	–	–	–	19,534	8,372	27,906
Share repurchased and cancelled *(note 24)*	(1,000)	–	1,000	–	–	–	–	–	(4,222)	(4,222)	–	(4,222)
Dividend paid *(note 10)*	–	–	–	–	–	–	(15,705)	–	–	(15,705)	–	(15,705)
Transactions with owners	(1,000)	–	1,000	19,534	–	–	(5,235)	–	(14,692)	(393)	8,372	7,979
At 30th June, 2009 (Unaudited)	261,742	640,099	44,822	61,216	248,088	100,420	10,470	40,134	1,704,558	3,111,549	596,412	3,707,961

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30th June, 2009

	Six months ended 30th June, 2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Net cash generated from/(used in) operating activities	444,663	(67,905)
Investing activities		
Interest received	4,411	13,330
Dividend received from a jointly controlled entity	1,570	1,756
Refund of deposit paid for other investment	–	85,905
Acquisitions of subsidiaries	–	(92,638)
Settlement of consideration payable on acquisition of a subsidiary	(48,303)	–
Additions to investment properties	(980)	–
Additions to property, plant and equipment	(20,192)	(9,403)
Proceeds on disposal of property, plant and equipment	561	–
Proceeds on disposal of a subsidiary	52,658	94,384
Proceeds on disposal of a jointly controlled entity	–	27,760
Loan repayment from an associate	11,653	14,391
Increase in pledged cash deposits and restricted cash and deposits	(259,778)	(5,294)
Other investing activities	(285)	(3,479)
Net cash (used in)/generated from investing activities	(258,685)	126,712
Financing activities		
New bank and other borrowings	717,646	1,360,643
Repayment of bank and other borrowings	(819,600)	(1,205,631)
Dividends paid	(15,705)	(63,058)
Interest paid	(60,742)	(33,558)
Payment for repurchase of shares	(4,222)	–
Net cash (used in)/generated from financing activities	(182,623)	58,396
Net increase in cash and cash equivalents	3,355	117,203
Cash and cash equivalents at beginning of the period	873,326	704,716
Effect of foreign exchange rate change	1,682	37,783
Cash and cash equivalents at end of the period	878,363	859,702

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

1. GENERAL INFORMATION

Shell Electric Mfg. (Holdings) Company Limited (the "Company") is a limited liability company incorporated in the Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China (the "PRC") and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office and principal place of business is Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively, the "Group") comprise property investment and development, manufacturing and marketing of electric fans and other electrical household appliances and contract manufacturing business, property leasing and investment holding.

The unaudited condensed consolidated financial statements for the six months ended 30th June, 2009 (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange. The Interim Financial Statements do not include all of the information required for annual financial statements and thereby they should be read in conjunction with the Group's annual financial statements for the year ended 31st December, 2008.

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company. The Interim Financial Statements were approved for issue on 23rd September, 2009.

2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost convention except for investment properties, financial instruments classified as available-for-sale and at fair value through profit or loss, and derivative financial instruments which are measured at fair values. Disposal groups and non-current assets held for sale (other than investment properties) are stated at the lower of their carrying amounts and fair values less costs to sell.

The accounting policies used in preparing the Interim Financial Statements are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2008 with the addition of certain standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRSs") issued and became effective in the current interim period as described below.

3. ADOPTION OF NEW AND REVISED HKFRSs

Impact of new and revised HKFRSs which are effective during the current interim period

In the current interim period, the Group has adopted, for the first time, the following new and revised HKFRSs which are relevant to and effective for the Group's financial statements for the annual period beginning on 1st January, 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Amendment)	Cost of an investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
Various	Annual improvements to HKFRSs 2008

HKAS 1 (Revised 2007) Presentation of Financial Statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses are unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example exchange difference arising on the translation of overseas operation. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of Comprehensive Income". Comparatives have been restated to conform with the revised standard.

HKAS 27 Amendment – Cost of an investment in a Subsidiary, Jointly Controlled Entity or an Associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or an associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

For the current interim period, dividends were received from subsidiaries and a jointly controlled entity but the distributions were not in excess of post-acquisition reserves and therefore the adoption of this new accounting policy does not have impact on the Interim Financial Statements. The new accounting policy has been applied prospectively as required by the amendments to HKAS 27, and therefore no comparatives have been restated.

HKFRS 2 Amendment – Share-based Payment – Vesting Conditions and Cancellations

This standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment does not have any impact on the financial position or performance of the Group.

HKFRS 7 Amendment – Improving Disclosures about Financial Instruments

The amendment increases the disclosure requirements about fair value measurement and amends the disclosures about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosure for those instruments classified in the lowest level in the hierarchy. The Group will make additional relevant disclosures in its financial statements ending 31st December, 2009.

HKFRS 8 Operating Segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

HK(IFRIC) – Int 15 Agreements for the Construction of Real Estate

This interpretation clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 "Construction Contracts" or an agreement for sale of goods or services in accordance with HKAS 18 "Revenue". As the Group's current policy of accounting for the construction of real estate aligns with the requirements of the interpretation, the interpretation is unlikely to have any financial impact on the Group.

Annual improvements to HKFRSs 2008

In October 2008, the HKICPA issued its first Annual improvements to HKFRSs which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. Of these, the amendment to HKAS 28 "Investments in associates" has changed the Group's accounting policies on allocation of impairment losses but does not have any impact on the current interim period results and financial position. The amendment clarifies that an investment in an associate accounted for under the equity method is a single asset for impairment testing purpose. Any impairment loss recognised by the investor after applying the equity method is not allocated to individual assets including goodwill included in the investment balance. Accordingly, any reversal of such impairment loss in subsequent period is recognised to the extent that the recoverable amount of the associate increases. The new policy also applies to the Group's investment in the jointly controlled entity which is equity accounted for in the consolidated statement of financial position. For the current interim period, there was no impairment loss on investments in associates and jointly controlled entities, and therefore the adoption of this new accounting policy had no financial statements impact in this interim period. The new accounting policy has been applied prospectively as permitted by the amendment and no comparatives have been restated.

The adoption of other new and revised HKFRSs which are effective during the current interim period does not have impact on the Interim Financial Statements.

4. REVENUE

Breakdown of revenue, which also represents the Group's turnover, is as follows:

	Six months ended 30th June,	
	2009	**2008**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Sales of goods	486,703	548,276
Sales of properties	1,068,481	948,109
Property management fee income	29,276	24,123
Property rental income	62,612	50,352
Taxi licence fee income	25,379	17,544
Total revenue	1,672,451	1,588,404

5. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st January, 2009. The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and assessment of segment performance. The Group has identified the following reportable segments:

Electrical household appliances	–	manufacturing and marketing of electric fans, vacuum cleaners and other electrical household appliances, and contract manufacturing business
Property leasing	–	leasing of properties
Property investment and development	–	property investment and development
Securities trading	–	trading of securities
Car rental	–	taxi rental operation
All other segments	–	direct investments, manufacturing and trading of electric cables, and development and trading of computer hardware and software

The directors consider the adoption of HKFRS 8 had not changed the identified operating segments for the Group compared to the 2008 annual financial statements.

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the chief operating decision-maker, i.e. the Chief Executive. The Chief Executive assesses segment profit or loss using a measure of operating profit. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements, except that certain items are not included in arriving at the operating results of the operating segments (mainly corporate income and expenses).

Segment assets include all assets with the exception of corporate assets, including available-for-sale financial asset, bank balances and cash and other assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Information regarding the Group's reportable segments is set out below:

	Electrical household appliances *HK$'000*	Property leasing *HK$'000*	Property investment and development *HK$'000*	Securities trading *HK$'000*	Car rental *HK$'000*	All other segments *HK$'000*	Consolidated *HK$'000*
Six months ended 30th June, 2009 (Unaudited)							
Reportable segment revenue*	477,599	62,612	1,097,757	–	25,379	9,104	1,672,451
Reportable segment profit/(loss)	24,695	221,639	262,592	17,268	13,438	(16,894)	522,738
Corporate income							915
Corporate expenses							(32,472)
Profit before income tax							491,181
							Total *HK$'000*
As at 30th June, 2009 (Unaudited)							
Reportable segment assets	436,094	1,778,688	7,915,338	70,151	255,747	143,038	10,599,056
							Consolidated *HK$'000*
Six months ended 30th June, 2008 (Unaudited)							
Reportable segment revenue*	524,217	50,352	972,232	–	17,544	24,059	1,588,404
Reportable segment profit/(loss)	23,518	89,326	539,802	(26,530)	12,138	8,506	646,760
Corporate income							3,814
Corporate expenses							(58,397)
Profit before income tax							592,177
							Total *HK$'000*
As at 30th June, 2008 (Unaudited)							
Reportable segment assets	478,960	1,437,123	7,294,957	64,096	227,322	129,190	9,631,648
As at 31st December, 2008 (Audited)							
Reportable segment assets	535,465	1,386,390	7,690,044	23,466	243,230	121,883	10,000,478

* *There were no inter-segment sales between different business segments.*

6. OTHER INCOME

	Six months ended 30th June, 2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Interest income on:		
Bank deposits	3,683	5,878
Loans to investees	785	993
Others, including loans receivable	753	2,033
Total interest income on financial assets not at fair value through profit or loss	5,221	8,904
Dividends from listed equity securities	102	672
Other rental income	2,327	1,773
Handling fee income	6,339	4,066
Sundry income	6,003	7,619
	19,992	23,034

7. OPERATING PROFIT

	Six months ended 30th June, 2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Operating profit is arrived at after charging/(crediting):		
Amortisation:		
Prepaid lease rental on land	310	283
Other intangible assets#	2,199	2,219
Depreciation of property, plant and equipment	14,450	10,256
Total amortisation and depreciation	16,959	12,758
Less: Amount capitalised as development cost	(99)	(93)
	16,860	12,665
Impairment losses on loans and receivable*	3,044	38,152
Net foreign exchange losses/(gains)^	1,686	(12,108)
Allowance for inventories	1,781	747
Equity-settled share-based payments** *(Note)*	27,906	42,109

included in "cost of goods and services" on the face of the condensed consolidated income statement

* *included in "other operating expenses" on the face of the condensed consolidated income statement*

** *included in "administrative expenses" on the face of the condensed consolidated income statement*

^ *included in "other gains/(losses) – others" on the face of the condensed consolidated income statement*

Note: As at 30th June, 2009, the share-based payments relating to the unexpired portion of the vesting period amounting to approximately HK$133 million has not been recognised in the income statement.

8. FINANCE COSTS

	Six months ended 30th June, 2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Interest charges on:		
Bank loans and overdrafts		
– wholly repayable within five years	49,482	42,229
– wholly repayable over five years	6,710	2,624
Other loans wholly repayable within five years	47	2,820
Total interest expense on financial liabilities not at fair value through profit or loss	56,239	47,673
Bank charges	–	1,495
Total borrowing costs	56,239	49,168
Less: amount capitalised into properties under development	(39,792)	(688)
	16,447	48,480

9. INCOME TAX EXPENSE

	Six months ended 30th June, 2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Income tax expenses comprise:		
Current tax for the period:		
Hong Kong profits tax	2,814	1,431
Other regions of the PRC		
– Enterprise income tax ("EIT")	107,265	224,487
– Land appreciation tax ("LAT")	76,168	134,522
Others	664	–
	186,911	360,440
Under/(Over) provision in prior years:		
Hong Kong	78,708	(117)
Other regions of the PRC – EIT	3,521	12,810
	82,229	12,693
Deferred tax	114,970	(11,691)
	384,110	361,442

Hong Kong profits tax is calculated at 16.5% (six months ended 30th June, 2008: 16.5%) on the estimated assessable profits for the period. EIT arising from other regions of the PRC is calculated at 10% to 25% (six months ended 30th June, 2008: 10% to 25%) of the estimated assessable profits.

PRC LAT is levied at progressive rates ranging from 30% to 50% (six months ended 30th June, 2008: 30% to 60%) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

10. DIVIDENDS

On 23rd September, 2009, the directors declared an interim dividend of HK$0.02 (six months ended 30th June, 2008: HK$0.03) per share, amounting to HK$10,470,000 (six months ended 30th June, 2008: HK$15,765,000), to be paid to the shareholders of the Company whose names appear on the Register of Members on Friday, 23rd October, 2009.

During the period, a dividend of HK$0.03 (six months ended 30th June, 2008: HK$0.12) per share, amounting to HK$15,705,000 (six months ended 30th June, 2008: HK$63,058,000) was paid to shareholders as the final dividend for the immediate preceding financial year end.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to the owners of the Company of HK$34,053,000 (six months ended 30th June, 2008: HK$153,314,000) and the weighted average number of ordinary shares in issue during the period of 524,066,000 (six months ended 30th June, 2008: 525,485,000).

The calculation of diluted earnings per share is based on the following data:

	Six months ended 30th June, 2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Earnings		
Earnings used in calculating basic earnings per share	34,053	153,314
Adjustment to the share of profit of a subsidiary based on dilution of its earnings per share#	(7,561)	(5,843)
Earnings for the purpose of calculating diluted earnings per share	26,492	147,471

\# *The calculation of diluted earnings per share does not assume conversion or exercise of potential ordinary shares that would have an anti-dilutive effect on earnings per share.*

The denominators for the calculation of diluted earnings per share are the same as those used for the basic earnings per share i.e. the weighted average number of ordinary shares in issue during the period of 524,066,000 (30th June, 2008: 525,485,000).

12. INVESTMENT PROPERTIES

	30th June, 2009 (Unaudited) *HK$'000*	31st December, 2008 (Audited) *HK$'000*
Carrying amount at the beginning of period/year	747,220	791,956
Translation adjustment	119	19,188
Additions	980	413
Transfer from inventories of properties *(note (a))*	567,232	–
Decrease in fair value *(note (b))*	(141,392)	(64,337)
Carrying amount at the end of period/year	1,174,159	747,220

Notes:

(a) During the current interim period, the Group reclassified certain inventories of properties with carrying value of HK$254,380,000 as investment properties and recognised a fair value gain of HK$312,852,000 on the date of reclassification.

(b) As at 30th June 2009, valuation on investment properties was performed and resulted in the fair value loss of HK$141,392,000. Together with the fair value gain of HK$312,852,000 arising on the reclassification as mentioned in note (a) above, a net fair value gain of HK$171,460,000 is recognised in the income statement for the period.

In securing a three-year term loan from a bank, the Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain investment properties with carrying value of HK$137,000,000 as at 30th June, 2009.

Certain investment properties are pledged as further explained in note 27.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2009, the Group incurred capital expenditure of approximately HK$95,000 (six months ended 30th June, 2008: HK$2,001,000) in plant and machinery, approximately HK$19,265,000 (six months ended 30th June, 2008: HK$5,259,000) in motor vehicles and approximately HK$832,000 (six months ended 30th June, 2008: HK$2,143,000) in furniture, fixtures and office equipment.

In securing a three-year term loan from a bank, the Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain property, plant and equipment with carrying value of HK$76,525,000 as at 30th June, 2009 (At 31st December, 2008: HK$77,835,000).

14. GOODWILL

	30th June, 2009 (Unaudited) *HK$'000*	31st December, 2008 (Audited) *HK$'000*
Carrying amount at the beginning of period/year	84,934	106,173
Translation adjustment	16	2,275
Elimination on disposals of indirectly held subsidiary and jointly controlled entity	–	(21,231)
Impairment loss	–	(2,283)
Carrying amount at the end of period/year	84,950	84,934

15. INTERESTS IN ASSOCIATES

	30th June, 2009 (Unaudited) *HK$'000*	31st December, 2008 (Audited) *HK$'000*
Share of net assets	412,416	418,010
Goodwill on acquisition	850	850
	413,266	418,860

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	30th June, 2009 (Unaudited) *HK$'000*	31st December, 2008 (Audited) *HK$'000*
Share of net assets	219,515	222,410
Goodwill on acquisition	390	28,751
	219,905	251,161
Less : Impairment	–	(28,361)
	219,905	222,800

17. INVENTORIES OF PROPERTIES

	30th June, 2009 (Unaudited) *HK$'000*	31st December, 2008 (Audited) *HK$'000*
Properties under development, at cost	3,682,805	5,196,004
Properties held for sale, at cost	1,549,352	903,489
	5,232,157	6,099,493

Certain inventories of properties are pledged as further explained in note 27.

18. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30th June, 2009 (Unaudited) *HK$'000*	31st December, 2008 (Audited) *HK$'000*
Trade receivables	188,257	284,390
Less: Impairment of trade receivables	(24,060)	(22,701)
Trade receivables, net	164,197	261,689
Prepayments and deposits	663,966	690,059
Other receivables	102,388	84,896
	930,551	1,036,644

The ageing analysis of the trade receivables (based on invoice date) net of impairment allowance is as follows:

	30th June, 2009 (Unaudited) *HK$'000*	31st December, 2008 (Audited) *HK$'000*
30 days or below	78,052	108,982
31 – 60 days	54,093	66,713
61 – 90 days	23,495	45,710
91 – 180 days	6,576	38,071
181 – 360 days	1,736	916
Over 360 days	245	1,297
	164,197	261,689

The Group maintains a defined credit policy. For sales of goods, the Group normally allows a credit period of 45 days or 60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The credit terms in connection with sales of properties granted to the buyers are set out in the sale and purchase agreements and vary from different agreements.

19. INVESTMENTS HELD FOR TRADING

	30th June, 2009 (Unaudited) *HK$'000*	31st December, 2008 (Audited) *HK$'000*
Equity securities, at fair value		
Listed in Hong Kong	20,764	11,349
Listed outside Hong Kong	5,926	9,294
Debt securities, at fair value		
Listed outside Hong Kong	14,611	–
	41,301	20,643

The fair values of the listed equity securities are determined based on quoted market prices available on the relevant stock exchanges. Certain equity securities are pledged as further detailed in note 27.

20. RESTRICTED CASH AND DEPOSITS

In accordance with the relevant documents issued by the PRC State-Owned Land and Resources Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the PRC State-Owned Land and Resources Bureau is obtained. Such guarantee deposits will only be released after the completion of the related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier. The amount of cash restricted for such purpose as at 30th June, 2009 was HK$312,360,000 (At 31st December, 2008: HK$52,582,000).

21. CASH AND CASH EQUIVALENTS

	30th June, 2009 (Unaudited) *HK$'000*	31st December, 2008 (Audited) *HK$'000*
Cash at bank, in hand and deposited with security brokers	1,190,723	925,908
Less: Restricted cash and deposits classified under current assets *(note 20)*	(312,360)	(52,582)
	878,363	873,326

As at 30th June, 2009, cash balance denominated in Renminbi ("RMB") amounted to approximately HK$1,076,205,000 (At 31st December, 2008: HK$866,120,000). The RMB is not freely convertible into other currencies.

22. TRADE AND OTHER PAYABLES

	30th June, 2009 (Unaudited) *HK$'000*	31st December, 2008 (Audited) *HK$'000*
Trade payables	1,608,261	1,462,252
Temporary receipts	36,527	37,690
Deferred income	14,812	17,509
Other payables and accruals	308,579	819,861
Deposit received	43,472	41,434
	2,011,651	2,378,746

The ageing analysis of the trade payables based on invoice date is as follows:

	30th June, 2009 (Unaudited) *HK$'000*	31st December, 2008 (Audited) *HK$'000*
30 days or below	575,239	670,690
31 – 60 days	77,464	27,639
61 – 90 days	478,757	15,521
91 – 180 days	3,022	10,424
181 – 360 days	41,380	166,389
Over 360 days	432,399	571,589
	1,608,261	1,462,252

23. BANK BORROWINGS

	30th June, 2009 (Unaudited) *HK$'000*	31st December, 2008 (Audited) *HK$'000*
Bank borrowings		
Secured	1,756,344	1,883,169
Unsecured	348,595	328,194
	2,104,939	2,211,363

	30th June, 2009 (Unaudited) *HK$'000*	31st December, 2008 (Audited) *HK$'000*
Carrying amount at the beginning of period/year	2,211,363	2,559,340
Translation adjustment	674	116,622
New bank borrowings raised	712,502	2,107,409
Repayment of bank borrowings	(819,600)	(2,572,008)
Carrying amount at the end of period/year	2,104,939	2,211,363

The maturity of bank borrowings is as follows:

	30th June, 2009 (Unaudited) *HK$'000*	31st December, 2008 (Audited) *HK$'000*
Bank borrowings		
Due within one year	552,687	929,179
Due more than one year, but not exceeding two years	433,358	448,414
Due more than two years, but not exceeding five years	1,079,190	794,083
Due more than five years	39,704	39,687
	2,104,939	2,211,363
Less: Amounts due within one year included in current liabilities	(552,687)	(929,179)
Amounts due after one year included in non-current liabilities	1,552,252	1,282,184

The carrying amounts of the bank borrowings are denominated in the following currencies:

	30th June, 2009 (Unaudited) *HK$'000*	31st December, 2008 (Audited) *HK$'000*
Hong Kong Dollar	458,000	400,357
RMB	1,406,656	1,530,766
US Dollar	240,283	280,240
	2,104,939	2,211,363

Among the bank borrowings as at 30th June, 2009, HK$108,000,000 (At 31st December, 2008: HK$178,098,000) were arranged at fixed interest rates which are ranged from 0.60% to 0.90% (At 31st December, 2008: 0.95% to 3.84%) per annum and the remaining balance of bank borrowings of HK$1,996,939,000 (At 31st December, 2008: HK$2,033,265,000) are arranged at floating rates ranging from 1.38% to 7.72% (At 31st December, 2008: 3.15% to 7.72%) per annum.

The Company has been granted certain loan facilities from a bank which requires the Company to fulfill certain covenants. As at 30th June, 2009, the Company was not able to meet certain of the financial covenants as set out in the banking facility agreements. Accordingly, the non-current portion of the relevant borrowings as at 30th June, 2009 has been reclassified as current liabilities. The directors have been negotiating with the bank for a relaxation of the financial covenants and the bank has confirmed by way of a waiver issued to the Company that it has not, so far, taken any action against the Company for the breach of the financial covenants. The directors have also assessed that the violation of the loan covenants would not have significant financial impact to the Group.

24. SHARE CAPITAL

	30th June, 2009 (Unaudited)		31st December, 2008 (Audited)	
	Number of shares	Nominal value	Number of shares	Nominal value
	'000	*HK$'000*	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.50 each				
Balance at beginning and end of the period/year	900,000	450,000	900,000	450,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each				
Balance at beginning of the period/year	525,485	262,742	525,485	262,742
Share repurchased and cancelled	(2,000)	(1,000)	–	–
Balance at end of the period/year	523,485	261,742	525,485	262,742

In February 2009, the Company repurchased on the Stock Exchange a total of 2,000,000 of its own ordinary shares of HK$0.5 each of the Company at an aggregate price of HK$4,200,000 (before expenses). All of these shares had been cancelled upon being repurchased.

25. GAIN ON DISPOSAL OF A SUBSIDIARY

During the current period, the Group disposed of its interest in 67% registered capital of a subsidiary, 北京寅豐房地產開發有限責任公司 ("北京寅豐"), to a substantial equity holder 北京寅豐, at a cash consideration of RMB46.5 million. The transaction was completed in April 2009 and a gain on disposal of the subsidiary of approximately HK$17,286,000 is recorded in the current period.

During last interim period, the Group disposed of its entire equity interest in a subsidiary, 安徽博鴻房地產開發有限公司, to an independent third party at a cash consideration of RMB121 million. The transaction was completed in March 2008 and a gain on disposal of the subsidiary of HK$56,115,000 was recorded in last interim period.

26. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED TO ASSETS CLASSIFIED AS HELD FOR SALE

Pursuant to a termination agreement and a settlement agreement dated 24th June, 2009, the Group has agreed to dispose of its interest in a property development project through the disposal of its interest in 70% registered capital of a subsidiary, 青島頤景房地產開發有限公司 ("青島頤景"), to a substantial equity holder of 青島頤景, at a consideration of RMB7 million. Pursuant to the settlement agreement, the substantial equity holder agreed to repay the outstanding shareholder's loan and pay certain amount of penalty and fund appropriation fees of approximately RMB197 million in aggregate to the Group before the transfer of the 70% registered capital of 青島頤景 to the substantial equity holder. The transactions are expected to be completed within one year from the end of the period. Accordingly, the Group's interests in the development project as at 30th June, 2009 held by 青島頤景 is reclassified and presented in the condensed consolidated statement of financial position as "assets classified as held for sale" and "liabilities associated to assets classified as held for sale" as appropriate. Further details about the transactions were disclosed in the announcement of the Company dated 25th June, 2009.

27. PLEDGE OF ASSETS

At the end of the reporting period, the carrying amounts of the assets pledged by the Group to secure general banking and other loan facilities granted to the Group are analysed as follows:

	30th June, 2009 (Unaudited) *HK$'000*	**31st December, 2008 (Audited)** *HK$'000*
Investment properties	195,000	271,440
Inventories of properties	2,167,026	3,530,022
Investments held for trading	21,705	8,315
	2,383,731	3,809,777

The Group has also pledged its 100% interest of the issued share capital of a subsidiary, Full Revenue Inc, to a bank to secure for a long-term loan granted to the Group. The net asset value of the subsidiary as at 30th June, 2009 was approximately HK$269 million (At 31st December 2008: HK$290 million).

28. COMMITMENTS

At the end of the reporting period, the Group had significant capital commitments and commitments in respect of property development as follows:

	30th June, 2009 (Unaudited) *HK$'000*	**31st December, 2008 (Audited)** *HK$'000*
Contracted for but not provided in the financial statements:		
Property development	2,870,269	3,407,341
Property, plant and equipment	–	6,400
	2,870,269	3,413,741

29. GUARANTEES

At the end of the reporting period, the Group had issued the following significant guarantees:

	30th June, 2009 (Unaudited) *HK$'000*	31st December, 2008 (Audited) *HK$'000*
Guarantees given to:		
A supplier of an associate, to secure the repayment of balance due by the associate to the supplier	13,525	13,525
Banks for credit facilities granted to		
– an associate	22,400	22,400
– a jointly controlled entity	44,015	44,902
Banks for mortgage loans granted to purchasers of certain subsidiaries' properties	1,019,219	1,202,861
	1,099,159	1,283,688

In the opinion of the directors, the financial impact arising from providing financial guarantees by the Group is insignificant and accordingly, they are not accounted for in these financial statements.

30. RELATED PARTY TRANSACTIONS

Total staff costs include compensations to the key management personnel (including directors), the details of which are as follows:

	Six months ended 30th June,	
	2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Short-term employee benefits	5,200	6,211
Share-based payments	13,270	20,024
Post-employment benefits	130	107
	18,600	26,342

Save as disclosed above, the Group did not enter into any significant related party transactions during the current period.

31. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 9th September, 2009, the Company entered into a conditional subscription agreement in relation to a possible group restructuring and capital restructuring of the Company which will involve a distribution of certain business of the Group to the shareholders of the Company. Further details about the transactions are set out in the announcement of the Company issued on 16th September, 2009.

32. LITIGATION

A writ of summons dated 18th August, 2009 was served to the Company and certain subsidiaries of the Company as defendants by a minority shareholder of another subsidiary (the "PRC Entity") claiming the defendants for disposing of their interests in the PRC Entity without first allowing the minority shareholder to consider the interests, and for termination of the general manger and director of the PRC Entity without going through proper procedures as disclosed in the announcements made by the Company dated 20th August, 2009. A notice of discontinuance was filed by the minority shareholder of the PRC Entity to the High Court of Hong Kong on 20th October, 2009 to terminate such legal proceedings against the Company and the related subsidiaries of the Company with effect from 20th October, 2009.

(IV) MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st December, 2006

BUSINESS REVIEW

Electrical Household Appliances: Ceiling Fans, Table Fans and Vacuum Cleaners

Due to severe material price inflation during the year, the Group's ceiling fans business margin dropped compared against the year before. The North America and Europe markets margins were the most affected; the Middle East, Africa and Asia markets maintained profitability. With material prices moderating and selling prices improving this year business shall be stable.

Table fans business results last year were desirable despite continual material price escalations; profits were higher than the prior year. With the 20-year term agreement with the production partner expiring, this business will be downsized next year.

Although material price increases affected profits, the vacuum cleaner contract manufacturing business achieved steady growth during the year. Production of a new product, the rechargeable work light project is expected to start in the second quarter of 2007, and a compact model of the product will be launched in the forth quarter of 2007.

Optics and Imaging

During the year the EMS business recorded increases in laser scanner and fuser shipments by 30% and 300% respectively, the growth was attributable to high volumes of low end models production. This trend is expected to continue. Profit margin is expected to decrease due to a higher proportion of low end models contributions in the coming year. However, overall profit will still enjoy handsome growth.

Electric Wire and Cable

The Group's 98% owned Guangdong Macro Cable Company reported profit growth for the year. Higher selling prices realised for the company's inventory stock also resulted in higher gross margin for the year. As major materials' prices have receded from high levels since 2006, business is expected to stabilize in 2007.

Taxi Operation

The Guangzhou SMC Taxi company had another stable year of operation in 2006 and maintained the number of taxi licenses at 775. The Group is in the process of reorganizing the taxi joint venture company structure to facilitate future expansion. The Group is also acquiring the remaining 5% interest from its joint venture partner and the transaction is anticipated to be completed by mid of 2007.

Real Estate Investment & Development

In 2006, the Group's Citic Plaza properties portfolio recorded stable average rental price increases for its office properties. Citic Plaza's retail properties were fully leased and generated double digit income growth. The Group also took advantage of strong market demands for high end office properties and captured profits through the sales of certain office unit holdings.

The long term lease for the hi-tech manufacturing facility in Shenzhen continues to provide stable rental contribution. The Group has commenced study for an expansion development phase for this property to increase its income potential. It is expected that the total GFA of this property can be increased by a maximum of 47,000 m^2.

The US property rental market in 2006 was better than expected and the Group's office property complex in Livermore, California was 95% leased. If the conditions are favorable, the Group may consider realising this investment in 2007.

The Group invested in a 20% interest in a Guangzhou property development project in January 2005. The project includes office and retail facilities with a five-star international hotel comprising total GFA of about 127,000 m^2; construction is near completion. The Group entered into a conditional sales and purchase agreement on 2nd March, 2007 for the disposal of this 20% equity interest and the related shareholders' loan. The total consideration is about HK$177,000,000. The sale is expected to be completed on or before 10th May, 2007 and a gain on disposal of about HK$55,644,000 will result.

In December 2006, the Group increased its interest in China Ever Bright Real Estate Development Limited ("EBRE") from 56% to 70%. The Group continues to develop the company according to the original plans, EBRE's major projects are as follows:

EBRE owns 100% interest in a Beijing commercial property development project comprising three office towers with total GFA of about 148,000 m^2 (saleable GFA of about 110,000 m^2). Installation of equipment has been completed at the end of 2006 and delivery for usage is expected in the second quarter of 2007. Two of the three towers were sold under pre-sale agreements, the relevant sales are expected to be recognized in the first half of 2007. The remaining tower will be held for lease.

EBRE holds 50% interest and the Group holds another 8% interest in the Guangzhou Guangda Huayuan multi-phase residential and retail development project located in Haizhu district in Guangzhou. Phase E of the development project comprises total GFA of 250,000 m^2. Over half of the construction of the apartment units in phase E composing saleable GFA of 194,000 m^2 was completed, pre-sale percentage had also reached about 60%. The pre-sold units will be delivered in August 2007. Under favorable prevailing market conditions, design features are being upgraded and the average selling prices have also been increasing accordingly. The company is evaluating various design plans for the next phase F2 development which comprises a site area of 129,000 m^2 with total GFA of about 360,000 m^2, of which the saleable GFA of the residential and retail properties will be about 290,000 m^2. The final plan will strive to achieve the best possible profitability results while also meeting the new government policies and market demand expectations.

EBRE owns 100% interest in a multi-purpose development project in Hefei which comprises total GFA of about 110,000 m^2 (saleable GFA of about 95,000 m^2). The properties were nearly half sold and revenue were recognized in 2006. The remaining properties will be sold subsequently. The remaining land of the project is under construction for a retail commercial and hotel property.

EBRE owns 65% interest in an R & D office development project in the ZhangJiang High-tech Zone in Pudong, Shanghai. The project comprises total GFA of about 17,000 m^2 (saleable GFA of about 14,000 m^2), installation of equipment was completed at the end of 2006. Delivery for possession is expected to be in the second quarter of 2007. The project is planned to be held for lease.

EBRE owns 100% interest in another development project located in Haizhu district in Guangzhou. The land parcel under the project covers an area of about 43,000 m^2 and is connected to an inter-change station of the Guangzhou – Foshan light rail line and a Guangzhou subway line. The development prospect is quite attractive. The total GFA of the project is about 234,000 m^2 and a large scale retail complex combined with residential development with estimated saleable GFA of about 150,000 m^2 is under plan.

The Guilin project which EBRE owns 49.7% interest has obtained land use rights for 343,000 m^2 of land in Guilin. The company plans to develop a high class hotel resort and residential community for the project.

EBRE owns 80% of a land development project company in Hohhot, Inner Mongolia. The project company is obtaining government permission to commence work for the primary development of about 975 mu (about 650,000 m^2) of rural land. Income will be generated through auctioning of the resultant saleable land parcels after the infrastructure for the land is completed by the company. Development franchise and permission for the remaining 8,625 mu (about 5,750,000 m^2) of land for primary development is anticipated to be obtained gradually over multiple years and stable income will be generated from the development.

EBRE holds 50% interest in an exhibition centre development project company in Guangzhou and disputes have arisen between EBRE and the other 50% shareholder over issues concerning the operations and financing management for the company. EBRE has concerns over the other shareholder's improper management behavior. EBRE is engaging in both negotiation and legal proceedings to settle the disputes in order to protect the Group's interest.

Technology Investment Projects

Internet Automatic Migration Software for Enterprises

Notwithstanding increase in revenue generation, Appeon continued to make considerable losses during the year. The company's performance has lagged behind budget substantially and its financial targets have repeatedly lapsed. In an effort to end such prolonged losses, the Group took actions to restructure Appeon's operations in early 2007 to result in a leaner organization in the future. The Group has made a provision of HK$393,000 as re-structuring costs for Appeon.

Super Blade Computing System

Galactic Computing continued to win government and institutional tenders in the mainland and Hong Kong, including contracts for the installation of Galactic's supercomputing blade system, mid-range computing servers, data storage systems, system management software and associated professional services. The company achieved revenue growth in 2006. To meet rapidly growing data storage market demand, the company has focused on data storage systems and associated software development. The storage products are expected to increase the company revenue and profit margin.

System Integration and Software Development

The Group owns 26.66% of MDCL-Frontline (China) Limited. The company's low end hardware trading business was stable and its enterprise services business recorded desirable growth. As profits from the latter business is relatively higher, the company maintained profitability in 2006 and its turnover has grown slightly as per the unaudited accounts of the company.

Electronic Integrated Rectifier Chips

APD entered into an agreement with an independent buyer in October 2006 and has sold substantially all its assets including its intellectual property, outstanding orders and customer accounts portfolio. It is a cash installment sale composed of initial payments and deferred payments based on revenue earn-outs for the 2007 and 2008 calendar years. Following the assets sale, APD will liquidate its remaining assets and distribute periodic payments to its shareholders as the assets sale installment payments are received. Since completion of the assets sale, SMC has received US$5,254,000.

Financial Investment

During the year, the world's major stock markets had a weighted average rise of about 19%. For the year ended 31st December 2006, the Group's financial investment activities recorded profit of approximately HK$59,101,000 and the market value of the Group's financial investment holdings amounted to HK$187,948,000.

Revenue and Operating Results

For the period ended 31st December, 2006 the Group recorded a revenue from continuing operations of HK$1,553,063,000 representing an increase of HK$234,895,000 or 17.8% over HK$1,318,168,000 in the same period last year. The increase in the revenue mainly came from the business of property development in the PRC and increase in sales of EMS business.

Profit attributable to equity holders for the period ended 31st December, 2006 went down to HK$138,833,000 from HK$157,171,000 for the same period in 2005 as a result of (i) the effect of provision for loss resulting from loan and guarantee granted to certain related parties by a jointly controlled entity together with (ii) higher production costs of ceiling fans following the upsurge of costs of raw materials, partly offset by (iii) profits from investment in securities.

Financial Resources and Liquidity

With a view to achieving a strong and sustainable financial performance, the Group continued to maintain its financial resources in a healthy state and consistently sustained a stable liquidity position throughout the period under review. Other than the upsurge in receiving orders in the EMS business for the second half of 2006 partly offset by the pull-out of a major customer for the Table Fan division as from 1st July, 2006, there was no material change in the timing orders were secured which might give rise to volatility of the sales.

A secured commercial loan of HK$140,000,000 advanced to an independent third party in 2004 was fully repaid in August 2006.

During the period under review, the Group obtained two bank loans totalling RMB160,000,000 to finance its property development project in the PRC.

Most of the banking facilities of the Group were subject to floating interest rates. Other than the U.S. and PRC term loans of approximately US$14,078,000 and RMB405,000,000 respectively which were secured by certain assets of the Group located in the United States and Mainland China respectively, all banking facilities of the Group have been arranged on short-term basis.

Apart from the above, there were no material changes to the Group's available banking facilities since 31st December, 2005.

Foreign Exchange Exposure

The Group's borrowings were mainly denominated in Hong Kong Dollars, US Dollars and Renminbi. The Group continued to conduct its sales mainly in US Dollars and Renminbi and make payments either in US Dollars, Hong Kong Dollars or Renminbi. As the Group conducted its sales, receivables and payables, bank borrowings and expenditures in Renminbi for its PRC property development business, the directors considered that a natural hedging existed. All in all, the directors considered that the Group's risk exposure to foreign exchange rate fluctuations remained minimal.

Gearing Ratio

The Group continued to follow its policy of maintaining a prudent gearing ratio. As at 31st December, 2006, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash to shareholders' funds of 18.4% (31st December, 2005: 12.67%). During the period under review, the Group obtained two bank loans totalling Rmb160,000,000 to finance a property development project in the PRC. As a result, both the total bank borrowings net of cash and the Group's gearing ratio went up considerably.

Significant Acquisitions and Disposals

In August 2006, the Group entered into an acquisition agreement with an independent third party to purchase 51% equity interest in Beijing Jin Hua Xing Properties Company Limited ("Jin Hua Xing") with cash consideration of around RMB125 million. The 70% owned subsidiary of Jin Hua Xing is the holder of the right to develop a piece of land located in Beijing into a residential and commercial building/complex.

On 22nd December, 2006, the Group acquired 20% equity interest of Jodrell Investments Limited ("Jodrell"), a non-wholly owned subsidiary of the Group, at an aggregate consideration of approximately HK$134,126,000.

On 2nd March, 2007, the Group entered into a sales and purchases agreement in relation to a proposed disposal of its 20% interest in a property project in Guangzhou, the PRC, comprising a five-star "Westin" hotel in one tower, an office tower and a shopping mall covering a total gross floor area of about 127,000 sq.m. The consideration is approximately HK$177,300,000. Details of this disposal are set out in the Circular to shareholders dated 28th March, 2007.

Other than the above, there is no significant acquisition and/or disposal during the period and up to the date of this report.

Capital Commitments and Contingent Liabilities

There was no significant change in capital commitments and contingent liabilities compared to the position as at 31st December, 2005.

Capital Expenditure and Charges on Assets

The Group had a total capital expenditure amounting to HK$27,818,000 during the period under review.

Based on certain real estate in Mainland China, the Group secured two mortgage loans totalling RMB160,000,000 from a PRC bank during the period under review.

Other than the above, there was no significant change in charges on assets of the Group as at 31st December, 2006 compared to the position as at 31st December, 2005.

Employees

As at 31st December, 2006, the Group has approximately 2,200 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

The Group's co-operative joint venture companies in Mainland China continued to provide employment to approximately 3,800 people.

For the year ended 31st December, 2007

BUSINESS REVIEW

Ceiling Fans, Table Fans

Overall performance of the Group's ceiling fans business has recovered in 2007 given the more stable material cost conditions as compared to 2006. Under fierce market competition, the Group was unable to maintain its sales and profit margin in the North American markets, especially in the US market. Sales to the European markets were stable while businesses in the Australian, Middle Eastern, African and South American markets increased. External factors including the continual appreciation of the Renminbi, reduction in export tax rebates and a slowing US economy etc. will affect business performance in 2008. The Group will continue to develop new opportunities, explore new emerging markets and take cost control measures to improve profitability.

Due to the expiration of a long term agency agreement, the table fan business was closed down completely at the end of 2007.

Optics and Imaging

The Group's laser scanner and fuser EMS business recorded an approximately 56% increase in revenue in 2007. It is expected that this line of business will continue to enjoy moderate growth rate with the addition of new models. The new paper handling options project has successfully completed its test run and mass production is expected to commence in the third quarter of 2008. Following the implementation of "Cell Manufacturing" technology in 2007, the division will implement "Lean Manufacturing" system in 2008 to enhance its overall operating efficiency and reinforce cost reduction.

Electric and Electronics Contract Manufacturing

The contract manufacturing business for vacuum cleaner recorded a small increase in revenue in 2007. As technical problems delayed the launching of the new rechargeable work lights product and sales in other products decreased, the overall electric and electronics contract manufacturing business recorded only 18% increase in revenue in 2007. With initiations of new projects and the implementation of "Cell Manufacturing" technology to improve production efficiency, it is anticipated that business will grow steadily in 2008.

Electric Wire and Cable

The electric wire and cable company reported a decrease in profit in 2007. The company's sales were affected by rising copper prices during the year, resulting in a drop in its revenue. The company will continue to control costs to maintain competitiveness and business is anticipated to be stable in 2008.

Taxi Operation

Under the new guidance from the Guangzhou transportation authority, the company has started adopting the new rental operating model gradually. Under this new operating model, the company will need to increase its vehicle purchases expenditures and per vehicle rental income and operating profit will also increase. The Guangzhou economy is expected to remain robust and the company foresees the taxi business will generate stable income in 2008. The company plans to increase capital expenditure to purchase new vehicles, acquire new licenses and build its own parking and maintenance facilities to support its expansion. The company will focus more on its training for drivers to improve their service quality level and strengthen its presence in the taxi business arena.

Real Estate Investment & Development

Rental income from the retail properties of CITIC Plaza in Guangzhou was steady and an 8% increase was recorded. The retail properties are fully leased and there is also a healthy waiting list of potential tenants. The Group expects the 2008 retail properties rental income to grow at a similar rate as in 2007. The office rental income in 2007 was stable with a few office units being sold for profit. The Group expects the 2008 office properties rental income to increase with rising rental rates.

The long term lease for the hi-tech manufacturing facility in Shenzhen continues to provide stable rental contribution to the Group. Discussions are continuing with the current tenant for a prospective plan for an expansion phase development; progress has been slower than anticipated pending the tenant's completion of its expansion requirement assessment.

For the office complex in Livermore, California, rental income increased by 22% in 2007 in comparison to 2006 and the occupancy rate was stable at around 90%. With the sub-prime crisis affecting the US property market, the original plan to dispose of this property has been delayed until the US property market recovers.

An agreement for the sale of the Group's 20% interest in a Guangzhou five-star hotel development project, including office and retail facilities with total GFA of about 127,000 sq. m. was signed on 2nd March, 2007. The transaction was completed in May 2007 and total cash proceeds of HK$177,300,000 had been received.

The Group acquired China Ever Bright Real Estate Development Limited ("EBRE") in 2005 and now owns 70% interest. In 2007, EBRE recorded revenue from primarily three development projects and generated profits contribution to the Group. We expect the saleable area to increase in both 2008 and 2009 as various on-going property and land development projects are underway. A review of EBRE's major projects is as follows:

The Ever Bright World Center in Beijing comprises three commercial towers. Tower 2 and Tower 3 were pre-sold in 2006 and the sale was completed with revenue recorded in 2007. Tower 1 is a commercial office building with approximately 48,000 sq. m. of saleable/leaseable area (and additional 400 underground parking spaces); EBRE's headquarters occupies the top floor. EBRE owns 100% of the project.

A portion of the saleable units of Guangzhou Ever Bright Garden Phase E were delivered with revenue being booked in 2007. The remaining pre-sold units are expected to be delivered in 2008. The original Phase F2 of the development with total GFA of about 390,000 sq. m. (saleable/leaseable GFA* of about 350,000 sq. m.) will be split into two phases, J and K. Construction is underway in 2008. In 2007, EBRE purchased all the remaining interest to own 100% of the Guangzhou Ever Bright Garden project company.

EBRE owned 100% interest in the Ever Bright International Plaza project in Heifei; the project comprised total GFA of about 100,000 sq. m. (saleable/leaseable GFA* of about 94,000 sq. m.) and construction was completed. A portion of the saleable units were sold with revenue booked in 2007. The remaining saleable units of the project comprising area in the mixed use commercial-residential building and another commercial building were sold through the disposal of the project company in January 2008 at a consideration of RMB121,000,000.

The R&D office building in the Zhang Jiang High-tech Zone in Pudong, Shanghai was completed in 2007. The project comprises total GFA of about 17,000 sq. m. (saleable/leaseable GFA* of about 14,000 sq. m.) and about 80% of the space has been leased. EBRE owns 65% interest in this project.

During the year, EBRE acquired the remaining interest of the commercial and residential development project located in Haidian district in Beijing with total GFA of about 120,000 sq. m. (saleable/leaseable GFA* of about 110,000 sq. m.). EBRE now owns 100% of the project. Pre-sale for the project has started.

The residential and retail shopping mall development project located in Haizhu district in Guangzhou has total GFA of approximately 210,000 sq. m. (saleable/leaseable GFA of about 150,000 sq. m. and 700 parking spaces). The mall comprising about 80,000 sq. m. is planned to be kept for long term investment. The land parcel is directly connected to an inter-change station of the Guangzhou – Foshan light rail line and the Guangzhou extended No. 2 subway line. This will provide the development with superior shopper traffic advantage. Construction is expected to commence in 2008 with completion targeted in 2010. EBRE owns 100% interest in this project.

As a result of EBRE's acquisition of the remaining interest of the Guangzhou Ever Bright Garden project company, EBRE's interest in the Guilin project has increased from 54.04% to 65.8%. The project is located next to the Guilin city ring road and along the highway connecting Guilin and Yangshuo. Greenery and leisure facilities are being planned to prepare the site for a resort and residential property development.

The primary land development project in Hohhot, Inner Mongolia obtained government permission to commence work on about 900 mu of land in 2006. Among that, about 170,000 sq. m. of usable land for secondary development has been successfully bid by EBRE in auctions in 2007. The remaining usable land area is planned to be put through to the auction process in 2008. The company has further obtained government permission to commence work on about 1,300 mu of land in 2007. EBRE owns 80% interest of the primary land development project company.

The property development project companies in Hohhot, Inner Mongolia have successfully bid for two parcels of land totaling 170,000 sq. m. of usable land which can be developed into 380,000 sq. m. of residential GFA. EBRE will continue to strategically participate in future land auctions in Hohhot. EBRE owns 100% interest of these secondary property development project companies.

EBRE completed the sale of its 50% interest in the Pazhou exhibition centre development project company in Guangzhou in January 2008. The full consideration of RMB545,000,000 was received.

During the year, EBRE also acquired other new projects to add to its portfolio, the completed acquired interests include: 70% interest in a project located in the northern suburb of Beijing, it is a low density residential development and comprises saleable/leaseable GFA* of about 196,000 sq. m., the project construction is anticipated to start in 2008; 67% interest in a primary land development project in the southern suburb of Beijing consisting of 374,000 sq. m.; 70% interest in a project located in Qingdao in Laoshan District, the project is a residential development with land area of about 67,000 sq. m. and about 137,000 sq. m. of saleable/leaseable GFA*; 90% interest of a residential project in Guangzhou with superior view beside the Pearl River, the project has total saleable/leaseable GFA* of about 65,000 sq. m. and is anticipated to start construction in 2009.

* *Saleable/leaseable area includes carpark area.*

Technology Investment Projects

Internet Automatic Web Migration Software for Enterprises

The re-structuring of Appeon's operations earlier in the year has given rise to a new streamlined organisation. A stable recurring revenue stream and an efficient cost structure have contributed to profitable results. Sales of its flagship automatic Web migration product, Appeon® for PowerBuilder®, have increased several folds in 2007, marking the much anticipated maturity of the product. The company also offers IT outsourcing service, currently with a focus on serving customers using Appeon® or Sybase® products. The company plans to continue increasing its sales worldwide through a channel partnering strategy, thereby keeping costs and risks low.

Computing and Data Storage System

During 2007, Galactic was still facing rigorous competitions in China's IT market. The product development delay of the data storage system has affected its launching schedule. Although the company achieved revenue growth compared to the prior year, it still did not achieve break even. To enhance competitiveness and profit margin, the company shall focus on the development of a new version of proprietary data storage system with more features and target to break even by the end of 2008.

Financial Investment

For the year ended 31st December, 2007, the Group's financial investment activities recorded profit of approximately HK$13,493,000 and the market value of the Group's financial investment holdings amounted to about HK$48,381,000. The activity of this division had been scaled down in the third quarter of 2007 in anticipating of market correction and there is no planning for expansion in 2008.

Revenue and Operating Results

Revenue for the Group during the year ended 31st December, 2007 reached HK$3,552,030,000 representing an increase of HK$1,998,967,000 or 128.71% compared to HK$1,553,063,000 for the corresponding period last year. Completion of the sales of Tower II and Tower III of the Ever Bright World Center located in Beijing and certain units of Guangzhou Ever Bright Gardens Phase E that took place during the year under review accounted for most of the sharp increase in the Group's revenue.

Profit attributable to equity holders for the year ended 31st December, 2007 surged to HK$434,359,000 from HK$138,833,000 representing an increase of HK$295,526,000 or 212.86% over the corresponding period in 2006. The increase was mainly attributable to (i) gain of approximately HK$107 million arising from acquisition of the minority interests of Guangzhou Ever Bright Gardens Real Estate Development Limited; (ii) a fair value gain totalling approximately HK$93 million on certain investment properties within the Group; (iii) a gain on disposal of an associated company of approximately HK$46 million; (iv) a reversal of provision previously made on a cross guarantee amounting to HK$23 million; and (v) a recoupment of a direct investment previously written down amounting to HK$21 million.

Financial Resources and Liquidity

The Group's financial position remained strong with its financial resources and liquidity position consistently maintained in a healthy state throughout the period under review. Other than the upsurge in receiving orders in the EMS business for 2007 partly offset by the pull-out of a major customer for the Table Fan division as from 1st July, 2006, there was no material change in the timing orders were secured which might give rise to volatility of the sales.

During the period under review, certain bank loans were put in place totalling RMB1,767,000,000 to finance the Group's property development projects in the PRC.

On 26th April, 2007, the Group entered into a subscription agreement with certain independent third parties to subscribe for certain convertible and non-convertible notes in an aggregate principal amount of S$17 million (approximately HK$87.6 million). Details of this transaction are set out in the Circular to shareholders dated 25th January, 2007.

The banking facilities of the Group were subject to a mix of fixed interest rates and floating interest rates. Other than the U.S. and the P.R.C. term loans of approximately US$13,670,000 and RMB534,000,000 respectively which were secured by certain assets of the group located in the United States and Mainland China respectively, all banking facilities of the Group have been arranged on short-term basis.

Apart from the above, there were no material changes to the group's available banking facilities since 31st December, 2006.

Foreign Exchange Exposure

The Group's borrowings were mainly denominated in Hong Kong Dollars, US Dollars and Renminbi. The Group continued to conduct its sales mainly in US Dollars and Renminbi and make payments either in US dollars, Hong Kong Dollars or Renminbi. As the Group conducted its sales, receivables and payables, bank borrowings and expenditures in Renminbi for its PRC property development business, the directors considered that a natural hedging existed. All in all, the directors considered that the Group's risk exposure to foreign exchange rate fluctuations remained minimal.

Gearing Ratio

The Group continued to follow its policy of maintaining a prudent gearing ratio. As at 31st December, 2007, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash and pledge deposit to equity attributable to equity holders of the Company of 32.5% (31st December, 2006: 18.4%).

Significant Acquisitions and Disposals

On 2nd March, 2007 the Group entered into a sales and purchases agreement in relation to a disposal of its 20% interest in a property project in Guangzhou, the PRC, comprising a five-star "Westin" hotel in one tower, an office tower and a shopping mall covering a total gross floor area of about 127,000 sq.m. The consideration is approximately HK$177,300,000. Details of this disposal are set out in the Circular to shareholders dated 28th March, 2007.

On 24th April, 2007, the Group entered into a sales and purchases agreement in relation to a disposal of its 50% interest in Guangzhou City Huan Bo Exhibition Company Limited at a consideration of approximately RMB545 million. Completion took place on 29th January, 2008. Details of this disposal are set out in the Circular to shareholders dated 30th May, 2007.

On 21st May, 2007, the Group entered into a co-operation agreement with certain independent third parties to acquire 90% equity interest in Beijing Huashiboli Property Development Limited ("Huashiboli") at a consideration of around RMB630 million. Huashiboli is the holder of the right to develop a piece of land located in Beijing, PRC for residential and commercial purpose. Details of this acquisition are set out in the Circular to shareholders dispatched on 31st August, 2007.

On 2nd August, 2007, the Group entered into a co-operation agreement with an independent third party to acquire 70% equity interest in Qingdao Yijing Real Estate Development Limited ("Qingdao Yijing") for a consideration totalling RMB560 million. Qingdao Yijing is the holder of the right to develop a piece of land located in Qingdao, PRC for residential purpose. Details of this acquisition are set out in the Circular to shareholders dated 13th September, 2007.

On 9th November, 2007, the Group entered into a Share Transfer Agreement and a Supplemental Agreement to acquire all the remaining 54.1% equity interest in Beijing Zhong Shun Chao Ke Property Development Company Limited. The aggregate consideration is approximately RMB337.62 million. Details of these transactions are set out in the Circular to shareholders dated 12th December, 2007.

On 15th November, 2007, the Group entered into the Equity Transfer Agreement with a substantial shareholder of Guangzhou Ever Bright Gardens to acquire the remaining 42% equity interest in the Guangzhou Ever Bright Gardens for a consideration totalling RMB58,657,000. Details of this acquisition are set out in the Circular to shareholders dated 6th December, 2007.

Other than the above, there is no significant acquisition and/or disposal during the period and up to the date of this report.

Capital Commitments and Guarantee

The group had capital commitments and guarantee totalling HK$1,750,179,000 and HK$1,098,604,000 respectively during the period under review.

Capital Expenditure and Charges on Assets

The Group had a capital expenditure totalling HK$70,000,000 during the period under review.

Based on certain real estate in Mainland China, the Group secured certain mortgage loans totalling RMB1,401,000,000 from certain PRC banks during the period under review.

The Group had charges on assets totalling HK$3,477,000,000 during the period under review.

Employees

As at 31st December, 2007, the Group has approximately 4,089 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

The Group's co-operative joint venture companies in Mainland China continued to provide employment to approximately 3,800 people.

On 29th November, 2007, an indirectly non-wholly owned subsidiary of the Company entered into the option deeds with certain directors and employees of the Group. Details of the share option schemes transaction are set out in the Announcement dated 29th November, 2007.

For the year ended 31st December, 2008

BUSINESS REVIEW

Ceiling Fans

The sales and profit of the ceiling fans business of the Group slowed down in 2008 compared to 2007. Due to the prolonged financial crisis, the markets in Europe and America were affected more severely; the impact on Middle East, Asia and Africa markets was smaller; and the sales in Australia and Hong Kong stayed stable. It is expected that the ceiling fans business in 2009 will continue to be affected by the global recession.

Contract Manufacturing – Optics and Imaging

Fuser and laser scanner sales in 2008 recorded a 6% decrease compared with 2007, due to price reductions. In a difficult global economic environment, sales reduction is expected in 2009. Volume production of the paper handing options has started in the third quarter with satisfactory progress and new production models will be expected to contribute additional revenue in 2009.

Contract Manufacturing – Electric and Electronics

Although the global economy slowed down rapidly in the second half of 2008, the implementation of "Cell Manufacturing" technology in 2008 increased operating efficiencies and kept us competitive in the market. We were able to maintain stable sales in 2008. For 2009, we will start development and production of LED lighting products and other innovative electronic products. We target to maintain our sales revenue for 2009.

Electric Wire and Cable

The electric wire and cable business was affected by the slowing domestic economy and the partial closure of the factory due to heavy rainfall endangering the stability of the nearby slope, its revenue in 2008 decreased by 25% compared to 2007. The business recorded a loss in 2008 after the impairment provision made for the affected factory. The effectiveness of the economic stimulation policy in China is yet to be determined. The company will strive to reduce costs through controlling expenditures. It is expected the business performance will be affected in 2009.

Taxi Operation

Guangzhou taxi company continues to adopt the rental operating model. Its turnover and profit in 2008 recorded double digit growth compared to the same period of 2007. In 2009, with the economic slow down, the company plans to lower its capital expenditures and continue to rent parking facilities for its operation. The company has improved the service quality of drivers, and the maintenance and management of vehicles to enhance its quality service and competitiveness. It is anticipated that business will grow steadily in 2009.

Real Estate Investment & Development

Rental income from the retail properties of CITIC Plaza in Guangzhou recorded double digit increase in 2008 compared to 2007. The increase is due to new rental agreements signed in 2007 taking full effect in 2008 and the appreciation of Renminbi. The average rental rate of the office properties in 2008 was similar to 2007. The office properties rental income of 2008 was lower than the same period of 2007 as some office units were sold. New leasing demand for retail properties and offices has reduced resulting from impact of the financial tsunami. The rental price will be adjusted down to attract tenancy. The Group expects that the overall rental income will be slightly affected in 2009.

The long term lease for the hi-tech manufacturing facility in Shenzhen continues to provide stable rental contribution to the Group.

During the period under review, occupancy rate of the Group's office complex in Livermore, California remained stable while its rental income was reduced slightly. We expect the prolonged economic and credit problems will continue to pose adverse effect on the US property market as well as our occupancy rate and rental income in 2009.

The Group owns 70% of China Ever Bright Real Estate Development Limited ("EBRE"). In 2008, EBRE recorded revenue from two completed development projects, one in Guangzhou and one in Beijing, as well as profits from the disposal of the Pazhou exhibition centre project in Guangzhou and the Everbright International Plaza project in Heifei. Under the current project completion pipeline, we expect revenue in 2009 to be stable. A review of EBRE's major projects is as follows:

Tower 1 of the Ever Bright World Center in Beijing is a commercial office building with about 48,000 sq.m. saleable/leaseable GFA (and additional about 400 underground parking spaces); about 20,000 sq.m. were leased and about 4,800 sq.m. were sold under contract sales in 2008; EBRE's headquarters occupies the top floor. EBRE owns 100% of the project.

Guangzhou Ever Bright Garden Phase E was completed and delivered for use in 2008. The new phases J and K with total saleable GFA of about 350,000 sq.m. (including parking spaces) are under construction and 36,000 sq.m. were pre-sold under contract sales in 2008. Delivery of the new phases is expected to start in 2009.

The R&D office building in the Zhang Jiang High-tech Zone in Pudong, Shanghai has about 14,000 sq.m. of leaseable GFA and is about 90% leased. EBRE owns 65% interest in this project.

EBRE has contracted sales in 2008 for about 11,000 sq.m. of the commercial and residential development project located in Haidian district in Beijing consisting of about 86,000 sq.m. saleable GFA (with additional parking spaces of about 15,000 sq.m.). Continue marketing to university faculty staff and professors in the surrounding area has drawn much interest. EBRE owns 100% of the project.

The residential and retail shopping mall development project (about 150,000 sq.m.) located in Haizhu district in Guangzhou has started construction in late 2008 and is expected to be completed in 2011. The land parcel is directly connected to an interchange station of the Guangzhou – Foshan light rail line and the Guangzhou extended No. 2 subway line. This will provide the development with superior shopper traffic advantage. The residential portion with a total saleable GFA of about 67,000 sq.m. is anticipated to start construction in 2010 and the shopping mall portion will be kept as a long term investment. EBRE owns 100% interest of this project.

EBRE has a 65.8% interest in the Guilin project with about 724,000 sq.m. land area. The project is planned to be a resort and residential property development in the future.

The primary land development project company in Hohhot, Inner Mongolia has started work on about 1,300 mu (equivalent to about 867,000 sq.m.) of land in 2008. When ready, the land will be auctioned to secondary development companies. EBRE owns 80% interest of the primary land development project company.

