
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this offer 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 Holdings Limited**, you should at once hand this Composite Offer Document and the accompanying Form of Acceptance and Transfer 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.

This Composite Offer Document should be read in conjunction with the accompanying Form of Acceptance and Transfer, the provisions of which form part of the terms of the offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Offer Document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Offer Document.

SHELL ELECTRIC HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

**RED DYNASTY
INVESTMENTS LIMITED**

(Incorporated in BVI with limited liability)

**VOLUNTARY UNCONDITIONAL CASH OFFER
FOR THE PRIVATECO SHARES
BY ACCESS CAPITAL ON BEHALF OF RED DYNASTY
(OTHER THAN THOSE PRIVATECO SHARES ALREADY OWNED
OR AGREED TO BE ACQUIRED BY
RED DYNASTY AND PARTIES ACTING IN CONCERT WITH IT)**

Financial adviser to Red Dynasty Investments Limited



**Independent financial adviser to
the Qualifying Privateco Shareholders**



A letter from Taifook Capital Limited containing their advice to the Qualifying Privateco Shareholders in respect of the offer contained herein is set out on pages 13 to 36 of this Composite Offer Document.

The procedures for acceptance and settlement of the offer contained herein are set out in Appendix I to this Composite Offer Document and in the accompanying Form of Acceptance and Transfer. Acceptances of the offer contained herein should be received by the Transfer Agent (Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) by no later than 4:00 p.m. on Friday, 19th March, 2010 (being the Closing Date).

26th February, 2010

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EXPECTED TIMETABLE

2010

Opening date of the Privateco Offer Friday, 26th February

Latest time for acceptance of the Privateco Offer 4:00 p.m. on Friday, 19th March

Closing date of the Privateco Offer Friday, 19th March

Announcement of the results of the Privateco Offer
posted on the Stock Exchange's website
under the Listco's and the SFC's websites by 7:00 p.m. Friday, 19th March

Announcement of the results of the Privateco Offer
published in the newspapers Saturday, 20th March

Latest date for posting of remittances for the amounts
due in respect of valid acceptances received
under the Privateco Offer Monday, 29th March

All time references contained in this Composite Offer Document and the Form of Acceptance and Transfer refer to Hong Kong time.

DEFINITIONS

In this Composite Offer Document and the Form of Acceptance and Transfer, 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
“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 as detailed in the Circular
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Listco dated 8th December, 2009 regarding, inter alia, the Proposal
“Closing Date”	19th March, 2010, or if the Privateco Offer is extended, the closing date of the Privateco Offer as extended by Red Dynasty in accordance with the Takeovers Code
“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
“Completion”	completion of the Group Restructuring, the Capital Reorganisation and the Subscription Agreement

DEFINITIONS

“Completion Date”	the date of Completion
“Composite Offer Document”	this offer and response document relating to the Privateco Offer issued by Red Dynasty and Privateco in accordance with the Takeovers Code
“Director(s)”	the director(s) of the Privateco from time to time
“Distributed Businesses”	all businesses of the Listco 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 Listco’s headquarters and other industrial properties in Shunde district of Foshan City (details of which can be found in the latest financial statements of Listco as shown on the Listco’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 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 Listco (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 Listco to the Shareholders as described in the Circular
“EGM”	the extraordinary general meeting of the Listco held at 11:00 a.m. on 31st December, 2009

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“Form of Acceptance and Transfer”	the accompanying form of acceptance and transfer of Privateco Shares
“Group Restructuring”	the reorganisation of the Listco Group comprising the Transfer and the Distribution In Specie as detailed in the Circular
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Joint Announcement”	the announcement dated 29th September, 2009 jointly issued by COLI, Listco and Red Dynasty in respect of, among other things, the Proposal
“Latest Practicable Date”	24th February, 2010, being the latest practicable date for ascertaining certain information included in this Composite Offer Document
“Listco”	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
“Listco Group”	the Listco and its existing subsidiaries
“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
“Mr. Billy Yung”	Mr. Billy K Yung, a director of Listco, and a Director and the sole director of Red Dynasty
“Mr. Simon Yung”	Mr. Simon Yung Kwok Choi, the non-executive director of Listco and a brother of Mr. Billy Yung
“Ms. Hsu”	Madam Vivian Hsu, the spouse of Mr. Billy Yung
“PRC”	People’s Republic of China
“Privateco”	Shell Electric Holdings Limited, a company incorporated in Bermuda with limited liability
“Privateco Group”	Privateco and its subsidiaries