The property development projects in Hohhot, Inner Mongolia have commenced construction and will be developed in stages; the residential development portion consists about 380,000 sq.m. of saleable GFA and the initial phase is expected to be ready for pre-sale in 2009. EBRE owns 100% interest of these secondary property development projects.

EBRE owns 70% interest in a villa and low rise residential project located in the northern suburb of Beijing with total saleable GFA of about 175,000 sq.m.. Construction progress has been slowed down.

A residential project with superior view fronting the Pearl River in Guangzhou consists of total saleable/leaseable GFA of about 58,000 sq.m. (including parking spaces). Its construction will be postponed due to the market situation. EBRE owns 90% interest in this project.

Technology Investment Projects

Enterprise Software Solutions

Appeon continues to operate a profitable business of providing IT outsourcing services and Web development software – Appeon® for PowerBuilder®. The turnover in the second-half of 2008 improved despite the global economic downturn. However, the appreciation of the Renminbi and inflation in the PRC has led to increased operational costs. The company is focusing on high-value IT outsourcing projects to boost its profitability and sales in the future.

Computing and Data Storage System

Galactic Computing offers three major product series: data storage systems, enterprise servers, super-computing products and associated software. During 2008, the company achieved over 25% revenue growth compared to 2007. The company shall focus on the development of data storage solutions targeting mid-range customers to enhance competitiveness and explore export markets.

Financial Investment

Due to the serious down turn of the Hong Kong stock market in 2008, the Group's financial investment activities for the year ended 31st December, 2008 recorded loss of approximately HK$64,405,000 and the market value of the Group's financial investment holdings amounted to about HK$20,643,000. We plan to reduce our financial investment in 2009.

Revenue and Operating Results

Revenue from the Group's continuing operations for the year ended 31st December, 2008 totalled HK$2,503 million, representing a decrease of HK$1,049 million or 29.5% compared to HK$3,552 million for the corresponding period last year. Slowdown in the sales of PRC properties and decline in the sales of electric fans accounted for a majority of the decrease in revenue following a challenging business environment. However, the Group managed to achieve a total of HK$820 million in contracted sales (to be recognised beyond 31st December, 2008) of PRC properties of which HK$372 million and HK$448 million would come from the property projects in Beijing and Guangzhou respectively.

Profit attributable to equity holders for the year ended 31st December, 2008 dipped from HK$434 million to HK$24 million representing a decrease of HK$410 million or 94.5% over last year. The plunge in profit was mainly attributable to (i) a fair value loss (net of deferred taxation and minority interest) of HK$74 million on certain investment properties within the Group coupled with a fair value gain (net of deferred taxation and minority interest) of HK$64 million for the corresponding period last year; (ii) a sharing of fair value gain of HK$14 million on certain investment properties held by associated companies compared to a sharing of fair value gain of HK$47 million for the corresponding period last year; (iii) a share option expense (net of minority interest) of HK$37 million compared to a HK$5 million expense for the corresponding period last year; and (iv) realised and unrealised losses on securities trading totalling HK$62 million compared to realised and unrealised gains (net of profits tax) totalling HK$11 million relating to securities held for trading and derivative financial instruments for the same period last year. Both the fair value adjustment and the share option expense involved no cash movement.

Financial Resources and Liquidity

The Group inevitably felt the pinch of the global economic downturn but was able to maintain a satisfactory financial position with its financial resources and liquidity position consistently monitored and put in place in a healthy state throughout the period under review. Given the current economic situation, the Group would constantly re-evaluate its operational and investment status with a view to improving its cash flow and minimising its financial risks.

During the period under review, certain bank loans totalling RMB1,350 million were secured to finance the Group's property development projects in the PRC based on certain real estate in Mainland China.

The U.S. and the PRC long term loans of US$13 million and RMB900 million respectively were secured by certain assets of the group located in the United States and Mainland China respectively. The Group has secured and utilized a three-year long-term loan of HK$150 million and converted a short-term loan of HK$250 million into a three-year term loan during the period under review. Apart from the above, all banking facilities of the Group have been arranged on short-term basis.

The banking facilities of the Group were subject to a mix of fixed interest rates and floating interest rates. Interest cover of the Group as at 31st December, 2008, calculated as operating profit divided by total interest expenses net of those capitalized and interest income, stood at 7 times.

Foreign Exchange Exposure

The Group's borrowings were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The Group continued to conduct its sales mainly in US dollars and Renminbi and make payments either in US dollars, Hong Kong dollars or Renminbi. As the Group conducted its sales, receivables and payables, bank borrowings and expenditures in Renminbi for its PRC property development business, the directors considered that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the Renminbi exchange rate. All in all, the directors considered that the Group's risk exposure to foreign exchange rate fluctuations remained minimal.

Gearing Ratio

The Group continued to follow its policy of maintaining a prudent gearing ratio. As at 31st December, 2008, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash and pledged deposit to total equity of the Company of 36.9% (31st December, 2007: 28.2% (restated)).

Significant Acquisitions and Disposals

During the period under review, the Group disposed of its interest in a property development project through the disposal of its entire equity interest in 安徽博鴻房地產開發有限公司 to an independent third party at a cash consideration of RMB121 million. The transaction was completed in first quarter of 2008 and resulted in a gain after tax but before minority interests of HK$28 million.

On 24th April, 2007, the Group entered into a sales and purchases agreement in relation to a disposal of its 50% interest in 廣州市環博展覽有限公司 at a consideration (including repayment of shareholder loan) of RMB545 million. Completion of the transaction took place in the first quarter of 2008 thus giving rise to a gain of HK$52 million after tax but before minority interests.

Other than the above, there is no significant acquisition and/or disposal during the period and up to the date of this report.

Commitments and Guarantee

During the period under review, the Group had commitments totalling HK$3,414 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK$1,284 million mainly for facilitating end-user mortgages in connection with its PRC property sales.

Capital Expenditure and Charges on Assets

The Group had a capital expenditure totalling HK$36 million during the period under review.

Based on certain real estate in Mainland China, the Group secured certain mortgage loans totalling RMB1,350 million from certain PRC banks during the period under review.

During the period under review, the Group had charges on assets totalling HK$3,810 million mainly for securing mortgage loans.

The Group has also pledged its 100% interest of the issued share capital of its subsidiary, Full Revenue Inc, to a bank to secure for a long-term loan granted to the Group.

Employees

As at 31st December, 2008, the Group has approximately 4,180 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

For the six months ended 30th June, 2009

BUSINESS REVIEW

Ceiling Fans

The sales of the ceiling fans business of the Group decreased in the period compared to the same period of last year under the adverse global economic environment. The drop in sales was more severe in the North America market while it was smaller in the Middle East, Asia and Africa; and sales in Europe and Australia were stable. The gross profit increased slightly with the effective expenditure and cost control measures. It is expected that the economy will improve in the second half of the year.

Contract Manufacturing – Optics and Imaging

Due to global economic slowdown, an eight per cent drop in sales of fuser and laser scanner products was recorded in the period compared to the corresponding period of last year. It is expected that annual sales for the year will also be lower. "Paper handling options" has moved into mass production stage and it is projected that additional revenue will be contributed in 2009.

Contract Manufacturing – Electric and Electronics

Due to global economic slowdown, sales in the period reduced. New models of LED lighting products will be launched in the second half of the year. Under the difficult economic environment, sales in 2009 may not reach expected target.

Taxi Operation

The taxi company continues to switch the operation model gradually. The number of cars operating under the rental model has exceeded those under the lease-to-own model. The turnover and profit in the period recorded double digit increase compared to the same period of last year. The company strives to enhance its "蜆富" rental car brand with the strict selection and training of drivers and the provision of high quality service. It plans to increase the number of rental cars and enhance its turnover.

Real Estate Investment & Development

Under the financial tsunami, rental income from the retail properties of CITIC Plaza in Guangzhou recorded a slight decrease in the period with the reduction of rental price. The office properties rental income for the period was also lower than that of the same period of last year due to average rental price reduction and increase in vacancy in the period.

The long term lease for the hi-tech manufacturing facility in Shenzhen continues to provide stable rental contribution to the Group. During the period, the tenant company was acquired by an international electronics contract manufacturer group and it would continue to operate in the facility under the lease and manufacture products for the prior tenant group.

During the period, the Group's office complex in Livermore, California was able to maintain a stable occupancy rate and rental income. However, with the continual slow down of the US economy, we expect lower rental income for the second half of 2009 as renewal rates will be under pressure.

The Group holds 70% interest in China Ever Bright Real Estate Development Limited ("EBRE"). During the period, the property demand in China has started to recover. In view of the market conditions, EBRE has and will continue to make appropriate adjustments for the progress of its projects. The economic development in China continues to be on a long term growth track and shall provide positive support to property demand; the Group maintains a positive view on the prospects of EBRE. However, the Group did experience some minor setbacks as the management of EBRE has been uncooperative in disclosing necessary information on a timely basis. The Group has since passed a resolution to remove the General Manager of EBRE but is facing an opposition view from the minority shareholder of EBRE. A review of the activities of EBRE's major projects during the period is as follows:

The Ever Bright World Center Tower 1 in Beijing has approximately 48,000 sq. m. of saleable/leaseable area (and additional 400 underground parking spaces); of which about 4,800 sq. m. were sold and about 16,300 sq. m. were leased during the period. EBRE owns 100% of the project.

The commercial and residential development project located in Haidian district in Beijing has recognized sales for about 23,000 sq. m. and about 5,500 sq. m. have been sold under contract sales during the period. EBRE owns 100% of the project.

The low density residential development project located in the northern suburb of Beijing is going through a major design overhaul as the old design is quite out of date. We expect to resume construction in 2010 if the economy continues to recover. EBRE currently owns 70% of this project.

EBRE sold its 67% interest in a primary land development project in the southern suburb of Beijing back to the original owner at a small premium as the total return of the project fell below our minimum requirement due to the financial crisis.

EBRE owned 70% interest in a residential development project in Qingdao. As the relevant government permits have not been obtained on time, EBRE and the original owners of the project had entered into a termination agreement on 24th June, 2009. Transfer back of the 70% interest will be done after the repayment of EBRE's shareholder's loan with interest and penalty.

Guangzhou Ever Bright Garden Phase K has recognized sales for about 35,700 sq. m. and sales of about 78,000 sq. m. have been sold under contract sales during the period. Phase J is expected to start the pre-sale process in the second half of 2009. EBRE owns 100% of the project.

The residential and retail shopping mall development project located in Haizhu district in Guangzhou has started construction with target opening of the mall in the first half of 2011. Leasing has begun and we anticipate the delivery of the site for anchor tenant remodeling in the second half of 2010. The residential portion is expected to move into the pre-sale stage when the mall is officially occupied. EBRE owns 100% of this project.

The primary land development project in Hohhot, Inner Mongolia has obtained government permission to commence work on 1,300 mu of land to be ready for auction in the second half of 2009. EBRE owns 80% interest of the primary land development project company.

The property development project company in Hohhot, Inner Mongolia has successfully pre-sold 300 units on the first day of launching on 28th June. This is a record first day sale for any new development launch in the history of Hohhot. EBRE owns 100% interest of this secondary property development project company.

The R&D office building in the Zhang Jiang High-tech Zone in Shanghai is 80% leased up. EBRE owns 65% interest in this project.

The Guilin project is undergoing final planning with construction targeted for 2010. EBRE owns 65.8% of this project.

A subsidiary company of EBRE together with a third party had successfully jointly won the bid for a parcel of land in Huizhou in July 2009 with about 197,000 sq. m. for residential development.

Technology Investment Projects

Enterprise Software Solutions

Appeon's turnover in the first-half of 2009 improved year-over-year despite continued economic slump and it continues to operate a profitable business of providing IT outsourcing services and Web development software – Appeon@ for PowerBuilder@.

Computing and Data Storage System

The company's data storage products have been started shipping to Taiwanese and US regional distributors. However, a lot of customers in China suspended their procurement plan causing a decrease in sales in the period compared to the same period of last year. The company is actively exploring market and channel customers; it expects improvement in sales in the second half of this year.

Financial Investment

For the six months ended 30th June, 2009, the Group's financial investment activities recorded a profit of approximately HK$17.3 million and the market value of the Group's financial investment holdings amounted to about HK$40.2 million.

Revenue and Operating Results

Revenue from the Group's continuing operations for the period ended 30th June, 2009 totalled HK$1,672 million, representing an increase of HK$84 million or 5.3% compared to HK$1,588 million for the corresponding period last year. The increase in revenue is mainly attributable to completion of sales of certain residential units in the Haidian district in Beijing.

Profit attributable to the owners of the Company for the period ended 30th June, 2009 dipped from HK$153 million to HK$34 million representing a decrease of HK$119 million or 77.8% over the corresponding period last year. The plunge in profit was mainly attributable to (i) a fair value loss (net of deferred taxation and non-controlling interests) of HK$19 million on certain investment properties within the Group coupled with a fair value gain (net of deferred taxation and non-controlling interests) of HK$14 million for the corresponding period last year; (ii) a sharing of fair value loss of HK$74 million on certain investment properties held by associated companies compared to a sharing of fair value gain of HK$45 million for the corresponding period last year; (iii) a share option expense (net of non-controlling interests) of HK$20 million compared to a HK$29 million expense for the corresponding period last year; and (iv) a gain on securities trading of HK$13 million with a loss of HK$27 million for the same period last year. Both the fair value adjustment and the share option expense involved no cash movement.

Financial Resources and Liquidity

The Group was able to maintain a satisfactory financial position with its financial resources and liquidity position consistently monitored and put in place in a healthy state throughout the period under review. Given the current economic situation, the Group would constantly reevaluate its operational and investment status with a view to improving its cash flow and minimising its financial risks.

The U.S. and the PRC long term loans of US$13 million and RMB1,240 million respectively were secured by certain assets of the Group located in the United States and Mainland China respectively. The Group has two three-year long-term loans totalling HK$500 million. Apart from the above, all banking facilities of the Group have been arranged on short-term basis.

The Company has been granted certain loan facilities from a bank which requires the Company to fulfill certain covenants. As at 30th June, 2009, the Company was not able to meet certain of the financial covenants as set out in the banking facility agreements. Accordingly, the non-current portion of the relevant loans as at 30th June, 2009 has been reclassified as current liabilities. The directors have been negotiating with the bank for a relaxation of the financial covenants and the bank has confirmed by way of a waiver issued to the Company that it has not, so far, taken any action against the Company for the breach of the financial covenants. The Company has also assessed that the violation of the loan covenants would not have significant financial impact to the Group.

The banking facilities of the Group were subject to a mix of fixed interest rates and floating interest rates. Interest cover of the Group as at 30th June, 2009, calculated as operating profit divided by total interest expenses net of those capitalized and interest income, stood at 46 times.

Foreign Exchange Exposure

The Group's borrowings were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The Group continued to conduct its sales mainly in US dollars and Renminbi and make payments either in US dollars, Hong Kong dollars or Renminbi. As the Group conducted its sales, receivables and payables, bank borrowings and expenditures in Renminbi for its PRC property development business, the directors considered that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the Renminbi exchange rate. All in all, the directors considered that the Group's risk exposure to foreign exchange rate fluctuations remained minimal.

Gearing Ratio

The Group continued to follow its policy of maintaining a prudent gearing ratio. As at 30th June, 2009, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash and cash equivalents to total equity of the Company of 33.1% (31st December, 2008: 36.9%).

Significant Disposals

During the period under review, the Group disposed of its interest in a property development project through the disposal of its entire equity interest in 北京寅豐房地產開發有限責任公司 ("北京寅豐") to a substantial equity holder of 北京寅豐 at a cash consideration of RMB46.5 million. The transaction was completed in April 2009 and resulted in a gain of approximately HK$17.3 million.

On 24th June, 2009 the Group entered into a termination agreement and a settlement agreement in respect of the property development project conducted by 青島頤景房地產開發有限公司 ("青島頤景"). Pursuant to the termination agreement, the Group agreed to terminate the Co-operation Agreement dated 2nd August, 2007. Pursuant to the settlement agreement, the substantial equity holder of 青島頤景 agreed to repay the outstanding shareholder's loan and pay certain amount of penalty and fund appropriation fees of approximately RMB197 million in aggregate to the Group. Upon the full repayment of the outstanding shareholder's loan, the Group will transfer its interest in 70% registered capital of 青島頤景 to the equity holder for a consideration of RMB7 million.

Other than the above, there is no significant acquisition and/or disposal during the period and up to the date of this report.

Capital Commitments and Guarantee

During the period under review, the Group had capital commitments totalling HK$2,870 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK$1,099 million mainly for facilitating end-user mortgages in connection with its PRC property sales.

Capital Expenditure and Charges on Assets

The Group had capital expenditures totalling HK$20 million during the period under review.

Based on certain real estate in Mainland China, the Group secured certain mortgage loans totalling RMB1,240 million from certain PRC banks for property development projects during the period under review.

During the period under review, the Group had charges on assets totalling HK$2,384 million mainly for securing mortgage loans.

The Group also pledged its 100% interest of the issued share capital of its subsidiary, Full Revenue Inc, to a bank to secure for a long-term loan granted to the Group.

Employees

As at 30th June, 2009, the Group has approximately 3,470 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

(V) STATEMENT OF INDEBTEDNESS

As at the close of business on 30th September, 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had borrowings amounting to approximately HK$2,252 million and guarantees amounting to approximately HK$1,554 million, details of which are as follows:

Borrowings

The following table illustrates the Group's bank and other borrowings as at 30th September, 2009:

	HK$'000
Bank borrowings (unsecured)	325,581
Mortgage loan (secured) *(note)*	1,840,701
Amount due to a jointly controlled entity (unsecured)	227
Amount due to a minority shareholder (unsecured)	82,414
Loan from a minority shareholder (unsecured)	3,544
	2,252,467

Note: The Group had charges on certain inventories of properties and investment properties mainly for securing mortgage loans. In addition, the Group had pledged its 100% interest of the issued share capital of its subsidiary, Full Revenue Inc, to a bank to secure for a long-term loan granted to the Group.

Guarantees

The following table illustrates the Group's Guarantees as at 30th September, 2009:

Guarantees given to:

	HK$'000
A supplier of an associate, to secure the repayment of balance due by the associate to the supplier	13,525
Banks for credit facilities granted to	
– an associate	22,400
– a jointly controlled entity	43,807
Bank for mortgage loans granted to purchasers of certain subsidiaries' properties	1,473,896
	1,553,628

As at the close of business on 30th September, 2009, the Company had provided unlimited corporate guarantees to banks for credit facilities granted to certain subsidiaries.

For the purpose of this statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing as at the close of business on 30th September, 2009.

Legal contingencies

As at 30th September, 2009, the Group was involved in certain lawsuits. While the outcome of such lawsuits cannot be determined at present, the Directors are of the opinion that liabilities resulting from these proceedings, if any, will have no material adverse effect on the Group's financial position, liquidity or operating results.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not have, as at the close of business on 30th September, 2009, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debentures or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, mortgages, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

(VI) WORKING CAPITAL

The Directors are of the opinion that after taking into account the internal resources and the existing banking facilities available, the Remaining Group will have sufficient working capital for its normal business for the next 12 months from the date of this circular.

(VII) RECONCILIATION STATEMENT

The statement below shows the reconciliation of the valuation of the property interests of the Group (the "**Properties**") as at 30th September, 2009 as set out in Appendices VI and VII and the book value of the Properties in the audited consolidated balance sheet as at 31st December, 2008 as set out in Appendix II to this circular:

	The Group
	HK$'000
Net book value of the Properties as at 31st December, 2008	5,589,907
Movements from 1st January, 2009 to 30th September, 2009	
Additions	651,060
Disposals	(558,073)
Depreciation and amortisation	(3,549)
Impairment	(894)
Translation adjustment	2,037
Net book value of the Properties as at 30th September, 2009	5,680,488
Valuation surplus	3,395,689
Valuation of the Properties as at 30th September, 2009 per Appendices VI and VII	9,076,177

Note: The net book value of the Properties attributable to the Group as at 31st December, 2008 of approximately HK$5,589,907,000 comprise of (i) investment properties of approximately HK$1,176,516,000; (ii) property held for owner-occupations of approximately HK$143,496,000; and (iii) inventories of properties of approximately HK$4,269,895,000, at exchange rates of RMB1.0 to HK$1.1344 and US$1.0 to HK$7.75 respectively.

(I) ACCOUNTANTS' REPORT ON THE FINANCIAL STATEMENTS OF THE PRIVATECO GROUP

Set out below is the text of Accountants' Report on the financial statements of the Privateco Group from Grant Thornton which is prepared for inclusion in this circular:

Grant Thornton
均富

Member of Grant Thornton International Ltd

8th December, 2009

The Board of Directors
Shell Electric Mfg. (Holdings) Company Limited
1/F., Shell Industrial Building
12 Lee Chung Street
Chai Wan Industrial District
Hong Kong

Dear Sirs,

Introduction

We set out below our report on the financial statements of Shell Electric Holdings Limited (the "Privateco") and its subsidiaries, including the combined statements of financial position as at 31st December, 2006, 2007 and 2008 and 30th June, 2009, and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31st December, 2006, 2007 and 2008 and the six months ended 30th June, 2009 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes thereto (collectively the "Combined Financial Statements"), for inclusion in the circular of Shell Electric Mfg. (Holdings) Company Limited (the "Company") dated 8th December, 2009 (the "Circular") in connection with the proposed group restructuring (the "Group Restructuring") and capital reorganisation of the Company as set out in the "Letter from the Board" contained in the Circular.

The Privateco was incorporated in Bermuda on 20th August, 2009 with limited liability and is a wholly-owned subsidiary of the Company. Pursuant to the Group Restructuring, the Privateco is to acquire certain subsidiaries of the Company and certain assets and liabilities of the Company which constitute the businesses conducted directly by the Company (the "Company Business") by issuing shares to the Company (the "Transfer"). Upon completion of the Transfer, the Privateco would carry on the Company Business and become the holding company of the entities (the "Privateco Entities") set out in notes 49, 50 and 51 to the Combined Financial Statements (collectively the "Privateco Group"). On the date of this report, the group structure intended under the Group Restructuring is effectively in place as the directors of the Company (the "Directors") have carried out all the necessary procedures to effect the Transfer and the formation of the group structure. No audited financial statements have been prepared for Privateco since its date of incorporation as it was newly incorporated and has not been involved in any significant business transactions.

Certain Privateco Entities prepared statutory financial statements throughout the Relevant Periods, details of the statutory auditors of the Privateco Entities are set out in notes 49, 50 and 51 to the Combined Financial Statements.

No audited financial statements of the Privateco and any of the Privateco Entities have been made up subsequent to 30th June, 2009.

Basis of preparation

The Combined Financial Statements has been prepared by the Directors based on the audited financial statements, or where appropriate, unaudited financial statements of the Company, the Privateco and the Privateco Entities, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The combined statements of financial position of Privateco Group as at 31st December, 2006, 2007 and 2008, and 30th June, 2009 have been prepared to present the assets and liabilities of the Privateco Group as if the group structure intended under the Group Restructuring had been in existence on those dates. The combined income statements, combined statements of comprehensive income and combined statements of cash flows have been prepared to include the results and cash flows of Privateco Group as if the group structure intended under the Group Restructuring had been in existence throughout the Relevant Periods, or since the respective dates of incorporation/establishment or acquisition of the relevant Privateco Entities which were incorporated/established or acquired at a date later than 1st January, 2006, or up to the date of disposal of the relevant Privateco Entities.

The Combined Financial Statements also complies with the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. No adjustments have been made by us to the financial statements of the Company, the Privateco and the Privateco Entities in preparing the Combined Financial Statements.

Responsibility

The Directors are responsible for preparing the Combined Financial Statements which are free from material misstatement and gives a true and fair view. In preparing the Combined Financial Statements which gives a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable in the circumstances.

It is our responsibility to form an independent opinion, based on our audit, on the Combined Financial Statements and to report our opinion to you.

Basis of opinion

As a basis for forming an opinion on the Combined Financial Statements for the purpose of this report, we have carried out appropriate audit procedures in respect of the audited financial statements, or where appropriate, the unaudited financial statements of the Company, the Privateco and the Privateco Entities for each of the three years ended 31st December, 2006, 2007 and 2008 and for the six months ended 30th June, 2009 in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline – Prospectuses and the Reporting Accountant (Statement 3.340) issued by the HKICPA.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Combined Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Combined Financial Statements, and of whether the accounting policies are appropriate to Privateco Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Combined Financial Statements is free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Combined Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, on the basis of presentation set out in note 2 to the Combined Financial Statements, the Combined Financial Statements gives, for the purpose of this report, a true and fair view of the state of affairs of Privateco Group as at 31st December, 2006, 2007 and 2008 and 30th June, 2009, and of the combined results and combined cash flows of the Priveteco Group for each of the three years ended 31st December, 2006, 2007 and 2008 and for the six months ended 30th June, 2009.

Corresponding Financial Statements

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial statements of the Privateco Group comprising the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30th June, 2008, together with the notes thereon (the "30th June, 2008 Corresponding Financial Statements"), for which the Directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditors of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on the 30th June, 2008 Corresponding Financial Statements based on our review.

A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30th June, 2008 Corresponding Financial Statements.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the 30th June, 2008 Corresponding Financial Statements is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Combined Financial Statements.

COMBINED INCOME STATEMENTS

		Year ended 31st December,			Six months ended 30th June,	
		2006	2007	2008	2008	2009
					(Unaudited)	
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	5	1,324,926	1,418,298	1,201,894	597,854	542,295
Cost of goods and services		(1,078,187)	(1,153,524)	(969,721)	(482,426)	(428,174)
Gross profit		246,739	264,774	232,173	115,428	114,121
Other income	7	55,903	65,213	87,461	43,459	43,426
Distribution and selling expenses		(32,166)	(24,938)	(23,748)	(11,724)	(14,082)
Administrative expenses		(162,472)	(149,958)	(148,023)	(90,164)	(62,740)
Other operating expenses		(41,641)	(26,536)	(32,368)	(9,791)	(18,112)
Other gains/(losses)						
Fair value gain/(loss) on investment properties	13	125,621	68,067	(70,251)	17,387	(120,925)
Fair value gain/(loss) on investments held for trading		53,068	20,025	(62,286)	(27,367)	14,491
Fair value gain/(loss) on derivative financial instruments		1,292	(8,030)	–	–	(1,073)
Impairment loss on goodwill	16	(1,473)	–	–	–	–
Impairment loss on owner-occupied property	14&15	(393)	–	(3,423)	(5,948)	(992)
Impairment losses on other assets		(6,358)	(5,494)	–	–	–
Reversal of impairment of financial assets		–	21,008	7,684	1,716	–
Gain on disposal of a subsidiary		–	512	–	–	–
Others		5,676	24,754	25,802	34,322	1,329
Operating profit/(loss)		243,796	249,397	13,021	67,318	(44,557)
Finance costs	9	(31,381)	(43,329)	(43,051)	(23,966)	(9,218)
Share of results of associates		53,336	80,512	46,354	41,324	(4,816)
Share of results of jointly controlled entities		–	3,541	2,456	767	1,020
Gain on disposal of an associate	31(b)	–	45,302	–	–	–
Profit/(Loss) before income tax	8	265,751	335,423	18,780	85,443	(57,571)
Income tax expense	10	(53,024)	(24,330)	(38,232)	(31,411)	(85,436)
Profit/(Loss) for the year/period		212,727	311,093	(19,452)	54,032	(143,007)
Profit/(Loss) for the year/period attributable to:						
Owners of the Privateco		212,186	310,390	(16,805)	54,600	(142,460)
Non-controlling interests		541	703	(2,647)	(568)	(547)
		212,727	311,093	(19,452)	54,032	(143,007)

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008	2009
				(Unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(Loss) for the year/period	212,727	311,093	(19,452)	54,032	(143,007)
Other comprehensive income					
Exchange difference arising from translation of overseas operations					
– subsidiaries	24,502	39,752	95,258	50,673	3,556
– associates and jointly controlled entities	1,021	(478)	(25,189)	(1,782)	1,964
	25,523	39,274	70,069	48,891	5,520
Fair value change on available-for-sale financial assets	(13,020)	–	–	–	–
Other comprehensive income for the year/period, net of tax	12,503	39,274	70,069	48,891	5,520
Total comprehensive income for the year/period	225,230	350,367	50,617	102,923	(137,487)
Total comprehensive income attributable to:					
Owners of the Privateco	225,025	349,605	53,195	103,428	(136,940)
Non-controlling interests	205	762	(2,578)	(505)	(547)
	225,230	350,367	50,617	102,923	(137,487)

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31st December,			As at 30th June,
		2006	2007	2008	2009
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Investment properties	13	698,265	715,494	660,068	540,234
Property, plant and equipment	14	133,842	142,854	160,669	168,049
Prepaid lease rental on land	15	16,621	17,357	17,731	16,654
Goodwill	16	–	–	–	–
Other intangible asset	17	169,699	182,077	193,330	193,415
Interests in associates	18	289,383	366,962	418,860	413,266
Interests in jointly controlled entities	19	–	4,321	4,263	3,708
Available-for-sale financial assets	20	2,920	7,990	2,920	2,920
Loans receivable	21	166,805	152,668	130,138	121,284
Other receivable		502	–	–	–
Deferred tax assets	38	–	–	1,908	1,980
Deposit paid for acquisition of other investment	22	10,139	77,496	–	–
		1,488,176	1,667,219	1,589,887	1,461,510
Current assets					
Inventories	23	98,617	112,916	123,332	83,129
Trade and other receivables, prepayments and deposits	24	224,817	277,367	287,258	199,198
Prepaid lease rental on land	15	390	418	444	444
Loans receivable	21	17,787	3,853	15,345	15,351
Amounts due from associates	25	1,075	6,535	–	–
Amount due from a jointly controlled entity	25	–	29	18	–
Amounts due from investees	25	12,013	6,717	20,831	7,744
Amounts due from related parties	26	179,705	341,753	779,425	800,731
Investments held for trading	27	184,884	48,381	20,643	41,301
Derivative financial instruments	28	1,292	–	–	–
Tax prepaid		879	6,081	6,142	2,915
Pledged cash deposits		–	876,858	–	–
Restricted cash and deposits	29	–	16,398	–	–
Cash and cash equivalents	30	336,279	320,017	470,827	427,309
		1,057,738	2,017,323	1,724,265	1,578,122
Assets classified as held for sale	31	156,504	–	–	–
		1,214,242	2,017,323	1,724,265	1,578,122

		As at 31st December,			As at 30th June,
		2006	2007	2008	2009
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities					
Trade and other payables	*32*	292,699	313,207	335,563	231,659
Amount due to an associate		101	–	118	156
Amount due to a jointly controlled entity	*33*	–	2,044	–	–
Amounts due to related parties	*33*	–	100,291	104,617	291
Taxation liabilities		53,334	53,041	57,856	131,774
Derivative financial instruments	*28*	–	6,738	–	1,073
Bank borrowings	*34*	379,573	959,819	209,152	354,167
		725,707	1,435,140	707,306	719,120
Net current assets		488,535	582,183	1,016,959	859,002
Total assets less current liabilities		1,976,711	2,249,402	2,606,846	2,320,512
Non-current liabilities					
Bank borrowings	*34*	106,576	103,394	471,445	344,116
Loan from a minority shareholder	*37*	2,639	3,005	3,386	3,490
Other liabilities		–	–	6,155	10,145
Deferred tax liabilities	*38*	37,033	47,949	59,012	53,327
		146,248	154,348	539,998	411,078
Net assets		1,830,463	2,095,054	2,066,848	1,909,434
Capital and reserves					
Share capital	*35*	–	–	–	–
Reserves	*36*	1,819,654	2,083,483	2,057,855	1,900,988
Equity attributable to owners of the Privateco		1,819,654	2,083,483	2,057,855	1,900,988
Non-controlling interests		10,809	11,571	8,993	8,446
Total equity		1,830,463	2,095,054	2,066,848	1,909,434

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Privateco										
	Share capital *HK$'000*	Capital reserve *HK$'000*	Translation reserve *HK$'000*	Available-for-sale financial assets revaluation reserve *HK$'000*	Assets revaluation reserve *HK$'000*	Dividend reserve *HK$'000*	Statutory reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1st January, 2006	–	273,442	9,946	13,020	1,481	40,039	–	1,316,759	1,654,687	10,604	1,665,291
Net profit for the year	–	–	–	–	–	–	–	212,186	212,186	541	212,727
Exchange difference arising on											
– translation of overseas operations	–	–	24,786	–	52	–	–	–	24,838	(336)	24,502
– translation of overseas associates and jointly controlled entities	–	–	1,021	–	–	–	–	–	1,021	–	1,021
Fair value change on available-for sale financial assets	–	–	–	(13,020)	–	–	–	–	(13,020)	–	(13,020)
Total comprehensive income for the year	–	–	25,807	(13,020)	52	–	–	212,186	225,025	205	225,230
Dividend declared/proposed *(note 11)*	–	–	–	–	–	62,058	–	(62,058)	–	–	–
Dividend paid *(note 11)*	–	–	–	–	–	(60,058)	–	–	(60,058)	–	(60,058)
Appropriations	–	–	–	–	–	–	49	(49)	–	–	–
Transactions with owners	–	–	–	–	–	2,000	49	(62,107)	(60,058)	–	(60,058)
At 31st December, 2006	–	273,442	35,753	–	1,533	42,039	49	1,466,838	1,819,654	10,809	1,830,463
At 1st January, 2007	–	273,442	35,753	–	1,533	42,039	49	1,466,838	1,819,654	10,809	1,830,463
Net profit for the year	–	–	–	–	–	–	–	310,390	310,390	703	311,093
Exchange difference arising on											
– translation of overseas operations	–	–	39,581	–	112	–	–	–	39,693	59	39,752
– translation of overseas associates and jointly controlled entities	–	–	(478)	–	–	–	–	–	(478)	–	(478)
Total comprehensive income for the year	–	–	39,103	–	112	–	–	310,390	349,605	762	350,367
Dividend declared/proposed *(note 11)*	–	–	–	–	–	105,097	–	(105,097)	–	–	–
Released upon wind up of a subsidiary	–	–	(1,649)	–	–	–	(49)	–	(1,698)	–	(1,698)
Dividend paid *(note 11)*	–	–	–	–	–	(84,078)	–	–	(84,078)	–	(84,078)
Transactions with owners	–	–	(1,649)	–	–	21,019	(49)	(105,097)	(85,776)	–	(85,776)
At 31st December, 2007	–	273,442	73,207	–	1,645	63,058	–	1,672,131	2,083,483	11,571	2,095,054

	Attributable to owners of the Privateco										
	Share capital *HK$'000*	Capital reserve *HK$'000*	Translation reserve *HK$'000*	Available-for-sale financial assets revaluation reserve *HK$'000*	Assets revaluation reserve *HK$'000*	Dividend reserve *HK$'000*	Statutory reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1st January, 2008	–	273,442	73,207	–	1,645	63,058	–	1,672,131	2,083,483	11,571	2,095,054
Net loss for the year	–	–	–	–	–	–	–	(16,805)	(16,805)	(2,647)	(19,452)
Exchange difference arising on											
– translation of overseas operations	–	–	95,189	–	–	–	–	–	95,189	69	95,258
– translation of overseas associates and jointly controlled entities	–	–	(25,189)	–	–	–	–	–	(25,189)	–	(25,189)
Total comprehensive income for the year	–	–	70,000	–	–	–	–	(16,805)	53,195	(2,578)	50,617
Dividend declared/ proposed *(note 11)*	–	–	–	–	–	31,470	–	(31,470)	–	–	–
Dividend paid *(note 11)*	–	–	–	–	–	(78,823)	–	–	(78,823)	–	(78,823)
Transactions with owners	–	–	–	–	–	(47,353)	–	(31,470)	(78,823)	–	(78,823)
At 31st December, 2008	–	273,442	143,207	–	1,645	15,705	–	1,623,856	2,057,855	8,993	2,066,848
At 1st January, 2009	–	273,442	143,207	–	1,645	15,705	–	1,623,856	2,057,855	8,993	2,066,848
Net loss for the period	–	–	–	–	–	–	–	(142,460)	(142,460)	(547)	(143,007)
Exchange difference arising on											
– translation of overseas operations	–	–	3,556	–	–	–	–	–	3,556	–	3,556
– translation of overseas associates and jointly controlled entities	–	–	1,964	–	–	–	–	–	1,964	–	1,964
Total comprehensive income for the period	–	–	5,520	–	–	–	–	(142,460)	(136,940)	(547)	(137,487)
Dividend declared/ proposed *(note 11)*	–	-	–	–	–	10,470	–	(10,470)	–	–	–
Dividend paid *(note 11)*	–	–	–	–	–	(15,705)	–	–	(15,705)	–	(15,705)
Capital reduction *(note)*	–	–	–	–	–	–	–	(4,222)	(4,222)	–	(4,222)
Transactions with owners	–	–	–	–	–	(5,235)	–	(14,692)	(19,927)	–	(19,927)
At 30th June, 2009	–	273,442	148,727	–	1,645	10,470	–	1,466,704	1,900,988	8,446	1,909,434

Note: In February 2009, the Company repurchased a total of 2,000,000 of its own ordinary shares of HK$0.5 each at an aggregate price of HK$4,200,000 (before expenses). All of these shares had been cancelled upon being repurchased. The repurchase of the shares which was being recognised and deducted directly in equity represents a capital reduction from the shareholders of the Company.

	Attributable to owners of the Privateco										
	Share capital	**Capital reserve**	**Translation reserve**	**Available-for-sale financial assets revaluation reserve**	**Assets revaluation reserve**	**Dividend reserve**	**Statutory reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	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	–	273,442	73,207	–	1,645	63,058	–	1,672,131	2,083,483	11,571	2,095,054
Net profit/(loss) for the period	–	–	–	–	–	–	–	54,600	54,600	(568)	54,032
Exchange difference arising on											
– translation of overseas operations	–	–	50,610	–	–	–	–	–	50,610	63	50,673
– translation of overseas associates and jointly controlled entities	–	–	(1,782)	–	–	–	–	–	(1,782)	–	(1,782)
Total comprehensive income for the period	–	–	48,828	–	–	–	–	54,600	103,428	(505)	102,923
Dividend declared/ proposed *(note 11)*	–	–	–	–	–	15,765	–	(15,765)	–	–	–
Dividend paid *(note 11)*	–	–	–	–	–	(63,058)	–	–	(63,058)	–	(63,058)
Transactions with owners	–	–	–	–	–	(47,293)	–	(15,765)	(63,058)	–	(63,058)
At 30th June, 2008 (Unaudited)	–	273,442	122,035	–	1,645	15,765	–	1,710,966	2,123,853	11,066	2,134,919

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31st December,			Six months ended 30th June,	
				(Unaudited)	
	2006	2007	2008	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities					
Profit/(Loss) before income tax	265,751	335,423	18,780	85,443	(57,571)
Adjustments for					
Share of results of associates	(53,336)	(80,512)	(46,354)	(41,324)	4,816
Share of results of jointly controlled entities	–	(3,541)	(2,456)	(767)	(1,020)
Gain on disposal of an associate	–	(45,302)	–	–	–
Gain on disposal of a subsidiary	–	(512)	–	–	–
Fair value (gain)/loss on investment properties	(125,621)	(68,067)	70,251	(17,387)	120,925
Fair value (gain)/loss on investments held for trading and derivative financial instruments	(13,480)	28,457	28,687	21,664	(6,898)
Depreciation and amortisation	13,562	16,113	18,039	8,675	11,367
Impairment loss on financial and non-financial assets	13,993	15,515	17,653	7,786	5,628
Allowance/(Reversal of allowance) of inventories	182	(5,443)	(2,935)	747	1,781
Reversal of impairment of financial assets	–	(21,008)	(7,684)	(1,716)	–
Write back of long outstanding payables	–	–	(3,691)	–	–
Interest income	(24,709)	(39,384)	(60,820)	(30,156)	(29,404)
Finance costs	31,381	43,329	43,051	23,966	9,218
(Gain)/Loss on disposal of property, plant and equipment	(128)	619	(500)	–	(313)
Written-off of property, plant and equipment	576	146	82	7	1
Exchange difference	(7,487)	(19,854)	27,062	20,132	(2,415)
Operating cash flows before movements in working capital	100,684	155,979	99,165	77,070	56,115
(Increase)/Decrease in inventories	(10,688)	(8,856)	(2,950)	16,512	38,458
(Increase)/Decrease in trade and other receivables, prepayments and deposits	(24,936)	(23,723)	(52,580)	(27,634)	84,526
Decrease/(Increase) in amounts due from associates	17,685	(5,460)	6,535	6,176	–
(Increase)/Decrease in amount due from a jointly controlled entity	–	(29)	11	23	18
(Increase)/Decrease in amounts due from investees	(5,263)	5,296	(14,114)	(1,229)	13,087
(Increase)/Decrease in amounts due from related parties	(67,066)	(141,197)	(416,021)	1,367	–
(Increase)/Decrease in investments held for trading	(67,983)	116,076	(7,687)	(39,634)	(12,687)
Increase/(Decrease) in trade and other payables	28,879	12,989	22,213	51,056	(101,111)
Increase in amount due to an associate	–	–	118	–	38
Increase/(Decrease) in amount due to a jointly controlled entity	–	2,044	(2,044)	(2,044)	–
Increase/(Decrease) in amounts due to related parties	–	100,291	4,326	–	(104,326)

	Year ended 31st December,			Six months ended 30th June,	
				(Unaudited)	
	2006	2007	2008	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cash (used in)/generated from operations	(28,688)	213,410	(363,028)	81,663	(25,882)
Hong Kong profits tax (paid)/refund	(11,287)	(17,525)	(20,702)	(15,530)	1,065
Tax paid in other jurisdictions	(684)	(3,226)	(5,789)	(2,507)	(15,139)
Net cash (outflow)/inflow from operating activities	(40,659)	192,659	(389,519)	63,626	(39,956)
Investing activities					
Interest received	25,017	17,948	76,804	34,582	8,225
Dividend received from an associate	1,045	1,040	–	–	–
Dividend received from a jointly controlled entity	–	–	2,575	1,756	1,570
Acquisition of additional interest in a subsidiary	(1,473)	–	–	–	–
Purchases of investment properties	(6,268)	(3,921)	(413)	–	(980)
Purchases of property, plant and equipment	(20,366)	(21,573)	(33,176)	(8,569)	(18,798)
Proceeds on disposal of property, plant and equipment	1,384	633	1,805	–	514
Proceeds on disposal of a subsidiary	–	180	–	–	–
Proceeds on disposal of an associate	–	176,892	–	–	–
Proceeds on disposal of investment properties	31,420	68,556	–	–	–
(Deposit paid)/Return of deposit for investment in convertible and non-convertible notes	(10,139)	(77,496)	77,496	77,496	–
(Increase)/Decrease in pledged cash deposits	–	(876,858)	876,858	60,819	–
(Increase)/Decrease in restricted cash and deposits	–	(16,398)	16,398	16,398	–
Repayment of loans receivable, net	176,315	30,906	21,718	10,911	11,368
Amounts recovered from impairment of financial assets	–	21,008	5,968	6,850	–
Net cash inflow/(outflow) from investing activities	196,935	(679,083)	1,046,033	200,243	1,899
Financing activities					
New bank and other borrowings	1,125,004	1,693,151	1,315,859	766,200	265,585
Repayment of bank and other borrowings	(1,020,039)	(1,116,087)	(1,714,779)	(1,081,741)	(241,056)
Dividends paid	(60,058)	(84,078)	(78,823)	(63,058)	(15,705)
Interest paid	(31,139)	(41,195)	(42,396)	(24,499)	(12,047)
Payment for repurchase of shares	–	–	–	–	(4,222)
Net cash inflow/(outflow) from financing activities	13,768	451,791	(520,139)	(403,098)	(7,445)
Net increase/(decrease) in cash and cash equivalents	170,044	(34,633)	136,375	(139,229)	(45,502)
Cash and cash equivalents at beginning of the year/period	159,782	336,279	320,017	320,017	470,827
Effect of foreign exchange rate change	6,453	18,371	14,435	15,030	1,984
Cash and cash equivalents at end of the year/period	336,279	320,017	470,827	195,818	427,309

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Shell Electric Holdings Limited (the "Privateco") is a wholly-owned subsidiary of Shell Electric Mfg. (Holdings) Company Limited (the "Company"). The Privateco was incorporated in Bermuda on 20th August, 2009 with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. Its principal activity is investment holding and it has not been involved in any significant business transactions.

2. BASIS OF PREPARATION

Pursuant to the group restructuring (the "Group Restructuring") proposed by the directors of the Company (the "Directors") for approval by the shareholders of the Company in the upcoming extraordinary general meeting:

(i) the Privateco will acquire certain subsidiaries of the Company and certain assets and liabilities of the Company which constitute the businesses of fan trading and property leasing conducted directly by the Company (the "Company Business") by issuing shares to the Company (the "Transfer"); and

(ii) all the shares of the Privateco held by the Company will then be distributed in specie to the shareholders of the Company.

Upon completion of the Transfer, the Privateco will carry on the Company Business and become holding company of the subsidiaries as set out in note 49 (collectively the "Privateco Group"). The principal activities carried out by the subsidiaries mainly include manufacturing and marketing, as well as contract manufacturing, of electrical household appliances, property leasing, security trading and taxi rental. Certain subsidiaries had, during the reporting period, interests in associates and jointly controlled entities (collectively the "Privateco Entities") as set out in notes 50 and 51 respectively which mainly conducted the businesses of property investment and development and property leasing during the reporting period. The business retained by the Company and its subsidiaries not transferred to the Privateco (the "Remaining Group") represents property investment and development in Mainland China.

On the date of this report, the group structure intended under the Group Restructuring is effectively in place as all the procedures necessary to effect the Transfer have been properly carried out by the Directors as of the date of this report. As assessed by the Directors, the formality in relation to the Transfer which is yet to be completed on the date of this report is customary and nothing has come to their attention that would hinder the completion of the Transfer.

As the Privateco and the Privateco Entities were directly or indirectly controlled by the Company prior to and after the Transfer, the combined statements of financial position of the Privateco Group as at 31st December, 2006, 2007 and 2008 and 30th June, 2009 have been prepared using merger accounting (as further explained in note 3.2(a)) to present the assets and liabilities of the Privateco Group as if the group structure intended under the Group Restructuring had been in existence on those dates. The combined income statements, combined statements of comprehensive income, combined statements of cash flows and combined statements of changes in equity for the years ended 31st December, 2006, 2007 and 2008 and the six months ended 30th June, 2009 (the "Relevant Periods") have been prepared using merger accounting to include the results and cash flows of the Privateco Group as if the group structure intended under the Group Restructuring had been in existence throughout the Relevant Periods, or since the respective dates of incorporation/establishment or acquisition of the relevant Privateco Entities which were incorporated/established or acquired at a date later than 1st January, 2006, or up to the date of disposal of the relevant Privateco Entities.

The combined financial statements of the Privateco Group for the Relevant Periods (the "Combined Financial Statements") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These are the first set of financial statements of the Privateco Group and the Directors have adopted, in the first time, HKFRSs in preparing these financial statements.

For the purpose of preparing this Combined Financial Statements, the Privateco Group has adopted all applicable HKFRSs that are effective for the accounting period beginning 1st January, 2009, throughout the Relevant Periods to the extent required by the HKFRSs. The Privateco Group did not adopt the following HKFRSs that are issued at the date of this report but are not yet effective for the Relevant Periods:

HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendments)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[4]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2008 – amendments to HKFRS 5[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009[3]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[2]

1 Effective for annual periods beginning on or after 1st July, 2009
2 Effective for transfers of assets from customers received on or after 1st July, 2009
3 Generally effective for annual periods beginning on or after 1st January, 2010 unless otherwise stated in the specific HKFRSs
4 Effective for annual periods beginning on or after 1st January, 2010
5 Effective for annual periods beginning on or after 1st February, 2010
6 Effective for annual periods beginning on or after 1st January, 2011
7 Effective for annual periods beginning on or after 1st January, 2013

HKFRS 3 (Revised) introduces changes to the accounting requirements for business combinations, but still requires the use of the purchase method and will have a significant effect on business combinations occurring in reporting periods beginning on or after 1st July, 2009. HKAS 27 (Revised) introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Privateco Group's interest in subsidiaries. The Directors anticipate that the application of the other new or revised HKFRSs will not result in material impact on the Privateco Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 General

The significant accounting policies adopted by the Directors in preparing the Combined Financial Statements of the Privateco Group are summarised below. These policies have been consistently applied throughout the Relevant Periods unless otherwise stated.

The Combined Financial Statements have been prepared under the historical cost convention except for investment properties, financial instruments classified as available-for-sale and at fair value through profit or loss, and derivative financial instruments which are measured at fair values. Disposal groups and non-current assets held for sale (other than investment properties) are stated at the lower of their carrying amounts and fair values less costs to sell. Their measurement bases are fully described in the accounting policies below.

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

3.2 Basis of consolidation

(a) Business combinations under common control

Business combinations arising from transfers of interests in entities or businesses that are under the common control of shareholders are accounted for using merger accounting. Under merger accounting, the net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party or parties' interests. The combined income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. All significant intra-group transactions and balances have been eliminated on combination.

(b) Other business combinations involving acquisitions of subsidiaries and non-controlling interests

Subsidiaries (note 3.3) are consolidated from the date of acquisition, being the date on which the Privateco Group obtains control, and continue to be consolidated until the date that such control ceases. All intercompany transactions, balances and unrealised profit on transactions within the Privateco Group are eliminated on consolidation. Unrealised losses resulting from intercompany transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

The acquisition of subsidiaries during the Relevant Periods has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired and liabilities including contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. For business combination achieved in stages, adjustment to fair values relating to previously held interests of the acquirer is a revaluation which is dealt with in the asset revaluation reserve in equity.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Privateco Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of original business combination and the share of changes in equity by non-controlling interests since the date of the combination. Losses applicable to the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Privateco Group except to the extent that the non-controlling interests have a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the non-controlling interests only after the share of losses of non-controlling interests previously absorbed by the Privateco Group has been recovered.

Acquisitions of non-controlling interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Privateco 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 Privateco Group controls another entity.

3.4 Associates and jointly controlled entities

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Privateco Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

Interests in associates and jointly controlled entities are accounted for in the Combined Financial Statements under the equity method of accounting. Under equity method of accounting, investments are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Privateco Group's share of the associates' and the jointly controlled entities' net assets. The income statement includes the Privateco Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year/period, less any identified impairment loss. Where the profit sharing ratio is different to the Privateco Group's equity interest in a jointly controlled entity, the share of post-acquisition results of the jointly controlled entity is determined based on the agreed profit sharing ratio. The Privateco Group's share of the post-acquisition post-tax items of other comprehensive income of the associates and jointly controlled entities is included in the statement of comprehensive income.

Unrealised profit on transactions between the Privateco Group and its associates and jointly controlled entities are eliminated to the extent of the Privateco Group's interest in the associates and jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

When the Privateco Group's share of losses in an associate/a jointly controlled entity equals or exceeds its interest in the associate/jointly controlled entity, the Privateco Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate/jointly controlled entity.

When an interest in an associate or a jointly controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 (note 3.8).

3.5 Goodwill

Goodwill arising from the acquisition of subsidiaries, associates and jointly controlled entities represents the excess of the cost of the business combination over the Privateco Group's interest in the fair value of the identifiable assets acquired and liabilities including contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the combined statement of financial position as an asset at cost and subsequently measured at cost less any accumulated impairment losses. In case of associates and jointly controlled entities, goodwill is included in the carrying amount of the interests in associates and jointly controlled entities, respectively, rather than recognised as a separate asset on the combined statement of financial position.

Goodwill is reviewed for impairment annually at the end of the reporting period or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 3.11). On subsequent disposal of a subsidiary, associate or jointly controlled entity, the carrying amount of goodwill relating to the entity sold is included in determining the amount of gain or loss on disposal.

3.6 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the end of reporting period. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in income statement. Rental income from investment properties is accounted for as described in note 3.26(iv).

For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use. For property occupied by the Privateco Group as an owner-occupied property which becomes an investment property, the Privateco Group accounts for such property in accordance with the policy of property, plant and equipment (note 3.7) up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with in assets revaluation reserve. On disposal of the property, the assets revaluation reserve is transferred to retained profits as a movement in reserves.

3.7 Property, plant and equipment

Freehold land is stated at cost and is not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (note 3.11). When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 (note 3.8).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is provided to write off the cost of each item of property, plant and equipment less its residual value, if applicable, over its estimated useful lives on a straight-line basis at the following rates per annum:

Category of property, plant and equipment	**Annual rates**
Land and buildings *(note 3.10)*	2% to 5%
Plant, machinery, tools, moulds and equipment	10% to 20%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles (including taxi)	20% to 33.33%

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognised in the income statement.

3.8 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups. Non-current assets and disposal groups (other than investment properties) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

3.9 Intangible assets (Other than goodwill)

Intangible assets are recognised initially at cost. After initial recognition, intangible assets with indefinite useful lives are not amortised but reviewed for impairment annually (note 3.11) either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Research and development expenditures

Expenditure incurred on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognised only if the Privateco Group can demonstrate the technical feasibility of the intangible asset; how economic benefits are generated from the intangible asset, the availability of resources to complete the development of the intangible asset, the ability to measure the expenditure attributable to the intangible asset reliably, the Privateco Group's intention to complete the intangible asset and the Privateco Group's ability to use or sell it. Other development expenditure is recognised as an expense in the period in which it is incurred. Deferred development expenditures are stated at cost less any impairment losses and are amortised on a straight-line basis over the commercial lives of the underlying products.

Taxi licences

Cost incurred in the acquisition of permanent taxi operating licences, which have indefinite useful lives, are carried at cost less any impairment losses and are not amortised.

3.10 Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Privateco Group is the lessor, assets leased by the Privateco Group under operating leases are included in non-current asset, and rental receivable under the operating leases are credited to the income statement on a straight-line basis over the lease terms. Where the Privateco Group is the lessee, rentals payable under the operating leases, net of any incentives received or receivable, are charged to the income statement on a straight-line basis over the lease terms.

Prepaid lease rental on land are up-front prepayments made for the leasehold land and land use rights which are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in cost of land and buildings as a finance lease in property, plant and equipment (note 3.7).

3.11 Impairment of non-financial assets

Goodwill, other intangible assets, property, plant and equipment and interests in associates and jointly controlled entities are subject to impairment testing. Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are 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 assets' 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 Privateco 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 including impairment losses recognised in an interim period. 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 but 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) had no impairment loss been recognised.

A reversal of such impairment is credited to income statement in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

3.12 Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified into one of the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. 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 the end of reporting period.

All financial assets are recognised when, and only when, the Privateco Group becomes a party to the contractual provisions of the instrument. The Privateco Group assesses whether a contract contains an embedded derivative when the Privateco Group first becomes a party to it. The embedded derivatives are separated from the host contract when the analysis shows that the economic characteristics and the risks of the embedded derivatives are not closely related to those of the host contract.

All regular way purchases and sales of financial assets are recognised on trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading which are classified as "Investments held for trading" in the statement of financial position and financial assets designated by the Privateco Group on initial recognition as at fair value through profit or loss. 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. 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 dividends or interests earned on these financial assets. Interests or dividends earned on these financial assets are recognised in the income statement in accordance with the policies set out in note 3.26.

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: (i) 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; (ii) 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; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables including amounts due from related parties are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. 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. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other categories of financial assets. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income and accumulated in equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income and equity is included in the income statement. Interests or dividends earned on these financial assets are recognised in the income statement in accordance with the policies set out in note 3.26.

The fair value of available-for-sale monetary assets denominated in 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 profit or loss, and other changes are recognised in other comprehensive income and equity.

When the fair value of unlisted equity instruments cannot be reliably measured because the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such instruments are stated at cost less any impairment losses.

3.13 Impairment of financial assets

At the end of each reporting period, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that come to the attention of the Privateco Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a 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 include 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:

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 carrying amount of the asset is reduced through the use of an allowance account. The amount of impairment loss is recognised in the income statement of the period in which the impairment occurs. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Privateco Group.

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 by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial assets

If there is objective evidence that an available-for-sale financial asset is impaired, an amount comprising the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss on that asset previously recognised in the income statement, is transferred from equity to the income statement.

Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Impairment losses in respect of debt instruments are reversed through the income statement if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted investment that is not carried at fair value has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3.14 Other inventories

Other inventories are stated at the lower of cost, computed using weighted average method, and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.15 Foreign currencies

The financial statements is presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Privateco. Each entity in the Privateco Group determines its own functional currency and items included in the financial information of each entity are measured using that functional currency. In the separate financial information of the combined 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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end/period-end exchange rates are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

The functional currencies of certain entities of the Privateco Group are currencies other than HK$. For the purpose of the Combined Financial Information, assets and liabilities of those entities at the end of each reporting period are translated into HK$ at exchange rate prevailing at the of end each reporting period. Income and expense items are translated into HK$ at the average exchange rate for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the Privateco Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the foreign entity is disposed of.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.16 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand 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. For the purpose of combined statement of cash flow presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Privateco Group's cash management.

3.17 Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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 end of reporting period. 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/period.

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period 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, including existing temporary differences, 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 interests in subsidiaries, associates and jointly-controlled entities, except where the Privateco 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 end of each reporting period.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

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

3.19 Financial liabilities

Financial liabilities, comprising borrowings and trade and other payables including amounts due to related parties, are recognised when the Privateco Group becomes a party to the contractual provisions of the instrument. 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.

Financial liabilities at amortised costs

Borrowings and trade and other payables including amounts due to related parties are financial liabilities at amortised cost which are recognised initially at fair value (net of transaction costs incurred for borrowings) and subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised as an expense in finance costs in the income statement. Gains or losses are recognised in the income statement when the liabilities are derecognised as well as through amortisation process.

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. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include interest charged on these financial liabilities.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

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: (i) 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; (ii) 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 (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

3.20 Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Privateco Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Privateco Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income. The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3.23 if and when it becomes probable that the holder of the guarantee will call upon the Privateco Group under the guarantee and the amount of that claim on the Privateco Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.21 Employee benefits

Salaries, allowance, paid annual leave and other benefits are accrued in the year/period in which the associated services are rendered by the employee. Payments to the Mandatory Provident Fund Scheme and other retirement benefit scheme as set out in note 40 are charged as an expense when employees have rendered service entitling them to the contributions.

3.22 Share-based payment transactions

Equity-settled share-based payment

The Privateco Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of financial instruments e.g. share options are measured at their fair values. The cost of equity-settled share-based compensation is measured by reference to the fair value at the date on which they are granted. In determining the fair value, no account is taken of any non-market vesting conditions (for example, profitability and sales growth targets).

In situations where equity instruments are issued and some or all of the goods or services received by the Privateco Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

When fair value of equity instruments cannot be estimated reliably, the Privateco Group measures the equity instruments at their intrinsic value initially at the date the grantees rendered service and subsequently at each reporting date and when equity instruments are exercised, forfeited or lapsed, with any change in intrinsic value recognised in the income statement.

All equity-settled share-based compensation is ultimately recognised as an expense in income statement unless it qualifies for recognition as asset with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

In respect of share options, the fair value of the share options granted by the Privateco Group to its employees is recognised in income statement with a corresponding increase in share option reserve. Upon exercise of the share options, the amount in the share option reserve is transferred to the share premium account. In case the share options lapsed, the amount in the share option reserve is released directly to retained profits.

Cash-settled share-based payment

The cost of cash-settled share-based payment transactions is measured initially at fair value at the grant date. The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is measured at the end of each reporting period up to and including the settlement date with changes in fair value recognised in income statement.

3.23 Provisions and contingent liabilities

Provision is recognised when the Privateco Group has a present obligation 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 of the amount of the obligation can be made. When the effect of discounting is material, provision is stated at the present value of the expenditure expected to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement. All provisions are reviewed at the end of each reporting period 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 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 uncertain events not wholly within the control of the Privateco Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.24 Equity instruments

Equity instruments issued by the Privateco are recorded at the proceeds received, net of direct issue costs.

3.25 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognised as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3.26 Revenue and other income recognition

Revenue and other income is recognised when it is probable that the economic benefits will flow to the Privateco Group and when the income can be measured reliably on the following bases:

(i) Sales of goods are recognised as revenue when goods are delivered and title has passed.

(ii) Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

(iii) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(iv) Rental income is recognised on a straight-line basis over the periods of the respective tenancies.

(v) Taxi licence fee income is recognised in accordance with the substance of the licence agreement when the taxi licence holders' rights to receive payment have been established.

3.27 Related parties

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

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Privateco Group or exercise significant influence over the Privateco Group in making financial and operating policy decisions, or has joint control over the Privateco Group;

(ii) the Privateco Group and the party are subject to common control;

(iii) the party is an associate of the Privateco Group or a joint venture in which the Privateco Group is a venturer;

(iv) the party is a member of key management personnel of the Privateco Group or the Privateco Group's 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 Privateco Group or of any entity that is a related party of the Privateco 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.

3.28 Segment reporting

Operating segments, and the amounts of each segment item reported in the Combined Financial Statements, are identified from the financial statements provided regularly to the chief operating decision-maker i.e. the most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Privateco Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing financial statements 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.

4.1 Critical accounting estimates and assumptions

The Privateco 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 effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimates of fair value of investment properties

As disclosed in note 13, the investment properties were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Privateco Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Impairment of assets

The Privateco Group reviews at least annually and assesses whether goodwill and other intangible assets with indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on a value in use calculation which requires the use of estimates including expected future cash flows of the asset/cash-generating unit and discount rate adopted to calculate the present value of those cash flows. Details about the estimates used in assessing impairment for goodwill and other intangible asset are set out in notes 16 and 17.

Estimates of current tax and deferred tax

The Privateco Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation.

Allowance for loans and receivables

The policy on allowance for bad and doubtful debts of the Privateco Group is based on the evaluation of collectability and ageing analysis of loans and receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including current creditworthiness and the past collection history of each customer. If the financial conditions of the customers or debtors of the Privateco Group deteriorate thus resulting in impairment as to their ability to make payments, additional allowances may be required.

Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Privateco Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable values. A considerable amount of judgement is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required.

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

Some properties of the Privateco Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Privateco Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Privateco Group considers each property separately in marking its judgement.

5. REVENUE

Breakdown of revenue, which also represents the Privateco Group's turnover, is as follows:

	Year ended 31st December,			Six months ended 30th June,	
	2006	**2007**	**2008**	**2008 (Unaudited)**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sales of goods	1,245,517	1,328,667	1,100,008	548,276	486,703
Property rental income	62,618	66,236	63,182	32,034	30,213
Tax licence fee income	16,791	23,395	38,704	17,544	25,379
Total revenue	1,324,926	1,418,298	1,201,894	597,854	542,295

The Privateco Group's customers include two customers, the revenue derived from the sales transactions or sales arrangements with each of them amounts to 10% or more of the Privateco Group's revenue. Revenue derived from one of these two customers for the years ended 31st December, 2006, 2007, 2008 and six months ended 30th June, 2008 and 30th June, 2009 amounted to HK$388,906,000, HK$253,705,000, HK$166,552,000, HK$116,228,000 and HK$71,095,000, respectively, and the revenue derived from another customer for the corresponding years/periods amounted to HK$412,113,000, HK$644,198,000, HK$605,719,000, HK$243,258,000 and HK$264,671,000, respectively. Revenue from these customers is reported under the segment of "Electrical household appliances".

6. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Privateco Group's most senior management for the purposes of resource allocation and assessment of segment performance. The Privateco Group has identified the following reportable segments for its operating segments:

Electrical household appliances	–	This segment manufactures electrical appliances including electric fans, vacuum cleaners, lighting products, fuser and laser scanner. The Privateco Group's manufacturing facilities located primarily in Mainland China and products are mainly sold to customers in Mainland China and overseas such as North America and European countries.
Property leasing	–	This segment leases industrial properties and commercial units located in Hong Kong, Mainland China and the United States to generate rental income and gain from appreciation in the properties' values in long term. Part of the business is carried out through certain associates.
Property investment and development	–	This segment constructs commercial and residential properties in Mainland China for external customers. Part of the business of this segment is conducted by certain associates.
Securities trading	–	This segment mainly carries out trading of securities to generate gain from appreciation in securities.
Car rental	–	This segment carries out taxi rental operation in Mainland China and generates licence fee income.
All other segments	–	Operating segments which are not reportable comprise manufacturing and trading of electric cables and development and trading of computer hardware and software which generate revenue from sales of goods, as well as direct investments which derive gain from holding investments in enterprises engaging in high-tech business.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment profit/loss includes the Privateco Group's share of profit/loss arising from the activities of the Privateco Group's associates and jointly controlled entities. Reportable segment profit/loss excludes corporate income and expenses from the Privateco Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarter which are not allocated to the operating segments.

Segment assets include all assets with the exception of corporate assets, including available-for-sale financial asset, bank balances and cash and other assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Segment results and segment assets

Information regarding the Privateco Group's reportable segments including the reconciliations to combined revenue, combined profit/loss before income tax, total assets and other segment information are as follows:

	Electrical household appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Combined HK$'000
Year ended 31st December, 2006							
Reportable segment revenue*	1,190,840	62,618	–	–	16,791	54,677	1,324,926
Reportable segment profit/(loss)	55,143	200,888	22,341	55,547	15,407	(32,819)	316,507
Corporate income							18,025
Corporate expenses							(68,781)
Profit before income tax							265,751
							Total HK$'000
As at 31st December, 2006							
Reportable segment assets	431,477	1,048,456	146,871	192,621	209,047	150,968	2,179,440
Corporate assets							522,978
Total assets							2,702,418

	Electrical household appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Corporate HK$'000	Total HK$'000
Year ended 31st December, 2006								
Other information:								
Interest income	2,128	2,966	11	781	472	1,305	17,046	24,709
Interest expenses	(3,509)	(7,748)	–	(4,334)	–	–	(15,790)	(31,381)
Depreciation and amortisation	(7,185)	(666)	–	–	(246)	(2,740)	(2,725)	(13,562)
Impairment losses recognised in income statement	(9,898)	–	–	–	–	(4,095)	–	(13,993)
Reversal of allowance/(Allowance) for inventories	6,397	–	–	–	–	(6,579)	–	(182)
Fair value gain on derivative financial instruments	–	–	–	1,292	–	–	–	1,292
Fair value gain on investment properties	–	125,621	–	–	–	–	–	125,621
Share of results of associates	–	25,046	22,541	–	–	5,749	–	53,336
Additions to specified non-current assets	7,695	10,100	–	–	2,648	666	6,998	28,107
Interests in associates	–	239,296	–	–	–	49,986	101	289,383

	Electrical household appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Combined HK$'000
Year ended 31st December, 2007							
Reportable segment revenue*	1,272,443	66,236	–	–	23,395	56,224	1,418,298
Reportable segment profit	68,812	202,380	47,334	12,857	19,012	13,178	363,573
Corporate income							38,417
Corporate expenses							(66,567)
Profit before income tax							335,423
							Total *HK$'000*
As at 31st December, 2007							
Reportable segment assets	509,871	1,248,618	–	71,951	215,475	131,908	2,177,823
Corporate assets							1,506,719
Total assets							3,684,542

	Electrical household appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Corporate HK$'000	Total HK$'000
Year ended 31st December, 2007								
Other information:								
Interest income	1,813	3,346	421	2,415	331	296	30,762	39,384
Interest expenses	(4,642)	(7,664)	–	(3,051)	–	–	(27,972)	(43,329)
Depreciation and amortsation	(8,405)	(934)	–	–	(1,265)	(2,274)	(3,235)	(16,113)
Impairment losses recognised in income statement	(7,678)	–	–	–	–	(7,549)	(288)	(15,515)
Reversal of allowance for inventories	3,282	–	–	–	–	2,161	–	5,443
Fair value loss on derivative financial instruments	–	–	–	(8,030)	–	–	–	(8,030)
Fair value gain on investment properties	–	68,067	–	–	–	–	–	68,067
Share of results of associates	–	74,949	–	–	–	5,563	–	80,512
Share of results of jointly controlled entities	–	–	–	–	–	3,541	–	3,541
Gain on disposal of an associate	–	–	45,302	–	–	–	–	45,302
Additions to specified non-current assets	6,369	3,966	–	–	12,109	1,051	2,779	26,274
Interests in associates	–	312,298	–	–	–	54,664	–	366,962
Interests in jointly controlled entities	–	–	–	–	–	4,321	–	4,321

	Electrical household appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Combined HK$'000
Year ended 31st December, 2008							
Reportable segment revenue*	1,057,136	63,182	–	–	38,704	42,872	1,201,894
Reportable segment profit/(loss)	56,202	22,336	–	(64,062)	25,137	(4,784)	34,829
Corporate income							60,011
Corporate expenses							(76,060)
Profit before income tax							18,780
							Total HK$'000
As at 31st December, 2008							
Reportable segment assets	537,373	1,170,935	–	28,724	243,230	121,883	2,102,145
Corporate assets							1,212,007
Total assets							3,314,152

	Electrical household appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Corporate HK$'000	Total HK$'000
Year ended 31st December, 2008								
Other information:								
Interest income	2,533	164	–	550	319	1,485	55,769	60,820
Interest expenses	(5,805)	(4,906)	–	(207)	–	–	(32,133)	(43,051)
Depreciation and amortisation	(8,527)	(749)	–	–	(3,647)	(1,073)	(4,043)	(18,039)
(Impairment losses)/Reversal of impairment losses recognised in income statement	(2,262)	(3,491)	–	–	–	(12,257)	357	(17,653)
Reversal of allowance/(Allowance) for inventories	2,257	–	–	–	–	1,089	(411)	2,935
Fair value loss on investment properties	–	(70,251)	–	–	–	–	–	(70,251)
Write back of long outstanding payables	1,003	–	–	–	1,675	–	1,013	3,691
Share of results of associates	–	46,435	–	–	–	(81)	–	46,354
Share of results of jointly controlled entities	–	–	–	–	–	2,456	–	2,456
Additions to specified non-current assets	15,079	413	–	–	16,822	170	1,105	33,589
Interests in associates	–	355,335	–	–	–	63,525	–	418,860
Interests in jointly controlled entities	–	–	–	–	–	4,263	–	4,263

	Electrical household appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Combined HK$'000
Period ended 30th June, 2008 (Unaudited)							
Reportable segment revenue*	524,217	32,034	–	–	17,544	24,059	597,854
Reportable segment profit/(loss)	23,518	77,055	–	(26,530)	12,138	8,506	94,687
Corporate income							29,379
Corporate expenses							(38,623)
Profit before income tax							85,443
							Total HK$'000
As at 30th June, 2008 (Unaudited)							
Reportable segment assets	479,438	1,263,286	–	69,355	227,322	129,190	2,168,591
Corporate assets							1,321,458
Total assets							3,490,049

	Electrical household appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Corporate HK$'000	Total HK$'000
Period ended 30th June, 2008 (Unaudited)								
Other information:								
Interest income	1,164	107	–	455	153	958	27,319	30,156
Interest expenses	(3,691)	(2,624)	–	(173)	–	–	(17,478)	(23,966)
Depreciation and amortisation	(4,124)	(413)	–	–	(1,560)	(566)	(2,012)	(8,675)
Impairment losses recognised in income statement	(1,308)	(4,073)	–	–	–	(2,405)	–	(7,786)
Allowance for inventories	(326)	–	–	–	–	(421)	–	(747)
Fair value gain on investment properties	–	17,387	–	–	–	–	–	17,387
Share of results of associates	–	40,477	–	–	–	847	–	41,324
Share of results of jointly controlled entities	–	–	–	–	–	767	–	767
Additions to specified non-current assets	3,464	–	–	–	4,240	25	1,011	8,740
Interests in associates	–	349,442	–	–	–	64,559	–	414,001
Interests in jointly controlled entities	–	–	–	–	–	3,397	–	3,397

	Electrical household appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Combined HK$'000
Period ended 30th June, 2009							
Reportable segment revenue*	477,599	30,213	–	–	25,379	9,104	542,295
Reportable segment profit/(loss)	24,695	(91,493)	–	17,268	13,438	(16,894)	(52,986)
Corporate income							27,506
Corporate expenses							(32,091)
Loss before income tax							(57,571)
							Total *HK$'000*
As at 30th June, 2009							
Reportable segment assets	437,139	1,014,452	–	72,215	255,747	143,038	1,922,591
Corporate assets							1,117,041
Total assets							3,039,632

	Electrical household appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Corporate HK$'000	Total HK$'000
Period ended 30th June, 2009								
Other information:								
Interest income	1,824	–	–	58	–	259	27,263	29,404
Interest expenses	(313)	(1,078)	–	(48)	–	–	(7,779)	(9,218)
Depreciation and amortisation	(4,651)	(1)	–	–	(3,903)	(877)	(1,935)	(11,367)
Impairment losses recognised in income statement	(2,332)	(1,168)	–	–	–	(2,128)	–	(5,628)
(Allowance)/Reversal of allowance for inventories	(2,338)	–	–	–	–	557	–	(1,781)
Fair value loss on derivative financial instruments	–	–	–	(1,073)	–	–	–	(1,073)
Fair value loss on investment properties	–	(120,925)	–	–	–	–	–	(120,925)
Share of results of associates	–	21	–	–	–	(4,837)	–	(4,816)
Share of results of jointly controlled entities	–	–	–	–	–	1,020	–	1,020
Additions to specified non-current assets	212	–	–	–	18,570	16	980	19,778
Interests in associates	–	352,556	–	–	–	60,710	–	413,266
Interests in jointly controlled entities	–	–	–	–	–	3,708	–	3,708

* *There were no inter-segment sales between different business segments for the years ended 31st December, 2006, 2007 and 2008 and six months periods ended 30th June, 2008 and 2009.*

Geographical information

The Privateco Group's operations are located in Hong Kong, other regions in the People's Republic of China (the "PRC"), Asia other than the PRC, North America (comprising Canada and the United States) and Europe (mainly in the United Kingdom).

An analysis of the Privateco Group's revenue by geographical locations, determined based on locations to which the goods are delivered and locations of assets which give rise to the rental income and the licence fee income, is as follows:

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008 (Unaudited)	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	22,164	25,667	18,624	12,379	8,258
Other regions of the PRC	531,696	771,291	718,115	308,584	270,268
Asia, other than the PRC	46,342	49,188	46,266	36,433	31,090
North America	538,153	342,196	265,291	162,381	130,101
Europe	79,403	105,448	56,427	35,547	47,074
Others	107,168	124,508	97,171	42,530	55,504
	1,324,926	1,418,298	1,201,894	597,854	542,295

An analysis of the Privateco Group's investment properties, other properties, plant and equipment, intangible assets including goodwill and interests in associates and jointly controlled entities (i.e. "specified non-current assets") by geographical locations, determined based on physical location of the assets or location of operations in case of goodwill, and interests in associates and jointly controlled entities, is as follows:

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	112,452	153,334	151,630	150,255
Other regions of the PRC	861,361	937,527	1,025,306	983,587
Asia, other than the PRC	30	–	–	–
North America	333,967	338,204	277,985	201,484
	1,195,358	1,275,731	1,303,291	1,185,071
	1,307,810	1,429,065	1,454,921	1,335,326

7. OTHER INCOME

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008 (Unaudited)	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest income on:					
Bank deposits	5,277	12,184	1,745	653	1,274
Loans to investees	1,485	1,167	1,991	993	785
Loan to a related party	–	19,906	54,461	26,797	26,592
Others, including loans receivable	17,947	6,127	2,623	1,713	753
Total interest income on financial assets not at fair value through profit or loss	24,709	39,384	60,820	30,156	29,404
Dividends from listed equity securities	4,683	1,743	971	718	102
Other rental income	5,943	4,063	2,216	1,773	2,327
Handling fee income	4,758	10,904	13,400	3,540	6,251
Write back of long outstanding payables	–	–	3,691	–	–
Sundry income	15,810	9,119	6,363	7,272	5,342
	55,903	65,213	87,461	43,459	43,426

8. PROFIT/(LOSS) BEFORE INCOME TAX

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008 (Unaudited)	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(Loss) before income tax is arrived at after charging/(crediting):					
Amortisation of prepaid lease rental on land	438	458	493	246	250
Depreciation of property, plant and equipment	13,124	15,655	17,546	8,429	11,117
Total amortisation and depreciation	13,562	16,113	18,039	8,675	11,367
Auditors' remuneration	2,930	3,230	2,425	1,432	1,865
Cost of inventories recognised as expense	1,042,038	1,108,857	922,223	460,510	401,266
Donations	2,848	3,239	16,991	16,758	2,028
(Gain)/Loss on disposal of property, plant and equipment	(128)	619	(500)	–	(313)
Impairment loss on non-financial assets:					
Property, plant and equipment	393	–	3,224	5,549	157
Prepaid lease rental on land	–	–	199	399	835
Goodwill	1,473	–	–	–	–
Impairment loss on financial assets:					
Loans and receivables*	12,127	10,446	12,925	1,838	4,636
Available-for-sale financial assets	–	5,069	1,305	–	–
Net foreign exchange (gain)/loss**	(5,048)	(27,572)	(22,871)	(33,568)	468
Operating lease charge on land and buildings	5,759	3,306	3,016	1,539	1,330
Outgoings in respect of investment properties	7,614	6,446	10,765	6,255	2,809
Net rental income	(55,004)	(59,791)	(52,417)	(25,779)	(27,404)
Research and development costs* ^	2,396	607	824	27	459
Staff costs *(note)*	128,131	109,750	105,825	57,963	49,933
Allowance/(Reversal of allowance) for inventories#	182	(5,443)	(2,935)	747	1,781
Write-off of property, plant and equipment	576	146	82	7	1
Business tax and other levies	5,198	4,764	11,466	5,256	9,382

included in "Cost of goods and services" on the face of the combined income statements

* *included in "Other operating expenses" on the face of the combined income statements*

** *included in "Other gains/(losses) – Others" on the face of the combined income statements*

^ *excluding depreciation of property, plant and equipment and staff costs*

Note: Staff costs (including directors' emoluments)

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008 (Unaudited)	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Salaries, allowances and other benefits	123,441	105,005	102,136	55,849	48,106
Retirement fund contributions *(note 40)*	2,694	3,164	3,553	2,096	1,611
Termination benefits	1,996	1,581	136	18	216
	128,131	109,750	105,825	57,963	49,933

9. FINANCE COSTS

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008 (Unaudited)	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Interest charges on:					
Bank loans and overdrafts					
– wholly repayable within five years	23,727	33,640	40,448	22,298	9,171
– wholly repayable over five years	7,654	7,664	–	–	–
Other loans wholly repayable within five years	–	–	1,436	173	47
Total interest expense on financial liabilities not at fair value through profit or loss	31,381	41,304	41,884	22,471	9,218
Bank charges	–	2,025	1,167	1,495	–
Total borrowing costs	31,381	43,329	43,051	23,966	9,218

10. INCOME TAX EXPENSE

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008 (Unaudited)	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Income tax expenses comprise:					
Current tax for the year/period					
Hong Kong profits tax	9,682	5,017	1,123	1,431	2,814
Other regions of the PRC					
– Enterprise income tax	879	4,709	14,861	4,961	6,769
Others	–	–	1,022	–	664
	10,561	9,726	17,006	6,392	10,247
Under/(Over) provision in prior years					
Hong Kong profits tax	30,164	5,305	(117)	(117)	78,708
Other regions of the PRC					
– Enterprise income tax	–	30	13,955	12,810	2,257
Others	–	–	28	–	–
	30,164	5,335	13,866	12,693	80,965
Deferred tax *(note 38)*	12,299	9,269	7,360	12,326	(5,776)
	53,024	24,330	38,232	31,411	85,436

Hong Kong profits tax for the years ended 31st December, 2006 and 2007 is calculated at 17.5% on the estimated assessable profits of the respective year while that for the year ended 31st December, 2008 and for the six months ended 30th June, 2009 is calculated at the rate of 16.5% (six months ended 30th June, 2008: 16.5%).

Enterprise income tax ("EIT") arising from other regions of the PRC for the years ended 31st December, 2006 and 2007 is calculated at 15% – 33% of the estimated assessable profits.

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New EIT Law"). On 6th December, 2007, the State Council issued Implementation Regulations of the New EIT Law. The New EIT Law introduces a wide range of changes which include, but are not limited to, the unification of the EIT rate for domestic and foreign investment enterprises at a rate of 25% with effect from 1st January, 2008. For those group entities enjoying preferential rate of 15%, the new tax rate is progressively accelerated to 25% over a period of 5 years starting from 1st January, 2008. Under the new EIT Law, a corporate withholding income tax will be levied on the foreign investor for dividend distributed out of the profits of foreign investment enterprises generated since 1st January, 2008. The withholding income tax rate applicable to the Privateco Group is 10%. Accordingly, the tax rate of the EIT for the year ended 31st December, 2008 and the six months ended 30th June, 2009 are 10% – 25% (six months ended 30th June, 2008: 10% – 25%).

The income tax expense can be reconciled to the profit/(loss) before income tax at applicable tax rates as follows:

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008	2009
				(Unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(Loss) before income tax	265,751	335,423	18,780	85,443	(57,571)
Tax on profit at the rates applicable to profits in the countries concerned	81,253	64,013	(753)	17,390	(27,865)
Expenses not deductible for tax purpose	11,598	25,789	50,047	13,075	48,468
Income not taxable for tax purpose	(49,393)	(35,968)	(18,846)	(8,726)	(13,554)
Share of results of associates and jointly controlled entities	(18,919)	(14,090)	(7,648)	(6,945)	795
Tax exemption	(3,599)	(4,837)	(5,087)	(970)	–
Effect of change in tax rate on deferred tax assets/liabilities	–	861	(1,117)	(1,117)	–
Utilisation of tax losses previously not recognised	(8,890)	(8,827)	(8,647)	(2,769)	(3,768)
Tax losses not recognised	8,907	1,205	12,791	4,982	2,222
Under provision in prior years	30,164	5,335	13,866	12,693	80,965
Others	1,903	(9,151)	3,626	3,798	(1,827)
Income tax expense	53,024	24,330	38,232	31,411	85,436

11. DIVIDENDS

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008	2009
				(Unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Dividends declared and paid by the Privateco Group	20,019	42,039	15,765	–	–
Dividends proposed by the Privateco Group	42,039	63,058	15,705	15,765	10,470
	62,058	105,097	31,470	15,765	10,470

Dividend recognised as distributions during the years ended 31st December, 2006, 2007 and 2008, and the six months ended 30th June, 2008 and 2009 amounted to HK$60,058,000, HK$84,078,000, HK$78,823,000, HK$63,058,000 and HK$15,705,000 respectively. The proposed dividend of HK$10,470,000 for the six months ended 30th June, 2009 was paid on 28th October, 2009.

12. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

	Salaries, allowances and other benefits	Retirement fund contributions	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31st December, 2006			
Executive directors			
Mr. Billy K Yung	5,166	226	5,392
Mdm Yung Ho Wun Ching	1,677	–	1,677
Ms. Vivian Hsu	–	–	–
	6,843	226	7,069

	Salaries, allowances and other benefits	Retirement fund contributions	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31st December, 2007			
Executive directors			
Mr. Billy K Yung	5,631	230	5,861
Mdm Yung Ho Wun Ching	1,721	–	1,721
Ms. Vivian Hsu	–	–	–
	7,352	230	7,582

	Salaries, allowances and other benefits	Retirement fund contributions	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31st December, 2008			
Executive directors			
Mr. Billy K Yung	4,814	191	5,005
Mdm Yung Ho Wun Ching	1,645	–	1,645
Ms. Vivian Hsu	–	–	–
	6,459	191	6,650

	Salaries, allowances and other benefits	Retirement fund contributions	Total
	HK$'000	*HK$'000*	*HK$'000*
Six months ended 30th June, 2008 (Unaudited)			
Executive directors			
Mr. Billy K Yung	2,135	96	2,231
Mdm Yung Ho Wun Ching	706	–	706
Ms. Vivian Hsu	–	–	–
	2,841	96	2,937

	Salaries, allowances and other benefits	Retirement fund contributions	Total
	HK$'000	*HK$'000*	*HK$'000*
Six months ended 30th June, 2009			
Executive directors			
Mr. Billy K Yung	2,084	96	2,180
Mdm Yung Ho Wun Ching	677	–	677
Ms. Vivian Hsu	–	–	–
	2,761	96	2,857

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

Five highest paid individuals

The five individuals with the highest emoluments in the Privateco Group for the years ended 31st December, 2006, 2007 and 2008, and the six months ended 30th June, 2008 and 2009 included 1, 1, 2, 2 and 2 directors, respectively, whose emoluments are included in the disclosures above. The emoluments of the remaining 4, 4, 3, 3 and 3 non-director individuals for the years ended 31st December, 2006, 2007 and 2008, and the six months ended 30th June, 2008 and 2009, respectively, were as follows:

	Year ended 31st December,			Six months ended 30th June,	
	2006	**2007**	**2008**	**2008 (Unaudited)**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Salaries, allowances and other benefits	13,788	9,536	7,049	3,372	2,439
Retirement fund contributions	143	100	12	6	34
	13,931	9,636	7,061	3,378	2,473

Their emoluments were within the following bands:

	Number of employee				
	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008	2009
				(Unaudited)	
HK$500,001-HK$1,000,000	–	–	–	1	2
HK$1,000,001-HK$1,500,000	–	–	–	2	1
HK$1,500,001-HK$2,000,000	2	1	1	–	–
HK$2,000,001-HK$2,500,000	1	1	1	–	–
HK$2,500,001-HK$3,000,000	–	2	1	–	–
HK$7,500,001-HK$8,000,000	1	–	–	–	–

No emolument was paid by the Privateco Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Privateco Group, or as compensation for loss of office.

13. INVESTMENT PROPERTIES

	Year ended 31st December,			Six months ended 30th June,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount at the beginning of the year/period	590,615	698,265	715,494	660,068
Translation adjustment	675	1,629	14,412	111
Additions	6,268	3,921	413	980
Reclassification (to)/from assets classified as held for sale	(24,914)	7,212	–	–
Disposals	–	(63,600)	–	–
Increase/(Decrease) in fair value	125,621	68,067	(70,251)	(120,925)
Carrying amount at the end of the year/period	698,265	715,494	660,068	540,234

The carrying amount of the Privateco Group's interests in investment properties is analysed as follows:

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
In Hong Kong, held under long leases	98,220	135,280	136,000	137,000
In other regions of the PRC, held under medium-term leases	274,005	248,714	252,628	208,234
In the USA, freehold	326,040	331,500	271,440	195,000
	698,265	715,494	660,068	540,234

Investment properties which are situated in Hong Kong and other regions of the PRC were revalued by Knight Frank Petty Limited at the end of respective reporting years/period on an open market basis. The valuations were arrived at by reference to comparable market transactions and where appropriate, on the basis of capitalisation of net income. Investment properties situated in the USA were revalued at the end of respective reporting years/period by Cushman & Wakefield of California on an income approach with reference to comparable market conditions. Knight Frank Petty Limited and Cushman & Wakefield of California are independent firms of professionally qualified valuers and have appropriate qualifications and recent experiences in the valuation of similar properties in nearby locations.

The investment properties are leased to third parties under operating leases to earn rental income, further details of which are included in note 42.

In securing a three-year term loan borrowed from a bank during the year ended 31st December, 2008, the Privateco Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain investment properties with carrying value of HK$136,000,000 and HK$137,000,000, respectively, as at 31st December, 2008 and 30th June, 2009.

Certain investment properties of the Privateco Group are pledged as further detailed in note 41.

Further particulars of the investment properties are included on pages III-90 to III-91.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Tools and moulds	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1st January, 2006	111,990	36,319	58,470	59,166	7,946	273,891
Translation adjustment	3,097	1,175	1,519	1,056	130	6,977
Additions	254	2,250	8	10,721	7,133	20,366
Disposals	(162)	(265)	–	(1,521)	(1,717)	(3,665)
Write-off	–	(259)	(12)	(1,423)	(158)	(1,852)
Reclassification	(938)	938	–	–	–	–
At 31st December, 2006 and 1st January, 2007	114,241	40,158	59,985	67,999	13,334	295,717
Translation adjustment	6,532	2,619	3,225	1,950	433	14,759
Additions	138	3,531	99	3,662	14,143	21,573
Disposals	(167)	(1,058)	–	(5,028)	(624)	(6,877)
Disposal of a subsidiary	–	–	–	(2,291)	–	(2,291)
Write-off	–	(42)	–	(3,878)	–	(3,920)
At 31st December, 2007 and 1st January, 2008	120,744	45,208	63,309	62,414	27,286	318,961
Translation adjustment	5,908	2,556	2,931	1,778	1,121	14,294
Additions	10,090	1,996	–	2,958	18,132	33,176
Disposals	(1,606)	–	–	(32)	(517)	(2,155)
Write-off	–	(166)	(1,192)	(262)	(406)	(2,026)
At 31st December, 2008 and 1st January, 2009	135,136	49,594	65,048	66,856	45,616	362,250
Translation adjustment	60	20	22	14	16	132
Additions	–	142	–	95	18,561	18,798
Disposals	–	–	–	(808)	(1,021)	(1,829)
Write-off	–	–	–	(17)	–	(17)
At 30th June, 2009	135,196	49,756	65,070	66,140	63,172	379,334

	Land and buildings HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2006	22,537	23,051	57,958	38,532	6,352	148,430
Translation adjustment	582	752	1,514	664	101	3,613
Impairment	–	–	–	393	–	393
Depreciation provided	2,855	2,255	144	6,506	1,364	13,124
Disposals	(44)	(59)	–	(661)	(1,645)	(2,409)
Write-off	–	(100)	(5)	(1,025)	(146)	(1,276)
Reclassification	(145)	145	–	–	–	–
At 31st December, 2006 and 1st January, 2007	25,785	26,044	59,611	44,409	6,026	161,875
Translation adjustment	1,410	1,792	3,216	1,359	251	8,028
Depreciation provided	2,953	3,445	132	6,118	3,007	15,655
Disposals	(48)	(690)	–	(3,355)	(467)	(4,560)
Disposal of a subsidiary	–	–	–	(1,117)	–	(1,117)
Write-off	–	(25)	–	(3,749)	–	(3,774)
At 31st December, 2007 and 1st January, 2008	30,100	30,566	62,959	43,665	8,817	176,107
Translation adjustment	1,386	1,728	2,925	1,175	284	7,498
Impairment	3,224	–	–	–	–	3,224
Depreciation provided	3,014	3,352	138	5,441	5,601	17,546
Disposals	(359)	–	–	(26)	(465)	(850)
Write-off	–	(118)	(1,192)	(228)	(406)	(1,944)
At 31st December, 2008 and 1st January, 2009	37,365	35,528	64,830	50,027	13,831	201,581
Translation adjustment	25	14	22	10	3	74
Impairment	157	–	–	–	–	157
Depreciation provided	1,605	1,472	70	3,093	4,877	11,117
Disposals	–	–	–	(774)	(854)	(1,628)
Write-off	–	–	–	(16)	–	(16)
At 30th June, 2009	39,152	37,014	64,922	52,340	17,857	211,285
NET CARRYING AMOUNT						
At 31st December, 2006	88,456	14,114	374	23,590	7,308	133,842
At 31st December, 2007	90,644	14,642	350	18,749	18,469	142,854
At 31st December, 2008	97,771	14,066	218	16,829	31,785	160,669
At 30th June, 2009	96,044	12,742	148	13,800	45,315	168,049

The carrying amounts of land and buildings and prepaid lease rental on land held by the Privateco Group are analysed as follows:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
In Hong Kong held under long leases	4,273	4,073	3,873	3,773
In other regions of the PRC, held under				
– medium-term leases	88,586	91,940	101,102	98,483
– long leases	6,061	5,950	4,606	4,567
In the USA, freehold	6,547	6,456	6,365	6,319
	105,467	108,419	115,946	113,142
Land and buildings included in property, plant and equipment	88,456	90,644	97,771	96,044
Prepaid lease rental on land *(note 15)*	17,011	17,775	18,175	17,098
	105,467	108,419	115,946	113,142

In securing a three-year term loan borrowed from a bank during the year ended 31st December, 2008, the Privateco Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain property, plant and equipment with carrying value of HK$77,835,000 and HK$76,525,000, respectively, as at 31st December, 2008 and 30th June, 2009.

15. PREPAID LEASE RENTAL ON LAND

	Year ended 31st December,			Six months ended 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount at the beginning of the year/period	16,854	17,011	17,775	18,175
Translation adjustment	595	1,222	1,092	8
Amortisation charged	(438)	(458)	(493)	(250)
Impairment loss	–	–	(199)	(835)
Carrying amount at the end of the year/period	17,011	17,775	18,175	17,098

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed into:				
Non-current portion included in non-current assets	16,621	17,357	17,731	16,654
Current portion included in current assets	390	418	444	444
	17,011	17,775	18,175	17,098

16. GOODWILL

	Year ended 31st December, 2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*	Six months ended 30th June, 2009 *HK$'000*
Carrying amount at the beginning of the year/period	–	–	–	–
Acquisition of additional interest in a subsidiary	1,473	–	–	–
Impairment loss	(1,473)	–	–	–
Carrying amount at the end of the year/period	–	–	–	–

17. OTHER INTANGIBLE ASSET

	Taxi licences *HK$'000*
COST	
At 1st January, 2006	202,267
Translation adjustment	7,198
At 31st December, 2006 and 1st January, 2007	209,465
Translation adjustment	15,279
At 31st December, 2007 and 1st January, 2008	224,744
Translation adjustment	13,890
At 31st December, 2008 and 1st January, 2009	238,634
Translation adjustment	105
At 30th June, 2009	238,739
AMORTISATION AND IMPAIRMENT	
At 1st January, 2006	38,400
Translation adjustment	1,366
At 31st December, 2006 and 1st January, 2007	39,766
Translation adjustment	2,901
At 31st December, 2007 and 1st January, 2008	42,667
Translation adjustment	2,637
At 31st December, 2008 and 1st January, 2009	45,304
Translation adjustment	20
At 30th June, 2009	45,324
NET CARRYING AMOUNT	
At 31st December, 2006	169,699
At 31st December, 2007	182,077
At 31st December, 2008	193,330
At 30th June, 2009	193,415

The carrying amounts of taxi licences as at 31st December, 2006, 2007, 2008 and 30th June, 2009 are tested for impairment by the management by estimating its recoverable amount based on a value in use calculation. The calculations use cash flow projections based on the financial budgets approved by the management.

The financial budgets prepared for the years ended 31st December, 2006 and 2007 are up to year 2013 which is the year in which the business licence of the respective subsidiary engaging in taxi rental operation would expire. The financial budgets prepared for the year ended 31st December, 2008 and six months ended 30th June, 2009 are up to year 2023 as management considers that the application for extending the business period of the subsidiary by 10 years to year 2023 will be approved by the PRC government.

Other key assumptions used by management in the value in use calculation of the taxi licences have been determined based on past performance and its expectations for the market development. Key assumptions underlying the cash flow projections include (i) the number of taxi licences held by the Privateco Group remains the same throughout the forecast period, and (ii) the forecast taxi licence fee income is determined based on the fee income received during the respective year/period, adjusted by the expected market development. The discount rate applied to the cash flow projections is 6% (post-tax) for the year ended 31st December, 2006, 9% (pre-tax) for the year ended 31st December, 2007, 8% (pre-tax) for the year ended 31st December, 2008 and 8% (pre-tax) for the six months ended 30th June, 2009 (six months ended 30th June, 2008: 8% (pre-tax)) which reflects specific risks relating to the taxi rental operation.

18. INTERESTS IN ASSOCIATES

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	288,533	366,112	418,010	412,416
Goodwill on acquisition of an associate	850	850	850	850
	289,383	366,962	418,860	413,266

Details of the Privateco Group's associates are set out in note 50.

The following illustrates the summarised financial statements of the Privateco Group's associates extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Privateco Group:

	100% basis			
	Year ended 31st December,			Six months ended 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Results for the year/period				
Revenue	876,203	835,591	1,104,349	459,206
Profit/(Loss)	250,363	286,170	167,345	(98,623)

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial positions				
Assets	3,368,063	3,820,224	3,910,594	3,527,976
Liabilities	(2,353,083)	(2,527,368)	(2,437,661)	(2,155,488)
Net assets	1,014,980	1,292,856	1,472,933	1,372,488

For the year ended 31st December, 2006, the associates, Yue Tian Development Limited and Guangzhou Cheng Jian Tian Yu Real Estate Development Company Limited (collectively referred to as the "Yue Tian Group"), are accounted for using equity method up to the date on which they are classified as assets held for sale in accordance with HKFRS 5. The Privateco Group's interests in Yue Tian Group as at 31st December, 2006 was reclassified and presented as assets classified as held for sale on the face of the combined statement of financial position as at 31st December, 2006 as further detailed in note 31(b).

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	–	3,931	3,873	3,318
Goodwill on acquisition	–	390	390	390
	–	4,321	4,263	3,708

Details of the Privateco Group's jointly controlled entities are set out in note 51.

The following illustrates the summarised financial statements of the Privateco Group's jointly controlled entities extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Privateco Group:

	Year ended 31st December,			Six months ended 30th June,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of results for the year/period				
Revenue	–	5,719	5,700	2,567
Profit after income tax expenses	–	3,541	2,456	1,020

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of assets and liabilities				
Total non-current assets	–	354	27	82
Total current assets	–	5,474	4,580	3,814
Total current liabilities	–	(1,897)	(734)	(578)
	–	3,931	3,873	3,318

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31st December, 2006 HK$'000	2007 HK$'000	2008 HK$'000	As at 30th June, 2009 HK$'000
Unlisted investments				
Convertible notes *(note (a))*	–	5,070	–	–
Club debentures *(note (b))*	2,920	2,920	2,920	2,920
	2,920	7,990	2,920	2,920

Notes:

(a) As mentioned in note 22, the Company subscribed certain convertible notes during the year ended 31st December, 2007. Based on the assessment of the Directors, the convertible notes are impaired with impairment loss of HK$5,069,000 being recognised in the combined income statement for the year ended 31st December, 2007. The recoverable amount of the convertible notes of HK$5,070,000 as at 31st December, 2007 is determined based on the cash flow projections discounted using the market interest rate. The convertible notes were redeemed in cash of S$1,000,000 (equivalent to approximately HK$5,070,000) during the six months ended 30th June, 2009.

(b) Club debentures are stated at cost less impairment since the Directors are of the opinion that the fair value cannot be determined reliably.

21. LOANS RECEIVABLE

	As at 31st December, 2006 HK$'000	2007 HK$'000	2008 HK$'000	As at 30th June, 2009 HK$'000
Loans receivable from				
Investees *(note (a))*	15,600	–	14,212	13,253
Associates *(note (b))*	164,974	152,668	128,928	120,377
Others *(note (c))*	42,269	49,730	40,593	41,947
	222,843	202,398	183,733	175,577
Less: Impairment *(notes (a) and (c))*	(38,251)	(45,877)	(38,250)	(38,942)
	184,592	156,521	145,483	136,635
Analysed into:				
Amount repayable in more than one year included in non-current assets	166,805	152,668	130,138	121,284
Amount repayable within one year included in current assets	17,787	3,853	15,345	15,351
	184,592	156,521	145,483	136,635

Notes:

(a) The balance as at 31st December, 2006 was unsecured, interest-bearing at 4% per annum and repayable on 15th December, 2007. The balance as at 31st December, 2008 was unsecured, interest-bearing at 4% – 9% per annum and repayable as to HK$5,796,000 within twelve months from 31st December, 2008 and HK$8,416,000 after twelve months from 31st December, 2008. The balance as at 30th June, 2009 was unsecured, interest-bearing at 4% – 9% per annum and repayable as to HK$5,140,000 within twelve months from 30th June, 2009 and HK$8,113,000 after twelve months from 30th June, 2009. Having considered the financial position of the borrowers, management assessed that only a portion of the balance can be recovered and accordingly, impairment provision of HK$8,996,000 and HK$8,339,000, respectively, were made in respect of the loan receivables from investees as at 31st December, 2008 and 30th June, 2009.

(b) The loans to associates are unsecured and interest-free. The amortised costs of the loans to associates as at 31st December, 2006, 2007 and 2008, and 30th June, 2009 are calculated at the present values of the expected settlements from the associates in accordance with the business plans of the respective associates, discounted at the rates of return of similar financial assets. The loans to associates will not be repayable within twelve months from the end of respective reporting years/period and accordingly, they are classified as non-current assets. Having considered the financial position of these associates, and the status of settlements from them, the management assessed that there is no indication of impairment in respect of these loans.

(c) The balance as at 31st December, 2006 was unsecured, interest-bearing at 5% – 7% per annum and repayable on demand except for an amount of HK$1,831,000 which was not repayable within twelve months from 31st December, 2006 and was thereby included in non-current assets. The balances as at 31st December, 2007 and 2008 and 30th June, 2009 were unsecured, interest-bearing at 5% – 8% per annum and repayable on demand. Having considered the financial position of the borrowers, management assessed that only a portion of the balances can be recovered and accordingly, impairment provision of HK$38,251,000, HK$45,877,000, HK$29,254,000 and HK$30,603,000, respectively, were made in respect of the respective balances as at 31st December, 2006, 2007 and 2008 and 30th June, 2009.

In the opinion of the Directors, the carrying amounts of these loans receivable at the balance sheet dates approximate their fair values.

22. DEPOSIT PAID FOR ACQUISITION OF OTHER INVESTMENT

On 27th December, 2006, the Company entered into a legally binding memorandum of undertaking with certain independent third parties to subscribe for convertible and non-convertible notes in an aggregate principal amount of S$17,000,000 (equivalent to approximately HK$87,635,000) in cash (the "Subscription"). As at 31st December, 2006, deposit amounting to S$2,000,000 (equivalent to approximately HK$10,139,000) (the "1st Deposit") as required under the memorandum of undertaking was paid which was classified as "Deposit paid for acquisition of other investment" on the face of the combined statement of financial position as at 31st December, 2006.

On 26th April, 2007, the Company and the third parties entered into an agreement for the subscription and the Company paid further deposit of S$15,000,000 (equivalent to approximately HK$77,496,000) (the "2nd Deposit") to an escrow account. At the same time, the Company has subscribed for the underlying convertible notes in respect of the 1st Deposit paid to the issuer during the year ended 31st December, 2006 and the convertible notes subscribed are accounted for as available-for-sale financial assets as at 31st December, 2007. As certain conditions for subscribing the underlying convertible and non-convertible notes in respect of the 2nd Deposit were not yet fulfilled by the third parties up to the fulfillment date, the 2nd Deposit was accounted as "Deposit paid for acquisition of other investment" as at 31st December, 2007.

During the year ended 31st December, 2008, management has decided to terminate the Subscription and the 2nd Deposit was returned to the Company in the same year.

23. INVENTORIES

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	65,603	69,813	71,394	40,785
Work-in-progress	10,526	4,501	6,636	8,519
Finished goods	22,488	38,602	45,302	33,825
	98,617	112,916	123,332	83,129
Inventories stated				
At cost	84,942	102,129	106,772	75,276
At net realisable value	13,675	10,787	16,560	7,853
	98,617	112,916	123,332	83,129

24. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	161,716	192,310	263,843	170,628
Less: Impairment of trade receivables	(18,964)	(12,530)	(13,436)	(15,100)
Trade receivables, net *(note)*	142,752	179,780	250,407	155,528
Prepayments and deposits	24,347	33,703	18,306	26,131
Other receivables	57,718	63,884	18,545	17,539
	224,817	277,367	287,258	199,198

Note:

The ageing analysis of the trade receivables (based on invoice date) net of impairment allowance is as follows:

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
30 days or below	74,884	84,025	99,855	70,097
31-60 days	53,355	71,379	66,713	54,093
61-90 days	8,879	13,722	44,515	23,494
91-180 days	4,051	7,556	37,838	6,541
181-360 days	978	1,798	383	1,069
Over 360 days	605	1,300	1,103	234
	142,752	179,780	250,407	155,528

The Privateco Group maintains a defined credit policy. For sales of goods, the Privateco Group normally allows a credit period of 45 days or 60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices.

In general, trade receivables that are aged below one year are not considered impaired based on management's historical experience and management would consider allowance for impairment of trade receivables which are aged one year or above.

The movement in the allowance for impairment of trade receivables during the Relevant Periods is as follows:

	Year ended 31st December,			Six months ended 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount at the beginning of the year/period	19,826	18,964	12,530	13,436
Translation adjustment	179	227	214	7
Impairment losses recognised	1,542	1,414	2,202	3,326
Impairment losses reversed	(2,350)	(192)	(1,405)	–
Amounts written off as uncollectible	(60)	(7,883)	(105)	(1,669)
Amounts recovered	(173)	–	–	–
Carrying amount at the end of the year/period	18,964	12,530	13,436	15,100

At the end of each reporting year/period, management reviewed receivables for evidence of impairment on both an individual and collective basis. The Privateco Group's trade receivables of HK$18,964,000, HK$12,530,000, HK$13,436,000 and HK$15,100,000 as at 31st December, 2006, 2007 and 2008 and 30th June, 2009, respectively, were impaired and accordingly, full allowance were made in respect of these balances. The individually impaired receivables mainly relate to customers that were in financial difficulties and management assessed that the entire amount of the receivable balances is unlikely to be recovered.

The Privateco Group does not hold any collateral over these balances. The ageing analysis of trade receivables which were impaired and for which allowances were made for as at the end of the respective reporting years/period are as follows:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
30 days or below	4,048	341	298	297
31-60 days	161	697	132	121
61-90 days	–	2	132	124
91-180 days	35	207	500	556
181-360 days	48	161	1,270	2,640
Over 360 days	14,672	11,122	11,104	11,362
	18,964	12,530	13,436	15,100

The ageing analysis of trade receivables that are past due, based on due date, but are not considered impaired as at the end of the respective reporting years/period are as follows:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
61-90 days	8,879	13,722	44,515	23,494
91-180 days	4,051	7,556	37,838	6,541
181-360 days	978	1,798	383	1,069
Over 360 days	605	1,300	1,103	234
	14,513	24,376	83,839	31,338

Trade receivables that were not yet past due relate to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good payment record with the Privateco Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Privateco Group does not hold any collateral over these balances.

Trade and other receivables are short term and hence the carrying amounts of trade and other receivables approximate their fair values.

25. AMOUNT(S) DUE FROM ASSOCIATES/A JOINTLY CONTROLLED ENTITY/INVESTEES

The amounts due are unsecured, interest-free and repayable on demand. The Directors consider that the carrying amounts of the above balances approximate their fair values.

26. AMOUNTS DUE FROM RELATED PARTIES

The balances of HK$179,705,000, HK$340,386,000, HK$779,425,000 and HK$800,731,000, respectively, as at 31st December, 2006, 2007 and 2008, and 30th June, 2009 are due from a subsidiary of the Remaining Group. The balances are unsecured and repayable on demand. Except for an amount of HK$202,270,000, HK$615,025,000 and HK$619,823,000, respectively, which is interest-bearing at interest rate of 5.86% – 8%, 5.86% – 8.47%, and 5.86% – 8.47%, respectively, as at 31st December, 2007 and 2008 and 30th June, 2009, the balances due are interest-free.

The balance of HK$1,367,000 as at 31st December, 2007 is due from another related company which is unsecured, interest-free and repayable on demand.

27. INVESTMENTS HELD FOR TRADING

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity securities, at fair value				
Unlisted	4	–	–	–
Listed in Hong Kong	109,043	30,531	11,349	20,764
Listed outside Hong Kong	75,837	17,850	9,294	5,926
Debt securities, at fair value				
Listed outside Hong Kong	–	–	–	14,611
	184,884	48,381	20,643	41,301

The fair values of the listed equity and debt securities are determined based on quoted market prices available on the relevant stock exchanges. Certain equity and debt securities are pledged as further detailed in note 41.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31st December, 2006	2007	2008	As at 30th June, 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity derivatives – assets/(liabilities)	1,292	(6,738)	–	(1,073)

As at 31st December, 2006, a Privateco Entity held two forward contracts in respect of the shares of a listed company in Hong Kong. As at 31st December, 2007, the Privateco Entity held another three forward contracts in respect of the shares of a listed company in the United Kingdom, a listed company in Singapore and another listed company in Hong Kong. The aggregate notional amount of the contracts as at 31st December, 2006 and 2007 were HK$123,173,000 and HK$85,287,000 respectively. Under the contracts, the Privateco Entity is required to buy certain numbers of the shares, depending on the market price of the listed companies' shares on the settlement dates during the period of the contracts at the underlying forward prices. When the market price of the listed companies' shares exceeds the knock-out prices as set forth in the contracts, the contracts would be terminated. Further details about the terms of these contracts are as follows:

	Forward price	Number of Shares# Lower	Higher	Knock-out price	Maturity date
	HK$			*HK$*	
2006					
Contract 1	14.625	43,500	87,000	17.0625	14th May, 2007
Contract 2	14.4254	38,000	76,000	17.064	17th July, 2007
2007					
Contract 1	GBP5.4395	4,000	8,000	GBP6.129	21st July, 2008
Contract 2	SGD6.63	8,000	16,000	SGD7.875	17th July, 2008
Contract 3	HK$81.6387	4,000	8,000	HK$99.6751	12th November, 2008

To be settled on weekly basis

As at 30th June, 2009, the Privateco Entity held a call option contract with a third party financial institution. Under the contract, the Privateco Entity has an obligation to deliver the shares of a listed company in Hong Kong to the third party financial institution at an agreed price on an agreed date. According to the contract, the number of shares to be delivered is 933,000, the agreed price is HK$3.91 per share and the agreed date is 14th August, 2009.

The equity derivatives are not designated as hedging instrument and their fair values are determined by reference to the valuation conducted by a third party financial institution.

These financial instruments are subject to financial risk exposure in term of price risk (note 48.4(a)).

29. RESTRICTED CASH AND DEPOSITS

Cash balance placed with certain security brokers amounting to HK$16,398,000 as at 31st December, 2007 was restricted for the purpose of securities trading. The cash balance deposited with these security brokers as at 31st December, 2006 and 2008 and 30th June, 2009 were not subject to such restriction and was therefore included in cash and cash equivalents.

30. CASH AND CASH EQUIVALENTS

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank, in hand and deposited with security brokers	336,279	1,213,273	470,827	427,309
Less: Restricted cash and deposits classified under current assets *(note 29)*	–	(16,398)	–	–
Less: Pledged cash deposits classified under current assets	–	(876,858)	–	–
	336,279	320,017	470,827	427,309

Cash balance denominated in Renminbi ("RMB") amounted to approximately HK$250,686,000, HK$233,216,000, HK$440,142,000 and HK$342,181,000 as at 31st December, 2006, 2007, 2008 and 30th June, 2009 respectively. The RMB is not freely convertible into other currencies.

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for period depending on the immediate cash requirements of the Privateco Group, and earn interest at the respective short-term time deposit rates. The fair value of the short-term deposits is not materially different from their carrying amount because of the short maturity period.

31. ASSETS CLASSIFIED AS HELD FOR SALE

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment properties *(note (a))*	24,914	–	–	–
Interest in an associate *(note (b))*	131,590	–	–	–
	156,504	–	–	–

Notes:

(a) During the year ended 31st December, 2006, a Privateco Entity entered into provisional sale and purchase agreements with independent third parties to dispose of these properties. These properties were revalued as at 31st December, 2006 based on the selling price as stipulated in the provisional sale and purchase agreements and were reclassified as assets classified as held for sale.

(b) In September, 2006, a Privateco Entity entered into a non-legally binding letter of intent in relation to the proposed disposal of its 20% effective interest in a property development project (the "Development Project"). On 2nd March, 2007, the Privateco Entity entered into a sale and purchase agreement with a related company and an independent third party in relation to the disposal of the entire issued share capital of Allright Investments Limited ("Allright"), the then wholly-owned subsidiary of the Privateco Entity, and assigned to the purchaser the total principal amount due from Allright to the Privateco Entity at an aggregate consideration of HK$177,302,000 (the "Allright Sale"). The Development Project is effectively held by Yue Tian Group, associates of the Privateco Group in which Allright holds 20% equity interest. Further details about the Allright Sale are set out in the circular to the shareholders of the Company dated 28th March, 2007.

In the opinion of the Directors, the Allright Sale is highly probable and thus the Privateco Group's interests in Yue Tian Group are reclassified and presented in the combined statement of financial position as at 31st December, 2006 as assets classified as held for sale. The Allright Sale was completed in 2007 and a gain on disposal of an associate of HK$45,302,000 is recorded for the year ended 31st December, 2007.

32. TRADE AND OTHER PAYABLES

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	89,850	107,984	123,230	68,863
Temporary receipts	37,904	33,651	37,690	36,527
Deferred income	29,725	23,672	17,509	14,812
Other payables and accruals	118,810	129,352	139,404	93,277
Deposit received	16,410	18,548	17,730	18,180
	292,699	313,207	335,563	231,659

The ageing analysis of trade payables (based on invoice date) is as follows:

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
30 days or below	39,649	35,266	58,975	22,801
31-60 days	25,964	43,480	27,462	22,928
61-90 days	6,994	18,597	15,521	9,888
91-180 days	5,390	7,556	10,205	2,828
181-360 days	9,501	439	4,031	4,030
Over 360 days	2,352	2,646	7,036	6,388
	89,850	107,984	123,230	68,863

Trade and other payables are short term and hence the Directors consider the carrying amounts of trade and other payables approximate their fair values.

33. AMOUNT(S) DUE TO A JOINTLY CONTROLLED ENTITY/RELATED PARTIES

The amounts due are unsecured, interest-free and repayable on demand. The Directors consider that the carrying amounts of the balances approximate their fair values.

34. BANK BORROWINGS

	As at 31st December,			As at 30th June,
	2006	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans				
Secured	109,809	497,478	352,404	349,688
Unsecured	376,340	565,735	328,193	348,595
	486,149	1,063,213	680,597	698,283

The movement of bank borrowings is as follows:

	Year ended 31st December, 2006	2007	2008	Six months ended 30th June, 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount at the beginning of the year/period	429,869	486,149	1,063,213	680,597
Translation adjustment	556	–	24,156	–
New bank loans raised	1,075,763	1,693,151	1,308,007	258,742
Repayment of bank loans	(1,020,039)	(1,116,087)	(1,714,779)	(241,056)
Carrying amount at the end of the year/period	486,149	1,063,213	680,597	698,283

The maturity of bank borrowings is as follows:

	As at 31st December, 2006	2007	2008	As at 30th June, 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans				
Due within one year	379,573	959,819	209,152	354,167
Due more than one year, but not exceeding two years	3,470	3,470	54,951	5,690
Due more than two years, but not exceeding five years	11,720	11,720	416,494	338,426
Due more than five years	91,386	88,204	–	–
	486,149	1,063,213	680,597	698,283
Less: Amounts due within one year included in current liabilities	(379,573)	(959,819)	(209,152)	(354,167)
Amounts due after one year included in non-current liabilities	106,576	103,394	471,445	344,116

The carrying amounts of the bank loans are denominated in the following currencies:

	As at 31st December, 2006	2007	2008	As at 30th June, 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong Dollar	363,923	378,403	400,357	458,000
RMB	–	390,852	–	–
US Dollar	122,226	293,958	280,240	240,283
	486,149	1,063,213	680,597	698,283

The bank borrowings as at 31st December, 2006, 2007 and 2008 and 30th June, 2009, HK$126,340,000, HK$607,272,000, HK$178,097,000 and HK$108,000,000, respectively, were arranged at fixed annual interest rates of 5.76% – 7.49%, 5.83% – 6.90%, 0.95% – 3.84% and 0.60% – 0.90%, respectively, and the remaining balance of bank borrowings of HK$359,809,000, HK$455,941,000, HK$502,500,000 and HK$590,283,000, respectively, as at 31st December, 2006, 2007 and 2008 and 30th June, 2009 were arranged at floating annual interest rates of 4.68% – 5.9%, 4.05% – 6.65%, 3.15% – 5.57% and 1.38% – 2.99%, respectively.

The Company has been granted certain loan facilities from a bank which requires the Company to fulfill certain covenants. Subsequent to the year ended 31st December, 2008, the Company was not able to meet certain of the financial covenants as set out in the banking facility agreements. As a result of this, the non-current portion of the relevant borrowings amounting to HK$193,030,000 as at 30th June, 2009 is reclassified as current liabilities by the Privateco Group. The Directors have been negotiating with the bank for a relaxation of the financial covenants and the bank has verbally confirmed to the Company that it has not, so far, taken any action against the Company for breach of the financial covenants. The directors have also assessed that the violation of the loan covenants would not have significant financial impact to the Privateco Group.

The carrying amounts of the current and non-current bank borrowings approximate their fair values. The fair values of the non-current borrowings are calculated by discounting their expected future cash flows at market rates.

35. SHARE CAPITAL

The Privateco was incorporated on 20th August, 2009 and is authorised to issue up to a maximum of 500,000,000 shares of US$0.00002 each, 1 share of which was issued on the incorporation date.

A written resolution was passed on 25th November, 2009 to increase the authorised capital from US$10,000 divided into 500,000,000 shares of US$0.00002 each to US$12,000 divided into 600,000,000 shares of US$0.00002 by the creation of additional 100,000,000 shares ranking pari-passu with the existing shares of the Privateco.

The issued capital of the Privateco is to be increased to 523,484,562 shares by issuing 523,484,561 ordinary shares to the Company pursuant to the Group Restructuring as detailed in note 2.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Privateco. All ordinary shares rank equally with regard to the Privateco's residual assets.

36. RESERVES

Details of the movements on the Privateco Group's reserves are set out in the combined statements of changes in equity on page 8 to 10 in Appendix III. The nature and purpose of the reserves are as follows:

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy adopted in note 3.15.

Assets revaluation reserve

Assets revaluation reserve has been set up in accordance with the accounting policies set out in notes 3.2(b) and 3.6.

Available-for-sale financial assets revaluation reserve

Available-for-sale financial assets revaluation reserve comprises the cumulative net changes in the fair value of available-for-sale financial assets and is dealt with in accordance with accounting policy in notes 3.12 and 3.13.

Capital reserve

Capital reserve of the Privateco Group represents the capital contributions from the shareholders of the Company.

37. LOAN FROM A MINORITY SHAREHOLDER

The loan is unsecured, interest-free and not repayable within twelve months from the end of the reporting year/period. The fair value of the loan is calculated by discounting the expected future cash flows at prevailing interest rate.

38. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised and movements thereon during the Relevant Periods:

	Accelerated tax depreciation	Amortisation on intangible assets	Allowance on trade receivables	Revaluation of properties	Tax losses	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2006	3,312	3,548	(496)	18,007	252	(12)	24,611
Charged/(Credited) to income statement	2,329	5,776	13	3,241	(253)	1,193	12,299
(Credited)/Charged to equity	(7)	125	–	3	1	1	123
At 31st December, 2006 and 1st January, 2007	5,634	9,449	(483)	21,251	–	1,182	37,033
Translation adjustment	269	782	–	503	–	93	1,647
(Credited)/Charged to income statement:							
– Effect of change in tax rate	–	(2,449)	–	2,970	–	340	861
– Others	(4,125)	4,586	20	8,225	–	(298)	8,408
	(4,125)	2,137	20	11,195	–	42	9,269
At 31st December, 2007 and 1st January, 2008	1,778	12,368	(463)	32,949	–	1,317	47,949
Translation adjustment	–	807	–	902	–	86	1,795
(Credited)/Charged to income statement:							
– Effect of change in tax rate	(100)	–	27	(1,049)	–	5	(1,117)
– Others	(694)	4,911	381	5,287	–	(1,408)	8,477
	(794)	4,911	408	4,238	–	(1,403)	7,360
At 31st December, 2008 and 1st January, 2009	984	18,086	(55)	38,089	–	–	57,104
Translation adjustment	–	9	–	10	–	–	19
(Credited)/Charged to income statement	(81)	2,135	–	(7,830)	–	–	(5,776)
At 30th June, 2009	903	20,230	(55)	30,269	–	–	51,347

Represented by:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax liabilities	37,033	47,949	59,012	53,327
Deferred tax assets	–	–	(1,908)	(1,980)
	37,033	47,949	57,104	51,347

At the end of the reporting year/period, the expiry dates of the Privateco Group's unused tax losses available for offset against future profits, not recognised as deferred tax assets, are analysed as follows:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2007	19,375	N/A	N/A	N/A
2008	25,511	6,788	N/A	N/A
2009	52,709	22,395	23,679	9,797
2010	96,356	68,971	64,540	64,569
2011	55,049	24,873	9,969	9,973
2012	35,341	40,399	23,958	19,500
2013	3,471	1,910	13,217	13,525
2014	4,867	4,867	–	6,474
2015	1	–	–	–
2016	4	–	–	–
2018	22,376	22,376	–	–
2019	63,782	63,782	9,980	5,785
2020	20,101	20,101	10,629	10,629
2021	7,482	7,482	7,482	7,482
2022	4,230	4,230	2,970	2,970
2024	9,834	9,834	9,805	9,805
2025	2,868	2,868	2,868	2,868
2026	752	1,383	1,380	1,380
Carried forward indefinitely	80,570	44,284	100,515	78,202
	504,679	346,543	280,992	242,959

No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The tax losses of the subsidiaries in Hong Kong may be carried forward indefinitely. The tax losses of the subsidiaries in the PRC except Hong Kong and the U.S.A. may be carried forward for five years and twenty years respectively from the financial year when the corresponding loss was incurred.

Deferred tax liabilities of approximately HK$4,866,000 and HK$4,761,000, respectively, as at 31st December, 2008 and 30th June, 2009 have not been established for the withholding and other taxation that would be payable on the unremitted earnings of certain PRC subsidiaries for the year end 31st December, 2008 and the six months ended 30th June, 2009, as in the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Such unremitted earnings amounted to approximately HK$48,660,000 and HK$47,608,000, respectively, for the year ended 31st December, 2008 and the six months ended 30th June, 2009.

For the purposes of presentation of statement of financial position, the deferred tax assets and liabilities have been offset as they are related to income taxes levied by the same tax authority and the assets and liabilities are intended to be settled in net, or settled/realised simultaneously.

39. SHARE OPTION SCHEMES

The share option schemes of Appeon Corporation ("Appeon") and Galactic Computing Corporation ("Galactic"), subsidiaries of the Privateco Group, became effective on 11th November, 2002. Certain directors, employees and consultants of Appeon and Galactic were granted options as an incentive to them for their continuing contribution to the companies they worked for at a consideration of HK$1 on acceptance of the option offer. Details of the share option schemes of the subsidiaries are set out in the Company's circular to the shareholders dated 25th October, 2002.

(a) Appeon

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Appeon ("Appeon Scheme"), together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of Appeon and/or its subsidiary, must not exceed 30% of the number of the issued shares from time to time (subject to the approval of the shareholders of the Company). The total maximum number of options available for further issue under the Appeon Scheme amounted to 866,985, 991,984, 1,000,984 and 1,000,984, respectively, as at 31st December, 2006, 2007 and 2008 and 30th June, 2009 (subject to approval of the shareholders of the Company) which represented 23.70%, 27.12%, 27.36% and 27.36%, respectively, of the issued share capital of Appeon (excluding any shares issued pursuant to the Appeon Scheme) on the same date.

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2006 are as follows:

				Number of share options			
Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	As at 1.1.2006	Cancelled during the year	Granted during the year	As at 31.12.2006
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750	–	–	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375	–	–	3,375
				27,000	–	–	27,000
Other directors of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	11,812	(11,250)	–	562
	25.11.2002	01.04.2003 – 10.11.2012	2.50	11,813	(11,250)	–	563
	25.11.2002	01.10.2003 – 10.11.2012	2.50	11,812	(11,250)	–	562
	25.11.2002	01.04.2004 – 10.11.2012	2.50	11,813	(11,250)	–	563
	25.11.2002	01.10.2004 – 10.11.2012	2.50	11,812	(11,250)	–	562
	25.11.2002	01.04.2005 – 10.11.2012	2.50	11,813	(11,250)	–	563
	25.11.2002	01.10.2005 – 10.11.2012	2.50	11,812	(11,250)	–	562
	25.11.2002	01.04.2006 – 10.11.2012	2.50	11,813	(11,250)	–	563
	02.06.2003	02.06.2003 – 10.11.2012	2.50	2,250	–	–	2,250
	02.06.2003	01.10.2003 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2004 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.10.2004 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2005 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.10.2005 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2006 – 10.11.2012	2.50	1,125	–	–	1,125
	25.05.2005	25.05.2005 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.07.2005 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.01.2006 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.07.2006 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.01.2007 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.07.2007 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.01.2008 – 10.11.2012	3.00	10,000	–	–	10,000
	25.05.2005	01.07.2008 – 10.11.2012	3.00	10,000	–	–	10,000
				183,500	(90,000)	–	93,500

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options			
				As at 1.1.2006	Cancelled during the year	Granted during the year	As at 31.12.2006
			US$				
Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	7,687	–	–	7,687
	25.11.2002	01.04.2003 – 10.11.2012	2.50	5,813	–	–	5,813
	25.11.2002	01.10.2003 – 10.11.2012	2.50	5,812	–	–	5,812
	25.11.2002	01.04.2004 – 10.11.2012	2.50	5,813	–	–	5,813
	25.11.2002	01.10.2004 – 10.11.2012	2.50	5,812	–	–	5,812
	25.11.2002	01.04.2005 – 10.11.2012	2.50	5,813	–	–	5,813
	25.11.2002	01.10.2005 – 10.11.2012	2.50	5,812	–	–	5,812
	25.11.2002	01.04.2006 – 10.11.2012	2.50	3,938	–	–	3,938
	02.06.2003	02.06.2003 – 10.11.2012	2.50	750	–	–	750
	02.06.2003	01.10.2003 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2006 – 10.11.2012	2.50	375	–	–	375
	25.05.2005	25.05.2005 – 10.11.2012	3.00	625	(625)	–	–
	25.05.2005	01.10.2005 – 10.11.2012	3.00	625	(625)	–	–
	25.05.2005	01.04.2006 – 10.11.2012	3.00	625	(625)	–	–
	25.05.2005	01.10.2006 – 10.11.2012	3.00	625	(625)	–	–
	25.05.2005	01.04.2007 – 10.11.2012	3.00	625	(625)	–	–
	25.05.2005	01.10.2007 – 10.11.2012	3.00	625	(625)	–	–
	25.05.2005	01.04.2008 – 10.11.2012	3.00	625	(625)	–	–
	25.05.2005	01.10.2008 – 10.11.2012	3.00	625	(625)	–	–
	26.09.2005	01.03.2006 – 10.11.2012	3.00	1,625	–	–	1,625
	26.09.2005	01.09.2006 – 10.11.2012	3.00	1,625	–	–	1,625
	26.09.2005	01.03.2007 – 10.11.2012	3.00	1,625	–	–	1,625
	26.09.2005	01.09.2007 – 10.11.2012	3.00	1,625	–	–	1,625
	26.09.2005	01.03.2008 – 10.11.2012	3.00	1,625	–	–	1,625
	26.09.2005	01.09.2008 – 10.11.2012	3.00	1,625	–	–	1,625
	26.09.2005	01.03.2009 – 10.11.2012	3.00	1,625	–	–	1,625
	26.09.2005	01.09.2009 – 10.11.2012	3.00	1,625	–	–	1,625
	17.10.2005	18.02.2006 – 10.11.2012	3.00	1,000	(1,000)	–	–
	17.10.2005	18.08.2006 – 10.11.2012	3.00	1,000	(1,000)	–	–
	17.10.2005	18.02.2007 – 10.11.2012	3.00	1,000	(1,000)	–	–
	17.10.2005	18.08.2007 – 10.11.2012	3.00	1,000	(1,000)	–	–
	17.10.2005	18.02.2008 – 10.11.2012	3.00	1,000	(1,000)	–	–
	17.10.2005	18.08.2008 – 10.11.2012	3.00	1,000	(1,000)	–	–
	17.10.2005	18.02.2009 – 10.11.2012	3.00	1,000	(1,000)	–	–
	17.10.2005	18.08.2009 – 10.11.2012	3.00	1,000	(1,000)	–	–
	18.01.2006	17.07.2006 – 10.11.2012	3.00	–	–	1,250	1,250
	18.01.2006	17.01.2007 – 10.11.2012	3.00	–	–	1,250	1,250
	18.01.2006	17.07.2007 – 10.11.2012	3.00	–	–	1,250	1,250
	18.01.2006	17.01.2008 – 10.11.2012	3.00	–	–	1,250	1,250
	18.01.2006	17.07.2008 – 10.11.2012	3.00	–	–	1,250	1,250
	18.01.2006	17.01.2009 – 10.11.2012	3.00	–	–	1,250	1,250
	18.01.2006	17.07.2009 – 10.11.2012	3.00	–	–	1,250	1,250
	18.01.2006	17.01.2010 – 10.11.2012	3.00	–	–	1,250	1,250

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options As at 1.1.2006	Cancelled during the year	Granted during the year	As at 31.12.2006
			US$				
	01.06.2006	14.10.2006 – 10.11.2012	3.00	–	–	875	875
	01.06.2006	14.04.2007 – 10.11.2012	3.00	–	–	875	875
	01.06.2006	14.10.2007 – 10.11.2012	3.00	–	–	875	875
	01.06.2006	14.04.2008 – 10.11.2012	3.00	–	–	875	875
	01.06.2006	14.10.2008 – 10.11.2012	3.00	–	–	875	875
	01.06.2006	14.04.2009 – 10.11.2012	3.00	–	–	875	875
	01.06.2006	14.10.2009 – 10.11.2012	3.00	–	–	875	875
	01.06.2006	14.04.2010 – 10.11.2012	3.00	–	–	875	875
				75,500	(13,000)	17,000	79,500
Consultants of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2006 – 10.11.2012	2.50	1,250	–	–	1,250
	09.06.2003	09.06.2003 – 10.11.2012	0.10	5,106	–	–	5,106
	09.06.2003	01.10.2003 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2006 – 10.11.2012	0.10	2,554	–	–	2,554
				30,425	–	–	30,425
				316,425	(103,000)	17,000	230,425
Weighted average exercise price (HK$)				19.60	19.99	23.40	19.70

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2007 are as follows:

				Number of share options			
Grantee	Date of grant	Period during which options are exercisable	Subscription price per share *US$*	As at 1.1.2007	Cancelled during the year	Granted during the year	As at 31.12.2007
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750	–	–	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375	–	–	3,375
				27,000	–	–	27,000
Other directors of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2003 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2003 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2004 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2004 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2005 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2005 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2006 – 10.11.2012	2.50	563	–	–	563
	02.06.2003	02.06.2003 – 10.11.2012	2.50	2,250	–	–	2,250
	02.06.2003	01.10.2003 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2004 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.10.2004 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2005 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.10.2005 – 10.11.2012	2.50	1,125	–	–	1,125
	02.06.2003	01.04.2006 – 10.11.2012	2.50	1,125	–	–	1,125
	25.05.2005	25.05.2005 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.07.2005 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.01.2006 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.07.2006 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.01.2007 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.07.2007 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.01.2008 – 10.11.2012	3.00	10,000	(10,000)	–	–
	25.05.2005	01.07.2008 – 10.11.2012	3.00	10,000	(10,000)	–	–
				93,500	(80,000)	–	13,500
Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	7,687	(5,000)	–	2,687
	25.11.2002	01.04.2003 – 10.11.2012	2.50	5,813	(3,125)	–	2,688
	25.11.2002	01.10.2003 – 10.11.2012	2.50	5,812	(3,125)	–	2,687
	25.11.2002	01.04.2004 – 10.11.2012	2.50	5,813	(3,125)	–	2,688
	25.11.2002	01.10.2004 – 10.11.2012	2.50	5,812	(3,125)	–	2,687
	25.11.2002	01.04.2005 – 10.11.2012	2.50	5,813	(3,125)	–	2,688
	25.11.2002	01.10.2005 – 10.11.2012	2.50	5,812	(3,125)	–	2,687
	25.11.2002	01.04.2006 – 10.11.2012	2.50	3,938	(1,250)	–	2,688
	02.06.2003	02.06.2003 – 10.11.2012	2.50	750	–	–	750
	02.06.2003	01.10.2003 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2006 – 10.11.2012	2.50	375	–	–	375

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options As at 1.1.2007	Cancelled during the year	Granted during the year	As at 31.12.2007
			US$				
	26.09.2005	01.03.2006 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.09.2006 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.03.2007 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.09.2007 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.03.2008 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.09.2008 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.03.2009 – 10.11.2012	3.00	1,625	(375)	–	1,250
	26.09.2005	01.09.2009 – 10.11.2012	3.00	1,625	(375)	–	1,250
	18.01.2006	17.07.2006 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.01.2007 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.07.2007 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.01.2008 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.07.2008 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.01.2009 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.07.2009 – 10.11.2012	3.00	1,250	(1,250)	–	–
	18.01.2006	17.01.2010 – 10.11.2012	3.00	1,250	(1,250)	–	–
	01.06.2006	14.10.2006 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.04.2007 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.10.2007 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.04.2008 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.10.2008 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.04.2009 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.10.2009 – 10.11.2012	3.00	875	(875)	–	–
	01.06.2006	14.04.2010 – 10.11.2012	3.00	875	(875)	–	–
				79,500	(45,000)	–	34,500
Consultants of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2006 – 10.11.2012	2.50	1,250	–	–	1,250
	09.06.2003	09.06.2003 – 10.11.2012	0.10	5,106	–	–	5,106
	09.06.2003	01.10.2003 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2006 – 10.11.2012	0.10	2,554	–	–	2,554
				30,425	–	–	30,425
				230,425	(125,000)	–	105,425
Weighted average exercise price (HK$)				19.70	22.62	–	16.24

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2008 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options As at 1.1.2008	Cancelled during the year	Granted during the year	As at 31.12.2008
			US$				
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750	–	–	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375	–	–	3,375
				27,000	–	–	27,000
Other directors of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2003 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2003 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2004 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2004 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2005 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2005 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2006 – 10.11.2012	2.50	563	–	–	563
	02.06.2003	02.06.2003 – 10.11.2012	2.50	2,250	(2,250)	–	–
	02.06.2003	01.10.2003 – 10.11.2012	2.50	1,125	(1,125)	–	–
	02.06.2003	01.04.2004 – 10.11.2012	2.50	1,125	(1,125)	–	–
	02.06.2003	01.10.2004 – 10.11.2012	2.50	1,125	(1,125)	–	–
	02.06.2003	01.04.2005 – 10.11.2012	2.50	1,125	(1,125)	–	–
	02.06.2003	01.10.2005 – 10.11.2012	2.50	1,125	(1,125)	–	–
	02.06.2003	01.04.2006 – 10.11.2012	2.50	1,125	(1,125)	–	–
				13,500	(9,000)	–	4,500
Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2003 – 10.11.2012	2.50	2,688	–	–	2,688
	25.11.2002	01.10.2003 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2004 – 10.11.2012	2.50	2,688	–	–	2,688
	25.11.2002	01.10.2004 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2005 – 10.11.2012	2.50	2,688	–	–	2,688
	25.11.2002	01.10.2005 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2006 – 10.11.2012	2.50	2,688	–	–	2,688
	02.06.2003	02.06.2003 – 10.11.2012	2.50	750	–	–	750
	02.06.2003	01.10.2003 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2006 – 10.11.2012	2.50	375	–	–	375
	26.09.2005	01.03.2006 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2006 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.03.2007 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2007 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.03.2008 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2008 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.03.2009 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2009 – 10.11.2012	3.00	1,250	–	–	1,250
				34,500	–	–	34,500

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options As at 1.1.2008	Cancelled during the year	Granted during the year	As at 31.12.2008
			US$				
Consultants of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2006 – 10.11.2012	2.50	1,250	–	–	1,250
	09.06.2003	09.06.2003 – 10.11.2012	0.10	5,106	–	–	5,106
	09.06.2003	01.10.2003 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2006 – 10.11.2012	0.10	2,554	–	–	2,554
				30,425	–	–	30,425
				105,425	(9,000)	–	96,425
Weighted average exercise price (HK$)				16.24	19.50	–	15.94

Movements in the options to subscribe for shares in Appeon for the period ended 30th June, 2009 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options As at 1.1.2009	Cancelled during the period	Granted during the period	As at 30.06.2009
			US$				
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750	–	–	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375	–	–	3,375
				27,000	–	–	27,000
Other directors of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2003 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2003 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2004 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2004 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2005 – 10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2005 – 10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2006 – 10.11.2012	2.50	563	–	–	563
				4,500	–	–	4,500

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	Number of share options As at 1.1.2009	Cancelled during the period	Granted during the period	As at 30.06.2009
Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2003 – 10.11.2012	2.50	2,688	–	–	2,688
	25.11.2002	01.10.2003 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2004 – 10.11.2012	2.50	2,688	–	–	2,688
	25.11.2002	01.10.2004 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2005 – 10.11.2012	2.50	2,688	–	–	2,688
	25.11.2002	01.10.2005 – 10.11.2012	2.50	2,687	–	–	2,687
	25.11.2002	01.04.2006 – 10.11.2012	2.50	2,688	–	–	2,688
	02.06.2003	02.06.2003 – 10.11.2012	2.50	750	–	–	750
	02.06.2003	01.10.2003 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2004 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.10.2005 – 10.11.2012	2.50	375	–	–	375
	02.06.2003	01.04.2006 – 10.11.2012	2.50	375	–	–	375
	26.09.2005	01.03.2006 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2006 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.03.2007 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2007 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.03.2008 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2008 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.03.2009 – 10.11.2012	3.00	1,250	–	–	1,250
	26.09.2005	01.09.2009 – 10.11.2012	3.00	1,250	–	–	1,250
				34,500	–	–	34,500
Consultants of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2003 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2004 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.10.2005 – 10.11.2012	2.50	1,250	–	–	1,250
	25.11.2002	01.04.2006 – 10.11.2012	2.50	1,250	–	–	1,250
	09.06.2003	09.06.2003 – 10.11.2012	0.10	5,106	–	–	5,106
	09.06.2003	01.10.2003 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2004 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.10.2005 – 10.11.2012	0.10	2,553	–	–	2,553
	09.06.2003	01.04.2006 – 10.11.2012	0.10	2,554	–	–	2,554
				30,425	–	–	30,425
				96,425	–	–	96,425
Weighted average exercise price (HK$)				15.94	–	–	15.94

No option was exercised by the grantees during the Relevant Periods.

The number of options which are exercisable under the Appeon Scheme as at 31st December, 2006, 2007 and 2008 and 30th June, 2009 is 173,300, 100,425, 93,925 and 95,175, respectively. The weighted average remaining contractual life of the outstanding share options under the Appeon Scheme as at 31st December, 2006, 2007 and 2008 and 30th June, 2009 is 5.86, 4.86, 3.86 and 3.36 years, respectively.

During the year ended 31st December, 2006, 17,000 options were granted under the Appeon Scheme and consideration received from the grantees for taking up the options granted amounted to HK$2 in aggregate.

The fair values of the share options granted under the Appeon Scheme are insignificant and accordingly, they are not accounted for in the financial statements.

(b) *Galactic*

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Galactic ("Galactic Scheme"), together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of Galactic and/or its subsidiary, must not exceed 30% of the number of issued shares from time to time (subject to the approval of the shareholders of the Company). The total maximum number of options available for further issue under the Galactic Scheme amounted to 6,022,122, 681,328, 1,762,744 and 1,483,120, respectively, as at 31st December, 2006, 2007 and 2008 and 30th June, 2009, (subject to approval of the shareholders of the Company) which represented 25.24%, 2.86%, 7.39% and 6.22%, respectively, of the issued share capital of Galactic (excluding any shares issued pursuant to the Galactic Scheme) on the same date.

Movements in the options to subscribe for shares in Galactic for the year ended 31st December, 2006 are as follows:

				Number of share options			
Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	As at 1.1.2006	Cancelled during the year	Granted during the year	As at 31.12.2006
			US$				
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000	–	–	25,000
				200,000	–	–	200,000
Other directors of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	28,750	(6,250)	–	22,500
	25.11.2002	01.12.2003 – 10.11.2012	0.45	28,750	(6,250)	–	22,500
	25.11.2002	01.06.2004 – 10.11.2012	0.45	28,750	(6,250)	–	22,500
	25.11.2002	01.12.2004 – 10.11.2012	0.45	28,750	(6,250)	–	22,500
	25.11.2002	01.06.2005 – 10.11.2012	0.45	28,750	(6,250)	–	22,500
	25.11.2002	01.12.2005 – 10.11.2012	0.45	28,750	(6,250)	–	22,500
	25.11.2002	01.06.2006 – 10.11.2012	0.45	28,750	(6,250)	–	22,500
	25.11.2002	01.12.2006 – 10.11.2012	0.45	28,750	(6,250)	–	22,500

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	As at 1.1.2006	Cancelled during the year	Granted during the year	As at 31.12.2006
			US$				
	09.06.2003	09.06.2003 – 10.11.2012	0.45	47,500	(6,250)	–	41,250
	09.06.2003	01.12.2003 – 10.11.2012	0.45	47,500	(6,250)	–	41,250
	09.06.2003	01.06.2004 – 10.11.2012	0.45	47,500	(6,250)	–	41,250
	09.06.2003	01.12.2004 – 10.11.2012	0.45	47,500	(6,250)	–	41,250
	09.06.2003	01.06.2005 – 10.11.2012	0.45	47,500	(6,250)	–	41,250
	09.06.2003	01.12.2005 – 10.11.2012	0.45	47,500	(6,250)	–	41,250
	09.06.2003	01.06.2006 – 10.11.2012	0.45	47,500	(6,250)	–	41,250
	09.06.2003	01.12.2006 – 10.11.2012	0.45	47,500	(6,250)	–	41,250
	25.05.2005	25.05.2005 – 10.11.2012	0.60	50,000	(50,000)	–	–
	25.05.2005	01.07.2005 – 10.11.2012	0.60	18,750	(18,750)	–	–
	25.05.2005	01.10.2005 – 10.11.2012	0.60	12,500	(12,500)	–	–
	25.05.2005	01.01.2006 – 10.11.2012	0.60	18,750	(18,750)	–	–
	25.05.2005	01.04.2006 – 10.11.2012	0.60	12,500	(12,500)	–	–
	25.05.2005	01.07.2006 – 10.11.2012	0.60	18,750	(18,750)	–	–
	25.05.2005	01.10.2006 – 10.11.2012	0.60	12,500	(12,500)	–	–
	25.05.2005	01.01.2007 – 10.11.2012	0.60	18,750	(18,750)	–	–
	25.05.2005	01.04.2007 – 10.11.2012	0.60	12,500	(12,500)	–	–
	25.05.2005	01.07.2007 – 10.11.2012	0.60	18,750	(18,750)	–	–
	25.05.2005	01.10.2007 – 10.11.2012	0.60	12,500	(12,500)	–	–
	25.05.2005	01.01.2008 – 10.11.2012	0.60	18,750	(18,750)	–	–
	25.05.2005	01.04.2008 – 10.11.2012	0.60	12,500	(12,500)	–	–
	25.05.2005	01.10.2008 – 10.11.2012	0.60	12,500	(12,500)	–	–
				860,000	(350,000)	–	510,000
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	01.06.2004	01.06.2004 – 10.11.2012	0.45	18,750	–	–	18,750
	01.06.2004	01.01.2005 – 10.11.2012	0.45	18,750	–	–	18,750
	01.06.2004	01.03.2005 – 10.11.2012	0.45	25,000	(25,000)	–	–
	01.06.2004	01.07.2005 – 10.11.2012	0.45	18,750	–	–	18,750
	01.06.2004	01.01.2006 – 10.11.2012	0.45	18,750	–	–	18,750
	01.06.2004	01.07.2006 – 10.11.2012	0.45	18,750	–	–	18,750
	01.06.2004	01.01.2007 – 10.11.2012	0.45	18,750	–	–	18,750
	01.06.2004	01.07.2007 – 10.11.2012	0.45	18,750	–	–	18,750
	01.06.2004	01.01.2008 – 10.11.2012	0.45	18,750	–	–	18,750

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	As at 1.1.2006	Cancelled during the year	Granted during the year	As at 31.12.2006
				Number of share options			
	25.05.2005	25.05.2005 – 10.11.2012	0.60	38,750	(22,500)	–	16,250
	25.05.2005	01.10.2005 – 10.11.2012	0.60	38,750	(22,500)	–	16,250
	25.05.2005	01.04.2006 – 10.11.2012	0.60	22,500	(16,250)	–	6,250
	25.05.2005	01.10.2006 – 10.11.2012	0.60	22,500	(16,250)	–	6,250
	25.05.2005	01.04.2007 – 10.11.2012	0.60	22,500	(16,250)	–	6,250
	25.05.2005	01.10.2007 – 10.11.2012	0.60	22,500	(16,250)	–	6,250
	25.05.2005	01.04.2008 – 10.11.2012	0.60	22,500	(16,250)	–	6,250
	25.05.2005	01.10.2008 – 10.11.2012	0.60	22,500	(16,250)	–	6,250
				437,500	(167,500)	–	270,000
Consultants of Galactic	25.11.2002	01.06.2003 – 16.12.2007	0.45	31,250	–	–	31,250
	25.11.2002	01.12.2003 – 16.12.2007	0.45	31,250	–	–	31,250
	25.11.2002	01.06.2004 – 16.12.2007	0.45	31,250	–	–	31,250
	25.11.2002	01.12.2004 – 16.12.2007	0.45	31,250	–	–	31,250
	25.11.2002	01.06.2005 – 16.12.2007	0.45	31,250	–	–	31,250
				156,250	–	–	156,250
				1,653,750	(517,500)	–	1,136,250
Weighted average exercise price (HK$)				3.84	4.40	–	3.58

Movements in the options to subscribe for shares in Galactic for the year ended 31st December, 2007 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	As at 1.1.2007	Cancelled during the year	Granted during the year	As at 31.12.2007
				Number of share options			
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000	–	–	25,000
				200,000	–	–	200,000
Other directors of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2003 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2004 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2004 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2005 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2005 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2006 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2006 – 10.11.2012	0.45	22,500	–	–	22,500
	09.06.2003	09.06.2003 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.12.2003 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.06.2004 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.12.2004 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.06.2005 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.12.2005 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.06.2006 – 10.11.2012	0.45	41,250	–	–	41,250
	09.06.2003	01.12.2006 – 10.11.2012	0.45	41,250	–	–	41,250

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options As at 1.1.2007	Cancelled during the year	Granted during the year	As at 31.12.2007
			US$				
	31.12.2007	01.01.2008 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.07.2008 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.01.2009 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.07.2009 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.01.2010 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.07.2010 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.01.2011 – 10.11.2012	0.45	–	–	372,832	372,832
	31.12.2007	01.07.2011 – 10.11.2012	0.45	–	–	372,831	372,831
				510,000	–	2,982,655	3,492,655
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	01.06.2004	01.06.2004 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.01.2005 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.07.2005 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.01.2006 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.07.2006 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.01.2007 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.07.2007 – 10.11.2012	0.45	18,750	(18,750)	–	–
	01.06.2004	01.01.2008 – 10.11.2012	0.45	18,750	(18,750)	–	–
	25.05.2005	25.05.2005 – 10.11.2012	0.60	16,250	(10,000)	–	6,250
	25.05.2005	01.10.2005 – 10.11.2012	0.60	16,250	(10,000)	–	6,250
	25.05.2005	01.04.2006 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2006 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.04.2007 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2007 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.04.2008 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2008 – 10.11.2012	0.60	6,250	–	–	6,250
	31.12.2007	01.01.2008 – 10.11.2012	0.45	–	–	335,554	335,554
	31.12.2007	01.07.2008 – 10.11.2012	0.45	–	–	335,542	335,542
	31.12.2007	01.01.2009 – 10.11.2012	0.45	–	–	335,554	335,554
	31.12.2007	01.07.2009 – 10.11.2012	0.45	–	–	335,542	335,542
	31.12.2007	01.01.2010 – 10.11.2012	0.45	–	–	335,553	335,553
	31.12.2007	01.07.2010 – 10.11.2012	0.45	–	–	335,546	335,546
	31.12.2007	01.01.2011 – 10.11.2012	0.45	–	–	335,550	335,550
	31.12.2007	01.07.2011 – 10.11.2012	0.45	–	–	335,548	335,548
				270,000	(170,000)	2,684,389	2,784,389
Consultants of Galactic	25.11.2002	01.06.2003 – 16.12.2007	0.45	31,250	(31,250)	–	–
	25.11.2002	01.12.2003 – 16.12.2007	0.45	31,250	(31,250)	–	–
	25.11.2002	01.06.2004 – 16.12.2007	0.45	31,250	(31,250)	–	–
	25.11.2002	01.12.2004 – 16.12.2007	0.45	31,250	(31,250)	–	–
	25.11.2002	01.06.2005 – 16.12.2007	0.45	31,250	(31,250)	–	–
				156,250	(156,250)	–	–
				1,136,250	(326,250)	5,667,044	6,477,044
Weighted average exercise price (HK$)				3.58	3.58	3.51	3.52

Movements in the options to subscribe for shares in Galactic for the year ended 31st December, 2008 are as follows:

				Number of share options			
Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	As at 1.1.2008	Cancelled during the year	Granted during the year	As at 31.12.2008
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000	–	–	25,000
				200,000	–	–	200,000
Other directors of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2003 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2004 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2004 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2005 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2005 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2006 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2006 – 10.11.2012	0.45	22,500	–	–	22,500
	09.06.2003	09.06.2003 – 10.11.2012	0.45	41,250	(31,250)	–	10,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	41,250	(31,250)	–	10,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	41,250	(31,250)	–	10,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	41,250	(31,250)	–	10,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	41,250	(31,250)	–	10,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	41,250	(31,250)	–	10,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	41,250	(31,250)	–	10,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	41,250	(31,250)	–	10,000
	31.12.2007	01.01.2008 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2008 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.01.2009 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2009 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.01.2010 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2010 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.01.2011 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2011 – 10.11.2012	0.45	372,831	–	–	372,831
				3,492,655	(250,000)	–	3,242,655
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	25.05.2005	25.05.2005 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2005 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.04.2006 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2006 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.04.2007 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2007 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.04.2008 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2008 – 10.11.2012	0.60	6,250	–	–	6,250

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	As at 1.1.2008	Number of share options Cancelled during the year	Granted during the year	As at 31.12.2008
			US$				
	31.12.2007	01.01.2008 – 10.11.2012	0.45	335,554	(96,939)	–	238,615
	31.12.2007	01.07.2008 – 10.11.2012	0.45	335,542	(96,934)	–	238,608
	31.12.2007	01.01.2009 – 10.11.2012	0.45	335,554	(106,260)	–	229,294
	31.12.2007	01.07.2009 – 10.11.2012	0.45	335,542	(106,255)	–	229,287
	31.12.2007	01.01.2010 – 10.11.2012	0.45	335,553	(106,259)	–	229,294
	31.12.2007	01.07.2010 – 10.11.2012	0.45	335,546	(106,255)	–	229,291
	31.12.2007	01.01.2011 – 10.11.2012	0.45	335,550	(106,257)	–	229,293
	31.12.2007	01.07.2011 – 10.11.2012	0.45	335,548	(106,257)	–	229,291
				2,784,389	(831,416)	–	1,952,973
				6,477,044	(1,081,416)	–	5,395,628
Weighted average exercise price (HK$)				3.52	3.51	–	3.52

Movements in the options to subscribe for shares in Galactic for the period ended 30th June, 2009 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	As at 1.1.2009	Number of share options Cancelled during the period	Granted during the period	As at 30.06.2009
			US$				
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000	–	–	25,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000	–	–	25,000
				200,000	–	–	200,000
Other directors of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2003 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2004 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2004 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2005 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2005 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.06.2006 – 10.11.2012	0.45	22,500	–	–	22,500
	25.11.2002	01.12.2006 – 10.11.2012	0.45	22,500	–	–	22,500
	09.06.2003	09.06.2003 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	10,000	–	–	10,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	10,000	–	–	10,000
	31.12.2007	01.01.2008 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2008 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.01.2009 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2009 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.01.2010 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2010 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.01.2011 – 10.11.2012	0.45	372,832	–	–	372,832
	31.12.2007	01.07.2011 – 10.11.2012	0.45	372,831	–	–	372,831
				3,242,655	–	–	3,242,655

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share	Number of share options As at 1.1.2009	Cancelled during the period	Granted during the period	As at 30.06.2009
			US$				
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2003 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2004 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2005 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.06.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	25.11.2002	01.12.2006 – 10.11.2012	0.45	6,250	–	–	6,250
	25.05.2005	25.05.2005 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2005 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.04.2006 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2006 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.04.2007 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2007 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.04.2008 – 10.11.2012	0.60	6,250	–	–	6,250
	25.05.2005	01.10.2008 – 10.11.2012	0.60	6,250	–	–	6,250
	31.12.2007	01.01.2008 – 10.11.2012	0.45	238,615	(9,321)	–	229,294
	31.12.2007	01.07.2008 – 10.11.2012	0.45	238,608	(9,321)	–	229,287
	31.12.2007	01.01.2009 – 10.11.2012	0.45	229,294	–	–	229,294
	31.12.2007	01.07.2009 – 10.11.2012	0.45	229,287	–	–	229,287
	31.12.2007	01.01.2010 – 10.11.2012	0.45	229,294	–	–	229,294
	31.12.2007	01.07.2010 – 10.11.2012	0.45	229,291	–	–	229,291
	31.12.2007	01.01.2011 – 10.11.2012	0.45	229,293	–	–	229,293
	31.12.2007	01.07.2011 – 10.11.2012	0.45	229,291	–	–	229,291
	10.03.2009	01.03.2009 – 10.11.2012	0.45	–	–	111,851	111,851
	10.03.2009	01.07.2009 – 10.11.2012	0.45	–	–	37,283	37,283
	10.03.2009	01.01.2010 – 10.11.2012	0.45	–	–	37,283	37,283
	10.03.2009	01.07.2010 – 10.11.2012	0.45	–	–	37,283	37,283
	10.03.2009	01.01.2011 – 10.11.2012	0.45	–	–	37,283	37,283
	10.03.2009	01.07.2011 – 10.11.2012	0.45	–	–	37,283	37,283
				1,952,973	(18,642)	298,266	2,232,597
				5,395,628	(18,642)	298,266	5,675,252
Weighted average exercise price (HK$)				3.52	3.51	3.51	3.52

No option was exercised by the grantees during the Relevant Periods.

The number of options which are exercisable under the Galactic Scheme as at 31st December, 2006, 2007 and 2008 and 30th June, 2009 is 1,049,000, 797,500, 1,782,887 and 2,478,221, respectively. The weighted average remaining contractual life of the outstanding share options under the Galactic Scheme as at 31st December, 2006, 2007 and 2008 and 30th June, 2009 is 5.13, 4.86, 3.86 and 3.36 years, respectively.

During the year ended 31st December, 2007 and the six months ended 30th June, 2009, 5,667,044 options and 298,266 options, respectively, were granted under the Galactic Scheme and consideration received from the grantees for taking up the options granted amounted to HK$15 and Nil, respectively, in aggregate. Details of the inputs to the Black-Scholes Option Pricing Model used in calculating the fair values of the share options granted under the Galactic Scheme during the year ended 31st December, 2007 and the six months ended 30th June, 2009 are as follows:

Expected volatility (%)	43.99%
Risk-free interest rate (%)	2.684%
Dividend yield (%)	0%
Expected life of option (years)	2.5 years

The fair values of the share options granted under the Galactic Scheme are insignificant and accordingly, they are not accounted for in the financial statements of the respective year/period.

40. RETIREMENT BENEFITS SCHEMES

The Privateco Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme is a defined contribution retirement benefits scheme and contributions to the scheme are made based on percentage of the employees' basic salaries 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 Privateco Group in an independently administered fund. The Privateco Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Prior to joining the MPF Scheme, the Privateco Group operated another defined contribution retirement benefit scheme ("Old Scheme") for its qualifying employees in Hong Kong. All the assets under the Old Scheme were transferred to the MPF Scheme and are separately identified within the MPF Scheme and members can withdraw their entitled benefits from the Old Scheme in accordance with the scheme rules once they resign from the Privateco Group. Forfeited contributions in relation to the Old Scheme, if any, will be used to reduce the contribution payable in the future years.

The employees of the subsidiaries under the Privateco Group which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute 8% to 10% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

The total expenses recognised in the income statement of HK$2,694,000, HK$3,164,000, HK$3,553,000, HK$2,096,000 and HK$1,611,000 respectively represent contributions paid/payable to these schemes by the Privateco Group for the years ended 31st December, 2006, 2007 and 2008 and six months ended 30th June, 2008 and 2009.

41. PLEDGE OF ASSETS

At the end of each reporting year/period, the carrying amount of the assets pledged by the Privateco Group to secure general banking and other loan facilities granted to the Privateco Group are analysed as follows:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Pledged cash deposits	–	876,858	–	–
Investment properties	326,040	331,500	271,440	195,000
Investments held for trading	14,862	5,652	8,315	21,705
	340,902	1,214,010	279,755	216,705

As at 31st December, 2006, the Privateco Group pledged its 20% interest of the issued share capital of the associate, Yue Tian, to a bank to secure for the banking facilities granted to the associate.

As at 31st December, 2006, 2007 and 2008, and 30th June, 2009, the entire issued share capital of a subsidiary, Full Revenue Inc, was pledged to a bank to secure for the banking facilities granted to the Privateco Group. A long-term loan was granted to the Privateco Group under the facilities during the year ended 31st December, 2008 and six months ended 30th June, 2009 and the net asset value of the subsidiary as at 31st December, 2008 and 30th June, 2009 was approximately HK$290 million and HK$269 million respectively.

42. OPERATING LEASE COMMITMENTS

As lessee

The Privateco Group leases certain of its manufacturing plants, office properties and quarters under operating leases arrangement. Leases of these properties are negotiated for period ranging from 1 – 6 years, 1 – 5 years, 1 – 5 years and 1 – 5 years, respectively, for the years ended 31st December, 2006, 2007 and 2008 and six months ended 30th June, 2009, and rentals are fixed over the contracted period. At the end of each reporting year/period, the Privateco Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	3,436	2,131	2,266	2,203
In the second to fifth year, inclusive	4,735	4,567	3,475	3,096
Over five years	1,193	–	–	–
	9,364	6,698	5,741	5,299

As lessor

The Privateco Group leases its investment properties (note 13) under operating lease arrangements with leases negotiated for period ranging from 1 – 9 years, 1 – 8 years, 1 – 6 years and 1 – 6 years, respectively, for the years ended 31st December, 2006, 2007 and 2008 and six months ended 30th June, 2009. At the end of each reporting year/period, the Privateco Group had contracted with tenants for the following future minimum lease payments:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	63,719	62,429	58,014	54,749
In the second to fifth year, inclusive	178,171	134,845	87,208	67,970
Over five years	26,907	13,028	8,834	8,986
	268,797	210,302	154,056	131,705

43. OTHER COMMITMENTS

As at the end of each reporting year/period, the Privateco Group had other significant commitments as follows:

	As at 31st December, 2006	2007	2008	As at 30th June, 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted for but not provided for in the financial statements:				
Subscription of convertible and non-convertible notes *(note 22)*	75,711	–	–	–
Property, plant and equipment	–	2,547	6,400	–
	75,711	2,547	6,400	–

44. GUARANTEES

As at the end of each reporting year/period, the Privateco Group had issued the following significant guarantees:

	As at 31st December, 2006	2007	2008	As at 30th June, 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Guarantees given to:				
A supplier of an associate, to secure the repayment of balance due by the associate to the supplier	26,980	13,525	13,525	13,525
Banks for credit facilities granted to an associate	102,400	22,400	22,400	22,400
	129,380	35,925	35,925	35,925

As at 31st December, 2006, 2007 and 2008 and 30th June, 2009, the Company together with certain of the subsidiaries under the Privateco Group, issued cross guarantees to bankers as part of the security for credit facilities granted to the Company and the subsidiaries.

In the opinion of the Directors, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in these financial statements for the years ended 31st December, 2006, 2007 and 2008 and six months ended 30th June, 2009.

45. RELATED PARTY TRANSACTIONS

Transactions between the entities among the Privateco Group have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Privateco Group and other related parties are disclosed below.

Save as disclosed elsewhere in the Combined Financial Statements, the Privateco Group had the following significant transactions with related parties:

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008 (Unaudited)	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Minority Shareholders					
Interest received	1,258	–	–	–	–
Service income received	3,900	–	–	–	–
Associates					
Commission paid to	149	104	25	–	–
Investees					
Interest received	–	1,167	1,991	993	785
A subsidiary of the Remaining Group					
Interest received	–	19,906	54,461	26,797	26,592

Total staff costs include compensations to the key management personnel (including directors), the details of which are as follows:

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008 (Unaudited)	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Short-term employee benefits	18,954	15,167	13,508	6,211	5,200
Post-employment benefits	369	330	203	107	130
	19,323	15,497	13,711	6,318	5,330

46. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE AS AT 30TH JUNE, 2009

Up to the date of this report, the Directors have reached agreement with the two principal bankers of the Company on revising the existing facilities granted by the bankers to the Company which are currently available for use by the Company and certain of its subsidiaries. Under the revised facilities, the Privateco would become one of the group entities entitled to utilise the banking facilities and at the same time, it would become a guarantor of the facilities. The Company continues to be a guarantor of those facilities, though the Company would not be entitled to utilise the revised banking facilities. However, upon satisfying certain conditions as set forth in the revised facilities, the guarantee provided by the Company would be released. The revised banking facilities are yet to be signed by the parties involved. In the opinion of the Directors, the revised banking facilities, upon effective, would not have significant impact to the financial position of the Privateco Group as at 30th June, 2009.

Save as disclosed above and elsewhere in the Combined Financial Statements, no other significant events took place subsequent to 30th June, 2009.

47. CAPITAL MANAGEMENT

The Privateco Group's objectives when managing capital are to safeguard the Privateco Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Privateco Group's financial stability and growth.

The Privateco Group monitors its capital structure on the basis of gearing ratio i.e. net debt to equity. Net debt includes borrowings less cash and cash equivalents and pledged cash deposits. To maintain or adjust the capital structure, the Privateco Group may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios of the Privateco Group as at 31st December, 2006, 2007 and 2008 and 30th June, 2009 were as follows:

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Debt	486,149	1,063,213	680,597	698,283
Less: cash and cash equivalents and pledged cash deposits	(336,279)	(1,196,875)	(470,827)	(427,309)
Net debt	149,870	(133,662)	209,770	270,974
Capital represented by total equity	1,830,463	2,095,054	2,066,848	1,909,434
Gearing ratio	8.2%	N/A	10.1%	14.2%

The Privateco Group targets to maintain a gearing ratio of not higher than 60% to be in line with the expected changes in economic and financial conditions. Other than this, the Privateco Group's overall strategy on capital management remains unchanged throughout the Relevant Periods.

48. FINANCIAL INSTRUMENTS

48.1 Categories of financial instruments

	As at 31st December,			As at 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Financial assets at fair value through profit or loss – classified as held for trading	186,176	48,381	20,643	41,301
Loans and receivables#	898,576	1,968,071	1,685,536	1,545,486
Available-for-sale financial assets	2,920	7,990	2,920	2,920
Financial liabilities				
Financial liabilities at fair value through profit or loss – classified as held for trading	–	6,738	–	1,073
Financial liabilities at amortised cost^	694,219	1,404,012	1,054,431	867,959

\# *including trade and other receivables, loans receivable, amounts due from associates, jointly controlled entities and other related parties, and cash at bank and deposited with security brokers*

^ *including trade payables, other payables and accruals, amounts due to associates, jointly controlled entities and other related parties, bank borrowings and other liabilities*

48.2 Financial results by financial instruments

	Year ended 31st December,			Six months ended 30th June,	
	2006	2007	2008	2008 (Unaudited)	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fair value gains or (losses) on:					
Financial assets at fair value through profit or loss – classified as held for trading	54,360	20,025	(62,286)	(27,367)	14,491
Financial liabilities at fair value through profit or loss – classified as held for trading	–	(8,030)	–	–	(1,073)
Available-for-sale financial assets	(13,020)	–	–	–	–
Interest income or (expenses) on:					
Loans and receivables	24,709	39,384	60,820	30,156	29,404
Financial liabilities at amortised cost	(31,381)	(41,304)	(41,884)	(22,471)	(9,218)
Dividend income from:					
Financial assets at fair value through profit or loss – classified as held for trading	4,683	1,743	971	718	102
(Impairment loss)/Reversal of impairment on:					
Loans and receivables	(12,127)	(10,446)	(12,925)	(1,838)	(4,636)
Available-for-sale financial assets, net	–	15,939	6,379	1,716	–

48.3 Financial risk management objectives and policies

The Privateco Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk, price risk, and interest rate risk), credit risk and liquidity risk. The Privateco Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Privateco Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Privateco Group does not have written risk management policies. However, the directors and senior management of the Privateco Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks

48.4 Financial risk management

(a) Market risk

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 Privateco Group mainly operates in Hong Kong and the PRC. The functional currency of the Privateco and the Privateco Entities are mainly HK Dollars and RMB with certain of their business transactions being settled in US Dollars and RMB. The Privateco Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily US Dollar and RMB, against the functional currency of the Privateco and the Privateco Entities. Currently the Privateco Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Privateco Group conduct its sales mainly in US Dollars and RMB and make payments either in US Dollars, Hong Kong Dollars or RMB. In addition, the Privateco Group's bank borrowings were mainly denominated in Hong Kong Dollars, US Dollars and RMB. The directors considered that a natural hedge mechanism existed. The Privateco Group would, however, closely monitor the volatility of the RMB exchange rate. All in all, the Privateco Group's risk exposure to foreign exchange rate fluctuations remained minimal.

The overall net exposure in respect of the carrying amount of the Privateco Group's foreign currency denominated financial assets and liabilities in net position as at 31st December, 2006, 2007 and 2008 and 30th June, 2009 were as follows:

	As at 31st December,			**As at 30th June,**
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net financial assets/ (liabilities)				
US Dollars	59,726	(89,129)	(85,210)	(3,998)
RMB	25,711	5,501	14,567	10,955

In respect of those Privateco Entities with Hong Kong Dollars as functional currency, as HK Dollar is linked to US Dollar, the Privateco Group does not have material exchange risk on such currency. The following sensitivity analysis demonstrates the Privateco Group's exposure to a reasonably possible change in RMB exchange rate against the HK Dollars on the Privateco Group's net asset position denominated in RMB as at the end of each reporting year/period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Year ended 31st December,			**Six months ended 30th June,**
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase/(Decrease) in profit after tax				
RMB against HK Dollars				
– strengthen by 5%	1,286	275	728	457
– weaken by 5%	(1,286)	(275)	(728)	(457)

The change in exchange rate does not affect the Privateco Group's other component of equity.

Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rate). The Privateco Group is exposed to equity and debt securities price risk because of its investments in equity securities and bonds held for trading and are classified as at fair value through profit or loss (see note 27).

The Privateco Group's investments in equity and bonds of other entities are publicly traded mainly in the stock exchanges of Hong Kong, the United States and London. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Privateco Group's liquidity needs. To manage its price risk arising from the equity and debt securities, the Privateco Group maintains a portfolio of diversified investments in terms of industry distribution such as energy, industrial goods and financial services. Also, the Privateco Group has appointed a special team to monitor the price risk and will consider hedging of the risk if necessary. The policies to manage price risk have been followed by the Privateco Group since prior years and are considered to be effective.

Management's best estimate of the effect on the Privateco Group's profit after tax due to a reasonably possible change in the relevant stock market index, with all other variables held constant, at the end of each reporting year/period are as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Year ended 31st December,			Six months ended 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase/(Decrease) in profit after tax				
Hong Kong – Hang Seng Index				
(2006: +26%) (2007: +26%) (2008: +50%) (2009: +50%)	23,390	6,549	5,675	10,382
(2006: -26%) (2007: -26%) (2008: -50%) (2009: -50%)	(23,390)	(6,549)	(5,675)	(10,382)
London – FTSE 100				
(2006: N/A) (2007: +17%) (2008: N/A) (2009: N/A)	N/A	1,725	N/A	N/A
(2006: N/A) (2007: -17%) (2008: N/A) (2009: N/A)	N/A	(1,725)	N/A	N/A
U.S.A. – NASDAQ (2006 & 2009)/SPX Index (2008)				
(2006: +17%) (2007: N/A) (2008: +40%) (2009: +46%)	11,935	N/A	2,666	8,553
(2006: -17%) (2007: N/A) (2008: -40%) (2009: -46%)	(11,935)	N/A	(2,666)	(8,553)

The change in market prices do not effect the Privateco Group's other components of equity.

Other than the above, the Privateco Group is exposed to equity security price risk arising from its investment in derivative financial instruments. Details about the derivative financial instruments are set out in note 28. The effect on the Privateco Group's profit after tax as a result of a reasonably possible change in the market price of the underlying equity securities, with all other variables held constant, is as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Year ended 31st December,			Six months ended 30th June,
	2006	**2007**	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase/(Decrease) in profit after tax				
Market price of underlying equity securities				
+20%*	7,938	6,649	N/A	(215)
-20%	(12,268)	(40,022)	N/A	215

* *Regarding the derivative financial instruments for the years ended 31st December, 2006 and 2007, when the underlying shares' prices increased by 20%, some of them triggers the knock-out prices and the contracts will be terminated. This analysis only shows the effect up to the knock-out prices.*

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 rate. The Privateco Group's income and operating cash flows are substantially independent of changes in market interest rates. The Privateco Group's interest rate risk mainly arises from bank borrowings. Bank borrowings arranged at variable rates and at fixed rates expose the Privateco Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31st December, 2006, 2007, 2008 and 30th June, 2009 approximately 74%, 43%, 74% and 85% of the bank borrowings, respectively, bore interest at floating rates. The interest rate and repayment terms of the bank borrowings outstanding at the year/period end are disclosed in note 34.

The Privateco Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances. The directors consider the Privateco Group's exposure of the bank deposits and bank borrowings to fair value interest rate risk is not significant as interest bearing bank deposits and borrowings at fixed rate are within short maturity periods in general.

The Privateco Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following sensitivity demonstrates the Privateco Group's exposure to a reasonably possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of each reporting year/period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Year ended 31st December, 2006	2007	2008	Six months ended 30th June, 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase/(Decrease) in profit after tax				
Increase/Decrease in basis points ("bp")				
+ 50 bp	(1,361)	(1,773)	(2,467)	(2,503)
-100 bp	2,721	3,546	4,934	5,005

The changes in interest rates do not affect the Privateco Group's other components of equity.

The above sensitivity analysis is prepared based on the assumption that the borrowing period of the loans outstanding at each reporting year/period end date resembles that of the corresponding financial year/period.

(b) *Credit risk*

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Privateco Group. The Privateco Group's maximum exposure to credit risk in relation to each class of recognised financial assets (note 48.1) is the carrying amount of those assets as stated in the combined statements of financial position and the amount of guarantees issued by the Privateco Group as disclosed in note 44.

The Privateco Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Privateco Group has significant exposure to individual customers. At 31st December, 2006, 2007 and 2008 and 30th June, 2009, 54%, 55%, 68% and 61% of the total trade and other receivables, respectively, were due from the Privateco Group's two largest customers within the business segment – electrical household appliances.

The Privateco Group limits its exposure to credit risk by rigorously selecting the counterparties. Credit risk on cash and cash equivalents (note 30) is mitigated as cash is deposited in banks of high credit rating. Credit risk on loans and receivables is minimised as the Privateco Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at the end of each reporting year/period to ensure that adequate impairment losses are made for irrecoverable amounts. The credit and investment policies have been followed by the Privateco Group since prior years and are considered to have been effective in limiting the Privateco Group's exposure to credit risk to a desirable level.

None of the Privateco Group's financial assets as at 31st December, 2006, 2007 and 2008 and 30th June, 2009 are secured by collateral or other credit enhancements.

(c) *Liquidity risk*

Liquidity risk relates to the risk that the Privateco Group will not be able to meet its obligations associated with its financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents as well as the availability of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Privateco Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policies have been followed by the Privateco Group since prior years and are considered to have been effective in managing liquidity risk.

The table below analyses the remaining contractual maturities at the end of each reporting year/period of the Privateco Group's and financial liabilities which are based on contractual undiscounted cash flows and the earliest date the Privateco Group may be required to pay:

	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st December, 2006				
Interest-bearing bank borrowings	388,028	10,927	32,488	138,532
Trade payables	89,850	–	–	–
Other payables and accruals	115,480	–	–	–
Other liabilities	101	2,639	–	–
	593,459	13,566	32,488	138,532
As at 31st December, 2007				
Interest-bearing bank borrowings	984,596	10,257	29,889	124,941
Trade payables	107,984	–	–	–
Other payables and accruals	127,474	–	–	–
Derivative financial instruments	6,738	–	–	–
Other liabilities	102,335	3,005	–	–
	1,329,127	13,262	29,889	124,941
As at 31st December, 2008				
Interest-bearing bank borrowings	226,675	71,819	424,892	–
Trade payables	123,230	–	–	–
Other payables and accruals	136,328	–	–	–
Other liabilities	104,735	–	6,155	3,386
	590,968	71,819	431,047	3,386
As at 30th June, 2009				
Interest-bearing bank borrowings	364,939	10,701	340,248	–
Trade payables	68,864	–	–	–
Other payables and accruals	86,731	–	–	–
Derivative financial instruments	1,073	–	–	–
Other liabilities	447	–	10,145	3,490
	522,054	10,701	350,393	3,490

The Directors are of the opinion that, at the end of each reporting year/period, it is not probable for the counterparties to the financial guarantee contracts to claim the Privateco Group for any losses covered by the guarantee contracts. Therefore, the maturity analysis does not include any amount that the Privateco Group may have to pay under the guarantee contracts granted.

The contractual financial guarantees are disclosed in note 44 .

48.5 Fair value estimation

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 31st December, 2006, 2007 and 2008 and 30th June, 2009 across the three levels of the fair value hierarchy defined in HKFRS 7 "Financial Instruments: Disclosures", with the fair value of each financial instruments categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st December, 2006				
Investments held for trading	184,884	–	–	184,884
Derivative financial instruments	–	1,292	–	1,292
As at 31st December, 2007				
Investments held for trading	48,381	–	–	48,381
Derivative financial instruments	–	(6,738)	–	(6,738)
As at 31st December, 2008				
Investments held for trading	20,643	–	–	20,643
As at 30th June, 2009				
Investments held for trading	41,301	–	–	41,301
Derivative financial instruments	–	(1,073)	–	(1,073)

During the years ended 31st December, 2006, 2007 and 2008 and the six months ended 30th June, 2009, there were no transfers between instruments in Level 1 and Level 2.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Privateco Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31st December, 2006, 2007 and 2008 and 30th June, 2009.

49. PARTICULARS OF SUBSIDIARIES

The particulars of the subsidiaries set out below are the same as at 31st December, 2006, 2007 and 2008 and 30th June, 2009 unless otherwise stated.

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Allright Investments Limited[1]	Samoa	Ordinary	1 share of US$1	–	100%	Investment holding
Appeon Corporation[1]	British Virgin Islands	Ordinary	3,658,032 shares of US$0.01 each	–	89.33%	Investment holding
Appeon (USA) Corporation[12]	USA	Ordinary	100 share of US$300 each	–	89.33%	Investment holding
Appeon Corporation (HK) Limited[11]	Hong Kong	Ordinary	1 share of HK$1	–	89.33%	Investment holding
Crown Silver Investment Limited[9]	Hong Kong	Ordinary	1 share of HK$1	–	100%	Investment holding
Extra-Fund Investment Limited[2]	Hong Kong	Ordinary	2 shares of HK$1 each	100%	–	Securities trading
Fast-Gain Overseas Limited[2]	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Property investment
Foremost Pacific Limited[1]	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding
Full Revenue Inc.[1]	Samoa	Ordinary	1 share of US$1	100%	–	Investment holding
Galactic Computing Corporation[2]	British Virgin Islands	Ordinary	23,861,240 shares of US$0.01 each	–	100%	Investment holding
Guangdong Macro Cables Co., Ltd.[3]	PRC*	Paid up capital	US$20,960,000	–	98%	Manufacturing and trading of cables and electrical wires
Guangzhou SMC Car Rental Company Limited[4]	PRC^	Paid up capital	2006 & 2007: HK$15,000,000 31 Dec 2008 & 30 June 2009: HK$28,000,000	–	2006 & 2007: 95% 31 Dec 2008 & 30 Jun 2009: 100%	Taxi operations
High Speed Enterprises Limited[9]	Hong Kong	Ordinary	1 share of HK$1	–	100%	Investment holding
Huge Ocean International Limited[9]	Hong Kong	Ordinary	1 share of US$1	100%	–	Investment holding
Kar Hang Limited[10]	Hong Kong	Ordinary	100 shares of HK$1.00 each	–	100%	Trading of electric fans
Kinder Limited[1]	Samoa	Ordinary	1 share of US$1	–	100%	Investment holding
Lotus Atlantic Limited[1]	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding
Pan China Land (Holdings) Corporation Limited[9]	Hong Kong	Ordinary	1 share of HK$1	100%	–	Investment holding
Phoenix Atlantic Limited[1]	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding
Quanta Global Limited[2]	British Virgin Islands/Hong Kong	Ordinary	1 share of US$1	100%	–	Trading of electric fans
Quanta Global Macao Commercial Offshore Limited[5]	Macau	Paid up capital	MOP100,000	100%	–	Trading of electric fans
Quanta Global (USA), Inc.[1]	USA	Ordinary	500 shares of US$1 each	100%	–	Investment holding

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Quickjay Management Limited[1]	British Virgin Islands	Ordinary	50,000 shares of US$1 each	100%	–	Investment holding
Shell Electric Mfg. (China) Company Limited[2]	British Virgin Islands	Ordinary	100 shares of US$10 each	100%	–	Trading of electric fans
Shell Electric Mfg. (China) Company Sdn. Bhd.[1]	Malaysia	Ordinary	2 shares of RM1 each	100%	–	Trading of electric fans
Shell Electric Mfg. (China) Company Limited[1]	Samoa	Ordinary	1 share of US$1	100%	–	Trading of electric fans
Shell Electric Mfg. (H.K.) Company Limited[2]	Hong Kong	Ordinary	1,000 shares of HK$10 each	100%	–	Trading of electric fans
Shunde Hua Feng Stainless Steel Welded Tubes Limited[3]	PRC*	Paid up capital	US$6,792,000	–	90.1%	Manufacturing and trading of welded tubes
佛山市順德區蜆華多媒體製品有限公司[3]	PRC^	Paid up capital	2006 & 2007: US10,710,000 31 Dec 2008 & 30 June 2009: US$18,870,000	–	100%	Manufacturing and trading of electrical appliances
佛山市順德區蜆華先進晶體元件有限公司[3]	PRC^	Paid up capital	US$500,000	–	100%	Trading of semi-conductor
SMC Cable Limited[2]	British Virgin Islands	Ordinary	1 share of US$1	100%	–	Investment holding
SMC Development Corp.[6]	USA	Ordinary	1,000 shares of US$10 each	–	100%	Property development
SMC Home Products Corp.[7]	Canada	Ordinary	2,100,100 shares of CAN$1 each	100%	–	Property investment
SMC Investments Limited[2]	Hong Kong	Ordinary	2 shares of HK$1 each	100%	–	Property investment
SMC Marketing Corp.[6]	USA	Ordinary	10,000 shares of US$1,021 each	100%	–	Marketing of the Privateco Group's products
SMC Microtronic Company Limited[2]	Hong Kong	Ordinary	10,000 shares of HK$1 each	100%	–	Provision of management services
SMC Multi-Media Products Company Limited[2]	British Virgin Islands	Ordinary	1 share of US$1	100%	–	Contract manufacturing for optics and imaging
SMC Multi-Media (H.K.) Limited[2]	Hong Kong	Ordinary	2 shares of HK$1 each	–	100%	Contract manufacturing for optics and imaging
SMC Property Investment Limited[2]	Hong Kong	Ordinary	2 shares of HK$1 each	100%	–	Investment holding
SMC Steel Pipes Limited[1]	British Virgin Islands	Ordinary	1 share of US$1	100%	–	Investment holding
Speed Power Limited[2]	Hong Kong	Ordinary	2 shares of HK$1 each	100%	–	Trading of electric fans
Sybond Venture Limited[1]	Cayman Islands	Ordinary	1 share of US$1	100%	–	Investment holding
Timely Hero Limited[1]	Samoa	Ordinary	1 share of US$1	100%	–	Investment holding
Vineyard Management Company[6]	USA	Ordinary	1,000 shares of US$10 each	–	100%	Property investment
Vortex Worldwide Limited[1]	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding
業盈置業(深圳)有限公司[8]	PRC^	Paid up capital	HK$10,000,000	–	100%	Property investment

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
正陽軟件(深圳)有限公司[8]	PRC^	Paid up capital	HK$9,000,000	–	89.33%	Computer software development
蜆壳星盈科技(深圳)有限公司[8]	PRC^	Paid up capital	2006 & 2007: HK$24,000,000 31 Dec 2008 & 30 June 2009: HK$27,200,000	–	100%	Computer software and hardware development
蜆壳星盈軟件(深圳)有限公司[8]	PRC^	Paid up capital	HK$8,000,000	–	100%	Computer software and hardware development

* *The companies are incorporated in the PRC as sino-foreign equity joint ventures.*

^ *The companies are incorporated in the PRC as wholly foreign owned enterprises.*

Notes:

1 The financial statements of these companies have not been audited as there is no requirement to prepare audited financial statements under the legislation of their respective jurisdiction of incorporation. Quanta Global (USA), Inc. and Timely Hero Limited were newly set up during the year ended 31st December, 2007. Allright Investments Limited was disposed during the year ended 31st December, 2007.

2 The financial statements of these companies for the years ended 31st December, 2006, 2007 and 2008 were audited by Grant Thornton.

3 The statutory financial statements of these companies for the years ended 31st December, 2006, 2007 and 2008 were audited by 廣東德正有限責任會計師事務所. 佛山市順德區蜆華先進晶體元件有限公司 was deregistered on 31st July, 2006.

4 The statutory financial statements of this company for the years ended 31st December, 2006, 2007 and 2008 were audited by 廣州眾誠會計師事務所有限公司.

5 The statutory financial statements of this company for the year ended 31st December, 2006 and for the period from 1st January, 2007 to 13th November, 2007 were audited by Leong Kam Chun & Co. The company was deregistered on 13th November, 2007.

6 The financial statements of these companies for the years ended 31st December, 2006, 2007 and 2008 were audited by Tseng Lee & Wu LLP (named as Tseng & Lee LLP in 2006).

7 This company was dormant since 2006 and was winded up during the year ended 31st December 2007. No audited financial statements have been made up for the years ended 31st December, 2006 and 2007 as there is no statutory requirement to do so.

8 The statutory financial statements of these companies for the years ended 31st December, 2006, 2007 and 2008 were audited by 深圳正大華明會計師事務所.

9 The financial statements of these companies have not been audited as they are newly incorporated during the Relevant Periods. Crown Silver Investment Limited was newly set up during the year ended 31st December, 2007.

Pan China Land (Holdings) Corporation Limited was newly set up during the year ended 31st December, 2008.

High Speed Enterprises Limited and Huge Ocean International Limited were newly set up during the six months ended 30th June, 2009.

10 The statutory financial statements of this company for the years ended 31st December, 2006 and 2007 and for the period from 1st January, 2008 to 18th November, 2008 were audited by Grant Thornton. The company ceased business operation on 18th November, 2008.

11 The statutory financial statements of this company for the year ended 31st December, 2006 were audited by Grant Thornton. The company has become a 50% owned jointly controlled entity of the Privateco Group for the year ended 31st December, 2007.

12. The statutory financial statements of this company for the year ended 31st December, 2006 and for the period from 1st January, 2007 to 28th December, 2007 were audited by Nelson S.Lee, CPA. The company was deregistered on 28th December, 2007.

50. PARTICULARS OF ASSOCIATES

The particulars of the associates set out below are the same as at 31st December, 2006, 2007 and 2008 and 30th June, 2009 unless otherwise stated.

Name of associates	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
MDCL-Frontline (China) Limited[1]	British Virgin Islands	Ordinary	65,269,561 shares of HK$1 each	–	26.66%	Trading of computer hardware, provision of information technology services and investment holding
China Dynasty Development Ltd[2]	British Virgin Islands	Ordinary	1,000 shares of US$1 each	–	40%	Property investment
Hong Kong Construction SMC Development Limited[3]	Hong Kong	Ordinary	10,000,000 shares of HK$1 each	–	20%	Investment holding
Kumagai SMC Development (Guangzhou) Ltd.[4]	PRC^	Paid up capital	US$59,000,000	–	20%	Property development
Yue Tian Development Limited[5]	Hong Kong	Ordinary	72,000 shares of HK$1 each	–	20%	Investment holding
Guangzhou Cheng Jian Tian Yu Real Estate Development Company [5]	PRC*	Paid up capital	US$22,500,000	–	20%	Property development
PFC Device Corporation[6]	British Virgin Islands	Preferred	2,122,820 shares of US$1 each	–	47.11%	Design and trading of semiconductors and electric components

* *The company is incorporated in the PRC as sino-foreign cooperative enterprise.*
^ *The company is incorporated in the PRC as wholly foreign owned enterprise.*

Notes:

1 The financial statements of this company for the year ended 31st December, 2006 were audited by Baker Tilly Hong Kong Limited. 香港天華會計師事務所有限公司 were the auditors of this company for the years ended 31st December, 2007 and 2008.

2 The financial statements of this company for the years ended 31st December, 2006, 2007 and 2008 were audited by Eric H.L. Chung & Co.

3 This company did not curry out business in Hong Kong during the Relevant Periods. No audited financial statements have been made up for this company for the years ended 31st December, 2006, 2007 and 2008 as it is exempted from Hong Kong Companies Ordinance.

4 The statutory financial statements of this company for the year ended 31st December, 2006 were audited by 廣東羊城會計師事務所有限公司. 立信羊城會計師事務所有限公司 were the auditors of this company for the years ended 31st December, 2007 and 2008.

5 The statutory financial statements of these companies for the year ended 31st December, 2006 were audited by Deloitte Touche Tohmatsu. They were disposed in 2007.

6 The financial statements of this company have not been audited as there is no requirement to prepare audited financial statements under the legislation of its jurisdiction of incorporation.

51. PARTICULARS OF JOINTLY CONTROLLED ENTITIES

The particulars of the jointly controlled entities set out below are the same as at 31st December, 2006, 2007 and 2008 and 30th June, 2009 unless otherwise stated.

Name of jointly controlled entities	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Appeon Corporation (HK) Limited[1]	Hong Kong	Class A voting	25,000 shares of HK$0.01 each	–	50%	Investment holding and sale of software licence
		Class B non-voting	27,181 shares of HK$0.01 each	–	52.18%	
艾普陽軟件(深圳)有限公司[2]	PRC^	Paid up capital	US$500,000	–	52.18%	Computer software and hardware development

^ *The company is incorporated in the PRC as wholly foreign owned enterprises.*

Notes:

1 This company became jointly controlled entity of the Privateco Group in 2007. The statutory financial statements of this company for the years ended 31st December, 2007 and 2008 were audited by Francis S.L. Yan & Co.

2 The financial statements of this company have not been audited for the year ended 31st December, 2006 as it is newly incorporated in 2007. 深圳正大華明會計師事務所 was auditor of the company for the years ended 31st December, 2007 and 2008.

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(II) PARTICULARS OF MAJOR PROPERTIES AS AT 30TH JUNE, 2009

(A) PROPERTIES HELD AS PROPERTY, PLANT AND EQUIPMENT

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
Shell Industrial Building , 12 Lee Chung Street, Chaiwan, Hong Kong *(Note)*	Industrial premises	125,315.99 sq.ft.	100%	100%	Long
No. 18 San Le East Road, Beijiao Residents' Committee Industrial Park, Bejiao Town, Shunde District, Foshan, Guangdong Province, the PRC	Industrial premises	62,805.00 sq.m.	100%	100%	Medium
4th Floor, 1 Ning Foo Street, Chaiwan, Hong Kong	Industrial premises	4,860.00 sq.ft.	100%	100%	Long
1925–1933 North Great Southwest Parkway Grand Prairie, Texas 75050, U.S.A.	Commercial premises and warehouses	97,134.00 sq.ft. (Site area of Land.)	100%	100%	Freehold
No. 162 and 168 Flying Goose Hillock, Da Men Residents' Committee, Da Liang Street Office, Shunde District, Foshan, Guangdong Province, the PRC *(Note)*	Industrial premises	26,188.10 sq.m.	90.10%	100%	Medium

Note: Partly classified as property, plant and equipment and partly as investment properties.

(B) PROPERTIES HELD FOR INVESTMENT

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
Workshop on Lower Ground Floor, Tak King Industrial Building, 27 Lee Chung Street, Chaiwan, Hong Kong	Industrial premises	9,384.00 sq.ft.	100%	100%	Long
The Vineyard Business Park, Livemore, Alameda County, California 94550, U.S.A. (Phases I & II)	Commercial complex	234,901.00 sq.ft. (Site area – 19.59 acres)	100%	100%	Freehold
Office unit 7104, CITIC Plaza, No. 233 Tian He North Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	Commercial premises	309.55 sq.m..	100%	100%	Medium
Lot No. B105-19-3 at Hong Mian Road, Futian Free Trade Zone, Shenzhen, Guangdong Province, the PRC	Hi-tech Industrial factory premises	31,348.00 sq.m. (site area of land)	100%	100%	Medium

(C) PROPERTIES HELD BY ASSOCIATES

Name/location	Type	Gross floor area	Effective% held	Stage of completion	Lease terms
CITIC Plaza, No. 233 Tian He North Road, Tianhe District, Guangzhou, Guangdong Province, the PRC (excluding partly of office units)	Commercial	34,690.00 sq.m.	20%	100%	Medium
CITIC Plaza, No. 233 Tian He North Road, Tianhe District, Guangzhou, Guangdong Province, the PRC (partly of office units)	Commercial complex	38,368.95 sq.m.	40%	100%	Medium

(III) MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st December, 2006

BUSINESS REVIEW

Please refer to the paragraphs namely “Electrical Household Appliances: Ceiling Fans, Table Fans and Vacuum Cleaners”, “Optics and Imaging”, “Electric Wire and Cable”, “Taxi Operation” and “Technology Investment Projects” under section headed “Business Review” for the year ended 31st December, 2006 under section (IV) headed “Management Discussion and Analysis” in Appendix II to this circular.

Revenue and Operating Results

For the year ended 31st December, 2006 the Privateco Group recorded a revenue of HK$1,324.9 million representing an increase of HK$80.1 million or 6.4% over HK$1,244.8 million in the same period last year.

Profit attributable to the owners of the Privateco for the year ended 31st December, 2006 went up to HK$212.2 million from HK$134 million for the same period in 2005 as a result of profits from investment in securities and fair value gain on investment properties.

Financial Resources and Liquidity

The banking facilities of the Privateco Group were subject to a mix of fixed interest rates and floating interest rates. The U.S. term loans of approximately US$14 million was secured by certain assets of the Privateco Group located in the United States. Apart from the above, all banking facilities of the Privateco Group have been arranged on short-term basis.

The Privateco Group’s borrowings were mainly denominated in Hong Kong Dollars and US Dollars. The Privateco Group continued to conduct its sales mainly in US Dollars and make payments either in US Dollars and Hong Kong Dollars. The directors considered that the Privateco Group’s risk exposure to foreign exchange rate fluctuations remained minimal.

As at 31st December, 2006, the Privateco Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash and cash equivalents to total equity of the Privateco Group of 8.2% (31st December, 2005: 13.3%). As at 31st December, 2006, the outstanding bank loans amounted to approximately HK$486 million.

As at 31st December, 2006, the Privateco Group has approximately 1,810 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

For the year ended 31st December, 2007

BUSINESS REVIEW

Please refer to the paragraphs namely "Ceiling Fans, Table Fans", "Optics and Imaging", "Electric and Electronics Contract Manufacturing", "Electric Wire and Cable", "Taxi Operation" and "Technology Investment Projects" under section headed "Business Review" for the year ended 31st December, 2007 under section (IV) headed "Management Discussion and Analysis" in Appendix II to this circular.

Revenue and Operating Results

Revenue for the Privateco Group during the year ended 31st December, 2007 reached HK$1,418.3 million representing an increase of HK$93.4 million or 7.05% compared to HK$1,324.9 million for the corresponding period last year.

Profit attributable to the owners of the Privateco for the year ended 31st December, 2007 surged to HK$310.4 million from HK$212.2 million representing an increase of HK$98.2 million or 46.3% over the corresponding year in 2006. The increase was mainly attributable to a sharing of fair value gain on certain investment properties held by associated companies, a gain on disposal of an associated company and a recoupment of a direct investment previously written down.

Financial Resources and Liquidity

The banking facilities of the Privateco Group were subject to a mix of fixed interest rates and floating interest rates. The U.S. term loans of approximately US$13.6 million was secured by certain assets of the Privateco Group located in the United States. Apart from the above, all banking facilities of the Privateco Group have been arranged on short-term basis.

The Privateco Group's borrowings were mainly denominated in Hong Kong Dollars, US Dollars and Renminbi. The Privateco Group continued to conduct its sales mainly in US Dollars and make payments either in US dollars and Hong Kong Dollars. The directors considered that the Privateco Group's risk exposure to foreign exchange rate fluctuations remained minimal.

The Privateco Group continued to follow its policy of maintaining a prudent gearing ratio. As at 31st December, 2007, the cash and cash equivalents and pledged cash deposits amounted to approximately HK$1,197 million and the outstanding bank loans amounted to approximately HK$1,063 million.

As at 31st December, 2007, the Privateco Group has approximately 3,240 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

For the year ended 31st December, 2008

BUSINESS REVIEW

Please refer to the paragraphs namely "Ceiling Fans", "Contract Manufacturing – Optics and Imaging", "Contract Manufacturing – Electric and Electronics", "Electric Wire and Cable", "Taxi Operation" and "Technology Investment Projects" under section headed "Business Review" for the year ended 31st December, 2008 under section (IV) headed "Management Discussion and Analysis" in Appendix II to this circular.

Revenue and Operating Results

Revenue for the Privateco Group for the year ended 31st December, 2008 totalled HK$1,201.9 million, representing a decrease of HK$216.4 million or 15.3% compared to HK$1,418.3 million for the corresponding period last year. Decline in the sales of electric fans accounted for a majority of the decrease in revenue following a challenging business environment.

Profit attributable to the owners of the Privateco for the year ended 31st December, 2008 dipped from a profit of HK$310.4 million to a loss of HK$16.8 million representing a decrease of HK$327.2 million or 105.4% over last year. The decrease was attributable to a fair value loss on certain investment properties and realised and unrealised losses on securities trading.

Financial Resources and Liquidity

The U.S. long term loans of US$13 million was secured by certain assets of the Privateco Group located in the United States. The Privateco Group has secured and utilised a three-year long-term loan of HK$150 million and converted a short-term loan of HK$250 million into a three-year term loan during the period under review. Apart from the above, all banking facilities of the Privateco Group have been arranged on short-term basis.

The banking facilities of the Privateco Group were subject to a mix of fixed interest rates and floating interest rates.

The Privateco Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. The Privateco Group continued to conduct its sales mainly in US dollars and make payments either in US dollars and Hong Kong dollars. The directors considered that the Privateco Group's risk exposure to foreign exchange rate fluctuations remained minimal.

The Privateco Group continued to follow its policy of maintaining a prudent gearing ratio. As at 31st December, 2008, the Privateco Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash and cash equivalents to total equity of the Privateco Group of 10.1%. As at 31st December, 2008, the outstanding bank loans amounted to approximately HK$681 million.

As at 31st December, 2008, the Privateco Group has approximately 3,460 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

For the six months ended 30th June, 2009

BUSINESS REVIEW

Please refer to the paragraphs namely "Ceiling Fans", "Contract Manufacturing – Optics and Imaging", "Contract Manufacturing – Electric and Electronics", "Taxi Operation" and "Technology Investment Projects" under section headed "Business Review" for the six months ended 30th June, 2009 under section (IV) headed "Management Discussion and Analysis" in Appendix II to this circular.

Revenue and Operating Results

Revenue from the Privateco Group for the period ended 30th June, 2009 totalled HK$542.3 million, representing a decrease of HK$55.6 million or 9.3% compared to HK$597.9 million for the corresponding period last year.

Profit attributable to the owners of the Privateco for the period ended 30th June, 2009 dipped from a profit of HK$54.6 million to a loss of HK$142.5 million representing a decrease of HK$197.1 million or 361% over the corresponding period last year. The plunge in profit was mainly attributable to a fair value loss on certain investment properties within the Privateco Group including those held by associated companies and realised and realised losses on securities trading.

Financial Resources and Liquidity

The U.S. long term loans of US$13 million was secured by certain assets of the Privateco Group located in the United States. The Privateco Group has two three-year long-term loans totalling HK$500 million. Apart from the above, all banking facilities of the Privateco Group have been arranged on short-term basis.

The Company has been granted certain loan facilities from a bank which requires the Company to fulfill certain covenants. As at 30th June, 2009, the Company was not able to meet certain of the financial covenants as set out in the banking facility agreements. Accordingly, the non-current portion of the relevant loans as at 30th June, 2009 has been reclassified as current liabilities. The directors have been negotiating with the bank for a relaxation of the financial covenants and the bank has confirmed by way of a waiver issued to the Company that it has not, so far, taken any action against the Company for the breach of the financial covenants. The Company has also assessed that the violation of the loan covenants would not have significant financial impact to the Privateco Group.

The banking facilities of the Privateco Group were subject to a mix of fixed interest rates and floating interest rates.

The Privateco Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. The Privateco Group continued to conduct its sales mainly in US dollars and make payments either in US dollars and Hong Kong dollars. The directors considered that the Privateco Group's risk exposure to foreign exchange rate fluctuations remained minimal.

The Privateco Group continued to follow its policy of maintaining a prudent gearing ratio. As at 30th June, 2009, the Privateco Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash and cash equivalents to total equity of the Privateco Group of 14.2%. As at 30th June, 2009, the outstanding bank loans amounted to approximately HK$698 million.

As at 30th June, 2009, the Privateco Group has approximately 2,740 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

(A) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the financial impact of the Capital Reorganisation, the Group Restructuring, and the Subscription (the "Proposed Transactions") as if the Proposed Transactions had taken place on 30th June, 2009.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is based upon the unaudited consolidated statement of financial position of the Group as at 30th June, 2009, which has been extracted from the published unaudited interim financial report of the Group for the six months ended 30th June, 2009, after giving effect to the pro forma adjustments as summarised in the accompany notes that are directly attributable to the Proposed Transactions and not relating to future events or decisions, and factually supportable.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is for illustrative purpose only and is based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, it may not give a true picture of the actual financial position of the Remaining Group that would have been attained had the Proposed Transactions been completed on 30th June, 2009 or to predict the future financial position of the Remaining Group upon completion of the Proposed Transactions.

The unaudited pro forma consolidated statement of financial position of the Remaining Group should be read in conjunction with the historical financial information of the Group as set out in Appendix II and other financial information included elsewhere in this circular.

	The Group As at 30th June, 2009	Pro forma adjustments									Pro forma Remaining Group As at 30th June, 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	
Non-current assets											
Investment properties	1,174,159		(540,234)								633,925
Property, plant and equipment	213,965		(168,049)								45,916
Prepaid lease rental on land	20,102		(16,654)								3,448
Goodwill	84,950										84,950
Other intangible assets	238,498		(193,415)								45,083
Interests in associates	413,266		(413,266)								–
Interests in jointly controlled entities	219,905		(3,708)								216,197
Available-for-sale financial asset	2,920		(2,920)								–
Loans receivable	121,284		(121,284)								–
Deferred tax assets	1,980		(1,980)								–
	2,491,029										1,029,519
Current assets											
Inventories of properties	5,232,157			4,625							5,236,782
Other inventories	84,167		(83,129)								1,038
Trade and other receivables, prepayments and deposits	930,551		(199,198)	43,175							774,528
Prepaid lease rental on land	526		(444)								82
Loans receivable	15,351		(15,351)								–
Amounts due from jointly controlled entities	76,482										76,482
Amount due from an investee	7,744		(7,744)								–
Amounts due from minority shareholders	33,871										33,871
Amount due from a related party	–		(800,731)				800,731				–
Investments held for trading	41,301		(41,301)								–
Tax prepaid	2,956		(2,915)								41
Restricted cash and deposits	312,360										312,360
Cash and cash equivalents	878,363		(427,309)		455,431	(4,540)		(400,366)	(3,820)		497,759
	7,615,829										6,932,943
Assets classified as held for sale	815,568										815,568
	8,431,397										7,748,511
Current liabilities											
Trade and other payables	2,011,651		(231,659)								1,779,992
Sales deposits received	960,532										960,532
Amount due to an associate	156		(156)								–
Amount due to a jointly controlled entity	226										226
Amount due to a minority shareholder	82,383										82,383
Amount due to a related party	291		(291)				800,731	(400,366)			400,365
Consideration payable on acquisition of a subsidiary	161,887										161,887
Taxation liabilities	685,332		(131,774)								553,558
Derivative financial instruments	1,073		(1,073)								–
Bank borrowings	552,687		(354,167)								198,520
	4,456,218										4,137,463
Liabilities associated to assets classified as held for sale	640,851										640,851
	5,097,069										4,778,314
Net current assets	3,334,328										2,970,197
Total assets less current liabilities	5,825,357										3,999,716

	The Group As at 30th June, 2009					Pro forma adjustments					Pro forma Remaining Group As at 30th June, 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	
Non-current liabilities											
Bank borrowings	1,552,252		(344,116)								1,208,136
Loan from a minority shareholder	3,490		(3,490)								–
Other liabilities	10,145		(10,145)								–
Deferred tax liabilities	551,509		(53,327)								498,182
	2,117,396										1,706,318
Net assets	3,707,961										2,293,398
Capital and reserves											
Share capital	261,742	(256,507)			1,570						6,805
Share premium	640,099	(640,099)			453,861	(4,540)					449,321
Retained earnings	1,704,558		(1,466,704)	47,800			41,954		(3,820)	(93,100)	230,688
Other reserves	505,150	896,606	(434,284)				(41,954)			93,100	1,018,618
Equity attributable to owners of the Company	3,111,549										1,705,432
Non-controlling interests	596,412		(8,446)								587,966
Total equity	3,707,961										2,293,398

Notes:

1. The amounts have been extracted without adjustment from the interim report of the Group for the six months ended 30th June, 2009.

2. The adjustment reflects the completion of the Capital Reorganisation, assuming the conditions precedent to the Capital Reorganisation including obtaining relevant approval from the court and the Stock Exchange are all met. The Capital Reorganisation comprises (i) the reduction of share capital of the Company by an amount of HK$256,507,000 from 523,484,562 shares of HK$0.5 each, totalling HK$261,742,000, to 523,484,562 shares of HK$0.01 each, totalling HK$5,235,000; and (ii) share premium cancellation, whereby the entire amount standing to the credit of the share premium account of the Company amounting to HK$640,099,000 is cancelled.

3. The adjustment reflects the de-consolidation of the assets and liabilities of the Privateco Group from the Group upon completion of the Capital Reorganisation and Group Restructuring. The amounts have been extracted without adjustment from the Accountants' Report on the Privateco Group set out in Appendix III of this circular.

4. The adjustment relates to interest capitalisation in respect of the inter-company loan among the Remaining Group and the Privateco Group which are eliminated at the consolidated statement of financial position of the Group as at 30th June, 2009.

5. The adjustment reflects the issue of 157,045,368 new ordinary shares of the Company to the Offeror at HK$2.90 each under the Subscription Agreement as described in this circular.

6. The adjustment represents the estimated legal and professional fees to be borne by the Remaining Group in relation to the issue of 157,045,368 new ordinary shares as described in note 5 above.

7. The adjustment represents the reclassification of balances due from the Remaining Group to the Privateco Group (the "Shareholder's Loan") including the interest accrued which are eliminated at the consolidated statement of financial position of the Group as at 30th June, 2009 and the re-allocation of exchange difference in respect of the Shareholder's Loan of HK$41,954,000 which is recognised in exchange reserve at the consolidated statement of financial position of the Group as at 30th June, 2009.

8. The adjustment reflects the settlement of the Shareholder's Loan upon completion of the Proposed Transactions. As set out in the Subscription Agreement, 50% of the Shareholder's Loan is to be repaid upon completion of the Proposed Transactions. Assuming the Proposed Transactions were completed on 30th June, 2009, the amount of settlement in respect of the Shareholder's Loan outstanding on the same date of HK$800,731,000 is estimated to be HK$400,366,000.

9. The adjustment represents the estimated professional and legal fees to be borne by the Remaining Group in relation to the Capital Reorganisation and the Group Restructuring.

10. Terborley Limited ("Terborley"), a subsidiary of the Remaining Group, has granted share options to certain of its employees (the "Grantees") to acquire an aggregate of 116,000 ordinary shares of Pan China Land, another subsidiary of the Remaining Group, currently held by Terborley. The exercise of the share options is conditional on certain performance conditions and vesting periods. As at 30th June, 2009, the amount of share option cost in relation to unexpired portion of the vesting period which is not yet charged to the income statement amounted to HK$133 million. Pursuant to the option deed signed for granting the share options, in case of acquisition of more than 50% equity interest (directly/indirectly) in Pan China Land by any third party, provided unanimous agreement reached among the third party, Pan China Land and the Grantees on the employment arrangement of the Grantees, the share options (including both the vested and the unvested portion) are immediately exercisable or the Grantees are entitled to sell the share options to the third party. As a condition to the Subscription, Mr. Billy Yung undertakes to procure the Offeror in holding not less than 50.1% of the issued share capital of the Company as enlarged by the Subscription. Accordingly, the completion of the Proposed Transactions would trigger the share options becoming immediately exercisable which necessitates this adjustment to accelerate the charging of the remaining share option cost of HK$93,100,000 attributable to the owners of the Company (i.e. 70% of HK$133 million). This adjustment is made on the assumptions that (i) unanimous agreement has been reached among the Offeror, Pan China Land and the Grantees on the employment arrangement, (ii) there is no change in the number of Grantees on completion of the Proposed Transactions, and (iii) no subsequent arrangements have made between Terborley/Pan China Land and the Grantees on the share options which might otherwise give rise to additional option cost. In addition, in making this adjustment, no consideration has been given on whether or not the Grantees would exercise the share options.

(B) UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE REMAINING GROUP

The unaudited pro forma consolidated income statement of the Remaining Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the financial impact of the Proposed Transactions as if the Proposed Transactions had taken place at the commencement of the financial year ended 31st December, 2008.

The unaudited pro forma consolidated income statement of the Remaining Group is based upon the audited consolidated income statement of the Group for the financial year ended 31st December, 2008, which has been extracted from the published annual report of the Group for the financial year ended 31st December, 2008, after giving effect to the pro forma adjustments as summarised in the accompany notes that are directly attributable to the Proposed Transactions and not relating to future events or decisions, and factually supportable.

The unaudited pro forma consolidated income statement of the Remaining Group is for illustrative purpose only and is based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, it may not give a true picture of the actual financial result of the Remaining Group that would have been attained had the Proposed Transactions been completed at the commencement of the financial year ended 31st December, 2008 or to predict the future result of the Remaining Group.

The unaudited pro forma consolidated income statement of the Remaining Group should be read in conjunction with the historical financial information of the Group as set out in Appendix II and other financial information included elsewhere in this circular.

	The Group Year ended 31st December, 2008		Pro forma adjustments			Pro forma Remaining Group Year ended 31st December, 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Revenue	2,502,632	(1,201,894)				1,300,738
Cost of goods and services	(1,662,292)	969,721				(692,571)
Gross profit	840,340					608,167
Other income	44,231	(87,461)	54,461			11,231
Distribution and selling expenses	(73,194)	23,748				(49,446)
Administrative expenses	(300,415)	148,023			52,527	(99,865)
Other operating expenses	(107,239)	32,368				(74,871)
Other gains/(losses)						
Fair value (loss)/gain on investment properties	(64,337)	70,251				5,914
Fair value loss on investments held for trading	(62,286)	62,286				–
Impairment loss on owner-occupied property	(3,423)	3,423				–
Impairment loss on goodwill arising on acquisition of a subsidiary	(2,283)					(2,283)
Impairment losses on other assets	(5,116)					(5,116)
Reversal of impairment of financial assets	7,684	(7,684)				–
Reversal of unutilised provision	67,309					67,309
Gain on disposal of a subsidiary	56,115					56,115
Others	4,755	(25,802)		18,331		(2,716)
Operating profit	402,141					514,439
Finance costs	(73,109)	43,051	(29,838)	14,742		(45,154)
Share of results of associates	46,354	(46,354)				–
Share of results of jointly controlled entities	7,366	(2,456)				4,910
Gain on disposal of a jointly controlled entity	176,533					176,533
Impairment loss on interest in a jointly controlled entity	(28,361)					(28,361)
Profit before income tax	530,924					622,367
Income tax expense	(456,518)	38,232		(3,686)		(421,972)
Profit for the year	74,406					200,395
Profit for the year attributable to:						
Equity holders of the Company	23,563	16,805	33,574	26,070	36,769	136,781
Minority interests	50,843	2,647	(8,951)	3,317	15,758	63,614
	74,406					200,395
Earnings per share *(Note 7)*	*HK Cents*					*HK Cents*
Basic	4.48					20.04
Diluted	3.81					18.88

Notes:

1. The amounts have been extracted without adjustment from the Accountants' Report on the Group set out in Appendix II to this circular.

2. The adjustment reflects the de-consolidation of the results of the Privateco Group from the Group upon completion of the Capital Reorganisation and the Group Restructuring. The amounts have been extracted without adjustment from the Accountants' Report on the Privateco Group set out in Appendix III of this circular.

3. The adjustment relates to inter-company interest charges among the Remaining Group and the Privateco Group which are eliminated at the consolidated income statement of the Group for the year ended 31st December, 2008.

4. During the year ended 31st December, 2008, interest expense incurred by Pan China Land Group in relation to the Shareholder's Loan which was not capitalised amounted to approximately HK$18.5 million. Upon completion of the Proposed Transactions, 50% of the Shareholder's Loan is to be settled and the remaining 50% of the Shareholder's Loan, bears interest at 5.86% to 7.57% per annum, is to be settled within 45 days. This adjustment reflects i) the reduction of finance cost of the Remaining Group by HK$14.7 million as a result of this settlement arrangement, taking into account the interest accrual estimated for a period of 45 days, being the maximum period agreed for settling the remaining 50% Shareholder's Loan, of approximately HK$3.8 million, ii) the tax effect arising from the reduction of finance cost, and iii) exclusion of exchange difference arising from translating the Shareholder's Loan of HK$18.3 million.

5. The adjustment reflects the exclusion of share option expense already charged to the consolidated income statement of the Group for the year ended 31st December, 2008 assuming any remaining share option cost on completion of the Proposed Transaction at the commencement of the financial year ended 31st December, 2008 has been accelerated to the income statement simultaneously.

6. For the purpose of preparing the pro forma financial information of the Remaining Group, as transactions underlying the Proposed Transactions are mainly capital in nature, it is estimated that tax implication arising from the Proposed Transaction, if any, is not significant.

7. The calculation of the pro forma basic earnings per share attributable to the equity holders of the Company is based on the pro forma consolidated profit attributable to the equity holders of the Company of HK$136,781,000 and the weighted average number of 682,530,000 ordinary shares, calculated as follows:

	Pro forma Remaining Group
Number of shares	
Weighted average number of ordinary shares for the year ended 31st December, 2008 extracted from published annual report of the Group for the year ended 31st December, 2008	525,485,000
Adjustment for the issue of 157,045,000 new ordinary shares of the Company to the Offeror as mentioned in note 5 to the pro forma consolidated statement of financial position of the Remaining Group in Section (A) on 1st January, 2008	157,045,000
Weighted average number of ordinary shares for the purpose of calculating the pro forma earnings per share	682,530,000

The calculation of pro forma diluted earnings per share is calculated based on the following data:

Earnings	*HK$*
Earnings used in calculating pro forma basic earnings per share	136,781,000
Adjustment to the share of profit of a subsidiary based on dilution of its earnings per share#	(7,933,000)
Earnings for the purpose of calculating pro forma diluted earnings per share	128,848,000

\# *The calculation of pro forma diluted earnings per share is based on the assumption of full exercise of the share options granted by Terborley as mentioned in note 10 to the pro forma consolidated statement of financial position of the Remaining Group in Section (A).*

The denominators used for the calculation of pro forma diluted earnings per share are the same as those used for the basic pro forma earnings per share.

(C) UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE REMAINING GROUP

The unaudited pro forma consolidated cash flow statement of the Remaining Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the financial impact of the Proposed Transactions as if the Proposed Transactions had taken place at the commencement of the financial year ended 31st December, 2008.

The unaudited pro forma consolidated cash flow statement of the Remaining Group is based upon the audited consolidated cash flow statement of the Group for the financial year ended 31st December, 2008, which has been extracted from the published annual report of the Group for the financial year ended 31st December, 2008, after giving effect to the pro forma adjustments as summarised in the accompany notes that are directly attributable to the Proposed Transactions and not relating to future events or decisions, and factually supportable.

The unaudited pro forma consolidated cash flow statement of the Remaining Group is for illustrative purpose only and is based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, it may not give a true picture of the actual cash flow of the Remaining Group that would have been attained had the Proposed Transactions been completed at the commencement of the financial year ended 31st December, 2008 or to predict the future cash flow of the Remaining Group.

The unaudited pro forma consolidated cash flow statement of the Remaining Group should be read in conjunction with the historical financial information of the Group as set out in Appendix II and other financial information included elsewhere in this circular.

	The Group Year ended 31st December, 2008	Pro forma adjustments								Pro forma Remaining Group Year ended 31st December, 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	
Operating activities										
Profit before income tax	530,924	(18,780)				24,623		52,527	33,073	622,367
Adjustments for										
Share of results of associates	(46,354)	46,354								–
Share of results of jointly controlled entities	(7,366)	2,456								(4,910)
Gain on disposal of a jointly controlled entity	(176,533)									(176,533)
Gain on disposal of a subsidiary	(56,115)									(56,115)
Fair value loss/(gain) on investment properties	64,337	(70,251)								(5,914)
Fair value loss on investments held for trading and derivative financial instruments	28,687	(28,687)								–
Depreciation and amortisation	26,900	(18,039)								8,861
Impairment loss on financial and non-financial assets	103,759	(17,653)								86,106
Reversal of allowance of inventories	(2,935)	2,935								–
Reversal of impairment of financial assets	(7,684)	7,684								–
Reversal of unutilised provision	(67,309)									(67,309)
Share-based payments	52,527							(52,527)		–
Write back of long outstanding payables	(3,691)	3,691								–
Interest income	(14,178)	60,820				(54,461)				(7,819)
Finance costs	73,109	(43,051)				29,838			(14,742)	45,154
Loss/(Gain) on disposal of property, plant and equipment	(469)	500								31
Written-off of property, plant and equipment	364	(82)								282
Exchange difference	49,253	(27,062)							(18,331)	3,860
Operating cash flows before movements in working capital	547,226									448,061
Increase in inventories of properties	(527,350)					(24,623)			4,074	(547,899)
Increase in other inventories	(7,504)	2,950								(4,554)
Increase in trade and other receivables, prepayments and deposits	(297,562)	52,580							31,839	(213,143)
Decrease in amounts due from associates	6,535	(6,535)								–
Decrease in amounts due from jointly controlled entities	110,097	(11)								110,086
Increase in amounts due from investees	(14,114)	14,114								–
Decrease in amount due from a related party	1,367	416,021				(417,388)				–
Decrease in amounts due from minority shareholders	14,400									14,400
Increase in investments held for trading	(7,687)	7,687								–
Increase in trade and other payables	165,610	(22,213)								143,397
Decrease in sales deposits received	(49,225)									(49,225)
Increase in amount due to an associate	118	(118)								–
(Decrease)/Increase in amounts due to jointly controlled entities	(1,818)	2,044								226
Increase in amount due to a related party	–					605,207	(483,622)			121,585
Increase in amounts due to minority shareholders	18,908	(4,326)								14,582
Cash (used in)/generated from operations	(40,999)									37,516
Hong Kong profits tax paid	(20,702)	20,702								–
Tax paid in other jurisdictions	(176,957)	5,789								(171,168)
Net cash outflow from operating activities	(238,658)									(133,652)

	The Group Year ended 31st December, 2008					Pro forma adjustments				Pro forma Remaining Group Year ended 31st December, 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	
Investing activities										
Proceeds on disposal of property, plant and equipment	1,811	(1,805)								6
Proceeds on disposal of a subsidiary	75,086									75,086
Proceeds on disposal of a jointly controlled entity	27,760									27,760
Return of deposit for investment in convertible and non-convertible notes	77,496	(77,496)								–
Interest received	33,482	(76,804)				54,461				11,139
Dividend received from a jointly controlled entity	2,575	(2,575)								–
Purchase of investment properties	(413)	413								–
Purchase of property, plant and equipment	(35,974)	33,176								(2,798)
Acquisition of subsidiaries	(93,024)									(93,024)
Repayment of loans receivable, net	21,718	(21,718)								–
Decrease in pledged cash deposits	876,858	(876,858)								–
Decrease in restricted cash and deposits	63,706	(16,398)								47,308
Amounts recovered from impaired financial assets	5,968	(5,968)								–
Net cash inflow from investing activities	1,057,049									65,477
Financing activities										
New bank and other borrowings	2,115,261	(1,315,859)								799,402
Repayment of bank and other borrowings	(2,572,008)	1,714,779								(857,229)
Dividends paid	(78,823)	78,823								–
Interest paid	(150,505)	42,396				(29,838)			14,742	(123,205)
Net cash outflow from financing activities	(686,075)									(181,032)
Net increase/(decrease) in cash and cash equivalents	132,316									(249,207)
Cash and cash equivalents at beginning of the year	704,716	(320,017)	455,431	(4,540)	(3,820)		(483,622)			348,148
Effect of foreign exchange rate change	36,294	(14,435)								21,859
Cash and cash equivalents at end of the year	873,326									120,800

Notes:

1. The amounts have been extracted without adjustment from the Accountants' Report on the Group as set out in Appendix II to this circular.

2. The adjustment reflects the de-consolidation of the cash flows of Privateco Group from the Group upon completion of the Capital Reorganisation and Group Restructuring. The amounts have been extracted without adjustment from the Accountants' Report on the Privateco Group as set out in Appendix III of this circular.

3. The adjustment reflects the cash to be received from the issue of 157,045,368 new ordinary shares of the Company to the Offeror at HK$2.90 each under the Subscription Agreement as described in this circular.

4. This adjustment represents the settlement of the estimated legal and professional fees borne by the Remaining Group in relation to the issue of 157,045,368 new ordinary shares as described in note 3 above.

5. The adjustment represents the settlement of the estimated professional and legal fees borne by the Remaining Group in relation to the Capital Reorganisation and the Group Restructuring.

6. The adjustment relates to reclassification of Shareholder's Loan and inter-company interest charges in respect of the Shareholder's Loan which are eliminated at the consolidated cash flow statement of the Group for the year ended 31st December, 2008.

7. The adjustment reflects the settlement of Shareholder's Loan as to 50% upon completion of the Proposed Transactions and the remaining 50% within 45 days from the completion of the Proposed Transaction. Accordingly, the amount of settlement in respect of the Shareholder's Loan outstanding at the commencement of the financial year ended 31st December, 2008 of HK$967,244,000 is estimated to be HK$483,622,000 and the remaining balance of HK$483,622,000 is to be settled during the year.

8. The adjustment reflects the exclusion of share option expenses as explained in note 5 to the pro forma consolidated income statement of the Remaining Group in Section (B).

9. The adjustment reflects the cash effect arising from the adjustment for the reduction of the financial cost and exclusion of exchange difference in respect of the Shareholder's Loan as a result of the settlement arrangement as explained in note 4 to the pro forma consolidated income statement of the Remaining Group in Section (B). As a result of the reduction in finance cost, the amount of interest capitalised for the relevant property development projects which were classified under "inventories of properties" and "trade and other receivables, prepayments and deposits" would also be reduced and the related cash flow effect is also adjusted.

(D) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Grant Thornton
均富

Member of Grant Thornton International Ltd

8th December, 2009

The Board of Directors
Shell Electric Mfg. (Holdings) Company Limited
1/F., Shell Industrial Building
12 Lee Chung Street
Chai Wan Industrial District
Hong Kong

Dear Sirs

We report on the unaudited pro forma financial information of Shell Electric Mfg. (Holdings) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprises the unaudited pro forma consolidated statement of financial position as at 30th June, 2009 and the unaudited pro forma consolidated income statement and cash flow statement for the year ended 31st December, 2008 (collectively referred to as the "unaudited pro forma financial information") as set out in sections (A) to (C) of Appendix IV to the circular of the Company dated 8th December, 2009 (the "Circular"). The unaudited pro forma financial information has been prepared by the directors of the Company for illustrative purposes only to provide information about how the proposed Capital Reorganisation, Group Restructuring and Subscription as defined in the Circular (the "Proposed Transactions") might have affected the financial position of the Group on a pro forma basis as at 30th June, 2009, and the results and cash flow of the Group on a pro forma basis for the year ended 31st December, 2008. The basis of preparation of the unaudited pro forma financial information is set out in sections (A) to (C) of Appendix IV 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 financial information in accordance with paragraph 4.29 of Chapter 4 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 of Chapter 4 of the Listing Rules on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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 financial information 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 financial information 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 financial information as disclosed pursuant to paragraph 4.29(1) of Chapter 4 of the Listing Rules (the "Rule 4.29(1)").

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 financial information.

The unaudited pro forma financial information 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 Group as at 30th June, 2009 or any future date; or
- the results and cash flows of the Group for the year ended 31st December, 2008 or any future year/period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information 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 financial information as disclosed pursuant to Rule 4.29(1).

Yours faithfully,

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

(A) UNAUDITED PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF THE PRIVATECO GROUP

The unaudited pro forma combined statement of financial position of the Privateco Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the financial impact of the Capital Reorganisation, the Group Restructuring and the Subscription (the "Proposed Transactions") as if the Proposed Transactions had taken place on 30th June, 2009.

The unaudited pro forma combined statement of financial position of the Privateco Group is based upon the combined statement of financial position of the Privateco Group as at 30th June, 2009, which has been extracted from the Accountants' Report of Privateco Group set out in the Appendix III of this circular, after giving effect to the pro forma adjustments as summarised in the accompany notes that are directly attributable to the Proposed Transactions and not relating to future events or decisions, and factually supportable.

The unaudited pro forma combined statement of financial position of the Privateco Group is for illustrative purpose only and is based on a number of assumptions, estimates, and uncertainties. Because of its hypothetical nature, it may not give a true picture of the actual financial position of the Privateco Group that would have been attained had the Proposed Transactions been completed on 30th June, 2009 or to predict the future financial position of the Privateco Group upon completion of the Proposed Transactions.

The unaudited pro forma combined statement of financial position of the Privateco Group should be read in conjunction with the historical financial information of the Privateco Group as set out in the Accountants' Report of the Privateco Group in Appendix III and other financial information included elsewhere in this circular.

	Privateco Group As at 30th June, 2009	Pro forma adjustments			Pro forma Privateco Group As at 30th June, 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets					
Investment properties	540,234				540,234
Property, plant and equipment	168,049				168,049
Prepaid lease rental on land	16,654				16,654
Goodwill	–				–
Other intangible asset	193,415				193,415
Interests in associates	413,266				413,266
Interests in jointly controlled entities	3,708				3,708
Available-for-sale financial asset	2,920				2,920
Loans receivable	121,284				121,284
Deferred tax assets	1,980				1,980
	1,461,510				1,461,510
Current assets					
Inventories	83,129				83,129
Trade and other receivables, prepayments and deposits	199,198				199,198
Prepaid lease rental on land	444				444
Loans receivable	15,351				15,351
Amount due from an investee	7,744				7,744
Amount due from a related party	800,731	(400,366)			400,365
Investments held for trading	41,301				41,301
Tax prepaid	2,915				2,915
Cash and cash equivalents	427,309	400,366	(6,280)		821,395
	1,578,122				1,571,842
Current liabilities					
Trade and other payables	231,659				231,659
Amount due to an associate	156				156
Amount due to a related party	291				291
Taxation liabilities	131,774				131,774
Derivative financial instruments	1,073				1,073
Bank borrowings	354,167				354,167
	719,120				719,120
Net current assets	859,002				852,722
Total assets less current liabilities	2,320,512				2,314,232

	Privateco Group As at 30th June, 2009	Pro forma adjustments			Pro forma Privateco Group As at 30th June, 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current liabilities					
Bank borrowings	344,116				344,116
Loan from a minority shareholder	3,490				3,490
Other liabilities	10,145				10,145
Deferred tax liabilities	53,327				53,327
	411,078				411,078
Net assets	1,909,434				1,903,154
Capital and reserves					
Share capital	–			82	82
Retained earnings	1,466,704		(6,280)		1,460,424
Other reserves	434,284			(82)	434,202
Equity attributable to owners of the Privateco	1,900,988				1,894,708
Non-controlling interests	8,446				8,446
Total equity	1,909,434				1,903,154

Notes:

1. The amounts have been extracted without adjustment from the Accountants' Report of the Privateco Group set out in Appendix III of this circular.

2. This adjustment reflects the settlement of balances due from the Remaining Group to the Privateco Group (the "Shareholder's Loan") upon completion of the Proposed Transactions. As set out in the Subscription Agreement, 50% of the Shareholder's Loan is to be repaid upon completion of the Proposed Transactions and the remaining 50% of the shareholder's loan is to be settled within 45 days. Assuming the Proposed Transactions were completed on 30th June, 2009, the balance to be settled in respect of Shareholder's Loan outstanding on the same date of HK$800,731,000 is HK$400,366,000.

3. The adjustment represents the estimated professional and legal fees to be borne by the Privateco Group in relation to the Capital Reorganisation and the Group Restructuring.

4. The adjustment to share capital reflects the issuance of 523,484,562 shares of the Privateco at USD0.00002 each to the Company in return for the transfer of certain subsidiaries of the Company and certain assets and liabilities of the Company which constitute the businesses of fan trading and property leasing conducted directly by the Company to the Privateco. The issued shares of the Privateco will then be distributed in specie by the Company to the shareholders whose names appear on the register of members of the Company on the Record Date on the basis of one share for every share then held.

(B) UNAUDITED PRO FORMA COMBINED INCOME STATEMENT OF THE PRIVATECO GROUP

The unaudited pro forma combined income statement of the Privateco Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the financial impact of the Proposed Transactions as if the Proposed Transactions had taken place at the commencement of the financial year ended 31st December, 2008.

The unaudited pro forma combined income statement of the Privateco Group is based upon the combined income statement of the Privateco Group for the financial year ended 31st December, 2008, which has been extracted from the Accountants' Report of the Privateco Group set out in the Appendix III of this circular, after giving effect to the pro forma adjustments as summarised in the accompany notes that are directly attributable to the Proposed Transactions and not relating to future events or decisions, and factually supportable.

The unaudited pro forma combined income statement of the Privateco Group is for illustrative purpose only and is based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, it may not give a true picture of the actual financial result of the Privateco Group that would have been attained had the Proposed Transactions been completed at the commencement of the financial year ended 31st December, 2008 or to predict the future result of the Privateco Group.

The unaudited pro forma combined income statement of the Privateco Group should be read in conjunction with the historical financial information of the Privateco Group as set out in the Accountants' Report of the Privateco Group in Appendix III and other financial information included elsewhere in this circular.

	Privateco Group Year ended 31st December, 2008	Pro forma adjustments	Pro forma Privateco Group Year ended 31st December, 2008
	HK$'000	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	
Revenue	1,201,894		1,201,894
Cost of goods and services	(969,721)		(969,721)
Gross profit	232,173		232,173
Other income	87,461	(50,655)	36,806
Distribution and selling expenses	(23,748)		(23,748)
Administrative expenses	(148,023)		(148,023)
Other operating expenses	(32,368)	2,533	(29,835)
Other gains/(losses)			
Fair value loss on investment properties	(70,251)		(70,251)
Fair value loss on investments held for trading	(62,286)		(62,286)
Impairment loss on owner-occupied property	(3,423)		(3,423)
Reversal of impairment of financial assets	7,684		7,684
Others	25,802	(18,331)	7,471
Operating profit/(loss)	13,021		(53,432)
Finance costs	(43,051)		(43,051)
Share of results of associates	46,354		46,354
Share of results of jointly controlled entities	2,456		2,456
Profit/(Loss) before income tax	18,780		(47,673)
Income tax expense	(38,232)	8,662	(29,570)
Loss for the year	(19,452)		(77,243)

Notes:

1. The amounts have been extracted without adjustment from the Accountants' Report of the Privateco Group set out in Appendix III to this circular.

2. The adjustment reflects the reduction of interest charged to the Remaining Group and the related business tax and enterprise income tax expenses, and the exclusion of exchange difference of HK$18.3 million as a result of the settlement of the Shareholder's Loan upon completion of the Proposed Transactions at the commencement of the financial year ended 31st December, 2008. The adjustment has taken into account the interest income arising from a period of 45 days, being the maximum period over which the remaining 50% Shareholder's Loan has to be settled.

(C) UNAUDITED PRO FORMA COMBINED STATEMENT OF CASH FLOW OF THE PRIVATECO GROUP

The unaudited pro forma combined statement of cash flow of the Privateco Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the financial impact of the Proposed Transactions as if the Proposed Transactions had taken place at the commencement of the financial year ended 31st December, 2008.

The unaudited pro forma combined statement of cash flow of the Privateco Group is based upon the combined statement of cash flow of the Privateco Group for the financial year ended 31st December, 2008, which has been extracted from the Accountants' Report of the Privateco Group set out in Appendix III of this circular, after giving effect to the pro forma adjustments as summarised in the accompany notes that are directly attributable to the Proposed Transactions and not relating to future events or decisions, and factually supportable.

The unaudited pro forma combined statement of cash flow of the Privateco Group is for illustrative purpose only and is based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, it may not give a true picture of the actual cash flow of the Privateco Group that would have been attained had the Proposed Transactions been completed at the commencement of the financial year ended 31st December, 2008 or to predict the future cash flow of the Privateco Group.

The unaudited pro forma combined statement of cash flow of the Privateco Group should be read in conjunction with the historical financial information of the Privateco Group as set out in the Accountants' Report of the Privateco Group in Appendix III and other financial information included elsewhere in this circular.

	Privateco Group Year ended 31st December, 2008	Pro forma adjustments			Pro forma Privateco Group Year ended 31st December, 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Operating activities					
Profit/(Loss) before income tax	18,780		(66,453)		(47,673)
Adjustments for:					
Share of results of associates	(46,354)				(46,354)
Share of results of jointly controlled entities	(2,456)				(2,456)
Fair value loss on investment properties	70,251				70,251
Fair value loss on investments held for trading and derivative financial instruments	28,687				28,687
Depreciation and amortisation	18,039				18,039
Impairment loss on financial and non-financial assets	17,653				17,653
Reversal of allowance of inventories	(2,935)				(2,935)
Reversal of impairment of financial assets	(7,684)				(7,684)
Write back of long outstanding payables	(3,691)				(3,691)
Interest income	(60,820)		50,655		(10,165)
Finance costs	43,051				43,051
Gain on disposal of property, plant and equipment	(500)				(500)
Written-off of property, plant and equipment	82				82
Exchange difference	27,062		18,331		45,393
Operating cash flows before movements in working capital	99,165				101,698
Increase in inventories	(2,950)				(2,950)
Increase in trade and other receivables, prepayments and deposits	(52,580)				(52,580)
Decrease in amounts due from associates	6,535				6,535
Decrease in amounts due from jointly controlled entities	11				11
Increase in amounts due from investees	(14,114)				(14,114)
Increase in amounts due from related parties	(416,021)		(187,819)	483,622	(120,218)
Increase in investments held for trading	(7,687)				(7,687)
Increase in trade and other payables	22,213		(2,533)		19,680
Increase in amount due to an associate	118				118
Decrease in amounts due to jointly controlled entities	(2,044)				(2,044)
Increase in amounts due to minority shareholders	4,326				4,326

	Privateco Group Year ended 31st December, 2008	Pro forma adjustments			Pro forma Privateco Group Year ended 31st December, 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Cash used in operations	(363,028)				(67,225)
Hong Kong profits tax paid	(20,702)				(20,702)
Tax paid in other jurisdictions	(5,789)				(5,789)
Net cash outflow from operating activities	(389,519)				(93,716)
Investing activities					
Proceeds on disposal of property, plant and equipment	1,805				1,805
Return of deposit for investment in convertible and non-convertible notes	77,496				77,496
Interest received	76,804		(50,655)		26,149
Dividend received from a jointly controlled entity	2,575				2,575
Purchase of investment properties	(413)				(413)
Purchase of property, plant and equipment	(33,176)				(33,176)
Repayment of loans receivable, net	21,718				21,718
Decrease in pledged cash deposits	876,858				876,858
Decrease in restricted cash and deposits	16,398				16,398
Amounts recovered from impaired financial assets	5,968				5,968
Net cash inflow from investing activities	1,046,033				995,378
Financing activities					
New bank and other borrowings	1,315,859				1,315,859
Repayment of bank and other borrowings	(1,714,779)				(1,714,779)
Dividends paid	(78,823)				(78,823)
Interest paid	(42,396)				(42,396)
Net cash outflow from financing activities	(520,139)				(520,139)
Net increase in cash and cash equivalents	136,375				381,523
Cash and cash equivalents at beginning of the year	320,017	(6,280)		483,622	797,359
Effect of foreign exchange rate change	14,435				14,435
Cash and cash equivalents at end of the year	470,827				1,193,317

Notes:

1. The amounts have been extracted without adjustment from the Accountants' Report of the Privateco Group set out in Appendix III to this circular.

2. The adjustment represents the settlement of the estimated professional and legal fees to be borne by the Privateco Group in relation to the Capital Reorganisation and the Group Restructuring.

3. The adjustment reflects (i) the reduction of interest charged to the Remaining Group and the related business tax and enterprise income tax expenses, and the exclusion of exchange difference as a result of the settlement of the Shareholder's Loan upon completion of the Proposed Transactions at the commencement of the financial year ended 31st December, 2008. The adjustment has taken into account the interest income arising from a period of 45 days, being the maximum period over which the remaining 50% Shareholder's Loan has to be settled and (ii) the exclusion of the actual cash movement in respect of the Shareholder's Loan during the year ended 31st December, 2008 in light of the adjustment as described in note 4 below.

4. The adjustment reflects the settlement of Shareholder's Loan as to 50% upon completion of the Proposed Transactions and the remaining 50% within 45 days from the completion of the Proposed Transaction. Accordingly, the amount of settlement in respect of the Shareholder's Loan outstanding at the commencement of the financial year ended 31st December, 2008 of HK$967,244,000 is estimated to be HK$483,622,000 and the remaining balance of HK$483,622,000 is to be settled during the year.

(D) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Grant Thornton
均富

Member of Grant Thornton International Ltd

8th December, 2009

The Board of Directors
Shell Electric Mfg. (Holdings) Company Limited
1/F., Shell Industrial Building
12 Lee Chung Street
Chai Wan Industrial District
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Shell Electric Holdings Limited (the "Privateco") and its subsidiaries (collectively referred to as the "Privateco Group") which comprises the unaudited pro forma combined statement of financial position as at 30th June, 2009 and the unaudited pro forma combined income statement and combined statement of cash flow for the year ended 31st December, 2008 (collectively referred to as the "unaudited pro forma financial information") as set out in section (A) to (C) of Appendix V to the circular of Shell Electric Mfg. (Holdings) Company Limited (the "Company") dated 8th December, 2009 (the "Circular"). The unaudited pro forma financial information has been prepared by the directors of the Company for illustrative purposes only to provide information about how the proposed Capital Reorganisation, Group Restructuring and Subscription as defined in the Circular (the "Proposed Transactions") might have affected the financial position of the Privateco Group on a pro forma basis as at 30th June, 2009 and the results and cash flow of the Privateco Group on a pro forma basis for the year ended 31st December, 2008. The basis of preparation of the unaudited pro forma financial information is set out in section (A) to (C) of Appendix V 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 financial information in accordance with paragraph 4.29 of Chapter 4 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 of Chapter 4 of the Listing Rules on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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 financial information 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 financial information 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 financial information as disclosed pursuant to paragraph 4.29(1) of Chapter 4 of the Listing Rules (the "Rule 4.29(1)").

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 financial information.

The unaudited pro forma financial information 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 Privateco Group as at 30th June, 2009 or any future date; or

– the results and cash flow of the Privateco Group for the year ended 31st December, 2008 or any future year/period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information 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 Privateco Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1).

Yours faithfully,

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

1. PROPERTIES OF THE PRIVATECO GROUP IN HONG KONG, TAIWAN AND THE PRC

The following is the text of the letter, a summary of valuation and the valuation report received from Knight Frank Petty Limited, an independent property valuer, prepared for the purpose of incorporation in this circular, in connection with its valuation of the property interests held by the Group as at 30th September, 2009.

Knight Frank Petty Limited
4/F, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

8th December, 2009

The Directors
Shell Electric Mfg. (Holdings) Co. Ltd.
First Floor, Shell Industrial Building
12 Lee Chung Street
Chai Wan
Hong Kong

Dear Sirs

In accordance with your instructions for us to value the property interests held by Shell Electric Mfg. (Holdings) Co. Ltd. (hereinafter referred to as the "Company") and its subsidiaries and selected associate company (hereinafter collectively referred to as the "Group") in Hong Kong, Taiwan and the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests held by the Group as at 30th September, 2009 (the "Valuation Date").

BASIS OF VALUATION

Our valuations are our opinion of the 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, 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 or purchase, and without offset for any associated taxes.

PROPERTY CATEGORIZATION AND VALUATION METHODOLOGY

We have valued Property No. 1 of Group I, Nos. 3, 5, 6, 7, 8, 9 and 10 of Group II and No. 13 of Group IV by using direct comparison approach whenever market comparable transactions are available and assumed sale of the property interests with the benefit of vacant possession.

We have valued the Property No. 2 of Group I, No. 4 of Group II, No. 11 of Group III and Nos. 12, 14 and 15 of Group IV by reference to sales evidence as available on the market and where appropriate on the basis of capitalization of the net incomes shown on the documents handed to us by the Group. We have allowed for outgoings, and where appropriate, made provisions for reversionary income potential and redevelopment potential.

We have attributed no commercial value to the property interests in Group V to VII, due to the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

TITLE DOCUMENTS AND ENCUMBRANCES

We have caused sample ownership search at the Land Registry for the Hong Kong properties and have been provided with extracts of documents in respect of the title to the properties in Taiwan and the PRC. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. We have relied to a very considerable extent on the information given by the Group and the opinion given by the Group's PRC legal advisor King & Wood PRC Lawyers in respect of the title to the properties in the PRC.

No allowance has been made in our report for any charges, mortgages or amounts owing on any property interests 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 that could affect their values.

Whilst we have taken every care to investigate the title of the property interests valued, including examination of the copies of land grants provided by the Group and the land registers obtained from the Land Registry for the Hong Kong properties, we do not accept liability for any interpretation which we have placed on such information, that is more properly the sphere of the legal advisor.

INSPECTION AND MEASUREMENT

We have inspected the exterior and, where possible, the interior of the properties valued. However, we have not carried out on-site measurement to verify the correctness of site areas and/or floor areas of the properties and assumed that the site areas and floor areas shown on the documents handed to us are correct.

STRUCTURAL CONDITION

We are not instructed to undertake any surveys or test on the services of the properties. Apart from Property Nos. 8 and 9 of Group II, our valuation has been undertaken on the basis that the properties were all in satisfactory repair and condition with the services functioned satisfactorily and were free of rot, infestation or any other structural defects. For Property Nos. 8 and 9 of Group II, during the course of our inspection, we noted that the properties suffered from landslip and portions of which were structurally damaged. We have relied to a considerable extent on the information given by the Group on such matters as the extent of damage to the buildings and structures, the impact to the existing operation, reinstatement/demolition plan and the cost and time required for the reinstatement and/or demolition to the buildings and structures. In the course of our valuation, we have taken into account of the impact to the existing operation, the reinstatement plan and the cost and time required for the reinstatement and/or demolition to Property Nos. 8 and 9 of Group II.

CONTAMINATION

We are not instructed to arrange for any investigation to be carried out to determine whether any deleterious or hazardous material has been used in the construction of the properties and therefore assume in our valuations that none of the said material is contained in the properties. However, if it is established subsequently that contamination exists at the properties or any neighbouring land, or that the properties have been or are being put to any contaminative use, we reserve the right to adjust the value reported herein.

SOURCE OF INFORMATION

We have relied to a very considerable extent on information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion dates of buildings, particular of occupancies, incomes, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in this valuation report are based on information contained in the documents provided to us and are therefore approximations.

We have not verified the information provided to us by the Group and have assumed that they are correct. We have no reason to doubt the truth and accuracy of the information provided to us by the Group and/or its PRC legal advisor which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation are in Hong Kong dollars ("HK$"). Where appropriate, the exchange rates we have adopted are HK$1 = RMB0.88114, RMB6.829 = USD1 and HK$0.247 = TWD1 which were the prevailing exchange rates as at the Valuation Date.

REMARKS

In preparing our valuation report, we have complied with "The HKIS Valuation Standards on Properties (First Edition 2005)" published by the Hong Kong Institute of Surveyors and the requirements contained in the relevant provisions of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

We enclose herewith our summary of values and valuation report.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Alex S L Ng
MRICS MHKIS RPS(GP)
Executive Director

Note: Alex S L Ng, MRICS, MHKIS, RPS (GP), has been a qualified valuer with Knight Frank Petty Limited since November 1995 and has 23 years' experience in the valuation of properties in Hong Kong and has been involved in the valuation of properties in the People's Republic of China and Asia Pacific regions since 1988.

SUMMARY OF VALUES

No.	Property	Market Value in Existing State as at 30th September, 2009	Interest Attributed to the Group *(%)*	Market Value in Existing State Attributable to the Group as at 30th September, 2009
Group I – Property Interests Held by the Group for Owner-occupation in Hong Kong				
1.	Fourth Floor, 1 Ning Foo Street, Chai Wan, Hong Kong	HK$2,500,000	100%	HK$2,500,000
2.	Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong *(Note)*	HK$150,000,000	100%	HK$150,000,000
				Sub-total: HK$152,500,000
Group II – Property Interests Held by the Group for Owner-occupation in the PRC				
3.	No. 18 San Le East Road, Beijiao Residents' Committee Industrial Park, Beijiao Town, Shunde District, Foshan, Guangdong Province, the PRC	HK$71,000,000	100%	HK$71,000,000
4.	Nos. 33-34 Jin Long Avenue, Da Liang District North District Residents' Committee, Shunde District, Foshan, Guangdong Province, the PRC	HK$2,020,000	98%	HK$1,979,600
5.	Nos. 302 and 402, Section Two of Block 19 of Jin Xiu New Village, Da Liang Town Jin Bang Street Office, Shunde District, Foshan, Guangdong Province, the PRC	HK$440,000	98%	HK$431,200
6.	Unit 1, Level 8, Block 2, No. 34 Jin Xiu Road, Da Liang Town Jin Bang Street Office, Shunde District, Foshan, Guangdong Province, the PRC	HK$160,000	98%	HK$156,800

Note: Part of the property has been held for investment

No.	Property	Market Value in Existing State as at 30th September, 2009	Interest Attributed to the Group *(%)*	Market Value in Existing State Attributable to the Group as at 30th September, 2009
7.	No. 3 Lane 3 of Shi Luo Road, Da Liang District Nan Hua Residents' Committee, Shunde District, Foshan, Guangdong Province, the PRC	HK$110,000	98%	HK$107,800
8.	No. 168 Flying Goose Hillock, Da Men Residents' Committee, Da Liang Street Office, Shunde District, Foshan, Guangdong Province, the PRC *(Note)*	HK$20,500,000	90.1%	HK$18,470,500
9.	No. 162 Flying Goose Hillock, Da Men Residents' Committee, Da Liang Street Office, Shunde District, Foshan, Guangdong Province, the PRC	HK$6,100,000	90.1%	HK$5,496,100
10.	No. 05, Type A, Zone E, Phase 2 of Xinshijiehaoyuan, Nanshan District, Shenzhen, Guangdong Province, the PRC	HK$17,200,000	100%	HK$17,200,000
				Sub-total: HK$114,842,000

Group III – Property Interest Held by the Group for Investments in Hong Kong

11.	Workshop on Lower Ground Floor, Tak King Industrial Building, 27 Lee Chung Street, Chai Wan, Hong Kong	HK$23,000,000	100%	HK$23,000,000
				Sub-total: HK$23,000,000

Note: Part of the property has been held for investment

No.	Property	Market Value in Existing State as at 30th September, 2009	Interest Attributed to the Group *(%)*	Market Value in Existing State Attributable to the Group as at 30th September, 2009
Group IV – Property Interests Held by the Group for Investments in the PRC				
12.	Staff dormitory at Flying Goose Hillside, Da Men Residents' Committee, Da Liang Street Office, Shunde District, Foshan, Guangdong Province, the PRC	HK$4,500,000	90.1%	HK$4,054,500
13.	Office unit 7104, CITIC Plaza, No. 233 Tian He North Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	HK$7,800,000	100%	HK$7,800,000
14.	Lot No. B105-19-3 at Hong Mian Road, Futian Free Trade Zone, Shenzhen, Guangdong Province, the PRC	HK$183,000,000	100%	HK$183,000,000
15.	135 office units in CITIC Plaza, No. 233 Tian He North Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	HK$907,000,000	40%	HK$362,800,000
				Sub-total: HK$557,654,500
Group V – Property Interest Leased by the Group in Hong Kong				
16.	Flat A on 8/F and car parking space no. 65 on LG/F, Hanking Court, 43-49 Cloud View Road, North Point, Hong Kong	No commercial value		No commercial value
				Sub-total: No Commercial Value

No.	Property	Market Value in Existing State as at 30th September, 2009	Interest Attributed to the Group (%)	Market Value in Existing State Attributable to the Group as at 30th September, 2009
Group VI – Property Interests Leased by the Group in the PRC				
17.	No. A640, Huangshi East Road, Baiyun District, Guangzhou, Guangdong Province, the PRC	No commercial value		No commercial value
18.	Unit W2A1-a, Block W2-A, Shenzhen High-tech Industrial Park, Gao Xin South 4th Road, Nanshan District, Shenzhen, Guangdong Province, the PRC	No commercial value		No commercial value
19.	Unit W2A1-b, Block W2-A, Shenzhen High-tech Industrial Park, Gao Xin South 4th Road, Nanshan District, Shenzhen, Guangdong Province, the PRC	No commercial value		No commercial value
20.	A unit of roof on ancillary building of Factory W2, Shenzhen High-tech Industrial Park, Gao Xin South 4th Road, Nanshan District, Shenzhen, Guangdong Province, the PRC	No commercial value		No commercial value
21.	Unit C, Level 2, Block 26, Phase 2, COTE D'AZUR, East of Hou Hai Avenue, Nanshan District, Shenzhen, Guangdong Province, the PRC	No commercial value		No commercial value
22.	Unit 802, Block 7, Yue Hai Men Village, Nanshan District, Shenzhen, Guangdong Province, the PRC	No commercial value		No commercial value
23.	East No. 1 on Level 2, Tongxungongye Office Building, No. 2 Ke Feng Road, Nanshan District, Shenzhen, Guangdong Province, the PRC	No commercial value		No commercial value

No.	Property	Market Value in Existing State as at 30th September, 2009	Interest Attributed to the Group *(%)*	Market Value in Existing State Attributable to the Group as at 30th September, 2009
24.	Unit B2107, Fengtian Ginza, No. 19 You Hao Street, Shenhe District, Shenyang, Liaoning Province, the PRC	No commercial value		No commercial value
				Sub-total: No commercial value
Group VII – Property Interest Leased by the Group in Taiwan				
25.	1F, 501-17 Chung Cheng Road, Hsin Tien, Taipei, Taiwan	No commercial value		No commercial value
				Sub-total: No commercial value
				Grand-total: HK$847,996,500

VALUATION REPORT

Group I – Property Interests Held by the Group for Owner-occupation in Hong Kong

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
1.	Fourth Floor, 1 Ning Foo Street, Chai Wan, Hong Kong 40/400th shares of and in Chai Wan Inland Lot No. 9	The property comprises a workshop on the Fourth Floor of an 11-storey industrial building completed in about 1968. The saleable area of the property is approximately 4,195 sq ft (389.72 sq m). The property is held under a set of Conditions of Sale for a term of 75 years commencing from 15th September, 1963 renewable for a further term of 75 years. The government rent for the lot is HK$112 per annum.	The property is owner-occupied by the Group as storage use.	HK$2,500,000 (100% interest attributable to the Group: HK$2,500,000)

Notes:

(1) The registered owner of the property is Shell Electric Manufacturing Company Limited, subsequently formed as the Company.

(2) The property is zoned for "Other Specified Uses (Business)" under Chai Wan Outline Zoning Plan No. S/H20/17 dated 18th November, 2005.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
2.	Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong Chai Wan Inland Lot Nos. 10 and 11	The property comprises a 12-storey industrial building erected on a site with a registered site area of about 12,100 sq ft (1,124.1 sq m). Carparking and loading/unloading areas are found on Ground Floor. The property was completed in about 1965. The gross floor area of the property (excluding carparking spaces) are approximately 126,820 sq ft (11,781.87 sq m). The property is held under two sets of Conditions of Sale each for a term of 75 years commencing from 15th September, 1963 renewable for a further term of 75 years. The total government rent for the lots is HK$224 per annum.	As at the date of valuation, except for about 17,650 sq ft (1,639.7 sq m) which were vacant and 29,000 sq ft (2,694.17 sq m) which were owner-occupied, the remaining industrial portion of the property was subject to various tenancies with the latest one expiring in November 2010 at a total monthly rent of approximately HK$487,000 partly exclusive of rates. The total monthly licence fees for the carparking spaces was approximately HK$14,500.	HK$150,000,000 (100% interest attributable to the Group: HK$150,000,000) (see note 4)

Notes:

(1) The registered owner of the property is SMC Investments Limited, a wholly-owned subsidiary of the Company.

(2) Upon our recent inspection, we note that the original ground floor workshop is currently being occupied for carparking purpose.

(3) The property is zoned for "Other Specified Uses (Business)" under Chai Wan Outline Zoning Plan No S/H20/17 dated 18th November, 2005.

(4) The market value of HK$150,000,000 has taken into consideration of the redevelopment potential of the property.

(5) Part of the property has been held for investment. The market value of the owner-occupied portion and investment portion were HK$36,000,000 and HK$114,000,000 respectively as at the valuation date.

Group II – Property Interests Held by the Group for Owner-occupation in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
3.	No. 18 San Le East Road, Beijiao Residents' Committee Industrial Park, Beijiao Town, Shunde District, Foshan, Guangdong Province, the PRC	The property comprises an industrial site having a site area of approximately 49,336.6 sq m on which 15 buildings of 1 to 6 storeys and ancillary structures are erected thereon which were completed between 1997 to 2009. The total gross floor area of the property is approximately 68,373.2 sq m. The land use right of the property was granted for a term expiring on 31st July, 2046.	The property is occupied by the Group mainly as workshop.	HK$71,000,000 (100% interest attributable to the Group: HK$71,000,000) (please see note 4)

Notes:

(1) Pursuant to the Contract for Grant of Land Use Right No. Shun Guo Chu Rang Zi (96) Di (255) dated 27th August, 1996, Shunde Planning and Land Bureau has granted the land use right of the property, having a site area of 49,815.8 sq m, to 順德蜆華多媒體製品有限公司 (currently named as 佛山市順德區蜆華多媒體製品有限公司) ("Party A") for a term of 50 years from 1st August, 1996 to 31st July, 2046 for industrial use.

(2) Pursuant to Real Estate Ownership Certificate No. Yue Fang Di Zheng Zi Di C5744836 dated 30th July, 2007, the land use right of the property with a site area of 49,336.6 sq m for a term expiring on 31st July, 2046 and the building ownership of the property having a gross floor area of approximately 62,805.7 sq m were vested in Party A for industrial use.

(3) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

(i) The property under the aforesaid real estate ownership certificate is not subject to mortgage and sealing up condition. Party A has obtained the ownership of the buildings under the aforesaid real estate ownership certificate and its respective land use right in accordance with the law. Party A has the right to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property under the aforesaid real estate ownership certificate within the prescribed land use right period.

(ii) In respect of the additional erected portion of the property, Party A has not implemented the planning and reporting, and examination procedure in accordance with the PRC laws. Such portion is regarded as illegal construction and title registration cannot be carried out before obtaining approval from application of procedures such as planning, reporting and examination in accordance with the PRC laws. It has the legal risk of such portion being ordered to demolish and being fined by the government.

(4) In the course of our valuation, we have ascribed no commercial value to the portion of the property with a gross floor area of approximately 5,567.5 sq m of which the real estate ownership certificate has not been obtained.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
4.	Nos. 33-34 Jin Long Avenue, Da Liang District North District Residents' Committee, Shunde District, Foshan, Guangdong Province, the PRC	The property comprises a unit on Level 1 of the retail podium of a 6-storey residential development which was completed in or about 1990. The property has a gross floor area of approximately 207 sq m. The land use right of the property was granted for a term expiring on 11th May, 2038.	Portion of the property with a gross floor area of 30 sq m is occupied by the Group as retail use whilst the remaining portion of the property is leased to a tenant for a term expiring on 15th August, 2010 at a monthly rent of RMB9,922.50.	HK$2,020,000 (98% interest attributable to the Group: HK$1,979,600)

Notes:

(1) Pursuant to Real Estate Ownership Certificate No. Yue Fang Di Zheng Zi Di C0761569 dated 28th March, 2002 issued by Guangdong Province People's Government, the land use right for a term expiring on 11th May, 2038 for commercial use and the building ownership of the property having a gross floor area of approximately 207 sq m for commercial use were vested in 廣東萬家樂電纜有限公司 ("Party A").

(2) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

(i) Party A has obtained the real estate ownership certificate of the property. The property is not subject to mortgage and sealing up condition. Party A has obtained the ownership of the building and its respective land use right in accordance with the law. Party A has the right to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the prescribed land use right period.

(ii) The tenancy agreement is legal, valid and binding to the contracted parties. In accordance with the relevant PRC legal regulations, Party A has not applied the tenancy agreement registration procedure. It does not affect the validity of the tenancy agreement, but it has legal risks of being ordered to apply the registration procedure, termination of letting and being fined.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
5.	Nos. 302 and 402, Section Two of Block 19 of Jin Xiu New Village, Da Liang Town Jin Bang Street Office, Shunde District, Foshan, Guangdong Province, the PRC	The property comprises a unit on Level 3 and a unit on Level 4 of a 7-storey residential building which was completed in or about 1993. The property has a total gross floor area of approximately 169.4 sq m. The land use rights of the property were granted for a term of 70 years expiring on 30th April, 2063.	No. 402 is occupied by the Group as staff quarters use and No. 302 is currently vacant.	HK$440,000 (98% interest attributable to the Group: HK$431,200)

Notes:

(1) Pursuant to Real Estate Ownership Certificate No. Yue Fang Di Zheng Zi Di 2606720 dated 11th May, 2000 issued by Guangdong Province People's Government, the land use right for a term of 70 years commencing from 1st May, 1993 and expiring on 30th April, 2063 for residential use and the building ownership of No. 302 of the property having a gross floor area of approximately 84.5 sq m were vested in 廣東萬家樂電纜有限公司 ("Party A").

(2) Pursuant to Real Estate Ownership Certificate No. Yue Fang Di Zheng Zi Di 2606722 dated 11th May, 2000 issued by Guangdong Province People's Government, the land use right for a term of 70 years commencing from 1st May, 1993 and expiring on 30th April, 2063 for residential use and the building ownership of No. 402 of the property having a gross floor area of approximately 84.9 sq m were vested in Party A.

(3) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

Party A has obtained the real estate ownership certificate of the property. The property is not subject to mortgage and sealing up condition. Party A has obtained the ownership of the building and its respective land use right in accordance with the law. Party A has the right to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the prescribed land use right period.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
6.	Unit 1, Level 8, Block 2, No. 34 Jin Xiu Road, Da Liang Town Jin Bang Street Office, Shunde District, Foshan, Guangdong Province, the PRC	The property comprises a unit on Level 8 of an 8-storey residential building which was completed in or about 1991. The property has a gross floor area of approximately 74.6 sq m. The land use right of the property was granted for a term of 30 years expiring on 4th June, 2021.	The property is occupied by the Group as staff quarters use.	HK$160,000 (98% interest attributable to the Group: HK$156,800)

Notes:

(1) Pursuant to Real Estate Ownership Certificate No. Yue Fang Di Zheng Zi Di 2606721 dated 11th May, 2000 issued by Guangdong Province People's Government, the land use right for a term of 30 years commencing from 5th June, 1991 and expiring on 4th June, 2021 for residential use and the building ownership of the property having a gross floor area of approximately 74.6 sq m were vested in 廣東萬家樂電纜有限公司 ("Party A").

(2) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

Party A has obtained the real estate ownership certificate of the property. The property is not subject to mortgage and sealing up condition. Party A has obtained the ownership of the building and its respective land use right in accordance with the law. Party A has the right to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the prescribed land use right period.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
7.	No. 3 Lane 3 of Shi Luo Road, Da Liang District Nan Hua Residents' Committee, Shunde District, Foshan, Guangdong Province, the PRC	The property comprises a 2-storey residential building which was completed in or about 1994. The property has a gross floor area of approximately 66.2 sq m. The land use rights of the property were granted for a term expiring on 23rd April, 2072.	The property is currently vacant.	HK$110,000 (98% interest attributable to the Group: HK$107,800)

Notes:

(1) Pursuant to Real Estate Ownership Certificate No. Yue Fang Di Zheng Zi Di C1009743 dated 25th June, 2002 issued by Guangdong Province People's Government, the land use right for a term of expiring on 23rd April, 2072 for residential use and the building ownership of the property having a gross floor area of approximately 66.2 sq m for residential use were vested in 廣東萬家樂電纜有限公司 ("Party A").

(2) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

Party A has obtained the real estate ownership certificate of the property. The property is not subject to mortgage and sealing up condition. Party A has obtained the ownership of the building and its respective land use right in accordance with the law. Party A has the right to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the prescribed land use right period.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
8.	No. 168 Flying Goose Hillock, Da Men Residents' Committee, Da Liang Street Office, Shunde District, Foshan, Guangdong Province, the PRC	The property comprises an industrial site having a site area of approximately 45,601.2 sq m on which 23 buildings of 1 to 4 storeys and ancillary structures are erected thereon and completed between 1970's to 2008. The total gross floor area of the property is approximately 16,682 sq m. The land use right of the property was granted for a term expiring on 7th January, 2044.	The property is occupied by the Group mainly as workshop with portion of the property being subject to a tenancy agreement entered into between two subsidiaries of the Company. Part of the property has been sealed up and will be unsealed until the completion of slope consolidation and/or reinstatement work. (please see note 4)	HK$20,500,000 (90.1% attributable to the Group: HK$18,470,500) (please see note 3, 4 & 6)

Notes:

(1) Pursuant to the Real Estate Ownership Certificate No. Yue Fang Di Zheng Zi Di C2552466 registered on 11th June, 2004, the land use right of the property with a site area of 45,601.2 sq m held for a term expiring on 7th January, 2044 for industrial use and the building ownership of the property with a gross floor area of 17,041.7 sq m for industrial use were vested in 佛山市順德區華豐不銹鋼焊管廠有限公司 ("Party A").

(2) As advised by the Group, portion of the buildings as mentioned in Note (1) has been demolished and the total gross floor area of those existing buildings under the aforesaid Real Estate Ownership Certificate is approximately 14,557 sq m.

(3) Pursuant to the tenancy agreement entered into between Party A and 蜆壳電器工業（中國）有限公司 ("SMC Industrial") dated 12th April, 2007, Party A agreed to lease portion of the property with an area of 11 sq m for a term of 3 years from 1st May, 2007 at a monthly rent RMB1,000. As advised by the Group, both Party A and SMC Industrial are subsidiaries of the Company. In the course of our valuation, we have disregarded the existence of the aforesaid inter-company lease and we have valued the aforesaid portion of the property as owner-occupied property.

(4) The property was suffered from landslip in 2008 and portions of which were structurally damaged. As advised by the Group, some structural damages have been identified in the property. In the course of our valuation, we have taken into account of the impact to the existing operation, the reinstatement plan and the cost and time required for the reinstatement and/or demolition. We have relied to a very considerable extent on the information given by the Group on such matters as the extent of damage to the buildings and structures, the impact to the existing operation, reinstatement/demolition plan and the cost and time required for the reinstatement and/or demolition to the buildings and structures of the property.

(5) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

(i) Party A has obtained the aforesaid real estate ownership certificate. The property under the aforesaid real estate ownership certificate is not subject to mortgage and sealing up condition. Party A has obtained the ownership of the buildings as mentioned in Note 2 and its respective land use right in accordance with the law. Party A has the right to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property as mentioned in Note 2 within the prescribed land use right period. As the actual gross floor area is less than that as stated in the real estate ownership certificate, Party A should apply for change registration in order to let actual area to be consistent with the registered area. There is no material legal obstacle to obtain approval of such change.

(ii) In respect of the additional erected portion of the property, Party A has not implemented the planning and reporting, and examination procedure in accordance with the law. Such portion is regarded as illegal construction and title registration cannot be carried out before obtaining approval for the application of procedures such as planning, reporting and examination in accordance with the PRC laws. It has the legal risk of such portion being ordered to demolish and being fined by the government.

(iii) The tenancy agreement has not been registered, but it does not affect the validity of the tenancy agreement. It has risks of being ordered to apply for the registration procedure, termination of letting and being fined.

(6) In the course of our valuation, we have ascribed no commercial value to the portion of the property with a gross floor area of approximately 2,124 sq m of which the real estate ownership certificate has not been obtained.

(7) Part of the property has been held for investment. The market value of the owner-occupied portion and investment portion were HK$9,400,000 and HK$11,100,000 respectively as at the valuation date.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
9.	No. 162 Flying Goose Hillock, Da Men Residents' Committee, Da Liang Street Office, Shunde District, Foshan, Guangdong Province, the PRC	The property comprises an industrial site having a site area of approximately 9,679.4 sq m and a one single-storey building which was built in 2005. The gross floor area of the property is approximately 5,468.9 sq m. The land use right of the property was granted for a term expiring on 7th January, 2044.	The property is occupied by the Group as workshop with portion of the property being subject to a tenancy agreement entered into between two subsidiaries of the Company. Portion of the property has been sealed up and will be unsealed until the completion of slope consolidation and/or reinstatement work. (please see note 3)	HK$6,100,000 (90.1% attributable to the Group: HK$5,496,100) (please see note 2 & 3)

Notes:

(1) Pursuant to a Real Estate Ownership Certificate No. Yue Fang Di Zheng Zi Di C3987556 registered on 1st September, 2005, the land use right of the property with a site area of 9,679.4 sq m held for a term expiring on 7th January, 2044 for industrial use and the building ownership of the property having a gross floor area of 5,468.9 sq m for industrial use were vested to 佛山市順德區華豐不銹鋼焊管廠有限公司 ("Party A"). The aforesaid Real Estate Ownership Certificate has stated that "hatched (shaded) portions are not the area of confirmation of ownership". According to the PRC legal adviser's opinion, Party A confirmed that at the time when the government granted the land use right of 9,679.4 sq m to Party A, the land area included such hatched portions. Subsequently, the government has adjusted the planning and confirmed that the hatched portions were not the area of land use of Party A.

(2) Pursuant to the tenancy agreement entered into between Party A and 廣東萬家樂電纜有限公司 ("Wan Jia Le") dated 29th October, 2007, Party A agreed to lease portion of the property with a gross floor area of 1,250 sq m for a term of 2 years from 1st November, 2007 at a monthly rent RMB5,000. As advised by the Group, both Party A and Wan Jia Le are subsidiaries of the Company. In the course of our valuation, we have disregarded the existence of the aforesaid inter-company lease and we have valued the aforesaid portion of the property as owner-occupied property.

(3) The property was suffered from landslip in 2008 and portions of which were structurally damaged. As advised by the Group, some structural damages have been identified in the property. In the course of our valuation, we have taken into account of the impact to the existing operation, the reinstatement plan and the cost and time required for the reinstatement and/or demolition. We have relied to a very considerable extent on the information given by the Group on such matters as the extent of damage to the buildings and structures, the impact to the existing operation, reinstatement/demolition plan and the cost and time required for the reinstatement and/or demolition to the buildings and structures of the property.

(4) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

(i) Party A has obtained the real estate ownership certificate of the property. The property is not subject to mortgage and sealing up condition. Party A has obtained the ownership of the building and its respective land use right in accordance with the PRC laws. Party A has the right to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the prescribed land use right period.

(ii) If the government has to resume the hatched portion of the land, the government has to compensate. Concrete standard depends on the then relevant applicable compensation standard and the negotiation between the government and Party A. (please see note 1)

(iii) The tenancy agreement has not been registered, but it does not affect the validity of the tenancy agreement. It has risks of being ordered to apply for the registration procedure, termination of letting and being fined.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
10.	No. 05, Type A, Zone E, Phase 2 of Xinshijiehaoyuan, Nanshan District, Shenzhen, Guangdong Province, the PRC	The property comprises a 3-storey terraced house which was completed in or about 2004. The property has a gross floor area of approximately 473.52 sq m. The land use rights of the property were granted for a term of 70 years expiring on 27th December, 2067.	The property is occupied by the Group as staff quarters use.	HK$17,200,000 (100% interest attributable to the Group: HK$17,200,000)

Notes:

(1) Pursuant to Real Estate Ownership Certificate No. Shen Fang Di Zi Di 4000197151 registered on 17th February, 2005 issued by Shenzhen People's Government, the land use right for a term of 70 years commencing from 28th December, 1997 and expiring on 27th December, 2067 for residential, villa, commercial and kindergarten uses and the building ownership of the property having a gross floor area of approximately 473.52 sq m of the property for villa use were vested in 華京海外有限公司(Fast-Gain Overseas Limited) ("Party A").

(2) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

Party A has obtained the real estate ownership certificate of the property. The property is not subject to mortgage and sealing up condition. Party A has obtained the ownership of the building and its respective land use right in accordance with the PRC laws. Party A has the right to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the prescribed land use right period.

Group III – Property Interest Held by the Group for Investments in Hong Kong

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
11.	Workshop on Lower Ground Floor, Tak King Industrial Building, 27 Lee Chung Street, Chai Wan, Hong Kong 140/1,100th shares of and in Chai Wan Inland Lot No. 1	The property comprises a workshop on the Lower Ground Floor of a 26-storey industrial building completed in about 1984. The gross floor area of the property is approximately 9,384 sq ft (871.8 sq m). The property is held under a set of Conditions of Sale for a term of 75 years commencing from 1st May, 1962 renewable for a further term of 75 years. The government rent for the lot is HK$220 per annum.	The property is subject to a tenancy from 1st March, 2008 to 28th February, 2010 at a rent of HK$145,000 per month exclusive of rates.	HK$23,000,000 (100% interest attributable to the Group: HK$23,000,000)

Notes:

(1) The registered owner of the property is Shell Electric Mfg. (Holdings) Company Limited.

(2) The property is zoned for "Other Specified Uses (Business)" under Chai Wan Outline Zoning Plan No. S/H20/17 dated 18th November, 2005.

Group IV – Property Interests Held by the Group for Investments in PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
12.	Staff dormitory at Flying Goose Hillside, Da Men Residents' Committee, Da Liang Street Office, Shunde District, Foshan, Guangdong Province, the PRC	The property comprises two 7-storey dormitory buildings and an ancillary building completed in about 1994. The property is erected on a site with a site area of approximately 6,562.5 sq m. The total gross floor area of the property is approximately 3,677.5 sq m. The land use right of the property was granted for a term expiring on 22nd September, 2053.	Portion of the property is subject to a tenancy for a term of 12 months commencing from 1st May, 2009 and expiring on 30th April, 2010 yielding a monthly rent of RMB5,200. The remaining portion of the property is vacant.	HK$4,500,000 (90.1% attributable to the Group: HK$4,054,500)

Notes:

(1) Pursuant to a Real Estate Ownership Certificate No. Yue Fang Di Zheng Zi Di C1604947 registered on 28th October, 2003, the land use right of the property with a site area of 6,562.5 sq m for a term expiring on 22nd September, 2053 for industrial use and the building ownership of the property with a total gross floor area of 3,677.5 sq m for industrial use were vested in 順德華豐不銹鋼焊管廠有限公司 (currently named as 佛山市順德區華豐不銹鋼焊管廠有限公司 ("Party A").

(2) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

(i) Party A has obtained the real estate ownership certificate of the property. The property is not subject to mortgage and sealing up condition. Party A has obtained the ownership of the buildings and its respective land use right in accordance with the PRC laws. Party A has the right to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the prescribed land use right period.

(ii) The tenancy agreement has not been registered, but it does not affect the validity of the tenancy agreement. It has risks of being ordered to apply for the registration procedure, termination of letting and being fined.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
13.	Office unit 7104, CITIC Plaza, No. 233 Tian He North Road, Tianhe District, Guangzhou, Guangdong Province, The PRC	CITIC Plaza (the "Development") is located at the northern side of Tian He North Road amids Tianhe District in Guangzhou. The Development comprises a 75-storey office tower and two 38-storey twin-block apartment towers, all erected over a 5-storey retail/recreation podium plus 2 car parking basement levels underneath. The Development was completed in 1997. The property comprises an office unit on Level 71 with a gross floor area of approximately 309.55 sq m. The land use right of the property was granted for a term of 50 years from 30th September, 1994.	The property is currently vacant.	HK$7,800,000 (100% interest attributable to the Group: HK$7,800,000)

Notes:

(1) Pursuant to Real Estate Ownership Certificate No. Yue Fang Di Zheng Zi Di C2281966 dated 25th December, 2003 issued by Guangdong Province People's Government, the land use right for a term of 50 years from 30th September, 1994 and the building ownership of the property having a gross floor area of approximately 309.55 sq m were vested in 華京海外有限公司 (Fast-Gain Overseas Limited) ("Party A") for office use.

(2) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

Party A has obtained the real estate ownership certificate of the property. The property is not subject to mortgage and sealing up condition. Party A has obtained the ownership of the building and its respective land use right in accordance with the PRC laws. Party A has the right to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the prescribed land use right period.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
14.	Lot No. B105-19-3 at Hong Mian Road, Futian Free Trade Zone, Shenzhen, Guangdong Province, the PRC	The property comprises an industrial complex erected on a piece of site having an area of approximately 31,348.8 sq m. The property comprises a 4-storey industrial block completed in 2002, a 1-storey gas store completed in 2001, a 1-storey chemical goods store completed in 2001 and a 1-storey fire pump room completed in 2008 erected on the southern part of the property whereas the northern part of the property is a garden. The total gross floor area of the property is approximately 32,317.69 sq m. The land use right of the property has been granted for a term of 50 years from 9th March, 2000 and expiring on 8th March, 2050.	The existing blocks of the property are subject to a tenancy for a term of 10 years from 1st February, 2001 at a monthly rent of US$82,560.	HK$183,000,000 (100% interest attributable to the Group: HK$183,000,000) (please see note 5)

Notes:

(1) Pursuant to the Contract for Grant of Land Use Right No. Shen Bao Shui Tu Di Zi 200076 dated 9th March, 2000, Shenzhen Futian Free Trade Zone Management Bureau has granted the land use right of the property, having a site area of 31,348.8 sq m, to 盈滿投資有限公司 (Full Revenue Inc.), a wholly-owned subsidiary of the Company, for a term of 50 years from 9th March, 2000 to 8th March, 2050. The salient development conditions stated in the aforesaid contract are, inter alia, as follows:-

(i)	User	:	High technology industrial
(ii)	Site Coverage	:	<50%
(iii)	Plot Ratio	:	≤2.5
(iv)	Green Area Ratio	:	≥30%

(2) Pursuant to the Real Estate Certificate No. Shen Fang Di Zi Di 9000231 registered on 13th September, 2002, land use right of the property with site area of 31,348.8 sq m for a term of 50 years from 9th March, 2000 to 8th March, 2050 for high technology industrial use and the building ownership of the property with gross floor area of 31,188.25 sq m are vested in 業盈置業(深圳)有限公司 (Full Revenue Property (Shenzhen) Company Limited) ("Full Revenue"), a wholly owned subsidiary of Full Revenue Inc.

(3) Pursuant to the tenancy agreement, supplemental tenancy agreement, supplemental tenancy agreement (2) and supplemental tenancy agreement (3) entered into between Full Revenue and JDS Uniphase (Shenzhen) Limited (previously named as FibX (Shenzhen) Limited and currently named as 新美亞科技(深圳)有限公司) (the "Lessee") dated 29th October, 2000, 17th November, 2003, 14th June, 2007 and 28th February, 2008 respectively, Full Revenue agreed to lease the industry block of the property to the Lessee for a term of 10 years from 1st August, 2000 or a latter date as agreed by both parties at a monthly rent US$82,560. As advised by the Company, the lease commencement date is 1st February, 2001. Full Revenue also agreed the Lessee to erect a chemical goods store with a gross floor area of approximately 51 sq m next to the industrial block, to erect a staff rest area on the flat roof of the industrial block on Level 4 and to erect an underground fire services water tank and an above ground pump room.

(4) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

(i) Full Revenue has obtained the aforesaid real estate ownership certificate. The property under the aforesaid real estate ownership certificate is not subject to mortgage and sealing up condition. Full Revenue has obtained the ownership of the buildings under the aforesaid real estate ownership certificate and its respective land use right in accordance with the PRC laws. Full Revenue has the right to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property under the aforesaid real estate ownership certificate within the prescribed land use right period.

(ii) In respect of the additional erected portion of the property constructed by the Lessee, Full Revenue has not implemented the planning and reporting, and examination procedure in accordance with the PRC laws. Such portion is regarded as illegal construction and title registration cannot be carried out before obtaining approval for the application of procedures such as planning, reporting and examination in accordance with the PRC laws. It has the legal risk of such portion being ordered to demolish and being fined by the government.

(iii) The tenancy agreements have been recorded and are valid. In regard to the clauses of increase of gross floor area, as each party has not implemented legal reporting procedure, Full Revenue may not enjoy the benefit as stated in the tenancy agreements for the portion of additional gross floor area. The relevant change of JDS Uniphase (Shenzhen) Limited does not affect the validity of the aforesaid tenancy agreements and the tenancy agreements continue to be valid to 新美亞科技(深圳)有限公司.

(5) In the course of our valuation, we have ascribed no commercial value to the portion of the property with a gross floor area of approximately 1,129.44 sq m of which the real estate ownership certificate has not been obtained.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
15.	135 office units in CITIC Plaza, No. 233 Tian He North Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	CITIC Plaza ("the Development") is located at the northern side of Tian He North Road amidst Tianhe District in Guangzhou. The Development comprises a 75-storey office tower, two 38-storey twin-block apartment towers, all erected over a 5-storey retail/recreation podium plus 2 car parking basement levels underneath. The Development was completed in 1997. The property comprises 135 office units in the Development with a total gross floor area of approximately 38,368.94 sq m. The land use right of the property was granted for a term of 50 years from 30th September, 1994.	Portion of the property is subject to various tenancies with the latest one expiring in February 2014 at a total rent of approximately RMB5,415,000 per month. The remaining portion of the property is vacant.	HK$907,000,000 (40% interest attributable to the Group: HK$362,800,000)

Notes:

(1) Pursuant to 135 Real Estate Ownership Certificates issued by Guangdong Province People's Government, the land use right of the property for a term of 50 years from 30th September, 1994 for office use and the building ownership of the property with a total gross floor area of 38,368.94 sq m for non-domestic or office use were vested in 華皇發展有限公司 (China Dynasty Development Ltd.) ("Party A").

(2) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

Party A has obtained the real estate ownership certificate of the property. The property is not subject to mortgage and sealing up condition. Party A has obtained the ownership of the building and its respective land use right in accordance with the law. Party A has the right to occupy, use, transfer, let, mortgage or by other legal means to dispose of the property within the prescribed land use right period. The relevant tenancy agreements have been registered and are legal and valid.

Group V – Property Interest Leased by the Group in Hong Kong

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
16.	Flat A on 8/F and car parking space no. 65 on LG/F, Hanking Court, 43-49 Cloud View Road, North Point, Hong Kong	Hanking Court is a 20-storey (excluding LG/F and G/F carparking areas) residential development completed in about 1974. Carparking facilities are found on the LG/F and G/F of the development. The property comprises an apartment unit and a covered private car parking spaces on Lower Ground Floor. The gross floor area of the apartment unit is approximately 138.42 sq m (1,490 sq ft). The property is leased to the Company for a term of 21 months commencing from 1st April, 2009 and expiring on 31st December, 2010 at a monthly rent of HK$62,500 inclusive of Government rates and management fees. A rent-free period from 14th March, 2009 to 31st March, 2009 was granted.	The property is used as staff quarters.	No commercial value

Group VI – Property Interests Leased by the Group in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
17.	No. A640, Huangshi East Road, Baiyun District, Guangzhou, Guangdong Province, the PRC	The property comprises a unit on Level 2 and a unit on Level 3 of a composite building which was completed in or about 1999. The property has a gross floor area of approximately 550 sq m. The property is leased to the Group under a tenancy for a term of commencing from 1st August, 2009 and expiring on 31st January, 2010 at a monthly rent of RMB15,000.	The property is occupied by the Group as office, staff quarters and carpark uses.	No commercial value

Notes:

(1) Pursuant to the tenancy agreement entered into between 廣州市豐盛汽車維修服務有有限公司 ("Party A") and 廣州蜆富出租汽車有限公司 ("Party B") dated 22nd July, 2009, Party A leased the property to Party B for a term from 1st August, 2009 to 31st January, 2010 at a monthly rent of RMB15,000.

(2) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

The leased property is a temporary construction and it has not been obtained with real estate ownership certificate and the requisite construction permit document. In accordance with the aforesaid information provided by Party B, the aforesaid leased property does not comply with the statutory construction procedure and is regarded as illegal construction. It cannot be used for lease and the tenancy agreement is not valid.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
18.	Unit W2A1-a, Block W2-A, Shenzhen High-tech Industrial Park, Gao Xin South 4th Road, Nanshan District, Shenzhen, Guangdong Province, the PRC	The property comprises a unit on Level 1 of an industrial building which was completed in or about 1999. The property has a gross floor area of approximately 1,000 sq m. The property is leased to the Group under a tenancy for a term of 1 year commencing from 1st September, 2009 and expiring on 31st August, 2010 at a monthly rent of RMB48,760.	The property is occupied by the Group as office and production uses.	No commercial value

Note:

(1) Pursuant to the tenancy agreement and supplemental tenancy agreement entered into between 深圳高新區開發建設公司 ("Party A") and 蜆壳星盈科技(深圳)有限公司 ("Party B"), Party A leased the property to Party B for a term of 1 year from 1st September, 2009 to 31st August, 2010 at a monthly rent of RMB48,760.

(2) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

Under the condition that the relevant building has not obtained the real estate ownership certificate, if its construction procedure is legal and it has completed the completion examination, it can be used for lease. Considering that the tenancy agreement has stated the title proof document of the lessor and the tenancy agreement has been recorded in the housing leasing administration authority, the tenancy agreement is legal and valid.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
19.	Unit W2A1-b, Block W2-A, Shenzhen High-tech Industrial Park, Gao Xin South 4th Road, Nanshan District, Shenzhen, Guangdong Province, the PRC	The property comprises a unit on Level 1 of an industrial building which was completed in or about 1999. The property has a gross floor area of approximately 180.29 sq m. The property is leased to the Group under a tenancy for a term of 1 year commencing from 1st September, 2009 and expiring on 31st August, 2010 at a monthly rent of RMB8,790.94.	The property is occupied by the Group as office and production uses.	No commercial value

Note:

(1) Pursuant to the tenancy agreement and supplemental tenancy agreement entered into between 深圳高新區開發建設公司 ("Party A") and 蜆壳星盈軟件(深圳)有限公司 ("Party B"), Party A leased the property to Party B for a term of 1 year from 1st September, 2009 to 31st August, 2010 at a monthly rent of RMB8,790.94.

(2) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

Under the condition that the relevant building has not obtained the real estate ownership certificate, if its construction procedure is legal and it has completed the completion examination, it can be used for lease. Considering that the tenancy agreement has stated the title proof document of the lessor and the tenancy agreement has been recorded in the housing leasing administration authority, the tenancy agreement is legal and valid.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
20.	A unit of roof on ancillary building of Factory W2, Shenzhen High-tech Industrial Park, Gao Xin South 4th Road, Nanshan District, Shenzhen, Guangdong Province, the PRC	The property comprises a unit on the roof of an industrial building which was completed in or about 1999. The property has a lettable floor area of approximately 30 sq m. The property is leased to the Group under a tenancy for a term of 1 year commencing from 1st September, 2009 and expiring on 31st August, 2010 at a monthly rent of RMB600.	The property is occupied by the Group for storage of air-conditioning plants.	No commercial value

Notes:

(1) Pursuant to the tenancy agreement entered into between 深圳高新區物業管理有限公司高新技術工業村物業管理處 ("Party A") and 蜆壳星盈科技(深圳)有限公司 ("Party B"), Party A leased the property to Party B for a term of 1 year from 1st September, 2009 to 31st August, 2010 at a monthly rent of RMB600.

(2) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

(i) Party B has not provided the Measures on the Management of Occupying Common Area of Shenzhen Hi-tech Industrial Park, therefore, the PRC legal adviser cannot confirm if Party A has the right to lease the property. However, according to the public information, 深圳高新區物業管理有限公司 is established for the management of ancillary property of Shenzhen Hi-tech Industrial Park and such company is currently the property management company of Shenzhen Hi-tech Industrial Park; therefore, there is no substantial legal risk for tenancy agreement regarding common area signed by such company being not valid.

(ii) The property is not regarded as building and does not fall within the adjusted scope of Shenzhen Economic Special Zone Housing Leasing Regulations; therefore, there is no need for the tenancy agreement to be recorded.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
21.	Unit C, Level 2, Block 26, Phase 2, COTE D'AZUR, East of Hou Hai Avenue, Nanshan District, Shenzhen, Guangdong Province, the PRC	The property comprises a unit on Level 2 of a residential building which was completed in or about 2002. The property has a gross floor area of approximately 111.82 sq m. The property is leased to the Group under a tenancy for a term of 1 year commencing from 5th July, 2009 and expiring on 4th July, 2010 at a monthly rent of RMB4,000.	The property is occupied by the Group as staff quarters.	No commercial value

Note:

(1) Pursuant to the tenancy agreement entered into between 董國峰 ("Party A") and 蜆売星盈科技（深圳）有限公司 ("Party B") dated 27th June, 2009, Party A leased the property to Party B for a term of 1 year from 5th July, 2009 to 4th July, 2010 at a monthly rent of RMB4,000.

(2) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

The tenancy agreement has not been registered, but it does not affect the validity of the tenancy agreement. As the tenancy agreement has not been recorded, if Party B has any fault, it has the risk of being fined by the government.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
22.	Unit 802, Block 7, Yue Hai Men Village, Nanshan District, Shenzhen, Guangdong Province, the PRC	The property comprises a unit on Level 8 of a residential building which was completed in or about 2000. The property has a lettable floor area of approximately 87.8 sq m. The property is leased to the Group under a tenancy for a term of 1 year commencing from 20th September, 2009 and expiring on 19th September, 2010 at a monthly rent of RMB2,400.	The property is occupied by the Group as staff quarters.	No commercial value

Note:

(1) Pursuant to the tenancy agreement entered into between 黃麗芬 ("Party A") and 蜆壳星盈科技(深圳)有限公司 ("Party B") dated 20th September, 2009, Party A leased the property to Party B for a term of 1 year from 20th September, 2009 to 19th September, 2010 at a monthly rent of RMB2,400.

(2) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

(i) Though the property has not been obtained with the real estate ownership certificate issued by the real estate administration authority, the title certificate issued by 深圳市南崗實業股份有限公司 can prove to a certain extent that Party A has ownership to the property. As such, Party A can lease the property.

(ii) The tenancy agreement has not been registered, but it does not affect the validity of the tenancy agreement. As the tenancy agreement has not been recorded, if Party B has any fault, it has the risk of being fined by the government.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
23.	East No. 1 on Level 2, Tongxungongye Office Building, No. 2 Ke Feng Road, Nanshan District, Shenzhen, Guangdong Province, the PRC	The property comprises a unit on Level 2 of an office building which was completed in or about 2000s. The property has a gross floor area of approximately 512.75 sq m. The property is leased to the Group under a tenancy for a term of 2 years commencing from 21st May, 2009 and expiring on 20th May, 2011 at a monthly rent of RMB20,510.	The property is occupied by the Group as office use.	No commercial value

Note:

(1) Pursuant to the tenancy agreement entered into between 深圳市特發信息股份有限公司 ("Party A") and 艾普陽軟件(深圳)有限公司 ("Party B") dated 21st May, 2009, Party A leased the property to Party B for a term of 2 years from 21st May, 2009 to 20th May, 2011 at a monthly rent of RMB20,510.

(2) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

Party A has not obtained the real estate ownership certificate of the building. However, land administration authority has consented Party A to obtain the land use right of the building; planning administration authority has confirmed that the subject office building has been issued with construction land use planning permit; and the tenancy agreement has been recorded. Therefore, the tenancy agreement is legal and valid.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
24.	Unit B2107, Fengtian Ginza, No. 19 You Hao Street, Shenhe District, Shenyang, Liaoning Province, the PRC	The property comprises a unit on Level 21 of an office building which was completed in or about 2005. The property has a gross floor area of approximately 54.70 sq m. The property is leased to the Group under a tenancy for a term of 5 years commencing on 1st July, 2009 at an annual rent of RMB80,000.	The property is occupied by the Group as office use.	No commercial value

Note:

(1) Pursuant to the tenancy agreement entered into between 梁作法 ("Party A") and 遼寧國力新能源有限公司 ("Party B") dated 1st July, 2009, Party A leased the property to Party B for a term of 5 years from 1st July, 2009 to 30th June, 2014 at an annual rent of RMB80,000.

(2) We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

(i) At the time when Party B leased the building, the building had been mortgaged. Therefore, if Party A cannot pay back the loan causing the mortgagee to dispose of the building, it has the legal risk that Party B cannot lease the building in accordance with the tenancy agreement.

(ii) The tenancy agreement is legal, valid and binding to the contracted parties. In accordance with the relevant PRC legal regulations, tenancy agreement registration procedure has not been applied, but it does not affect the validity of the tenancy agreement.

Group VII – Property Interest Leased by the Group in Taiwan

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th September, 2009
25.	1F, 501-17 Chung Cheng Road, Hsin Tien, Taipei, Taiwan	The property comprises a unit on Level 1 of an office building which was completed in about 1988. The property has a gross floor area of approximately 260.74 sq m. The property is leased for a term of commencing from 5th March, 2009 and expiring on 4th August, 2011 at a monthly rent of TWD75,000.	The property is currently occupied by the Group as office use.	No commercial value

Note:

Pursuant to the tenancy agreement entered into between 宏祥電子股份有限公司 ("Party A") and 英屬維京群島商節能元件股份有限公司台灣分公司 ("Party B") dated 5th March, 2009, Party A leased the property to Party B for a term of commencing from 5th March, 2009 and expiring on 4th August, 2011 at a monthly rent of TWD75,000.

2 PROPERTIES OF THE PRIVATECO GROUP IN THE UNITED STATES OF AMERICA

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Valuation Advisory Services (HK) Limited, an independent valuer, in connection with its valuation as at 30th September, 2009 of the property interests of the Group.

8th December, 2009

Cushman & Wakefield Advisory Services (HK) Limited
Company Licence No. C-002429

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The Board of Directors
Shell Electric Mfg. (Holdings) Company Limited
Shell Industrial Building
No. 12 Lee Chung Street
Chai Wan Industrial District
Hong Kong

Dear Sirs,

Preliminary

In accordance with your instructions to value the properties in which Shell Electric Mfg. (Holdings) Company Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the United States of America ("United States"). We confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 30th September, 2009 (the "date of valuation").

Basis of Valuation

Our valuations of the property interests represent the "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 valuation has been prepared in accordance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; Rule 11 of The Codes on Takeovers and Mergers and Share Repurchases (October 2005 edition as amended in April 2008 and August 2008) issued by the Securities and Futures Commission; the RICS Valuation Standards (6th Edition) published by The Royal Institution of Chartered Surveyors and effective from 1st January, 2008; and The HKIS Valuation Standards on Properties (2005, First Edition) published by The Hong Kong Institute of Surveyors effective from 1st January, 2005.

Valuation Assumptions

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued 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.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and/or official plans handed to us by the Group are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Site Inspection

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 serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

Valuation Methodology

We have valued the property interest in Group I by the direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

We have valued the property interests in Group II by the investment method by taking into account the net rental incomes of the properties derived from the existing tenancies with due allowance for the reversionary income potential of the tenancies, which are then capitalised into the values at appropriate capitalisation rates.

We have attributed no commercial value to the property interest in Group III, which is leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Source of Information We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, identification of the properties and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Title Investigations We have been, in some instances, provided by the Group with extracts of the title documents relating to the property interests, and have caused searches to be made at the local land registries. Where possible, we have searched the original documents to verify the existing titles to the property interests in Groups I and II, and any material encumbrances that might be attached to the properties or any lease amendments which may not appear on the copies handed to us.

Currency & Exchange Rate Unless otherwise stated, all monetary sums stated in this report are in United State Dollars (US$) with Hong Kong Dollars (HK$) conversion for reference. The exchange rate adopted in our valuations is approximately US$1 = HK$7.75 which was approximately the prevailing exchange rate as at the date of valuation.

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Cushman & Wakefield Valuation Advisory Services (HK) Limited
Vincent K. C. Cheung
Registered Professional Surveyor (GP)
BSc(Hons) MBA MRICS MHKIS
Director

Note: Mr. Vincent K. C. Cheung holds a Master of Business Administration and he is a Registered Professional Surveyor with over 12 years' experience in real estate industry and assets valuations sector. Mr. Cheung is a member of The Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. Mr. Cheung is one of the valuers on the "list of property valuers for undertaking valuation for undertaking valuation for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers" as well as a Registered Business Valuer of the Hong Kong Business Valuation Forum.

SUMMARY OF VALUES

GROUP I – PROPERTY INTEREST OWNED AND OCCUPIED BY THE GROUP IN THE UNITED STATES

No.	Property	Market Value in existing state as at 30th September, 2009	Interest attributable to the Group	Market Value in existing state as at 30th September, 2009 attributable to the Group
1.	1925-1933 North Great Southwest Parkway Grand Prairie Texas 75050 The United States	US$1,180,000 *HK$9,145,000*	100%	US$1,180,000 *HK$9,145,000*
	Sub-total :	US$1,180,000 *HK$9,145,000*		US$1,180,000 *HK$9,145,000*

GROUP II – PROPERTY INTERESTS HELD FOR INVESTMENT BY THE GROUP IN THE UNITED STATES

No.	Property	Market Value in existing state as at 30th September, 2009	Interest attributable to the Group	Market Value in existing state as at 30th September, 2009 attributable to the Group
2.	Phase I The Vineyard Business Park 7401-7599 Southfront Road Livermore Alameda County California 94550 The United States	US$12,100,000 *HK$93,775,000*	100%	US$12,100,000 *HK$93,775,000*

No.	Property	Market Value in existing state as at 30th September, 2009	Interest attributable to the Group	Market Value in existing state as at 30th September, 2009 attributable to the Group
3.	Phase II The Vineyard Business Park 7633 and 7683 Southfront Road Livermore Alameda County California 94550 The United States	US$12,700,000 *HK$98,425,000*	100%	US$12,700,000 *HK$98,425,000*
	Sub-total :	US$24,800,000 *HK$192,200,000*		US$24,800,000 *HK$192,200,000*

GROUP II – PROPERTY INTEREST LEASED AND OCCUPIED BY THE GROUP IN THE UNITED STATES

No.	Property	Market Value in existing state as at 30th September, 2009	Interest attributable to the Group	Market Value in existing state as at 30th September, 2009 attributable to the Group
4.	Suite 105 2125 Corporate Drive Marietta Georgia The United States	No commercial value	N/A	Nil
	Sub-total:	Nil		Nil
	Grand-total:	US$25,980,000 *HK$201,345,000*		US$25,980,000 *HK$201,345,000*

VALUATION CERTIFICATE

GROUP I – PROPERTY INTEREST OWNED AND OCCUPIED BY THE GROUP IN THE UNITED STATES

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30th September, 2009
1. 1925-1933 North Great Southwest Parkway Grand Prairie Texas 75050 The United States	The property comprises a parcel of development land with a site area of approximately 97,139 square feet, on which is erected a single-storey industrial building which was completed in about 1976. The property has a gross floor area of approximately 49,725 square feet. The property is held in freehold ownership.	The property is currently vacant.	US$1,180,000 (HK$9,145,000) *100% interest attributable to the Group:* US$1,180,000 (HK$9,145,000)

Notes:-

1. Pursuant to the a Warranty Deed filed in the Tarrant County Courthouse in Book 9484 Page 397 issued by Tarrant County dated 10th January, 1989, the registered owner of the property is SMC Marketing Corporation.

2. The assessor's parcel number of the property is 04619579 as per the Tarrant County Tax Assessor's Office.

3. With respect to the tax implications, the property is assessed at US$1,494,064 by the Tarrant County Appraisal District. The tax rate for the subject property is US$2.571565 for every US$100 of assessed value. The current tax liability is US $38,421. Upon sale of the subject, sellers are responsible for their share of accrued property taxes during the tax year (1st January to 31st December). The sale of the subject property does not necessitate the reassessment of the property, but the property is subject to being reassessed on an annual basis. The subject's assessment is 26% above the estimate of value of US$1,180,000 and can possibly be reduced given the value indication of comparable sales in the area.

4. SMC Marketing Corporation is a wholly-owned subsidiary of the Company.

5. Our valuation conclusion is reached having regard to the valuation report undertaken by Mr. Jerry L. Fulwiler, a qualified surveyor of Cushman & Wakefield of Texas, Inc., who has 19 years' valuation experience in respect of properties in the United States. He is a Member of the Appraisal Institute (MAI) and is a Member of The Royal Institution of Chartered Surveyors (MRICS).

GROUP II – PROPERTY INTERESTS HELD FOR INVESTMENT BY THE GROUP IN THE UNITED STATES

Property		Description and tenure	Particulars of occupancy	Market Value in existing state as at 30th September, 2009
2.	Phase I The Vineyard Business Park 7401-7599 Southfront Road Livermore Alameda County California 94550 The United States	The property comprises a parcel of development land with a site area of approximately 49,047.94 square metres, on which are erected two single-storey office buildings which are completed in about 1994. The property has a total net rentable area of approximately 131,081 square feet. The property is held in a leased fee interest with the latest expiry date being 31st December, 2015.	The property is currently about 74.5% leased and the remaining portion is currently vacant and available for lease.	US$12,100,000 (HK$93,775,000) *100% interest attributable to the Group:* US$12,100,000 (HK$93,775,000)

Notes:-

1. Pursuant to a Quit Claim deed, No. 169327 issued by the County of Alameda dated 5th June, 2000, the registered owner of the property is Vineyard Management Company.

2. The assessor's parcel number of the property is 99B-8110-76 as per the Alameda County Assessor's Office.

3. Details of the tenancy status are listed as follows:

Portion	Name of Tenant	Net Rentable Area *(sq.ft.)*	Lease Term From	Lease Term To	Rent *(US$/sq.ft. /mth)*
No. 7404	The Produce Exchange	10,310	Sep 1997	Aug-2011	From Sep 2008 : $9.48 From Sep 2009 : $9.72 From Sep 2010 : $10.08
No. 7415	Vacant	1,800	N/A		N/A
No. 7419	Vacant	4,946	N/A		N/A
No. 7425	Vacant	9,514	N/A		N/A
No. 7449	Topcon Positioning Sy	13,458	Oct 2006	Sep 2012	From Oct 2008 : $13.20 From Oct 2009 : $7.20 From Oct 2010 : $7.44 From Oct 2010 : $7.68

Portion	Name of Tenant	Net Rentable Area	Lease Term From	To	Rent
		(sq.ft.)			*(US$/sq.ft. /mth)*
No. 7503	FormFaclor	16,371	Nov 2006	Oct 2011	From Dec 2008 : $12.09 From Dec 2009 : $12.46 From Dec 2010 : $12.83
No. 7475	FormFaclor	23,107	Nov 2006	Oct 2011	From Dec 2008 : $12.09 From Dec 2009 : $12.46 From Dec 2010 : $12.83
No. 7535	Vacant	17,134	N/A		N/A
No. 7543	American Medical Resp	8,380	Jan 1998	Dec 2015	From Jul 2009 : $15.36 From Jul 2010 : $15.84 From Jul 2011 : $16.44 From Jul 2012 : $16.92 From Jul 2013 : $17.52 From Jul 2014 : $18.12 From Jul 2015 : $18.84
No. 7555	Pennysaver*	3,286	Jan 1999	Dec 2009	From Jan 2009 : $11.47
No. 7575	American Medical Resp	22,775	Jan 1998	Dec 2015	From Jul 2009 : $15.36 From Jul 2010 : $15.84 From Jul 2011 : $16.44 From Jul 2012 : $16.92 From Jul 2013 : $17.52 From Jul 2014 : $18.12 From Jul 2015 : $18.84
	Total:	131,081			

* *Pennysaver has vacated the leased premises and will not renew its lease upon its expiry.*

4. Under the provisions of Article XIIIA of the California State Tax and Revenue Code, properties are re-assessed upon sale at the County Assessor's opinion of market value, which is typically the sale price. Real estate taxes were estimate by applying the subject's current tax rate of 1.129% on our market value conclusion on "as is" basis. Based on the above, real estate taxes would be about US$134,661 per annum.

5. Vineyard Management Company is a wholly-owned subsidiary of the SMC Marketing Corporation, which is a wholly-owned subsidiary of the Company.

6. Our valuation conclusion is reached having regard to the valuation report undertaken by Mr. Michael G. Davis, a qualified surveyor of Cushman & Wakefield of CA. Inc., who has 22 years' valuation experience in respect of properties in the United States. He is a Certified General Real Estate Appraiser with the State of California (license AG001700) and is a Member of the Appraisal Institute (MAI).

Property		Description and tenure	Particulars of occupancy	Market Value in existing state as at 30th September, 2009
3.	Phase II The Vineyard Business Park 7633 and 7683 Southfront Road Livermore Alameda County California 94550 The United States	The property comprises a parcel of development land with a site area of approximately 30,230.04 square metres, on which are erected two two-storey office buildings which are completed in about 2001. The property has a total net rentable area of approximately 103,820 square feet. The property is held in a leased fee interest with the latest expiry date being 28th February, 2013.	The property is currently about 97.8% leased and the remaining portion is currently vacant and available for lease.	US$12,700,000 (HK$98,425,000) *100% interest attributable to the Group:* US$12,700,000 (HK$98,425,000)

Notes:-

1. Pursuant to a Quit Claim deed, No. 169327 issued by the County of Alameda dated 5th June, 2000, the registered owner of the property is Vineyard Management Company.

2. The assessor's parcel number of the property is 99B-8110-77 as per the Alameda County Assessor's Office.

3. Details of the tenancy status are listed as follows:

Portion	Name of Tenant	Net Rentable Area	Lease Term		Rent
			From	To	
		(sq.ft.)			*(US$/sq.ft. /mth)*
No. 100-A	Activant	26,023	Mar 2002	Feb 2012	From Mar 2009 : $21.70 From Mar 2010 : $22.21 From Mar 2011 : $22.77
No. 120-B	Bay Area Construction	6,526	Sep 2004	Jan 2010	From Dec 2008 : $14.88 From Feb 2009 : $11.52
No. 130-B	Activant	6,523	Mar 2002	Feb 2012	From Nov 2008 : $13.08 From Nov 2009 : $13.56 From Nov 2010 : $13.92 From Nov 2011 : $14.28
No. 160-B	Impact Sales	5,340	Nov 2004	Feb 2013	From Jun 2009 : $10.80 From Jan 2010 : $11.12 From Jan 2011 : $11.46 From Jan 2012 : $11.80
No. 170-B	Oliver De Silva, Inc.	1,597	Oct 2005	Oct 2010	From Nov 2008 : $14.40 From Nov 2009 : $14.88

Portion	Name of Tenant	Net Rentable Area	Lease Term		Rent
			From	To	
		(sq.ft.)			*(US$/sq.ft. /mth)*
No. 180-B	Olive Tree Cafe and C	2,656	Aug 2007	Jul 2012	From Aug 2008 : $12.00 From Aug 2009 : $14.40 From Aug 2010 : $15.60 From Aug 2011 : $16.80
No. 190-B	Vacant	2,311	N/A		N/A
No. 200-A	Activant	26,023	Mar 2002	Feb 2012	From Mar 2008 : $21.52 From Mar 2009 : $21.91 From Mar 2010 : $22.44 From Mar 2011 : $22.99
No. 200-B	Activant	26,821	Mar 2002	Feb 2012	From Mar 2008 : $21.52 From Mar 2009 : $21.91 From Mar 2010 : $22.44 From Mar 2011 : $22.99
	Total:	103,820			

4. Under the provisions of Article XIIIA of the California State Tax and Revenue Code, properties are re-assessed upon sale at the County Assessor's opinion of market value, which is typically the sale price. Real estate taxes were estimate by applying the subject's current tax rate of 1.129% on our market value conclusion on "as is" basis. Based on the above, real estate taxes would be about US$141,338 per annum.

5. Vineyard Management Company is a wholly-owned subsidiary of the SMC Marketing Corporation, which is a wholly-owned subsidiary of the Company.

6. Our valuation conclusion is reached having regard to the valuation report undertaken by Mr. Michael G. Davis, a qualified surveyor of Cushman & Wakefield of CA. Inc., who has 22 years' valuation experience in respect of properties in the United States. He is a Certified General Real Estate Appraiser with the State of California (license AG001700) and is a Member of the Appraisal Institute (MAI).

GROUP III – PROPERTY INTEREST LEASED AND OCCUPIED BY THE GROUP IN THE UNITED STATES

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30th September, 2009
4. Suite 105 2125 Corporate Drive Marietta Georgia The United States	The property comprises the tenanted portion of a single-storey warehouse which was completed in about 1982. The subject building was erected on a parcel of development land with a site area of approximately 16,106.5 square metres. It has a total gross floor area of approximately 88,000 square feet, in which the tenanted portion comprises 27,200 square feet. The property is leased by SMC Marketing Corporation from Industrial Fund I, LLC, an independent third party, for a term of 6.5 years commencing on 1st June, 2006 and expiring on December 2012 at a currently monthly rent of US$11,662.83 exclusive of management fees and other outgoings.	The property is currently occupied by the Group for warehouse purposes.	No commercial Value

Notes:-

1. The assessor's parcel number of the property is 17072700030 as per the Cobb County Assessor's Office and the owner of record is Cobalt Industrial REIT II.

2. Pursuant to a tenancy agreement entered into between Industrial Fund I, LLC ("landlord") and SMC Marketing Corporation ("tenant") dated 1st June, 2006, the property with a net floor area of 27,200 square feet was leased to the tenant for a term of 6.5 years commencing on 1st June, 2006 and expiring on December 2012 at monthly rent of US$11,662.83 exclusive of management fees and other outgoings.

3. SMC Marketing Corporation is a wholly-owned subsidiary of the Company.

4. Our valuation conclusion is reached having regard to the valuation report undertaken by Mr. C. Clayton Davie, a qualified surveyor of Cushman & Wakefield of Georgia, Inc., who has 19 years' valuation experience in respect of properties in the United States. He is a Member of the Appraisal Institute (MAI) and is a Member of The Royal Institution of Chartered Surveyors (MRICS).

The following is the text of a letter with the summary of values and valuation certificate received from CB Richard Ellis Limited, prepared for the purpose of incorporation in this Circular, in connection with their valuation as at 30th September, 2009 of the property interests of the Group.

CBRE
CB RICHARD ELLIS
世邦魏理仕

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香港灣仔港灣道十八號中環廣場三十四樓
電話 852 2820 2800 傳真 852 2810 0830

8th December, 2009

The Board of Directors
Shell Electric Mfg. (Holdings) Co., Ltd.
1/F, Shell Industrial Building,
12 Lee Chung Street,
Chai Wan,
Hong Kong

Dear Sirs,

In accordance with the instructions from Shell Electric Mfg. (Holdings) Co., Ltd. (the "Company") for us to value the property interests held by the Company and its subsidiaries (hereinafter together know as the "Group") in the People's Republic of China ("the PRC"), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at 30th September, 2009 (the "date of valuation").

Our valuation is our opinion of Market Value which is defined 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".

Unless otherwise stated, our valuation is prepared in accordance with the "First Edition of The HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors (the "HKIS"). We have also complied with all requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32) and Chapter 5, Practice Note 12 and Practice Note 16 of the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

For the purpose of area measurement in our valuation, Saleable Gross Floor Areas ("Saleable GFA") refer to the internal floor areas and common areas exclusively allocated to that unit including balconies and other similar features of comprising common areas such as staircases, lift lobbies. Non-saleable Gross Floor Areas ("Non-saleable GFAs") refer to the floor areas of certain public ancillary facilities, including, among others, schools, electric sub-station houses and connecting corridors between apartment buildings. The Gross Floor Areas ("GFAs") of a project or a phase of a project include both Saleable GFAs and Non-saleable GFAs.

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

Unless otherwise stated, all the property interests are valued by the comparison method on the assumption that each property can be sold with the benefit of vacant possession. Comparison is based on prices realized on actual transactions or asking price of comparable properties. Comparable properties with similar sizes, character and locations are analyzed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

For the property interests in Group I, which are held by the Group for investment, we have valued each of those property interests by the direct comparison approach assuming sales of each of these property interests in its existing state with the benefit of vacant possession and making references to comparable sale transactions as available in the relevant markets. We have also valued the property interests by the capitalization approach taking into account the current rents passing of the property interests and the reversionary potentials of the tenancies.

In valuing of the property interests in Group II, which are held by the Group for sale or occupation in the PRC, we have valued each of these property interests by the direct comparison approach assuming sale of each of these property interests in its existing state with the benefit of vacant possession and making references to comparable sales transactions as available in relevant markets.

In our valuation, completed real estate developments are those the Construction Works Completion Certified Reports or Realty Title Certificate(s)/Building Ownership Certificate(s) of the buildings thereof has (have) been issued by the relevant local authority, and the building(s) which physically completed and in operation as advised by the Group. These also included those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed.

For the property interests in Group III, which are held by the Group for development in the PRC, we have valued the property interests on the basis that the property will be or can be developed and completed in accordance with the Group's latest development schemes provided to us. We have assumed that approvals from relevant authorities for such schemes have been obtained. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market to arrive at the capital value of the property as if the property were completed at the date of valuation and have also taken into account the development costs already spent and to be spent to reflect the quality of the completed development. The "capital value of the property as if completed" represents our opinion of the aggregate selling prices of the property assuming that it would have been completed at the date of valuation. For those property interests contracted to be sold, but the formal assignment procedures of which have not yet completed, we have valued this portion of property interests by taking into account the contract prices. We have also valued the property interests by the direct comparison approach, if appropriate, assuming sale of each of these property interests in its existing state with the benefit of vacant possession and making references to comparable sales transactions as available in the relevant markets.

Unless otherwise stated, in our valuation, the properties for development are those in which the Construction Works Completion Certified Reports have not been issued while the State-owned Land Use Rights Certificates have been obtained.

For the property interests in Group IV and V, which are property interests to be acquired by the Group in the PRC and property interests for Primary Land Development by the Group in the PRC respectively, as for which the Group has entered into agreements with relevant owner of the property or government authority or entered into share transfer agreements, but for which the Group has not yet obtained the State-owned Land Use Rights Certificates and/or the payment of the land premium has not yet been fully settled as at the date of valuation, we have ascribed no commercial value in the property interests.

In valuing the property interests in Group VI, which are rented by the Group in the RPC, we consider they have no commercial value primarily due to the prohibition against assignment or sub-letting and/or due to the lack of substantial profit rent.

In the course of our valuation for the property interests in the PRC, we have relied on the legal opinion provided by the Group's PRC legal advisor, King & Wood (the "PRC Legal Opinion"). We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us. All documents have been used for reference only.

Under the current planning approval systems in China, valuers are not able to undertake any planning approval verification freely and swiftly. We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the sales records, planning approvals, statutory notices, easements, tenancies and floor areas (including Gross Floor Areas, Saleable Gross Floor Areas and Non-saleable Gross Floor Areas). No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuation does not make any allowance for contamination or pollution of the land, if any, which may have occurred as a result of past usage.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in Renminbi ("Renminbi").

We enclose herewith a summary of valuation and our valuation certificates.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Leo MY Lo
MHKIS MRICS
Director
Valuation & Advisory Services

Note: Mr. Leo MY Lo is a member of Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors. He has over 6 years' valuation experience in the PRC and Hong Kong.

SUMMARY OF VALUES

Group I – Property interests held by the Group for investment in the PRC

	Property	Capital value in existing state as at 30th September, 2009 *(RMB)*	Interest attributable to the Group	Capital value attributable to the Group as at 30th September, 2009 *(RMB)*
1.	Various leased office units, Tower 1, Ever Bright World Center, No.28 Ping'anli West Avenue, Xicheng District, Beijing City, the PRC	510,000,000	70.0%	357,000,000
2.	Shanghai Jinhe Digital Tower, Zhangheng Road, Shanghai Zhangjiang Hi-tech Park, Pudong District, Shanghai City, the PRC	157,000,000	45.5%	71,435,000
3.	Room 602, Block 6, Room 1003 and Room 1103, Block 11, Ever Bright Hongqiao Garden, Lane 269 Cheng Jia Qiao Road, Minxing District, Shanghai City, the PRC	8,490,000	70.0%	5,943,000
4.	Rooms 801 and 802, Block C, Ever Bright Convention and Exhibition Center, No. 70 Caobao Road, Xuhui District, Shanghai City, the PRC	4,590,000	70.0%	3,213,000
5.	Various ground floor retail units of clubhouse of Block B5, Phase B, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	21,500,000	70.0%	15,050,000
			Group I Sub-total:	452,641,000

Group II – Property interests held by the Group for sale or occupation in the PRC

	Property	Capital value in existing state as at 30th September, 2009 *(RMB)*	Interest attributable to the Group	Capital value attributable to the Group as at 30th September, 2009 *(RMB)*
6.	The remaining unsold portions, Tower 1, Ever Bright World Center, No.28 Ping'anli West Avenue, Xicheng District, Beijing City, the PRC	930,000,000	70.0%	651,000,000
7.	Rooms 701 and 702, Block C, Ever Bright Convention and Exhibition Center, No. 70 Caobao Road, Xuhui District, Shanghai City, the PRC	4,590,000	70.0%	3,213,000
8.	Various Level 2 and Level 4 office units of clubhouse of Block B5, Phase B, and the whole of commercial building of Block C8, Phase C, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	38,600,000	70.0%	27,020,000
9.	The clubhouse and various car parking spaces, Beijing Ever Bright Garden, Wanliu Middle Road, Haidian District, Beijing City, the PRC			No Commercial Value *(Note i)*

	Property	Capital value in existing state as at 30th September, 2009 *(RMB)*	Interest attributable to the Group	Capital value attributable to the Group as at 30th September, 2009 *(RMB)*
10.	Various car parking spaces, Ever Bright Shuimo Scene, Wanliu Middle Road, Haidian District, Beijing City, the PRC	49,100,000	70.0%	34,370,000
11.	The clubhouse and various car parking spaces, Master Piece, Beiyuan Road, Chaoyang District, Beijing City, the PRC	80,900,000	70.0%	56,630,000
12.	The unsold portions of Academic Sect, Xue Yuan South Road, Haidian District, Beijing City, the PRC	1,470,000,000	70.0%	1,029,000,000
13.	The unsold portions of Phase A to Phase E, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	317,000,000	70.0%	221,900,000
14.	The unsold portions of Phases K South Section, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	9,000,000	70.0%	6,300,000
			Group II Sub-total:	2,029,433,000

Group III – Property interests held by the Group for development in the PRC

	Property	Capital value in existing state as at 30th September, 2009 *(RMB)*	Interest attributable to the Group	Capital value attributable to the Group as at 30th September, 2009 *(RMB)*
15.	Phases J and Phase K North Section, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	2,080,000,000	70.0%	1,456,000,000
16.	Ever Bright Duhui Project, Gongye Road North, Haizhu District, Guangzhou City, Guangdong Province, the PRC	1,690,000,000	70.0%	1,183,000,000
17.	Jinxiu City, Saihan District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	518,000,000	70.0%	362,600,000
18.	Shanghu, Shahe Town, Changping District, Beijing City, the PRC	1,540,000,000	49.0%	754,600,000
19.	The Reserved Land for Beijing Tonghui River Project, Chaoyang District, Beijing City, the PRC	1,160,000,000	31.15%	361,340,000

	Property	Capital value in existing state as at 30th September, 2009 *(RMB)*	Interest attributable to the Group	Capital value attributable to the Group as at 30th September, 2009 *(RMB)*
20.	A portion of the Reserved Land for Guilin Environment Garden, Guiyang Road, Yanshan District, Guilin City, Guangxi Zhuang Autonomous Region, the PRC	247,000,000	46.06%	113,768,200
21.	The Reserved Land for Phase 2, Jinxiu City, Saihan District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	305,000,000	70.0%	213,500,000
22.	The Reserved Land for Qingdao Project, No. 466 Hong Kong East Road, Laoshan District, Qingdao City, Shandong Province, the PRC	304,000,000	49.0%	148,960,000
			Group III Sub-total:	4,593,768,200

Group IV – Property interests to be acquired by the Group in the PRC

	Property	Capital value in existing state as at 30th September, 2009 *(RMB)*	Interest attributable to the Group	Capital value attributable to the Group as at 30th September, 2009 *(RMB)*
23.	The Reserved Land for Guangzhou Xindu Project, Binjiang Road, Guangzhou City, Guangdong Province, the PRC			No Commercial Value *(Note ii)*
24.	The other portion of the Reserved Land for Guilin Environment Garden, Guiyang Road, Yanshan District, Guilin City, Guangxi Zhuang Autonomous Region, the PRC			No Commercial Value *(Note iii)*
25.	Three Parcels of the Reserved Land, Saihan District, Hohhot City, Inner Mongolia Autonomous Region, the PRC			No Commercial Value *(Note iv)*
26.	The Reserved Land, Danshui Town, Huizhou City, Guangdong Province, the PRC			No Commercial Value *(Note v)*
			Group IV Sub-total:	No Commercial Value

Group V – Property interests for Primary Land Development by the Group in the PRC

	Property	Capital value in existing state as at 30th September, 2009 *(RMB)*	Interest attributable to the Group	Capital value attributable to the Group as at 30th September, 2009 *(RMB)*
27.	The Land for Primary Development, Guilin Environment Garden, Guiyang Road, Yanshan District, Guilin City, Guangxi Zhuang Autonomous Region, the PRC			No Commercial Value *(Note vi)*
28.	The Land for Primary Development, Saihan District and Xincheng District, Hohhot City, Inner Mongolia Autonomous Region, the PRC			No Commercial Value *(Note vii)*
			Group V Sub-total:	No Commercial Value

Group VI – Property interests rented by the Group in the PRC

29.	Underground Bicycle Parking Garage, No. Xin 137, Xizhimenwai Avenue, Xicheng District, Beijing City, the PRC			No Commercial Value
30.	Happy Castle Shopping Mall, No. Xin 137, Xizhimenwai Avenue, Xicheng District, Beijing City, the PRC			No Commercial Value
31.	An underground Car Parking Space and Room 12FB, Block 3, Aidu Garden, Huzhou City, Zhejiang Province, the PRC			No Commercial Value
			Group VI Sub-total:	**No Commercial Value**
			Grand Total:	**7,075,842,200**

Notes:

i. As advised by the Group, the Group has not obtained any Building Ownership Certificate of the property. We have, therefore, ascribed "no commercial value" to the property. Had the Group obtained all the Building Ownership Certificates of the property, the capital value of the property as at the date of valuation would be in the sum of RMB109,000,000 (70.0% attributable to the Group: RMB76,300,000).

ii. As the Group has not obtained any State-owned Land Use Rights Certificate of the property at the date of valuation, we have ascribed "no commercial value" to the property. Had the Group obtained all the State-owned Land Use Rights Certificate of the property at the date of valuation, the capital value of the property as at the date of valuation would be in the sum of RMB701,000,000 (63.0% attributable to the Group: RMB441,630,000).

iii. As the Group has not obtained any State-owned Land Use Rights Certificate of the property at the date of valuation, we have ascribed "no commercial value" to the property. Had the Group obtained all the State-owned Land Use Rights Certificate of the property at the date of valuation, the capital value of the property as at the date of valuation would be in the sum of RMB273,000,000 (46.06% attributable to the Group: RMB125,743,800).

iv. As the Group has not obtained any State-owned Land Use Rights Certificate of the property at the date of valuation, we have ascribed "no commercial value" to the property. Had the Group obtained all the State-owned Land Use Rights Certificate of the property at the date of valuation, the capital value of the property as at the date of valuation would be in the sum of RMB728,000,000 (70.0% attributable to the Group: RMB509,600,000).

v. As the Group has not obtained any State-owned Land Use Rights Certificate of the property at the date of valuation, we have ascribed "no commercial value" to the property. Had the Group obtained all the State-owned Land Use Rights Certificate of the property at the date of valuation, the capital value of the property as at the date of valuation would be in the sum of RMB353,000,000 (63.0% attributable to the Group: RMB222,390,000).

vi. As the Group has not obtained any State-owned Land Use Rights Certificate of the property at the date of valuation, we have ascribed "no commercial value" to the property. Had the Group obtained all the State-owned Land Use Rights Certificate of the property at the date of valuation, the capital value of the property as at the date of valuation would be in the sum of RMB1,130,000,000 (46.06% attributable to the Group: RMB520,478,000).

vii. As the Group has not obtained any State-owned Land Use Rights Certificate of the property at the date of valuation, we have ascribed "no commercial value" to the property. Had the Group obtained all the State-owned Land Use Rights Certificate of the property at the date of valuation, the capital value of the property as at the date of valuation would be in the sum of RMB8,120,000,000 (56.0% attributable to the Group: RMB4,547,200,000).

Group I – Property interests held by the Group for investment in the PRC

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
1.	Various leased office units, Tower 1, Ever Bright World Center, No.28 Ping'anli West Avenue, Xicheng District, Beijing City, the PRC	The property comprises various office units with a total gross floor area of approximately 17,066 sq.m. in Tower 1 of Ever Bright World Center (the "Development"). The Tower 1 of Ever Bright World Center, occupying a site with an area of approximately 7,359 sq.m. (the "Site") and with a gross floor area of approximately 66,381 sq.m., is a 20-storey office building (without 4/F,13/F and 14/F in floor numbering) plus a 4-storey underground carpark. The property was completed in 2007. The Site is held under a State-owned Land Use Rights Certificate for a land use term to be expired on 6th March, 2054 for office and car parking uses.	The property is tenanted to various tenants for a total monthly rent of RMB3,052,199 for various terms with the last one to be expired on 31st August, 2027.	510,000,000 (70.0% interests attributable to the Group: RMB357,000,000)

Notes:

(a) Pursuant to the State-owned Land Use Rights Certificate Jing Xi Guo Yong (2005 Chu) No. 20267 dated 31st October, 2005, the land use rights of the Site with area of approximately 7,358.65 sq.m. has been granted to the Group for a land use term to be expired on 6th March, 2054 for office and car parking uses.

(b) Pursuant to the Building Ownership Certificate X Jing Fang Quan Zheng Xi Gu Zi No.010671 dated 10th September, 2008, the building ownership of the 3 buildings of No. 26, 28 and 30 Ping'anli West Avenue, which the property is located therein, with a gross floor area of approximately 136,207.78 sq.m. has been held by the Group.

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. For the unsold portions of the property as mentioned in Note (b) above, the Group legally owns building ownership and its corresponding land use rights, and is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the building ownership and corresponding land use rights within the land use term.

ii. The tenancy agreements abovementioned have not been registered. Pursuant to relevant law and regulation, non-compliance of such registration requirement will not affect the legality and validity of the tenancy agreements. The tenancy agreements are legal, valid, enforceable and binding on both parties, but the Group shall bear the risk of being penalized by relevant authority.

iii. The following portions of the property are subject to mortgages and the transfer, lease and mortgage of such portions shall be subject to the prior consent from the mortgagee:

Property mortgaged	**Encumbrance No.**	**Date of instruments**	**Creditor**
Land Use Rights and Building Ownership of the portion of 1/F, 2/F, and the whole of 3 – 5/F, 10/F, 11/F	Bo Jing Fen Di (2008) No.2	27th September, 2008	Beijing Branch, China Bohai Bank
Land Use Rights and Building Ownership of 12/F, 16/F, 19/F and 20/F	Bo Jing Fen Di (2008) No.1	27th September, 2008	Beijing Branch, China Bohai Bank

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
2.	Shanghai Jinhe Digital Tower, Zhangheng Road, Shanghai Zhangjiang Hi-tech Park, Pudong District, Shanghai City, the PRC	The property comprises a 7-storey office building with a gross floor area of approximately 13,887 sq.m. and a single storey basement with 63 car parking spaces erected on a site with an area of approximately 7,543 sq.m. (the "Site"). The property was completed in 2007. The Site is held under a Shanghai Certificate of Real Estate Ownership for a land use term to be expired on 28th February, 2054 for research use.	Various office units with a total gross floor area of approximately 10,319 sq.m. and 16 car parking spaces are currently tenanted to various tenants for a total monthly rent of RMB691,575 for various terms with the last one to be expired on 30th June, 2013. The remaining portions of the property are currently vacant.	157,000,000 (45.5% interests attributable to the Group: RMB71,435,000)

Notes:

(a) Pursuant to the Shanghai Certificate of Real Estate Ownership Hu Fang Di Pu Zi (2006) No. 036301 dated 1st March, 2004, the land use rights of the property with a site area of approximately 7,543 sq.m. is held by the Group for a land use term to be expired on 28th February, 2054 for research use.

(b) Pursuant to the Construction Works Planning and Completion Certificate Hu Pu Gui Jian Jun No.20071507076 N00037 dated 6th July, 2007, the property with a gross floor area of approximately 16,804.7 sq.m., including a basement with a gross floor area of approximately 5,939.8 sq.m., is held by the Group.

(c) We have valued the property under the use and term of land use rights defined by the Shanghai Certificate of Real Estate Ownership abovementioned. Refer to Note (d)i. and (d)ii. below, we assume that the Group could obtain the building ownership.

(d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group legally owns the land use rights of the property as mentioned in Note (a) above, and is legally entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights of the property within the land use term.

ii. Regarding the completed building, the building ownership will be vested to the Group since title registration pursuant to the land use term, and there is no substantial legal obstacles on obtaining such registration if the registered use of land conforming to the Shanghai Certificate of Real Estate Ownership abovementioned. Since title registration, the Group legally owns the building ownership and the corresponding land use rights of the property, and is legally entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the building ownership and corresponding land use rights within the land use term. Pursuant to the Shanghai Certificate of Real Estate Ownership as mentioned in Note (a) above, the land use rights of the property is held for research use, and the building had been tenanted to various tenants for office use. The land premium shall be paid by the Group for alternation of land use as commercial use before title registration.

iii. The tenancy agreements abovementioned have not been registered. Pursuant to relevant law and regulation, non-compliance of such registration requirement will not affect the validity of the tenancy agreements. The Group shall bear the risk of being penalized by relevant authority. For portions of the tenancy agreement involved alternation of land use of which permission cannot be obtained before the conclusion of the first trial, the tenancy agreement aforesaid shall bear the risk of being declared void.

iv. The following portions of the property are subject to mortgages and the transfer, lease and mortgage of such portions shall be subject to the prior consent from the mortgagee:

Corresponding Shanghai Certificate of Real Estate Ownership mortgaged	Encumbrance No.	Date of instruments	Creditor
Hu Fang Di Pu Zi (2006) No. 036301	3101102006A300006900	14th July, 2006	Shanghai Shinan Sub-branch, Bank of Communications

(e) A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Works Planning Permit	Yes
(v)	Construction Works Commencement Permit	Yes
(vi)	Pre-sale Permit	N/A
(vii)	Construction Works Completion Certified Report	Yes

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
3.	Room 602, Block 6, Room 1003 and Room 1103, Block 11, Ever Bright Hongqiao Garden, Lane 269 Cheng Jia Qiao Road, Minxing District, Shanghai City, the PRC	The property comprises 3 residential units with a total gross floor area of approximately 541 sq.m.. The property was completed in 2000. The property is held under various Shanghai Certificate of Real Estate Ownership for a land use term to be expired on 7th August, 2067 for residential use.	Units 602 and 1103, with a total gross floor area of approximately 392 sq.m. are tenanted to 2 tenants for a total monthly rent of RMB7,500 for terms to be expired on 14th May, 2010 and 31st March, 2010 respectively. Unit 1003, with a gross floor area of approximately 148 sq.m., is currently vacant.	8,490,000 (70.0% interests attributable to the Group: RMB5,943,000)

Notes:

(a) Pursuant to the following Shanghai Certificate of Real Estate Ownership dated 24th July, 2003, the property with a total gross floor area of approximately 540.55 sq.m. is held by the Group for a land use term to be expired on 7th August, 2067 for residential use.

Unit No.	Shanghai Certificate of Real Estate Ownership Certificate Number	Gross Floor Area *(sq.m.)*
602	Hu Fang Di Min Zi (2003) No. 051022	244.21
1003	Hu Fang Di Min Zi (2003) No. 051009	148.17
1103	Hu Fang Di Min Zi (2003) No. 051008	148.17
	Total:	540.55

(b) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group legally owns the building ownership and the corresponding land use rights of the property as mentioned in Note (a) above, and is legally entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the building ownership and corresponding land use rights within the land use term.

ii. The tenancy agreements abovementioned have not been registered. Pursuant to relevant law and regulation, non-compliance of such registration requirement will not affect the legality and validity of the tenancy agreement. The tenancy agreements are legal, valid, enforceable and binding on both parties, but the Group shall bear the risk of being penalized by relevant authority due to the absence of such registration.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
4.	Rooms 801 and 802, Block C, Ever Bright Convention and Exhibition Center, No. 70 Caobao Road, Xuhui District, Shanghai City, the PRC	The property comprises 2 office units with a total gross floor area of approximately 270 sq.m. in a 30 storey office tower. The property was completed in 2002. The property is held under various Shanghai Certificate of Real Estate Ownership for a land use term to be expired on 3rd September, 2042 for office use.	The property is tenanted to various tenants for a total monthly rent of RMB23,700.6 for terms to be expired on 30th September, 2010 and 31st December, 2009 respectively.	4,590,000 (70.0% interests attributable to the Group: RMB3,213,000)

Notes:

(a) Pursuant to the following Shanghai Certificate of Real Estate Ownership dated 9th September, 2002, the property with a total gross floor area of approximately 269.72 sq.m. is held by the Group for a land use term to be expired on 3rd September, 2042 for office use.

Unit No.	Shanghai Certificate of Real Estate Ownership Certificate Number	Gross Floor Area *(sq.m.)*
801	Hu Fang Di Shi Zi (2002) No. 008993	130.20
802	Hu Fang Di Shi Zi (2002) No. 008994	139.52
	Total:	269.72

(b) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group legally owns the building ownership and the corresponding land use rights of the property as mentioned in Note (a) above, and is legally entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the building ownership and corresponding land use rights within the land use term.

ii. The tenancy agreements abovementioned have not been registered. Pursuant to relevant law and regulation, non-compliance of such registration requirement will not affect the legality and validity of the tenancy agreement. The tenancy agreements are legal, valid, enforceable and binding on both parties, but the Group shall bear the risk of being penalized by relevant authority due to the absence of such registration.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
5.	Various ground floor retail units of clubhouse of Block B5, Phase B, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	The property comprises 2 unsold ground floor retail units of the clubhouse of Block B5 with a total gross floor area of approximately 935 sq.m. The property was completed in 2001. The property is held under various State-owned Land Use Rights Certificates for a land use term expiring on 29th September, 2069 and 30th July, 2070 for residential use, 30th July, 2040 for retail, tourism, entertainment use, 29th September, 2049 and 30th July, 2050 for others use.	The property is tenanted to various tenants for a total monthly rent of RMB84,629 for various terms with the last one to be expired on 30th September, 2012.	21,500,000 (70.0% interests attributable to the Group: RMB15,050,000)

Notes:

(a) Pursuant to following State-owned Land Use Rights Certificates, the land use rights of the property has been granted to the Group for comprehensive use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area *(sq.m)*	Use/ Term
Sui Fu Guo Yong (1999) Zi No. Te 204	15th October, 1999	43,541.00	Residential: 29th September, 2069 Others: 29th September, 2049
Sui Fu Guo Yong (2000) Zi No. Te 151	25th September, 2000	56,373.00	Residential: 30th July, 2070 Retail, Tourism, Entertainment: 30th July, 2040 Others: 30th July, 2050
	Total:	99,914.00	

(b) Pursuant to the Guangzhou City Real Estate Title and Rights Certificate 06 Deng Ji Zi No. 01149784 dated 30th October, 2007, Block B5, which the property is located therein, with gross floor area of approximately 9,032.57 sq.m. are held by the Group for comprehensive use with a land use term of 40-year and 50-year from 29th September, 1999.

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group has paid the land premium in respect of the site occupied in full. For the unsold portions of the property as mentioned in Note (b) above, the Group legally owns building ownership and its corresponding land use rights, and is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the building ownership and corresponding land use rights within the land use term.

ii. The tenancy agreements have been registered, and are legal, valid, enforceable and binding on both parties.

Group II – Property interests held by the Group for sale or occupation in the PRC

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
6.	The remaining unsold portions, Tower 1, Ever Bright World Center, No.28 Ping'anli West Avenue, Xicheng District, Beijing City, the PRC	The property comprises the remaining unsold office units with a total gross floor area of approximately 26,484 sq.m. and 400 underground car parking spaces in Tower 1 of Ever Bright World Center (the "Development"). The Tower 1 of Ever Bright World Center, occupying a site with area of approximately 7,359 sq.m. (the "Site") and with a gross floor area of approximately 66,381 sq.m., is a 20-storey office building (without 4/F,13/F and 14/F in floor numbering) plus a 4-storey underground carpark. The property was completed in 2007. The Site is held under the State-owned Land Use Rights Certificate for a land use term to be expired on 6th March, 2054 for office and car parking uses.	The whole of Level 20 of the property with a gross floor area of approximately 2,309 sq.m. is occupied by the Group as an office. The whole of Level 19 of the property with a gross floor area of approximately 2,355 sq.m. is temporarily converted to a show room. The remaining parts of the property are currently vacant.	930,000,000 (70.0% interests attributable to the Group: RMB651,000,000)

Notes:

(a) Pursuant to the State-owned Land Use Rights Certificate Jing Xi Guo Yong (2005 Chu) No. 20267 dated 31st October, 2005, the land use rights of the Site with area of approximately 7,358.65 sq.m. has been granted to the Group for a land use term to be expired on 6th March, 2054 for office and car parking uses.

(b) Pursuant to Building Ownership Certificate X Jing Fang Quan Zheng Xi Gu Zi No.010671 dated 10th September, 2008, the 3 buildings of No. 26, 28 and 30 Ping'anli West Avenue, which the property is located therein, with a gross floor area of approximately 136,207.78 sq.m. are held by the Group.

(c) As advised by the Group, the whole of Level 13 of the property with a gross floor area of approximately 2,429 sq.m. is contracted to be sold for RMB75,302,410. Such value has been included in the capital value.

(d) The whole of Level 20 of the property was occupied by the Group as an office. We are of the opinion that the market value of this portion of the property for self occupation as at the Date of Valuation was in the sum of RMB80,000,000 (70.0% attributable to the Group: RMB56,000,000). Such value has been included in the capital value.

(e) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. For the unsold portions of the property as mentioned in Note (b) above, the Group legally owns building ownership and its corresponding land use rights, and is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the building ownership and corresponding land use rights within the land use term. For the portions of the property had been contracted to be sold, without the purchasers' approval or termination of the relevant sale and purchase agreements, the Group has no rights to transfer, lease, mortgage or otherwise dispose of such portion of the property.

ii. The following portions of the property are subject to mortgages and the transfer, lease and mortgage of such portions shall be subject to the prior consent from the mortgagee:

Property mortgaged	**Encumbrance No.**	**Date of instruments**	**Creditor**
Land Use Rights and Building Ownership of the portion of 1/F, 2/F, and the whole of 3 – 5/F, 10/F, 11/F	Bo Jing Fen Di (2008) No.2	27th September, 2008	Beijing Branch, China Bohai Bank
Land Use Rights and Building Ownership of 12/F, 16/F, 19/F and 20/F	Bo Jing Fen Di (2008) No.1	27th September, 2008	Beijing Branch, China Bohai Bank

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
7.	Rooms 701 and 702, Block C, Ever Bright Convention and Exhibition Center, No. 70 Caobao Road, Xuhui District, Shanghai City, the PRC	The property comprises 2 office units with a total gross floor area of approximately 270 sq.m. in a 30 storey office tower. The property was completed in 2002. The property is held under various Shanghai Certificate of Real Estate Ownership Certificate for a land use term to be expired on 3rd September, 2042 for office use.	The property is currently occupied by the Group as an office.	4,590,000 (70.0% interests attributable to the Group: RMB3,213,000)

Notes:

(a) Pursuant to the following Shanghai Certificate of Real Estate Ownership dated 9th September, 2002, the property with a total gross floor area of approximately 269.72 sq.m. is held by the Group for a land use term to be expired on 3rd September, 2042 for office use.

Unit No.	Shanghai Certificate of Real Estate Ownership Certificate Number	Gross Floor Area *(sq.m.)*
701	Hu Fang Di Shi Zi (2002) No. 008991	130.20
702	Hu Fang Di Shi Zi (2002) No. 008992	139.52
	Total:	269.72

(b) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group legally owns the building ownership and the corresponding land use rights of the property as mentioned in Note (a) above, and is legally entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the building ownership and corresponding land use rights within the land use term.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
8.	Various Level 2 and Level 4 office units of clubhouse of Block B5, Phase B, and the whole of commercial building of Block C8, Phase C, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	The property comprises various unsold Level 2 and Level 4 portions office units of the clubhouse of Block B5 and the whole of Block C8 with a total gross floor area of approximately 4,550 sq.m. The Block B5 and C8 were completed in 2001 and 2003 respectively. The land use rights of property is held under various State-owned Land Use Rights Certificates for various land use term expiring on 29th September, 2069 and 30th July, 2070 for residential use, 30th July, 2040 for retail, tourism, entertainment use, 29th September, 2049 and 30th July, 2050 for other use.	The portion located in Block B5 with a total gross floor area of approximately 1,687 sq.m. of the property is occupied by the Group as an office. The remain portion of the property is vacant.	38,600,000 (70.0% interests attributable to the Group: RMB27,020,000)

Notes:

(a) Pursuant to following State-owned Land Use Rights Certificates, the land use rights of the property has been granted to the Group for comprehensive use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area *(sq.m)*	Use/Term
Sui Fu Guo Yong (1999) Zi No. Te 204	15th October, 1999	43,541.00	Residential: 29th September, 2069 Others: 29th September, 2049
Sui Fu Guo Yong (2000) Zi No. Te 151	25th September, 2000	56,373.00	Residential: 30th July, 2070 Retail, Tourism, Entertainment: 30th July, 2040 Others: 30th July, 2050
	Total:	99,914.00	

(b) Pursuant to the following Guangzhou City Real Estate Title and Rights Certificates, the two blocks, which the property is located therein, with gross floor area of approximately 11,895.31 sq.m. has been held by the Group for comprehensive and residential uses.

Block	Guangzhou City Real Estate Title and Rights Certificate Number	Date of Issuance	Gross Floor Area *(sq.m)*	Use/Term
C8	07 Deng Ji Zi No. 01046996	10th May, 2007	2,862.74	Residential: 50 years from 30th July, 2000
B5	06 Deng Ji Zi No. 01149784	30th October, 2007	9,032.57	Comprehensive: 40 years and 50 years from 29th September, 1999
		Total:	11,895.31	

(c) As advised by the Group, the carpark in basement of Block C8 has been changed as part of the market.

(d) As advised by the Group, Block C8 with a gross floor area of approximately 2,862.74 sq.m. is contracted to be sold for RMB25,290,000. Such value has been included in the capital value.

(e) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group has paid the land premium in respect of the site occupied in full. For the unsold portions of the property as mentioned in Note (b) above, the Group legally owns building ownership and its corresponding land use rights, and is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the building ownership and corresponding land use rights within the land use term.

ii. Regarding block C8, without the prior consent from the buyer or termination of sales contract, the Group cannot transfer, lease, mortgage or otherwise dispose of the building ownership and its corresponding land use rights.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
9.	The clubhouse and various car parking spaces, Beijing Ever Bright Garden, Wanliu Middle Road, Haidian District, Beijing City, the PRC	The property comprises a 5-storey clubhouse with a gross floor area of approximately 4,772 sq.m. and 444 car parking spaces. The property was completed in 2003. The property is held under various State-owned Land Use Rights Certificates for various land use terms with the last one to be expired on 8th August, 2070 for residential and carpark uses.	Portions of the property with a total gross floor area of approximately 3,890 sq.m. are currently tenanted to various tenants for a total monthly rent of RMB97,802 for various terms with the last one to be expired on 4th February, 2014. The remaining portions of the property are currently vacant.	No Commercial Value

Notes:

(a) Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the property, has been granted to the Group.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area *(sq.m.)*	Use/Expiry Date
Jing Hai Guo Yong (1999 Chu) Zi No. 1155	7th February, 2001	14,455.17	Residential: 8th August, 2069
Jing Hai Guo Yong (2000 Chu) Zi No. 1402	19th October, 2000	14,744.30	Residential: 8th August, 2070 Carpark: 8th August, 2050
	Total:	29,199.47	

(b) As advised by the Group, the Group has not obtained any Building Ownership Certificate of the property. We have, therefore, ascribed "no commercial value" to the property. Had the Group obtained all the Building Ownership Certificates of the property, the capital value of the property as at the date of valuation would be in the sum of RMB109,000,000 (70.0% attributable to the Group: RMB76,300,000).

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group has paid the land premium in respect of the Site in full. The Group legally owns land use rights of the property as mentioned in Note (a) above excluding the land of the sold portions, and is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the land use right of the property within the land use term.

ii. For the completed and unsold car parking spaces of the property, since title registration, the Group is legally entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the building ownership and corresponding land use rights of the property.

iii. Regarding the unsold clubhouse of the property, the Group legally owns the construction works and corresponding land use rights thereof, and is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the construction works and corresponding land rights within the land use term. As confirmed by the Group, the clubhouse is in operation, the Group is required to apply for title registration after obtaining Construction Works Completion Certified Report.

(d) A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Works Planning Permit	Yes
(v)	Construction Works Commencement Permit	Yes
(vi)	Pre-sale Permit	Part
(vii)	Construction Works Completion Certified Report	Part

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
10.	Various car parking spaces, Ever Bright Shuimo Scene, Wanliu Middle Road, Haidian District, Beijing City, the PRC	The property comprises 327 underground car parking spaces in Shuimo Scene. The property was completed in 2005. The property is held under various State-owned Land Use Rights Certificates for various land use terms to be expired on 5th July, 2073 for residential use, 5th July, 2043 for ancillary facility use and 5th July, 2053 for underground carpark use.	The property is currently operated by the Group as a carpark.	49,100,000 (70.0% interests attributable to the Group: RMB34,370,000)

Notes:

(a) Pursuant to State-owned Land Use Rights Certificate Jing Hai Guo Yong (2003 Chu) Zi No. 2534 dated 18th February, 2004, the land use rights of part of the Development with a site area of approximately 32,550.08 sq.m., which the property is located therein, has been granted to the Group to be expired on 5th July, 2073 for residential use, to be expired on 5th July, 2043 for ancillary facility use and to be expired on 5th July, 2053 for underground carpark use.

(b) Pursuant to Building Ownership Certificate Jing Fang Quan Zheng Hai She Zi No. 0038031 dated 4th August, 2005, the building ownership of the property, with a gross floor area of approximately 90,606.87 sq.m. and an underground car park, which the property is located therein, has been held by the Group.

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

  i. For the unsold car parking spaces of the property as mentioned in Note (b) above, the Group legally owns building ownership and its corresponding land use rights, and is legally entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the building ownership and corresponding land use rights within the land use term.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
11.	The clubhouse and various car parking spaces, Master Piece, Beiyuan Road, Chaoyang District, Beijing City, the PRC	The property comprises the 2-storey clubhouse with a gross floor area of approximately 2,241 sq.m. and 338 car parking spaces in Master Piece (the "Development"). The property was completed in 2004. The property is held under a State-owned Land Use Rights Certificate for various land use terms to be expired on 27th August, 2071 for residential use, 17th August, 2042 for ancillary facility use and 17th August, 2052 for underground carpark use.	The property is currently vacant.	80,900,000 (70.0% interests attributable to the Group: RMB56,630,000)

Notes:

(a) Pursuant to State-owned Land Use Rights Certificate Jing Chao Guo Yong (2002 Chu) Zi No. 0281 dated 20th March, 2003, the land use rights of part of the Development with a site area of approximately 36,650.86 sq.m., which the property is located therein, were granted to the Group to be expired on 27th August, 2071 for residential use, 17th August, 2042 for ancillary facility use and 17th August, 2052 for underground carpark use.

(b) Pursuant to Building Ownership Certificate Jing Fang Quan Zheng Chao Qi 04 Zi No. 00915, the building ownership of the property, with a gross floor area of approximately 108,891.5 sq.m., and an underground car park, which the property is located therein, has been held by the Group.

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

  i. For the unsold clubhouse and car parking spaces of the property as mentioned in Note (b) above, the Group legally owns building ownership and its corresponding land use rights, and is legally entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the building ownership and corresponding land use rights within the land use term.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
12.	The unsold portions of Academic Sect, Xue Yuan South Road, Haidian District, Beijing City, the PRC	The property comprises various residential units with a total gross floor area of approximately 7,961 sq.m., various retail units with a total gross floor area of approximately 20,712 sq.m., various office units with a total gross floor area of approximately 30,480 sq.m and 513 car parking spaces forms the whole unsold portions of Academic Sect ("the Development"). The Development, occupying a site with area of approximately 14,151 sq.m. (the "Site"), has been developed into a comprehensive development with a total gross floor area of approximately 120,307 sq.m.. The property was completed in 2009. The Site is held under a State-owned Land Use Rights Certificate for various land use terms with the expiry dates on 30th August, 2044 for retail and underground retail uses, 30th August, 2054 for office and underground carpark uses and 30th August, 2074 for residential and apartment uses.	The property is currently vacant.	1,470,000,000 (70.0% interests attributable to the Group: RMB1,029,000,000)

Notes:

(a) Pursuant to State-owned Land Use Rights Grant Contract Jing Di Chu He Zi (2004) No. 1302 dated 20th September, 2005, a site with a total site area of approximately 12,150 sq.m. has been contracted to be granted to the Group for a consideration of RMB104,415,500 with a land use term of 40 years for retail, 70 years for residential and apartment, 50 years for office and underground car parking spaces.

(b) Pursuant to the State-owned Land Use Rights Certificate Jing Hai Guo Yong (2005 Chu) No. 3553 dated 24th November, 2005, the land use rights of the property with a site area of approximately 14,150.51 sq.m. has been granted to the Group for various terms with the expiry dates of 30th August, 2044 for retail and underground retail uses, 30th August, 2054 for office and underground carpark uses, and 30th August, 2074 for residential and apartment uses.

(c) As advised by the Group, the Group will hand over parts of the property comprising office units with a gross floor area of approximately 9,824.74 sq.m. to Xinhua Book Store. We have included the value of these parts in the capital value. The capital value of these parts as at the date of valuation was in the sum of RMB199,000,000.

(d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group has paid the land premium in respect of the Site in full. The Group legally owns land use rights of the property as mentioned in Note (b) above, and is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights of the property within the land use term.

ii. The completed and unsold portions of the property will be vested to the Group since title registration, and there is no substantial legal obstacles on obtaining such registration. The Group has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose the building ownership and corresponding land use rights of such portion of property within the land use term. For the portions of the property had been completed and contracted to be sold, without the purchasers' approval or termination of the relevant sale and purchase agreements, the Group has no rights to transfer, lease, mortgage or otherwise dispose such portion of the property.

(e) A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Works Planning Permit	Yes
(v)	Construction Works Commencement Permit	Yes
(vi)	Pre-sale Permit	Yes
(vii)	Construction Works Completion Certified Report	Yes

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
13.	The unsold portions of Phase A to Phase E, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	The property comprises various residential units with a total gross floor area of approximately 1,545 sq.m., various retail shop units with a total gross floor area of approximately 10,218 sq.m. and 755 underground car parking spaces. The property was completed in between 2002 and 2007. The land use rights of property is held under various State-owned Land Use Rights Certificates for various terms to be expired for 70 years for residential use from 30th January, 2002, 1st May, 2004 and 11th November, 2005 respectively, 40 years for retail, tourism and entertainment uses from 30th January, 2002, 50 years for other uses from 30th January, 2002.	The property is currently vacant.	317,000,000 (70.0% interests attributable to the Group: RMB221,900,000)

Notes:

(a) Pursuant to the following State-owned Land Use Rights Certificates, the land use rights with a site area of approximately 199,091.73 sq.m. has been granted to the Group for various land use terms.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area *(sq.m)*	Use/ Term
Sui Fu Guo Yong (2002) Zi No. Te 018	26th February, 2002	26,476.65	Residential: 70 years Retail, Tourism and Entertainment: 40 years Other Portions: 50 years Starting from 30th January, 2002
Sui Fu Guo Yong (2002) Zi No. Te 019	26th February, 2002	61,167.08	Residential: 70 years Retail, Tourism and Entertainment: 40 years Other Portions: 50 years Starting from 30th January, 2002
Sui Fu Guo Yong (2004) Zi No. 82	9th May, 2004	21,112	Residential: 70 years Starting from 1st May, 2004
Sui Guo Yong (2005) No. 291	28th November, 2005	90,336	Residential: 70 years Starting from 11th November, 2005
	Total:	199,091.73	

(b) Pursuant to the following Guangzhou City Real Estate Title and Rights Certificates, following development with a total gross floor area of approximately 400,163.1635 sq.m., which the property is located therein, has been held by the Group for various uses.

Guangzhou City Real Estate Title and Rights Certificate Number	**Date of Issuance**	**Gross Floor Area** *(sq.m)*	**Use/ Term**
03 Deng Ji Zi No.156990	7th January, 2004	21,254.89	Comprehensive: 70 years from 30th July, 2000
03 Deng Ji Zi No. 30210	28th April, 2003	7,079.09	Residential 70 years from 29th September, 1999 Other Portions: 50 years or 40 years from 29th September, 1999
03 Deng Ji Zi No. 30220	28th April, 2003	18,236.78	Comprehensive: 70 years from 29th September, 1999
Zheng Shen Zi 02 Deng Ji No. 99841	26th August, 2002	11,725.4923	Residential: 70 years from 30th July, 2000 Other Portions: 50 years from 30th July, 2000
03 Deng Ji Zi No. 142390	31st October, 2003	40,287.79	Comprehensive: 70 years from 30th July, 2000 Other Portions: 50 years or 40 years from 30th July, 2000
08 Deng Ji No.01804410	18th September, 2008	33,705.6406	Residential: 40 years or 70 years from 11th November, 2005
08 Deng Ji No.01804403	18th September, 2008	46,446.3321	Residential: 40 years or 70 years from 11th November, 2005
08 Deng Ji No.01804402	18th September, 2008	45,565.1082	Residential: 40 years or 50 years from 11th November, 2005
03 Deng Ji Zi No.156990	7th January, 2004	21,254.89	Comprehensive: 70 years from 30th July, 2000
06 Deng Ji Zi No.01149784	30th October, 2007	9,032.57	Comprehensive: 40 years or 50 years from 29th September, 1999
03 Deng Ji Zi No.142390	31st October, 2003	40,287.79	Comprehensive: 70 years from 30th July, 2000 Other Portions: 50 years or 40 years from 30th July, 2000
06 Deng Ji Zi No.1005966	27th January, 2006	78,986.86	Comprehensive: 40 years, 50 years, or 70 years from 30th January, 2002
09 Deng Ji No.01804428	23rd June, 2009	26,299.9303	–
	Total:	400,163.1635	

(c) As advised by the Group, 3 residential units with a total gross floor area of approximately 223.3976 sq.m. have been contracted to be sold for RMB1,360,141. Such value has been included in the capital value.

(d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. For the unsold portions of the property as mentioned in Note (b) above. The Group legally owns building ownership and its corresponding land use rights, and is legally entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the building ownership and corresponding land use rights within the land use term. For the portions of the property had been contracted to be sold, without the purchasers' approval or termination of the relevant sale and purchase agreements, the Group has no rights to transfer, lease, mortgage or otherwise dispose of such portion of the property. For the postponed land premium of car parking spaces, the Group may be required to pay the land use rights premium as requirement of relevant authority while the transfer of the land use rights.

ii. The following portions of the property are subject to mortgages and the transfer, lease and mortgage of such portions shall be subject to the prior consent from the mortgagee:

Guangzhou City Real Estate Title and Rights Certificates mortgaged	Encumbrance No.	Date of instruments	Creditor
08 Deng Ji 01804403 08 Deng Ji 01804402	(2009) Nian Tian Di Zi No.15	25th May, 2009	Guangzhou Tianhe Sub-branch, China Construction Bank

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
14.	The unsold portions of Phases K South Section, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	The property comprises various residential units with a total gross floor area of approximately 685 sq.m. forms the unsold portions of Phase K South Section of Guangzhou Ever Bright Gardens (Phase J, K South and K North sections referred to as the "Development"). As advised, the Development, occupying a site with an area of approximately 129,499 sq.m. (the "Site"), will be developed into a comprehensive development with a total gross floor area of approximately 363,661 sq.m. comprising various residential units with a total gross floor area of approximately 288,264 sq.m., various retail shop units with a total gross floor area of approximately 2,950 sq.m. and 1,340 underground car parking spaces. The property was completed in 2009. The Site is held under a State-owned Land Use Rights Certificate for various land use terms of 70 years for residential use, 40 years for retail, tourism, entertainment uses and 50 years for other uses from 20th January, 2005.	The property is currently vacant.	9,000,000 (70.0% interests attributable to the Group: RMB6,300,000)

Notes:

(a) Pursuant to the State-owned Land Use Rights Certificate Sui Guo Yong (2004) No. 368 dated 24th January, 2005, the land use rights with a site area of approximately 23,073 sq.m., which the property is located therein, has been granted to the Group for residential use with a land use term of 70 years starting from 20th January, 2005.

(b) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group has paid the land premium in respect of the Site in full.

ii. The Group legally owns land use rights of the property as mentioned in Note (a) above excluding the land of the sold portions, and is entitled to occupy, use, legally transfer, lease, mortgage or otherwise dispose of the land use rights of the property within the land use term.

iii. Regarding the construction area exceeding planning approval, in advance of applying for title registration, the Group is required to pay the ancillary facilities construction fee and relevant fees and taxes for the difference regulated by law.

iv. The completed and unsold portions of the property will be vested to the Group since title registration, and there is no substantial legal obstacles on obtaining such registration. The Group has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the building ownership and corresponding land use rights of such portion of the property within the land use term. For the portions of the property had been completed and contracted to be sold, without the purchasers' approval or termination of the relevant sale and purchase agreements, the Group has no rights to transfer, lease, mortgage or otherwise dispose of such portion of the property.

v. The following portions of the property are subject to mortgages and the transfer, lease and mortgage of such portions shall be subject to the prior consent from the mortgagee:

Corresponding State-owned Land Use Rights Certificate mortgaged	**Encumbrance No.**	**Date of instruments**	**Creditor**
Sui Guo Yong (2004) No. 368	GDY477640120080001	10th January, 2008	Guangzhou Haizhu Sub-branch, Bank of China

(c) A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Works Planning Permit	Yes
(v)	Construction Works Commencement Permit	Yes
(vi)	Pre-sale Permit	Yes
(vii)	Construction Works Completion Certified Report	Yes

Group III – Property interests held by the Group for development in the PRC

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
15.	Phases J and Phase K North Section, Ever Bright Gardens, Haizhu District, Guangzhou City, Guangdong Province, the PRC	The property comprises the whole of Phases J and K North Section of Guangzhou Ever Bright Gardens (Phase J, K South and K North sections referred to as the "Development"). Upon completion, the property will comprise various residential units with a total gross floor area of approximately 251,153 sq.m., various retail shop units with a total gross floor area of approximately 2,950 sq.m. and 1,340 underground car parking spaces. As advised, the Development, occupying a site with an area of approximately 129,499 sq.m. (the "Site"), will be developed into a comprehensive development with a total gross floor area of approximately 363,661 sq.m. comprising various residential units with a total gross floor area of approximately 288,264 sq.m., various retail shop units with a total gross floor area of approximately 2,950 sq.m. and 1,340 underground car parking spaces. As advised, the estimated development costs to completion for the property is approximately RMB1,331,000,000 (excluding marketing, finance, and other indirect costs), and the total incurred construction cost is approximately RMB442,000,000. As advised, the property will be completed in phases between 2009 and 2010. The Site is held under various State-owned Land Use Rights Certificates for various land use terms of 70 years for residential use from 1st May, 2004, 11th November, 2005 and 16th January, 2009 respectively.	The property is currently under development.	2,080,000,000 (70.0% interests attributable to the Group: RMB1,456,000,000)

Notes:

(a) Pursuant to following State-owned Land Use Rights Certificates, the land use rights with a site area of approximately 154,406 sq.m., which the property is located therein, has been granted to the Group for residential use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area *(sq.m)*	Use/ Term
Sui Fu Guo Yong (2004) Zi No. 83	9th May, 2004	24,718	Residential: 70 years from 1st May, 2004
Sui Guo Yong (2005) No. 291	28th November, 2005	90,336	Residential: 70 years from 11th November, 2005
Sui Fu Guo Yong (2009) No. 01100002	20th January, 2009	39,352	Residential: 70 years from 16th January, 2009
	Total:	154,406	

(b) The Gross Development Value of the property as at the date of valuation was in the sum of RMB3,570,000,000. As advised by the Group, portions of the property with a total gross floor area of approximately 76,893.41 sq.m. that have been contracted to be sold for RMB914,878,292. We have included the value of these parts in the Gross Development Value.

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group has paid the land premium in respect of the Site in full.

ii. Except the land occupied by the sold portion of the property, the Group legally owns land use rights of the property as mentioned in Note (a) above, and is entitled to occupy, use, legally transfer, lease, mortgage or otherwise dispose of the land use rights of the property within the land use term.

iii. The construction works and corresponding land use rights thereof are legally owned by the Group. However, regarding the portions that have been contracted to be sold, without the purchasers' approval or termination of the relevant sale and purchase agreements, the Group has no rights to transfer, lease, mortgage or otherwise dispose of such portion of the property. For other developing and unsold portions, the Group legally owns the building ownership and corresponding land use rights, and is entitled to occupy, use, pre-sale or otherwise dispose of such portion of the property within the land use term.

iv. The following portions of the property are subject to mortgages and the transfer, lease and mortgage of such portions shall be subject to the prior consent from the mortgagee:

Corresponding State-owned Land Use Rights Certificate mortgaged	Encumbrance No.	Date of instruments	Creditor
Sui Fu Guo Yong (2004) No.83	GDY477640120080023	22nd December, 2008	Guangzhou Haizhu Sub-branch, Bank of China
Sui Guo Yong (2005) No.291	GDY477640120080002	10th January, 2008	Guangzhou Haizhu Sub-branch, Bank of China

(d) A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Works Planning Permit	Yes
(v)	Construction Works Commencement Permit	Part
(vi)	Pre-sale Permit	Part
(vii)	Construction Works Completion Certified Report	N/A

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
16.	Ever Bright Duhui Project, Gongye Road North, Haizhu District, Guangzhou City, Guangdong Province, the PRC	The property comprises the whole of Duhui Project (the "Development"). The Development, occupying a site with an area of approximately 43,288 sq.m. (the "Site"), will be developed into a comprehensive development with a total gross floor area of approximately 214,523 sq.m. comprising various residential units with a total gross floor area of approximately 66,420 sq.m., various retail shop units with a total gross floor area of approximately 81,651 sq.m. and 951 underground car parking spaces. As advised, the estimated development costs to completion for the property is approximately RMB1,077,000,000 (excluding marketing, finance, and other indirect costs), and the total incurred construction cost is approximately RMB222,000,000. As advised, the Development will be completed in 2010. The Site is held under a State-owned Land Use Rights Certificates for a land use term of 70 years from 18th October, 2005 for residential use.	The property is currently under development.	1,690,000,000 (70.0% interests attributable to the Group: RMB1,183,000,000)

Notes:

(a) Pursuant to the State-owned Land Use Rights Grant Contract Sui Guo Di Chu He (2004) No.326 dated 31st August, 2004, the land use rights of the Site, where the Development located therein, with a total site area of approximately 43,420 sq.m., has been contracted to be granted to the Group for retail and residential uses at a consideration of RMB51,675,916.

(b) Pursuant to the State-owned Land Use Rights Grant Supplement Contract Sui Guo Di Chu He (2004) No.326 supplement No.1 dated 28th June, 2005, the consideration of the site aforesaid in Note (a) was adjusted to RMB45,156,916 due to hand over of the educational construction facilities.

(c) Pursuant to the State-owned Land Use Rights Grant Supplement Contract Sui Guo Di Chu He (2004) No. 326 supplement No.2 dated 8th May, 2006, the consideration of the site aforesaid in Note (a) was adjusted to RMB38,278,814.

(d) Pursuant to the State-owned Land Use Rights Certificate Sui Fu Guo Yong (2007) No.01000030 dated 15th January, 2008, the land use rights of the Site, with area of approximately 43,288 sq.m. has been granted to the Group for various land use terms with the expiry dates on 17th October, 2075 for residential use.

(e) The Gross Development Value of the property as at the date of valuation was in the sum of RMB3,690,000,000.

(f) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group has paid the land premium in respect of the Site in full. As planning adjustment, it may incur a supplementary land premium for the Group. The Group legally owns the land use rights of the property as mentioned in Note (d) above, and is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights within the land use term.

ii. The construction work and corresponding land use rights thereof are legally owned by the Group. The Group is entitled to occupy, use or otherwise dispose of construction work and corresponding land use rights within the land use term.

iii. The following portions of the property are subject to mortgages and the transfer, lease and mortgage of such portions shall be subject to the prior consent from the mortgagee:

Corresponding State-owned Land Use Rights Certificate mortgaged	**Encumbrance No.**	**Date of instruments**	**Creditor**
Sui Fu Guo Yong (2007) No.1000030	Gong Hang Gong Ye Zhi Hang 2008 Nian Di Zi No.0112	18th September, 2008	Guangzhou Gongye Avenue Sub-branch, ICBC

(g) A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Works Planning Permit	Yes
(v)	Construction Works Commencement Permit	Yes
(vi)	Pre-sale Permit	N/A
(vii)	Construction Works Completion Certified Report	N/A

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
17.	Jinxiu City, Saihan District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	The property comprises the whole developing portion of Jinxiu City (the "Development"). The Development, occupying a site with an area of approximately 87,062 sq.m. (the "Site"), will be developed into a residential development with a total gross floor area of approximately 244,986 sq.m. comprising various residential units with a total gross floor area of approximately 186,814 sq.m., various retail shop units with a total gross floor area of approximately 13,543 sq.m. and 1,116 car parking spaces. As advised, the estimated development costs to completion for the property is approximately RMB512,000,000 (excluding marketing, finance, and other indirect costs), and the total incurred construction cost is approximately RMB180,000,000. As advised, the Development will be completed in 2010. The Site is held under various State-owned Land Use Rights Certificates for various land use terms expiring on 3rd February, 2078 for residential use, 3rd February, 2048 for retail use.	As advised by the Group, part of the property is currently under development while the remaining portions are vacant.	518,000,000 (70.0% interests attributable to the Group: RMB362,600,000)

Notes:

(a) Pursuant to State-owned Land Use Rights Grant Contract GF-2008-2601 dated 7th November, 2008, a site with an area of approximately 87,062.43 sq.m., which forms a part of various land parcels occupying a site area of approximately 134,391.681 sq.m., has been contracted to be granted to the Group for residential and retail uses with a total consideration of RMB163,241,189.

(b) Pursuant to the following State-owned Land Use Rights Certificates, the land use rights with a total site area of approximately 87,062.40 sq.m. has been granted to the Group for various uses.

State-owned Land Use Rights Certificate Number	**Date of Issuance**	**Site Area** *(sq.m)*	**Use/Term**
Hu Guo Yong (2009) No.00020	10th March, 2009	44,043.69	Residential: 3rd February, 2078
Hu Guo Yong (2009) No.00019	10th March, 2009	43,018.71	Residential: 70 years from 4 February 2008 Retail: 40 years from 4th February, 2008
	Total:	87,062.40	

(c) The Gross Development Value of the property as at the date of valuation was in the sum of RMB1,050,000,000. As advised by the Group, portions of the property with a total gross floor area of approximately 62,554 sq.m. that have been contracted to be sold for RMB222,931,595. We have included the value of these parts in the Gross Development Value.

(d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group has paid the land premium in respect of the Site in full. Except the land occupied by the sold portion of the property, the Group legally owns the land use rights of the property as mentioned in Note (b) above, and is entitled to occupy, use, legally transfer, lease, mortgage or otherwise dispose of the land use rights of the property within the land use term.

ii. The construction works and corresponding land use rights thereof are legally owned by the Group. However, regarding the portions that have been contracted to sold, without the purchasers' approval or termination of the relevant sale and purchase agreements, the Group does not have the rights to transfer, lease, mortgage or otherwise dispose of such portion of the property. For other developing and unsold portions, the Group legally owns the building ownership and corresponding land use rights, and is entitled to occupy, use, pre-sale or otherwise dispose such of portion of the property within the land use term.

(e) A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Works Planning Permit	Part
(v)	Construction Works Commencement Permit	Part
(vi)	Pre-sale Permit	Part
(vii)	Construction Works Completion Certified Report	N/A

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
18.	Shanghu, Shahe Town, Changping District, Beijing City, the PRC	The property comprises the whole of Shanghu (the "Development"). The Development, occupying a site with an area of approximately 285,338 sq.m. (the "Site"), will be developed into a low-rise residential development with a total gross floor area of approximately 199,977 sq.m. comprising various residential units with a total gross floor area of approximately 192,088 sq.m. As advised, the estimated development costs to completion for the property is approximately RMB1,228,000,000 (excluding marketing, finance, and other indirect costs), and the total incurred construction cost is approximately RMB64,000,000. As advised, the property will be completed in phases between 2010 and 2011. The Site is held under various State-owned Land Use Rights Certificates with various land use terms expiring on 15th July, 2044 for retail use and 15th July, 2074 for residential use.	Part of the property is currently under development while the remaining portions are vacant.	1,540,000,000 (49.0% interests attributable to the Group: RMB754,600,000)

Notes:

(a) Pursuant to the following State-owned Land Use Rights Certificates dated 28th January, 2005, the land use rights of Site with a total area of approximately 285,338.33 sq.m. has been granted to the Group for land use terms with the expiry date on 15th July, 2044 for retail use and 15th July, 2074 for residential use.

State-owned Land Use Rights Certificate Number	**Site Area** *(sq.m.)*
Jing Chang Guo Yong(2005 Chu)No. 008	140,329.56
Jing Chang Guo Yong(2005 Chu)No. 009	145,008.77
Total:	285,338.33

(b) The Gross Development Value of the property as at the date of valuation was in the sum of RMB3,830,000,000.

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group has paid the land premium in respect of the Site in full. As planning adjustment, it may incur a supplementary land premium for the Group. The Group legally owns the land use rights of the property as mentioned in Note (a) above, and is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights within the land use term.

ii. The construction work and corresponding land use rights thereof are legally owned by the Group. The Group is entitled to occupy, use or otherwise dispose of construction work and corresponding land use rights within the land use term.

iii. After the Group obtains the land use rights, without consent from relevant people's government for delaying commencement of construction works, an idle land fee may be imposed or the land use rights may be retrieved without compensation by relevant authority.

(d) A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Works Planning Permit	Part
(v)	Construction Works Commencement Permit	Part
(vi)	Pre-sale Permit	N/A
(vii)	Construction Works Completion Certified Report	N/A

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
19.	The Reserved Land for Beijing Tonghui River Project, Chaoyang District, Beijing City, the PRC	The property comprises the whole of Beijing Tonghui River Project (the "Development"). The Development, occupying a site with an area of approximately 10,096 sq.m. (the "Site"), will be developed into a residential development with a total gross floor area of approximately 91,883 sq.m. comprising various residential units with a total gross floor area of approximately 56,069 sq.m., various retail shop units with a total gross floor area of approximately 12,754 sq.m. and 450 car parking spaces. As advised, the property will be completed in 2011. The Site is held under a State-owned Land Use Rights Certificate for various land use terms expiring on 29th December, 2073 for residential use, 29th December, 2043 for ancillary use and 29th December, 2053 for car parking use.	The property is currently vacant.	1,160,000,000 (31.15% interests attributable to the Group: RMB361,340,000)

Notes:

(a) Pursuant to the State-owned Land Use Rights Certificate No. Jing Chao Guo Yong (2005 Chu) No. 0733 dated 13th January, 2005, the land use rights of part of the Site with area of approximately 10,096.12 sq.m. has been granted to the Group for various terms with the expiry dates of 29th December, 2073 for residential use, 29th December, 2043 for ancillary use and 29th December, 2053 for car parking use.

(b) The Gross Development Value of the property as at the date of valuation was in the sum of RMB2,140,000,000.

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group has paid the land premium in respect of the Site in full. The Group legally owns land use rights of the property as mentioned in Note (a) above, and is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights of the property within the land use term.

ii. The Group postponed commencing the construction works due to housing demolishment. If the demolishing works were defined by relevant local authority as necessarily preliminary work, there would be no risk, for the Group of being imposed an idle land fee or retrieved the land use rights without compensation.

(d) A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Works Planning Permit	N/A
(v)	Construction Works Commencement Permit	N/A
(vi)	Pre-sale Permit	N/A
(vii)	Construction Works Completion Certified Report	N/A

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
20.	A portion of the Reserved Land for Guilin Environment Garden, Guiyang Road, Yanshan District, Guilin City, Guangxi Zhuang Autonomous Region, the PRC	The property comprises a site with area of approximately 343,678 sq.m. occupying a portion of Guilin Environment Garden ("The Development"). Upon completion, the property will be developed in to a residential development with total gross floor area of approximately 81,603 sq.m., including various low-rise residential units with a total gross floor area of approximately 60,727 sq.m. and various retail units with a total gross floor area of approximately 20,875 sq.m.. The Development, occupying a total site area of 724,396 sq.m. ("the Site"), will be developed into a residential development with a total gross floor area of approximately 172,000 sq.m. comprising various residential units with a gross floor area of approximately 128,000 sq.m. and various retail units with a gross floor area of approximately 44,000 sq.m.. As advised, the property will be completed in 2011. The property is held under various State-owned Land Use Rights Certificates for various land use terms expiring on 14th October, 2045 for retail use and 14th October, 2075 for residential use.	The property is current vacant.	247,000,000 (46.06% interests attributable to the Group: RMB113,768,200)

Notes:

(a) Pursuant to State-owned Land Use Rights Grant Contract (2005) No.2324 dated 15th November, 2005, a site with a total site area of approximately 724,395.515 sq.m., comprising residential use for 500,207.515 sq.m. and retail use for 224,188 sq.m., has been contracted to be granted to the Group for a total consideration of RMB37,089,050.37.

(b) Pursuant to the following State-owned Land Use Rights Certificates dated 25th May, 2006, the land use rights of the part of the Site with total area of approximately 343,678.009 sq.m. has been granted to the Group.

State-owned Land Use Rights Certificate Number	**Site Area** *(sq.m.)*	**Use/ Expiry Date**
Gui Shi Guo Yong (2006) No, 000333	112,096.980	Retail: 14th October, 2045
Gui Shi Guo Yong (2006) No. 000334	112,091.020	Retail: 14th October, 2045
Gui Shi Guo Yong (2006) No. 000335	119,490.009	Residential : 14th October, 2075
Total:	343,678.009	

(c) As Advised by the Group, other than the part stated in Note (a) above, the Group has not yet obtained the remaining part of the site, as stated in Note (a) of property No. 24 with a site area of approximately 380,718 sq.m..

(d) The Gross Development Value of the property as at the date of valuation was in the sum of RMB717,000,000.

(e) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group has paid the land premium in respect of the Site in full. The Group legally owns land use rights of the property as mentioned in Note (b) above. Under no condition that the site was identified as idle land by relevant authorities, the Group is entitled to occupy, use, legally transfer, lease, mortgage or otherwise dispose of the land use rights of the property within the land use term.

ii. The State-owned Land Use Rights Grant Contract as mentioned in Note (a) above is legal, valid and binding on both parties. After the Group obtains the land use right according to the contract, without consent from relevant people's government for delaying commencement of construction works, an idle land fee may be imposed or the land use rights may be retrieved without compensation by relevant authority.

(f) A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Works Planning Permit	N/A
(v)	Construction Works Commencement Permit	N/A
(vi)	Pre-sale Permit	N/A
(vii)	Construction Works Completion Certified Report	N/A

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
21.	The Reserved Land for Phase 2, Jinxiu City, Saihan District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	The property comprises the whole of Phase 2 Jinxiu city. ("the Development"). The property will be developed into a residential development with a plot ratio of approximately 2.2. Upon completion, the development, occupying a total site area of 84,880 sq.m. ("the Site"), will be developed into various residential units with a gross floor area of approximately 184,900 sq.m. and 350 underground car parking spaces. As advised, the property will be completed in 2011. The Site is held under a State-owned Land Use Rights Certificate with a land use term expiring on 3rd February, 2078 for residential use.	The property is currently vacant.	305,000,000 (70.0% interests attributable to the Group: RMB213,500,000)

Notes:

(a) Pursuant to State-owned Land Use Rights Grant Contract GF-2008-2601 dated 7th November, 2008, a site with an area of approximately 84,879.94 sq.m., which forms a part of various land parcels occupying a site area of approximately 119,670.037 sq.m., has been contracted to be granted to the Group for residential use with a total consideration of RMB155,838,725.

(b) Pursuant to the State-owned Land Use Rights Certificate Hu Guo Yong (2009) No.00018 dated 10th March, 2009, the land use rights with a site area of approximately 84,879.98 sq.m. has been granted to the Group with a land use term to be expired on 3rd February, 2078 for residential use.

(c) The Gross Development Value of the property as at the date of valuation was in the sum of RMB956,000,000.

(d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group has paid the land premium in respect of the Site in full. The Group legally owns the land use rights of the property as mentioned in Note (b) above, and is entitled to occupy, use, legally transfer, lease, mortgage or otherwise dispose of the land use rights within the land use term.

(e) A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Works Planning Permit	N/A
(v)	Construction Works Commencement Permit	N/A
(vi)	Pre-sale Permit	N/A
(vii)	Construction Works Completion Certified Report	N/A

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
22.	The Reserved Land for Qingdao Project, No. 466 Hong Kong East Road, Laoshan District, Qingdao City, Shandong Province, the PRC	The property comprises a parcel of land with area of approximately 66,667 sq.m. ("the Site"). As advised by the Group, the property will be developed into a comprehensive development with a total saleable gross floor area of approximately 26,667 sq.m. comprising various apartment units with a saleable gross floor area of approximately 10,167 sq.m., various low-rise residential units with a saleable gross floor area of approximately 15,000 sq.m., various retail units with a saleable gross floor area of approximately 1,500 sq.m., and 50 underground car parking spaces. As advised, the property will be completed in 2010. The Site is held under a Realty Title Certificate with a land use term expiring on 1st December, 2046 for comprehensive use.	The property is currently vacant.	304,000,000 (49.0% interests attributable to the Group: RMB148,960,000)

Notes:

(a) Pursuant to the Realty Title Certificate No. Qing Fang Di Quan Shi Zi Di 20072000 dated 14th February, 2007, the land use rights of the Site with area of approximately 66,666.6 sq.m has been granted to the Group for comprehensive use with the expiry date on 1st December, 2046.

(b) The Gross Development value of the property as at the date of valuation was in the sum of RMB579,000,000.

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group legally owns land use rights of the property as mentioned in Note (a) above, and is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights of the property within the land use term.

ii. The Group did not provide the certified document of construction works commencement. After the Group obtains the land use rights according to the contract, without consent from relevant people's government for delaying commencement of construction works, an idle land fee may be imposed or the land use rights may be retrieved without compensation by relevant authority.

(d) A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	Yes
(iv)	Construction Works Planning Permit	N/A
(v)	Construction Works Commencement Permit	N/A
(vi)	Pre-sale Permit	N/A
(vii)	Construction Works Completion Certified Report	N/A

Group IV – Property interests to be acquired by the Group in the PRC

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 (RMB)
23.	The Reserved Land for Guangzhou Xindu Project, Binjiang Road, Guangzhou City, Guangdong Province, the PRC	The property comprises a parcel of land with area of approximately 7,263 sq.m. ("the Site"). As advised by the Group, the property will be developed into a comprehensive development with a total gross floor area of approximately 63,780 sq.m.. As advised, the property will be completed in 2011.	The property is currently vacant.	No Commercial Value

Notes:

(a) Pursuant to the State-owned Land Use Rights Grant Contract Sui Guo Di Chu He (2004) No.276 dated 31st August, 2004, the land use rights with a total site area of approximately 7,423 sq.m. has been contracted to be granted to the Group for residential and kindergarten uses with a consideration of RMB24,647,435 for land use terms of 70 years for residential use, 40 years for retail, tourism, entertainment uses and 50 years for comprehensive and other uses starting from the land registration date.

(b) Pursuant to the State-owned Land Use Rights Grant Supplement Contract Sui Guo Di Chu He (2004) No. 276 supplement No.1, the consideration of the Site aforesaid in Note (a) was adjusted to RMB23,277,503. The total gross floor area had been revised to 70,620 sq.m., including 6,776 sq.m. for retail, 1,246 for office and 38,000 for residential, and 24,598 sq.m. for other ancillary facilities.

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Land Use Rights Grant Contracts abovementioned are legal, valid and binding on both parties.

(d) A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	N/A
(iii)	Construction Land Use Planning Permit	N/A
(iv)	Construction Works Planning Permit	N/A
(v)	Construction Works Commencement Permit	N/A
(vi)	Pre-sale Permit	N/A
(vii)	Construction Works Completion Certified Report	N/A

(e) As advised by the Group, the Group has not obtained the State-owned Land Use Rights Certificate of the property. We have, therefore, ascribed "no commercial value" to the property. Had the Group obtained all the State-owned Land Use Rights Certificate of the property at the date of valuation, the capital value of the property as at the date of valuation would be in the sum of RMB701,000,000 (63.0% attributable to the Group: RMB441,630,000).

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
24.	The other portion of the Reserved Land for Guilin Environment Garden, Guiyang Road, Yanshan District, Guilin City, Guangxi Zhuang Autonomous Region, the PRC	The property comprises a site with area of approximately 380,718 sq.m. occupying the other portion of Guilin Environment Garden ("The Development"). Upon completion, the property will be developed in to a residential development with total gross floor area of approximately 90,397 sq.m., including various low-rise residential units with a total gross floor area of approximately 67,273 sq.m. and various retail units with a total gross floor area of approximately 23,125 sq.m.. The Development, occupying a total site area of 724,396 sq.m. ("the Site"), will be developed into a residential development with total saleable gross floor area of approximately 172,000 sq.m. comprising various residential units with saleable gross floor area of approximately 128,000 sq.m. and various retail units with saleable gross floor area of approximately 44,000 sq.m. As advised, the property will be completed in 2011.	The property is current vacant.	No Commercial Value

Notes:

(a) Pursuant to State-owned Land Use Rights Grant Contract (2005) No.2324 dated 15th November, 2005, a site with a total site area of approximately 724,395.515 sq.m., comprising residential use for 500,207.515 sq.m. and retail use for 224,188 sq.m., has been contracted to be granted to the Group for a total consideration of RMB37,089,050.37.

(b) Part of the site with a total site area of approximately 343,678 sq.m. has obtained the State-owned Land Use Right Certificates as stated in Note (a) of Property 20 above.

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. the Group has paid the land premium in respect of the Site in full.

ii. The State-owned Land Use Rights Grant Contract as mentioned in Note (a) above is legal, valid and binding on both parties. After the Group obtains the land use rights according to the contract, without consent from relevant people's government for delaying commencement of construction works, an idle land fee may be imposed or the land use rights may be retrieved without compensation by relevant authority.

(d) A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	N/A
(iii)	Construction Land Use Planning Permit	N/A
(iv)	Construction Works Planning Permit	N/A
(v)	Construction Works Commencement Permit	N/A
(vi)	Pre-sale Permit	N/A
(vii)	Construction Works Completion Certified Report	N/A

(e) As advised by the Group, the Group has not obtained the State-owned Land Use Rights Certificate of the property. We have, therefore, ascribed "no commercial value" to the property. Had the Group obtained all the State-owned Land Use Rights Certificate of the property at the date of valuation, the capital value of the property as at the date of valuation would be in the sum of RMB273,000,000 (46.06% attributable to the Group: RMB125,743,800).

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
25.	Three Parcels of the Reserved Land, Saihan District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	The property comprises 3 parcels of land with a total area of approximately 240,972 sq.m. ("the Site"). As advised by the Group, the property will be developed into residential developments with a plot ratio of approximately 2.2. Upon completion, the Site will be developed into various residential units with a gross floor area of approximately 530,138 sq.m. and 1,000 underground car parking spaces. As advised, the property will be completed in 2012.	The property is currently vacant.	No Commercial Value

Notes:

(a) Pursuant to the information announced by the Hohhot City Land Purchase, Reserve and Auction Center dated 13th May, 2008, the Group has been contracted to be granted the following land parcels with a total site area of approximately 240,972 sq.m. for a total consideration of RMB451,820,824.

Land Parcel	Plot Ratio	Site Area *(sq.m.)*	Consideration *(RMB)*	Use/Term
North of Binhe North Road, East of Zhandong Road (No. 200809)	Less than 2.20	80,763.07	151,430,183	Residential: 70 years
North of Binhe North Road, West of Fengzhou Road (No. 200810)	Less than 2.20	85,633.09	160,561,454	Residential: 70 years
North of Binhe North Road, East of Fengzhou Road (No. 200811)	Less than 2.20	74,575.71	139,829,187	Residential: 70 years
	Total:	240,971.87	451,820,824	

(b) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. Under the condition that, the Group has paid the land premium in respect of the Site in full and signed the State-owned Land Use Rights Grant Contract with the relevant authorities, the Group has no substantial legal obstacles on obtaining the land use rights of the property.

(c) As advised by the Group, the Group has not obtained the State-owned Land Use Rights Certificate of the property. We have, therefore, ascribed "no commercial value" to the property. Had the Group obtained all the State-owned Land Use Rights Certificate of the property at the date of valuation, the capital value of the property as at the Date of Valuation would be in the sum of RMB728,000,000 (70.0% attributable to the Group: RMB509,600,000).

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
26.	The Reserved Land, Danshui Town, Huizhou City, Guangdong Province, the PRC	The property comprises various parcels of land with a total area of approximately 196,880 sq.m. ("the Site"). Pursuant to the State-owned Land Use Rights Grant Contract, the property will be developed into residential developments with a plot ratio of approximately 1.50. Upon completion, the Site will be developed into various residential units with a gross floor area of approximately 295,320 sq.m. and 1,000 underground car parking spaces. As advised, the property will be completed in 2012.	The property is currently vacant.	No Commercial Value

Notes:

(a) Pursuant to the State-owned Land Use Rights Grant Contract No.441303-2009-000402 dated 20th August, 2009, the land use rights of the Site, where the Development located therein, with a total site area of approximately 196,880 sq.m., has been contracted to be granted to the Group for residential use at a consideration of RMB92,927,400.

(b) For reference purpose, the following State-owned Land Use Rights Certificates has been obtained on 20th October, 2009, the land use rights of the property has been granted to the Group after the date of valuation for residential use.

State-owned Land Use Rights Certificate Number	Site Area *(sq.m)*	Use/Expiry Date
Hui Yang Guo Yong (2009) No.0101111	24,487	Residential: 30th August, 2079
Hui Yang Guo Yong (2009) No.0101112	172,393	Residential: 30th August, 2079
Total:	196,880	

(c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The Group has paid the land premium in respect of the Site in full.

ii. The Group legally owns the land use rights of the property as mentioned in Note (b) above, and is entitled to occupy, use, legally transfer, lease, mortgage or otherwise dispose of the land use rights of the property within the land use term.

(d) A summary of major certificates/approvals is shown as follows:

(i)	State-owned Land Use Rights Grant Contract	Yes
(ii)	State-owned Land Use Rights Certificate	Yes
(iii)	Construction Land Use Planning Permit	N/A
(iv)	Construction Works Planning Permit	N/A
(v)	Construction Works Commencement Permit	N/A
(vi)	Pre-sale Permit	N/A
(vii)	Construction Works Completion Certified Report	N/A

(e) As the Group has not obtained any State-owned Land Use Rights Certificate of the property at the date of valuation, we have ascribed "no commercial value" to the property. Had the Group obtained all the State-owned Land Use Rights Certificate of the property at the date of valuation, the capital value of the property as at the date of valuation would be in the sum of RMB353,000,000 (63.0% interests attributable to the Group: RMB222,390,000).

Group V – Property interests for Primary Land Development by the Group in the PRC

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
27.	The Land for Primary Development, Guilin Environment Garden, Guiyang Road, Yanshan District, Guilin City, Guangxi Zhuang Autonomous Region, the PRC	The property comprises of various land parcels with a site area of approximately 5,037,137 sq.m.. As advised by the Group, 2,989,350 sq.m. of which will become developable upon completion of the infrastructure.	The property is current vacant.	No Commercial Value

Notes:

(a) Pursuant to the cooperation agreement dated 7th August, 2002, between Guangxi Nongken Group Co., Ltd. (廣西農墾集團有限責任公司), Guangxi State-owned Liangfeng Farm (廣西國有良豐農場), the Group and Beijing Liyuan Real Estate Development (北京市立元房地開發有限責任公司), the 4 parties will form a project company for real estate and tourism development with a site area of approximately 9,788,100 sq.m..

(b) Pursuant to the supplement agreement dated 20th January, 2006, the parties abovementioned agreed that the site area for cooperating development had been revised to 5,961,000 sq.m..

(c) As advised by the Group, the Group had completed the primary development of various land parcels land a total site area of approximately 923,862.688 sq.m. and successfully transfer the land.

(d) Should the whole of the property be approved for primary development by relevant government department, after taken into account of the cost to be incurred in the development, the capital value of the rights of the development as at date of valuation was in the sum of RMB46,500,000.

(e) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The agreements stated in Note (a) and (b) above are valid, legitimately binding to both parties.

(f) As the Group has not obtained any State-owned Land Use Rights Certificate of the property at the date of valuation, we have ascribed "no commercial value" to the property. Had the Group obtained all the valid title documents of the property at the date of valuation, the capital value of the property as at the date of valuation would be in the sum of RMB1,130,000,000 (46,06% interests attributable to the Group: RMB520,478,000).

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
28.	The Land for Primary Development, Saihan District and Xincheng District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	The property comprises of 4 parcels of land north of Xiaohei River along the Second Ring Road, with a site area of approximately 7,810,706 sq.m.. As advised by the Group, 5,987,086 sq.m. of which will become developable upon completion of the infrastructure.	The property is currently vacant.	No Commercial Value

Notes:

(a) According to the cooperation agreement dated 28th August, 2005, the Group will proceed the primary development of the property with site area not less than 8,400,000 sq.m.. After completion of the primary development, the developable land will not be less than 6,400,000 sq.m..

(b) According to the approvals from the government dated 9th December, 2006 and 12th September, 2007, part of the property with site area of approximately 1,561,991 sq.m. has been approved for compensation and development works.

(c) As advised by the Group, the Group has completed the primary development of 5 parcels of land with a total site area of approximately 589,336 sq.m. and successfully transferred the land.

(d) As advised, the remaining parts of the property other than Note (b) above has not yet been approved for compensation and development works. Should all parts of the property be approved for primary development by relevant government department, after taken into account of the cost to be incurred in the development, the capital value of the rights of the development as at the date of valuation was in the sum of RMB336,000,000.

(e) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

(i) The agreements stated in Note (a) and (b) above are valid, legitimately binding to both parties.

(ii) The transfer and grant of land use rights must be conducted by relevant land department through tender, auction or listing. If the Group intends to obtain the land use rights, the group is required to participate the tender, auction or listing program along with other purchasers.

(f) As the Group has not obtained any State-owned Land Use Rights Certificate of the property at the date of valuation, we have ascribed "no commercial value" to the property. Had the Group obtained all the valid title documents of the property at the date of valuation, the capital value of the property as at the date of valuation would be in the sum of RMB8,120,000,000 (56.0% interests attributable to the Group: RMB4,547,200,000).

Group VI – Property interests rented by the Group in the PRC

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
29.	Underground Bicycle Parking Garage, No. Xin 137, Xizhimenwai Avenue, Xicheng District, Beijing City, the PRC	The property with a gross floor area of approximately 800 sq.m. comprises the whole of the underground bicycle parking garage. The property is tenanted to the Group for a term from 1st September, 2008 to 15th December, 2011.	As advised by the Group, the property is sub-leased to a tenant for retail use.	No Commercial Value

Notes:

(a) According to the tenancy agreement, Beijing Yuanlin Real Estate Management and Development Co., Ltd. (北京園林房地產經營開發有限公司) (the "Lessor") agreed to tenant the property with a gross floor area of approximately 800 sq.m. to the Group (the "Lessee") for a term from 1st September, 2008 to 15th December, 2011 for various rents as following.

Leasehold Period		Annual Rent *(RMB)*
1st September, 2008	31st August, 2009	400,000
1st September, 2009	31st August, 2010	410,000
1st September, 2010	31st August, 2011	420,000
1st September, 2011	15th December, 2011	122,000

(b) As advised, the Landlord does not provide any title document to the Group.

(c) As advised by the Group, the property is sub-leased to Beijing Happy Castle Shopping Mall Co., Ltd. (北京快樂城堡購物中心有限公司) (the "Sub-lessee") by the Group as a business premise. The Sub-lesse has not signed sub-leasing agreement with the Group or tenancy agreement with the Lessor.

(d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The tenancy agreement abovementioned has not been registered. Pursuant to relevant law and regulation, non-compliance of such registration requirement will not affect the legality and validity of the tenancy agreement. The tenancy agreement is legal, valid, enforceable and binding on both parties. As confirmation by the Group, the Sub-lessee pays rent to the Landlord directly. The situation implied the Lessor consent to the Lessee to sub-lease the property to the Sub-lessee.

ii. In case, the Lessor has obtained no building ownership or approval letter of leasing/sub-leasing, the Lessor would have no rights to lease the property. Under this circumstances, if any third party raised an objection, the occupation of the property by the Lessee and/or the Sub-lessee shall be interfered. The Lessee can lodge a claim against the Lessor according to relevant contracts.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
30.	Happy Castle Shopping Mall, No. Xin 137, Xizhimenwai Avenue, Xicheng District, Beijing City, the PRC	The property with a gross floor area of approximately 10,715 sq.m. comprises a retail development with the whole of 2 underground levels, level 1, level 2, and a portion of level 3. The property is tenanted to the Group for a term of 20 years from 25th September, 1999.	As advised by the Group, the property is sub-leased to a sub-lessee for retail use.	No Commercial Value

Notes:

(a) According to the tenancy agreement and supplementary agreement dated 1st August, 1997 and 8th March, 2002 respectively, Beijing Yuanlin Real Estate Management and Development Co., Ltd. (北京園林房地產經營開發有限公司) (the "Lessor") agreed to tenant the property with a gross floor area of approximately 10,714.80 sq.m. to the Group (the "Lessee") for a term from 25th September, 1999 to 25th September, 2029 with a annual rent of RMB2,500,000 and 3% escalation per annum.

(b) As advised, the Landlord does not provide any title document to the Group.

(c) As advised by the Group, the property is sub-leased to Beijing Happy Castle Shopping Mall Co., Ltd. (北京快樂城堡購物中心有限公司) (the "Sub-lessee") by the Group as a business premise. The Sub-lesse has not signed sub-leasing agreement with the Group or tenancy agreement with the Lessor.

(d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The tenancy agreement abovementioned is legal, valid, enforceable and binding on both parties. As confirmation by the Group, the Sub-lessee pays rent to the Landlord directly. The situation implied the Lessor consent to the Lessee to sub-lease the property to the Sub-lessee.

ii. Pursuant to relevant law and regulation, the tenancy term shall be no more than 20 years, the term of tenancy agreement abovementioned therefore should be 20 years.

iii. In case, the Lessor has obtained no building ownership or approval letter of leasing/sub-leasing, the Lessor would have no rights to lease the property. Under this circumstances, if any third party raised an objection, the occupation of the property by the Lessee and/or the Sub-lessee shall be interfered. The Lessee can lodge a claim against the Lessor according to relevant contracts.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30th September, 2009 *(RMB)*
31.	An underground Car Parking Space and Room 12FB, Block 3, Aidu Garden, Huzhou City, Zhejiang Province, the PRC	The property comprises an underground car parking space and a unit with a gross floor area of approximately 198 sq.m.. The property is tenanted to the Group for a term from 1st July, 2009 to 30th June, 2011.	The property is occupied by the Group for office use.	No Commercial Value

Notes:

(a) According to the tenancy agreement dated 30th June, 2009, Jing Wei (景偉) (the "Lessor") agreed to tenant the property with a gross floor area of approximately 197.64 sq.m. to Yin Yuliang (殷玉良) (the "Lessee") for a term from 1st July, 2009 to 30th June, 2011 with a monthly rent of RMB3,600.

(b) As advised, the Landlord does not provide any title document to the Group.

(c) As advised by the Group, the property is occupied by the Group as an office. The Group has not signed sub-leasing agreement with the Lessee or tenancy agreement with the Lessor.

(d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:

i. The tenancy agreement abovementioned has not been registered. Pursuant to relevant law and regulation, non-compliance of such registration requirement will not affect the legality and validity of the tenancy agreement. The tenancy agreement is legal, valid, enforceable and binding on both parties. In case, the Lessor has obtained no building ownership or approval letter of leasing/sub-leasing, the Lessor would have no rights to lease the property. Under this circumstances, if any third party raised an objection, the occupation of the property by the Lessee shall be interfered. The Lessee can lodge a claim against the Lessor according to relevant contracts.

ii. In case, the Lessor rejected the sub-leasing of the Lessee, the Group shall be unable to continuously rent the property.

Set out below is a summary of certain provisions of the memorandum of association (the "Memorandum of Association") and bye-laws (the "Bye-laws") which will be adopted on or before completion of the Group Reorganisation of the Privateco (referred to as the "Company" in this appendix) and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act 1981 of Bermuda. The Memorandum of Association also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act 1981 of Bermuda, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of directors of the Company (the "board" or "Directors") upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws will be adopted on or before completion of the Group Reorganisation. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act 1981 of Bermuda, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act 1981 of Bermuda, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act 1981 of Bermuda to be exercised or done by the Company in general meeting and this includes the power to dispose of the assets of the Company.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act 1981 of Bermuda contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed "Bermuda Company Law" in this Appendix.

(v) Financial assistance to purchase shares of the Company

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act 1981 of Bermuda.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act 1981 of Bermuda, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act 1981 of Bermuda and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 30 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act 1981 of Bermuda, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act 1981 of Bermuda:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;

(v) change the currency denomination of its share capital;

(vi) make provision for the issue and allotment of shares which do not carry any voting rights; and

(vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act 1981 of Bermuda, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act 1981 of Bermuda, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

(e) Special resolution-majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designed Stock Exchange (as defined in the Bye-laws), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and not less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act 1981 of Bermuda or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act 1981 of Bermuda, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act 1981 of Bermuda, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act 1981 of Bermuda provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act 1981 of Bermuda, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other special general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act 1981 of Bermuda.

Under the new bye-laws of the Company, it is provided that unless any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists or any share is transferred to more than four (4) joint holders or a transfer of any share (not being a fully paid up share) on which the Company has a lien, the board shall not refuse to register a transfer of any share (being a fully paid up share) to any person.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary. However this is permitted under Bermuda Law.

(m) Dividends and other methods of distribution

Subject to the Companies Act 1981 of Bermuda, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act 1981 of Bermuda). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act 1981 of Bermuda, unless the register is closed in accordance with the Companies Act 1981 of Bermuda.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act 1981 of Bermuda, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Reserved matters

No material related party transaction may be undertaken by the Company unless (1) it is a transaction on normal commercial terms in the ordinary and usual course of business (as defined in the Listing Rules) of the Company or its subsidiaries; or (2) it is a transaction involving any acquisition or disposal of assets with total assets (as defined in the Listing Rules) or attributable revenue (as defined in the Listing Rules) of (a) less than 2.5% of total assets (as defined in the Listing Rules) or total revenue (as defined in the Listing Rules) of the Company and its subsidiaries as shown in the latest audited consolidated accounts; or (b) more than 2.5% but less than 25% of total assets (as defined in the Listing Rules) and total revenue (as defined in the Listing Rules) of the Company and its subsidiaries as shown in the latest audited consolidated accounts and the total consideration is less than HK$10,000,000; or (3) it is made subject to the approval of disinterested member(s), if any, by way of ordinary resolution in general meeting. Where any such transaction requiring approval of disinterested member(s) is proposed for consideration by the members, the board shall prepare and send a notice convening the general meeting accompanied by a circular to all members containing a summary of the terms of the proposed transaction and other relevant information relating to such transaction and the advice of an independent financial adviser as to whether the terms of such proposed transaction are fair and reasonable.

Notwithstanding any provision contained in the Bye-laws and without prejudice to the above paragraph, no non-related party transaction involving acquisition or disposal of assets with an aggregate value of more than fifty (50) per cent of the value of the aggregate total assets (as defined in the Listing Rules) of the Company and its subsidiaries as shown in the latest audited consolidated accounts may be undertaken by the Company, unless it is made subject to the approval of the member(s) by way of ordinary resolution in general meeting. Where any such transaction requiring approval of the members is proposed for consideration by the members, the Company shall at its own costs and expenses prepare and send, together with the notice convening the general meeting, a circular to all members containing a summary of the terms of the proposed transaction and other relevant information relating to such transaction. So long as the proposed transaction falling to be considered under this paragraph is not subject to the paragraph above regarding related party transaction, the requirement as to approval by the members shall be satisfied without holding a general meeting if a member, or group of members, holding more than fifty (50) per cent of the shares and being entitled to receive notice of and to attend and vote at general meetings of the Company, has or have given written notice(s) to the board confirming its or their approval of the proposed transaction.

The Directors shall obtain the approval of the members by way of ordinary resolution in general meeting prior to allotting, issuing or granting shares, securities convertible into shares or options, warrants or similar rights to subscribe for any shares or such convertible securities. However, no such consent shall be required (i) for the allotment, issue or grant of such shares or securities pursuant to an offer made to the members, excluding for that purpose any member who is resident in a place where such offer is not permitted under the law of that place and where appropriate, to holders of other equity securities of the Company entitled to be offered them, in proportion (apart from fractional entitlements) to their then holdings; or (ii) if, but only to the extent that, the existing members have by ordinary resolution given a general mandate to the Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to allot or issue such securities or to grant any offers, agreements or options which would or might require securities to be issued, allotted or disposed of, whether during the continuance of such mandate or thereafter, subject to a restriction that the aggregate number of shares or securities allotted or agreed to be allotted must not exceed in aggregate twenty (20) per cent of the issued share capital of the Company in issue from time to time.

(u) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act 1981 of Bermuda, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act 1981 of Bermuda and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act 1981 of Bermuda provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act 1981 of Bermuda relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:

(i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(ii) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act 1981 of Bermuda permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act 1981 of Bermuda includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act 1981 of Bermuda as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act 1981 of Bermuda. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act 1981 of Bermuda.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act 1981 of Bermuda to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act 1981 of Bermuda contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act 1981 of Bermuda requires that every officer should comply with the Companies Act 1981 of Bermuda, regulations passed pursuant to the Companies Act 1981 of Bermuda and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act 1981 of Bermuda or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act 1981 of Bermuda requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act 1981 of Bermuda requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act 1981 of Bermuda; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act 1981 of Bermuda. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter s replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act 1981 of Bermuda). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28th March, 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act 1981 of Bermuda which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act 1981 of Bermuda, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act 1981 of Bermuda require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act 1981 of Bermuda, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act 1981 of Bermuda for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter summarising certain provisions of the memorandum of association and bye-laws of the Privateco and certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act 1981 of Bermuda, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix IX. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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 of the Company (excluding Mr. Simon Yung as per Mr. Simon Yung's request) 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 in this circular misleading.

Information relating to Red Dynasty, COLI, the Privateco Offer and the COLI Offer in this circular was extracted from the Joint Announcement. The directors of the Company (excluding Mr. Simon Yung as per Mr. Simon Yung's request) jointly and severally accept responsibility for the correctness and fairness of reproduction or presentation of such information.

2. SHARE CAPITAL

(a) Share capital

The authorised and issued capital of the Company as at the Latest Practicable Date were, and immediately following Completion will be, as follows:

Authorised:		*HK$*
900,000,000	Shares of HK$0.50 each as at the Latest Practicable Date	450,000,000
45,000,000,000	Shares of HK$0.01 each upon completion of the Capital Reorganisation	450,000,000
Issued and fully paid:		
523,484,562	Shares of HK$0.50 each as at the Latest Practicable Date	261,742,281
–	Capital Reorganisation	(256,507,435)
157,045,368	Subscription Shares of HK$0.01 each to be issued pursuant to the Subscription	1,570,453
680,529,930	Shares upon Completion	6,805,299

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Subscription Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the Shares after the Capital Reorganisation, but the rights to the Distribution In Specie will not be attached to the Subscription Shares.

As at the Latest Practicable Date, there are no other outstanding options, warrants or conversion rights affecting Company's share.

3. DIRECTORS' AND CHIEF EXECUTIVE'S DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or 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 which they are taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company
Mr. Billy Yung	Beneficial owner	Personal	37,322,000	263,651,084	50.36%
	Interest of child under 18 or spouse *(Note 1)*	Other	216,329,084		
	Interest held jointly with another person *(Note 2)*	Other	10,000,000		
Mr. Peter Lam	Beneficiary of a trust *(Note 3)*	Other	1,300,000	1,300,000	0.25%
Madam Yung	Beneficial owner	Personal	53,246,300	63,246,300	12.08%
	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	Beneficial owner	Personal	39,147,911	43,577,351	8.32%
	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 Yung's family members.

(2) These shares are held jointly with his wife, Ms. Hsu.

(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.

(6) This interest represents the holding of shares held by Mr. Simon Yung's spouse, Madam Chiu Man.

(ii) Long positions in shares and underlying shares of subsidiaries of the Company

Name of Company	Grantee	Date of grant	Period during which options are exercisable	Subscription price per share *US$*	Number of share options
Appeon Corporation	Mr. Billy Yung	9th June, 2003	9th June, 2003-10th November, 2012	2.50	6,750
		9th June, 2003	1st October, 2003-10th November, 2012	2.50	3,375
		9th June, 2003	1st April, 2004-10th November, 2012	2.50	3,375
		9th June, 2003	1st October, 2004-10th November, 2012	2.50	3,375
		9th June, 2003	1st April, 2005-10th November, 2012	2.50	3,375
		9th June, 2003	1st October, 2005-10th November, 2012	2.50	3,375
		9th June, 2003	1st April, 2006-10th November, 2012	2.50	3,375
					27,000

Name of Company	Grantee	Date of grant	Period during which options are exercisable	Subscription price per share *US$*	Number of share options
Galactic Computing Corporation	Mr. Billy Yung	9th June, 2003	9th June, 2003-10th November, 2012	0.45	25,000
		9th June, 2003	1st December, 2003-10th November, 2012	0.45	25,000
		9th June, 2003	1st June, 2004-10th November, 2012	0.45	25,000
		9th June, 2003	1st December, 2004-10th November, 2012	0.45	25,000
		9th June, 2003	1st June, 2005-10th November, 2012	0.45	25,000
		9th June, 2003	1st December, 2005-10th November, 2012	0.45	25,000
		9th June, 2003	1st June, 2006-10th November, 2012	0.45	25,000
		9th June, 2003	1st December, 2006-10th November, 2012	0.45	25,000
					200,000

Name of Company	Grantee	Number of option shares to which the grantees are entitled	Approximate percentage of the total number of option shares
Pan China Land	Mr. Billy Yung	20,000	17.2%
	Mr. Eddie Hurip	800	0.7%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or 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 which they are taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the

Company, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at the Latest Practicable Date, to the best knowledge of the Directors or chief executive of the Company, the following parties (other than a Director or chief executive of the Company), had interests or short positions in the Shares or underlying Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the norminal value of any class of share capital (together with any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(a) Shares in the Company

Name of substantial Shareholder	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company (approximately)
UBS Trustees (BVI) Limited	Trustees of trusts (Note 1)	Other	224,437,334	224,437,334	42.87%
Diamond Key Enterprises Inc.	Beneficial owner *(Note 1)*	Beneficial	143,612,287	143,612,287	27.43%
On Fat Profits Corporation	Beneficial owner *(Note 1)*	Beneficial	72,716,797	72,716,797	13.89%
Madam Chiu Man	Beneficial owner Interest of spouse *(Note 2)*	Personal Family	900,000 42,677,351	43,577,351	8.32%
Ms. Hsu	Interest of spouse Interest held jointly with another person *(Note 3)*	Family Other	37,322,000 10,000,000	47,322,000	9.04%
China Overseas Land & Investment Limited	Beneficial owner *(Note 4)*	Beneficial	157,045,368	157,045,368	30.00%
China Overseas Holdings Limited	Interest of corporation controlled by substantial shareholder *(Note 4)*	Interest in controlled corporation	157,045,368	157,045,368	30.00%
China State Construction & Engineering Corporation Limited	Interest of corporation controlled by substantial shareholder *(Note 4)*	Corporate	157,045,368	157,045,368	30.00%
China State Construction Engineering Corporation	Interest of corporation controlled by substantial shareholder *(Note 4)*	Corporate	157,045,368	157,045,368	30.00%

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 of 143,612,287 shares and 72,716,797 Shares (i.e. 216,329,084 shares) are disclosed in the section headed "Directors' and chief executive's disclosure of interests" in this Appendix above as being held under a trust with Mr. Billy 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 interest and family interest are in fact the same block of Shares already disclosed respectively under family interest, personal and corporate interests of her husband, Mr. Simon Yung as disclosed in the section headed "Directors' and chief executive's disclosure of interests" in this Appendix above.

(3) Ms. Hsu's shares held under family interest and other interest are in fact the same block of Shares already disclosed respectively under personal interest and other interests of her husband, Mr. Billy Yung as disclosed in the section headed "Directors' and chief executive's disclosure of interests" in this Appendix above.

(4) China Overseas Land & Investment Limited (Stock Code: 688) is a non wholly-owned subsidiary of China Overseas Holding Limited. China Overseas Holding Limited is a wholly-owned subsidiary of China State Construction & Engineering Corporation Limited, which in turn is a non wholly-owned subsidiary of China State Construction Engineering Corporation. By virtue of entering into the Subscription Agreement for the subscription of 157,045,368 new Shares, China Overseas Land & Investment Limited, China Overseas Holding Limited, China State Construction & Engineering Corporation Limited and China State Construction Engineering Corporation are deemed to be interested in these Shares.

(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%
Wyler 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	Pan China Land (Holdings) Corporation	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 *(Note 1)*)	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 *(Note 1)*)	20.00%
北京世紀隆興投資有限公司 (Beijing Century Longxing Investment Limited "Longxing" *(Note 1)*)	Beneficial Owner	北京華世柏利房地產開發有限公司 (Beijing Huashiboli Property Development Limited *(Note 1)*)	10.00% *(Note 2)*

Name of substantial shareholder	Capacity	Name of subsidiary	Percentage of equity interest
北京世紀恒信諮詢有限公司 (Beijing Century Hengxin Consulting Limited ("Hengxin") *(Note 1)*)	Beneficial Owner	北京華世柏利房地產開發有限公司 (Beijing Huashiboli Property Development Limited *(Note 1)*)	20.00% *(Note 2)*
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 *(Note 1)*)	Beneficial Owner	廣西光大旅遊投資有限公司 (Guangxi Guang Da Travel Investment Company Limited *(Note 1)*)	10.00%
廣西農墾集團有限責任公司 (Guangxi Nong Ken Group Company Limited *(Note 1)*)	Beneficial Owner	廣西桂林光大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 *(Note 1)*)	12.00%
廣西國有良豐農場 (Guangxi Stateowned Liang Feng Farm *(Note 1)*)	Beneficial Owner	廣西桂林光大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 *(Note 1)*)	18.00%
青島崇杰集團有限公司 (Qingdao Chongjie Company Limited *(Note 1)*)	Beneficial Owner	青島頤景房地產開發有限公司 (Qingdao Yijing Real Estate Development Limited *(Note 1)*)	18.00%
吳祖華 (Wu Zu Hua *(Note 1)*)	Beneficial Owner	青島頤景房地產開發有限公司 (Qingdao Yijing Real Estate Development Limited *(Note 1)*)	12.00%
廣州市新城投資顧問有限公司	Beneficial Owner	廣州新都房地產發展有限公司	10.00%
Ying Min Qiang	Beneficial Owner	SLP (China) Pte. Ltd.	10.00%
Zhang Qing	Beneficial Owner	SLP (China) Pte. Ltd.	10.00%

Notes:

(1) For identification purpose only.

(2) Pursuant to an agreement entered into among an indirect non-wholly owned subsidiary of the Company, Longxing and Hengxin in May 2007, Longxing and Hengxin agreed to further dispose of each of its 10% equity interest in Beijing Huashiboli Property Development Limited to the indirect non-wholly owned subsidiary of the Company.

Save as disclosed above, the Directors or chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company), who, as at the Latest Practicable Date, had interests or short positions in the Shares or underlying Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the norminal value of any class of share capital (together with any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group.

5. MATERIAL CONTRACTS

The following material contracts, not being contracts entered into in the ordinary course of business of the Group, have been entered into by the Group within two years immediately preceding the date of this circular:

(i) the Subscription Agreement;

(ii) the agreement dated 8th April, 2009 entered into by 北京光大房地產開發有限公司(Beijing EverBright Real Estate Development Limited) ("EBRE"), an indirect 70% owned subsidiary of the Company, as the vendor and 北京青鵬投資有限公司(Beijing Qingpeng Investment Limited*) as the purchaser, in relation to the disposal of 67% registered capital of 北京寅豐房地產開發有限責任公司(Beijing Yinfeng Real Estate Development Limited*) ("Beijing Yinfeng") for a total consideration of RMB46.5 million (approximately HK$52.5 million); and (ii) the repayment of the shareholder's loan by Beijing Yinfeng to EBRE;

(iii) the agreement dated 24th June, 2009 entered into among EBRE, 青島崇杰集團有限公司 (Qingdao Chongjie Company Limited*) ("Qingdao Chongjie") and Mr. Wu Zu Hua in relation to the termination of the co-operation agreement dated 2nd August, 2007 entered into among the same three parties;

(iv) the agreement dated 24th June, 2009 entered into among EBRE, Qingdao Chongjie, 青島頤景房地產開發有限公司 (Qingdao Yijing Real Estate Development Limited*) ("Qingdao Yijing") and Ms. Yuan Jie in relation to (i) the repayment by Qingdao Yijing of the outstanding shareholder's loan of RMB165.31 million (approximately HK$186.8 million), penalty for breach of contract of RMB5.0 million (approximately HK$5.65 million) and fund appropriation fees of RMB27.0 million (approximately HK$30.51 million), totaling RMB197.31 million (approximately HK$222.96 million) (the "Outstanding Amount") to EBRE; and (ii) the transfer of 70% registered capital by EBRE in Qingdao Yijing to Qingdao Chongjie for a consideration of RMB7.0 million (approximately HK$7.91 million) within 10 days upon full repayment of the Outstanding Amount; and

* *for identification purpose only*

(v) the agreement dated 24th June, 2009 entered into among EBRE, Qingdao Yijing, 青島崇杰環保有限公司 (Qingdao Chongjie Environment Protection Limited*), 青島崇杰保萊西污水處理有限公司 (Qingdao Chongjie Baolaixi Sewage Treatment Limited*), 青島崇杰環保平度污水處理有限公司 (Qingdao Chongjie Environment Protection Pingdao Sewage Treatment Limited*) and 青島崇杰環保胶州污水處理有限公司 (Qingdao Chongjie Environment Protection Gaozhou Sewage Treatment Limited*) (the "Guarantors") in relation to provision of guarantee by the Guarantors in respect of the Outstanding Amount payable by Qingdao Yijing to EBRE.

* *for identification purpose only*

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had service contract with the Company or any or its subsidiaries or associated companies (i) which (including both continuous and fixed term contract) have been entered into or amended within 6 months before the date of the Joint Announcement; (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors had interests in any businesses which compete or were likely to compete, either directly or indirectly, with the businesses of the Group.

9. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

So far as the Directors were aware, as at the Latest Practicable Date:

(i) none of the Directors or their associates had any direct or indirect interest in any assets which have been, since 31st December, 2008 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group; and

(ii) none of the Directors or their associates was materially interested in any contract or arrangement entered into by any member of the Group and subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

10. EXPERTS AND CONSENTS

(i) The following are the qualifications of the experts who had given their opinions and advice which are included in this circular:

Name	Qualification
Taifook	a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activities under the SFO
Grant Thornton	Certified Public Accountants, Hong Kong
Knight Frank Petty Limited ("Knight Frank")	independent professional property valuers
Cushman & Wakefield Valuation Advisory Services (HK) Limited ("Cushman & Wakefield")	chartered surveyors
CB Richard Ellis Limited ("CB Richard Ellis")	chartered surveyors
King & Wood	PRC legal advisers
Conyers Dill & Pearman ("Conyers")	Bermuda legal advisers

(ii) As at the Latest Practicable Date, none of Taifook, Grant Thornton, Knight Frank, Cushman & Wakefield, CB Richard Ellis, King & Wood and Conyers had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(iii) Each of Taifook, Grant Thornton, Knight Frank, Cushman & Wakefield, CB Richard Ellis, King & Wood and Conyers has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter or report or references to its name in the form and context in which they are included.

(iv) As at the Latest Practicable Date, none of Taifook, Grant Thornton, Knight Frank, Cushman & Wakefield, CB Richard Ellis, King & Wood and Conyers had any direct or indirect interest in any assets which have been, since 31st December, 2008 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS

(i) The company secretary of the Company is Mr. Huen Po Wah, an associate of The Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators.

(ii) The Company's share registrar is Tricor Standard Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(iii) This circular has been prepared in both English and Chinese languages. In the case of any inconsistency, the English text shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection between 9:00 a.m. and 6:00 p.m. from Monday to Friday at Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong at the date of this circular up to and including 31st December, 2009:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for the year ended 31st December, 2007 and 2008;

(iii) the Bye-laws of the Privateco;

(iv) the interim report of the Company for the six month period ended 30th June, 2009;

(v) the letter of recommendation from the majority of the Independent Board Committee, excluding Mr. Simon Yung, to the Independent Shareholders, the text of which is set out on page 34 of this circular;

(vi) the letter of advice from Taifook, the text of which is set out on pages 37 to 96 of this circular;

(vii) the accountants' report on the Group, the text of which is set out in Appendix II to this circular;

(viii) the accountants' report on the Privateco Group, the text of which is set out in Appendix III to this circular;

(ix) the accountants' report on unaudited the pro forma financial information on the Remaining Group, the text of which is set out in Appendix IV to this circular;

(x) the accountants' report on unaudited the pro forma financial information on the Privateco Group, the text of which is set out in Appendix V to this circular;

(xi) the valuation reports on properties of the Privateco Group, the text of which are set out in Appendix VI to this circular;

(xii) the valuation report on the properties of the Remaining Group, the text of which is set out in Appendix VII to this circular;

(xiii) the letter from Conyers as referred to in Appendix VIII to this circular summarising certain provisions of the memorandum of association and bye-laws of the Privateco and certain aspects of Bermuda company law, together with a copy of the Companies Act 1981 of Bermuda;

(xiv) the material contracts as referred to in the section headed "Material contracts" in this appendix; and

(xv) the written consents as referred to in the section headed "Experts and consents" in this appendix.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Shell Electric Mfg. (Holdings) Company Limited (the "**Company**") will be held at Concord Room II-III, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at 11:00 a.m. on Thursday, 31st December, 2009 for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTION

1. "**THAT**, subject to and conditional upon:

   (A) the making of an order confirming the Capital Reduction (as defined below) and the Share Premium Cancellation (as defined below) by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "**Court**");

   (B) the registration by the Registrar of Companies in Hong Kong of an office copy of the Court order confirming the Capital Reduction and the Share Premium Cancellation and an office copy of the minute containing such particulars as required under section 61 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);

   (C) the compliance with any other conditions as may be imposed by the Court in relation to the Capital Reduction and the Share Premium Cancellation;

   (D) the granting of the listing of, and permission to deal in, the Reduced Shares (as defined below) immediately following the Capital Reorganisation (as defined below) becoming effective by the Listing Committee of The Stock Exchange of Hong Kong Limited; and

   (E) all conditions to the completion of the Subscription Agreement (as defined in resolution no. 2 of this notice), other than those conditions relating to the Capital Reorganisation (as defined below) and Distribution in Specie (as defined in resolution no. 2 of this notice), having been fulfilled or waived, the reorganisation of the share capital of the Company in the following manner (the "**Capital Reorganisation**") be and is hereby approved:

(i) the authorised share capital of the Company be and is hereby reduced from HK$450,000,000 divided into 900,000,000 shares of HK$0.50 each (the "**Shares**") to HK$9,000,000 divided into 900,000,000 shares of HK$0.01 each (the "**Reduced Shares**") and that such reduction be effected (1) by cancelling the capital paid up or credited as paid up to the extent of HK$0.49 upon each of the Shares in issue as of the date on which the petition for the confirming of the Capital Reduction is heard and determined by the Court and (2) by reducing the nominal value of all the issued and unissued Shares from HK$0.50 each to HK$0.01 each (the "**Capital Reduction**");

(ii) the entire amount standing to the credit of the share premium account of the Company as at the date on which the petition for the confirming of the Share Premium Cancellation is heard and determined by the Court be and is hereby reduced to zero (the "**Share Premium Cancellation**");

(iii) to the extent permitted by the Court and subject to any conditions which the Court may impose, the credit arising from the Capital Reduction and the Share Premium Cancellation be and is hereby transferred to a distributable reserve account or a special capital reserve account of the Company to be applied by the directors in such manner as they may consider appropriate (including, but not limited to, applying the same for the implementation of the Distribution in Specie) in accordance with all applicable laws and all such direction(s) made by and undertaking(s) given to the Court;

(iv) subject to and forthwith upon the Capital Reduction becoming effective, the authorised share capital of the Company be and is hereby increased from HK$9,000,000 divided into 900,000,000 Reduced Shares to HK$450,000,000 divided into 45,000,000,000 Reduced Shares by the creation of an additional 44,100,000,000 new Reduced Shares ranking pari passu in all respects to all the issued and unissued Reduced Shares;

(v) the directors of the Company be and are hereby authorised generally to do all such acts, deeds and things and to sign all documents as they may, in their absolute discretion, deem necessary, desirable or appropriate to carry into effect or to give effect to the foregoing including, but not limited to, to make application to the Court for the confirmation of the Capital Reduction and Share Premium Cancellation to the Court and authorise counsel on behalf of the Company to provide to the Court all necessary or appropriate undertaking(s)."

ORDINARY RESOLUTIONS

2. "**THAT**:

(i) The subscription agreement (the "**Subscription Agreement**") dated 9th September, 2009 entered into between the Company, Mr. Billy Yung and China Overseas Land & Investment Limited ("**COLI**") in relation to the subscription by COLI of an aggregate of 157,045,368 Reduced Shares (the "**Subscription Shares**"), representing approximately 23.08% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, at a cash consideration of HK$2.90 per Subscription Share upon and subject to the terms and conditions contained therein and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(ii) subject to and conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Subscription Shares, the issue and allotment of the Subscription Shares to COLI pursuant to the terms and conditions of the Subscription Agreement be and is hereby approved.

(iii) the directors of the Company be and are hereby authorised generally to do all such acts, deeds and things and to sign all documents as they may, in their absolute discretion, deem necessary, desirable or appropriate to carry into effect or to give effect to the Subscription Agreement (a copy of which is produced to the Meeting marked "A" for the purpose of identification) and the transactions contemplated thereunder."

AND THAT, subject to the obtaining any third-party consents or approvals, including all regulatory consents, required to the give effect to the reorganisation of the Company and its subsidiaries (the "**Group**"), the reorganisation of the Group in the following manner (the "**Group Reorganisation**") be and is hereby approved, confirmed and ratified:-

(iv) Shell Electric Holdings Limited (the "**Privateco**"), a company incorporated in Bermuda with limited liability and a wholly-owned subsidiary of the Company as at the date hereof, and its subsidiaries (the "**Privateco Group**") is to acquire all interests of the Group relating to the Distributed Businesses (as defined in the circular dated 8th December, 2009 (the "**Circular**") of which this notice forms part);

(v) the said acquisition is to be effected by the Privateco Group acquiring a number of subsidiaries and associated companies from the Company and the transfer of various intra-group assets and liabilities between the members of the Group (excluding the Privateco Group) and the Privateco Group as explained and elaborated in the Circular;

(vi) in consideration of and in exchange for the said acquisition, the Privateco is to issue and allot such number of shares in the Privateco (the "**Privateco Shares**") credited as fully paid to the Company so that the total number of the Privateco Shares to be in issue is equal to the number of Shares, or Reduced Shares, in issue on the Record Date (as defined below); and

(vii) the directors of the Company be and are hereby authorised generally to do all such acts, deeds and things and to sign all documents as they may, in their absolute discretion, deem necessary, desirable or appropriate to carry into effect or to give effect to the Group Reorganisation.

AND THAT, subject to:

(A) the completion of the Group Reorganisation (as defined above); and

(B) the Capital Reorganisation (as defined in resolution no. 1 of this notice) having become effective;

(C) the compliance with all applicable laws and the articles of association of the Company,

the distribution in specie in the following manner (the "**Distribution in Specie**") be and is hereby approved:-

(viii) subject to (ix) below, the Privateco Shares of US$0.00002 each held by the Company will be distributed to the shareholders of the Company whose names appear on the register of members of the Company as at the close of business of a record date as determined by the directors of the Company (the "**Record Date**") on a one-for-one basis (i.e. one Privateco Share for one Share, or Reduced Share, held by the shareholders of the Company) by a distribution from the distributable profits and/or the distributable reserve of the Company;

(ix) for those overseas shareholders of the company whose names appear on the register of members of the Company as at the close of business of the said record date but to whom the directors of the Company, based on enquiries made with its lawyers and on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, considers it necessary or expedient not to offer the Privateco Shares under the Distribution in Specie, the Privateco Shares which, but for the aforesaid reason, will be distributed to such overseas shareholders under (viii) above will be done by way of distributing such Privateco Shares to a trustee within Hong Kong who will be authorised by the directors of the Company to hold such Privateco Shares on trust for such overseas shareholders and to sell such Privateco Shares at his absolute discretion for the benefits and accounts of such overseas shareholders; and

(x) the directors of the Company be and are hereby authorised generally to do all such acts, deeds and things and to sign all documents as they may, in their absolute discretion, deem necessary, desirable or appropriate to carry into effect or to give effect to the foregoing."

By Order of the Board
HUEN Po Wah
Secretary

Hong Kong, 8th December, 2009

Registered office:
Shell Industrial Building
12 Lee Chung Street
Chai Wan Industrial District
Hong Kong

Notes:

(1) A member of the Company entitled to attend and vote at this meeting is entitled to appoint one or more than one proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. A proxy so appointed shall also have the same right as the member to speak at the Meeting.

(2) The register of members of the Company will be closed from Tuesday, 29th December, 2009 to Thursday, 31st December, 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the Meeting, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 28th December, 2009.

(3) Where there are joint holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, provided that if more than one of such joint holders be present at the Meeting personally or by proxy, the person whose name stands first in the register in respect of such share shall alone be entitled to vote in respect thereof.

(4) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if such appointor is a corporation, under its common seal or under the hand of some officer of the corporation duly authorised in that behalf.

(5) The form of proxy and, if required by the Company, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy or office copy of such power or authority, shall be deposited at the Company's share registrar, Tricor Standard Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the Meeting and taking the poll or the adjourned meeting, as the case may be, at which the person named as proxy in the form of proxy proposes to vote; and in default the form of proxy shall not be treated as valid.

(6) Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the meeting will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

(7) A circular giving details of the proposed Capital Reorganisation, Distribution in Specie, Group Reorganisation and transaction contemplated under the Subscription Agreement incorporating this notice will be despatched on Tuesday, 8th December, 2009 to the shareholders of the Company.

(8) This notice will also be available for viewing on the designated website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.smc.com.hk from 8th December, 2009.

(9) As at the date of this notice, the board of directors of the Company comprises Mr. Billy K YUNG, Madam YUNG HO Wun Ching, Mr. LEUNG Chun Wah and Mr. Eddie HURIP as executive directors, Mr. Simon YUNG Kwok Choi as non-executive director and Mr. Peter WONG Chung On, Mr. Peter LAM and Mr. Lawrence LEUNG Man Chiu as independent non-executive directors.