DEFINITIONS

“Privateco Offer”	the voluntary unconditional cash offer being made by Access Capital on behalf of Red Dynasty to acquire all the Privateco Shares (including the Privateco Shares held by Mr. Simon Yung) other than those owned or agreed to be owned by Red Dynasty Concert Party
“Privateco Share(s)”	ordinary share(s) in the capital of the Privateco
“Privateco Shareholder(s)”	holder(s) of the Privateco Shares
“Proposal”	the Capital Reorganisation, the Group Restructuring, the Subscription and the transactions contemplated thereunder
“Qualifying Privateco Shareholders”	the Privateco Shareholders other than Red Dynasty and parties acting in concert with it
“Red Dynasty” of “Offeror”	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
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“sq. m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 Qualifying Privateco Shareholders in relation to the Privateco Offer
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Subscription”	the subscription by COLI (or one or more special purpose vehicles wholly-owned by COLI) of the Subscription Shares pursuant to the Subscription Agreement

DEFINITIONS

“Subscription Agreement”	the agreement dated 9th September, 2009 entered into among Listco, COLI and Mr. Billy Yung in respect of, among other things, the Subscription
“Transfer”	the transfer of certain assets and liabilities of some of the subsidiaries of the Listco to the Privateco as described in the Circular
“Transfer Agent”	Tricor Standard Limited, 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Undertaking”	an irrevocable letter of undertaking 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 “The Undertaking” in the Joint Announcement
“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.

LETTER FROM THE BOARD OF PRIVATECO

SHELL ELECTRIC HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

Mr. Billy K YUNG
Madam YUNG HO Wun Ching
Madam Vivian HSU
Mr. Eddie HURIP
Mr. David CHOW Kai Chiu

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Correspondence address in Hong Kong:

1/F Shell Industrial Building
12 Lee Chung Street
Chai Wan Industrial District
Hong Kong

26th February, 2010

To the Privateco Shareholders

Dear Sir or Madam,

**VOLUNTARY UNCONDITIONAL CASH OFFER
FOR THE PRIVATECO SHARES
BY ACCESS CAPITAL ON BEHALF OF RED DYNASTY
(OTHER THAN THOSE PRIVATECO SHARES ALREADY OWNED
OR AGREED TO BE ACQUIRED BY
RED DYNASTY AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Further to the Joint Announcement and the Circular regarding, inter alia, the Privateco Offer, and following fulfilment of the pre-condition thereto, i.e. Completion, which took place on 10th February, 2010, the Privateco Offer is now made, which is voluntary and unconditional.

This Composite Offer Document provides you with, inter alia, information on, and the procedures for acceptance and settlement of, the Privateco Offer, and the advice of Taifook (i) as to whether the Privateco Offer is, or is not, fair and reasonable; and (ii) as to acceptance.

PRIVATECO OFFER

Access Capital on behalf of Red Dynasty, is now making 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 held by Mr. Simon Yung but not those 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

LETTER FROM THE BOARD OF PRIVATECO

The Privateco Offer price of HK\$1.80 each represents a discount of approximately 50.3% to the unaudited pro forma consolidated net asset value per Privateco Share of approximately HK\$3.619 calculated based on the 523,484,562 Privateco Shares in issue as at the Latest Practicable Date and the unaudited pro forma consolidated net asset value of the Privateco Group as at 30th June, 2009 of approximately HK\$1,894.7 million as set out in Appendix III to this Composite Offer Document.

Further details of the Privateco Offer including, inter alia, the terms and conditions and the procedures for acceptance and settlement are set out in the "Letter from Access Capital Limited", Appendix I to this Composite Offer Document and the accompanying Form of Acceptance and Transfer.

INTENTION OF RED DYNASTY REGARDING THE PRIVATECO GROUP

Your attention is drawn to the "Letter from Access Capital Limited" in this Composite Offer Document for the intention of Red Dynasty regarding the Privateco Group. The Board is of the view that Red Dynasty's plan in respect of the Privateco is in the best interest of the Company and the Privateco Shareholders as a whole.

RECOMMENDATION

As the Board does not have any non-executive Directors or independent non-executive Directors, an independent committee of the board cannot be formed to give recommendation to the Qualifying Privateco Shareholders in connection with the Privateco Offer. In the circumstances, Taifook has been appointed as the independent financial adviser to advise the Qualifying Privateco Shareholders as to whether the terms of the Privateco Offer are fair and reasonable so far as the Qualifying Privateco Shareholders are concerned and whether the Qualifying Privateco Shareholders should accept the Privateco Offer. Your attention is drawn to its letter of advice to the Qualifying Privateco Shareholders set out on pages 13 to 36 of this Composite Offer Document.

ADDITIONAL INFORMATION

Your attention is also drawn to the expected timetable on page ii of this Composite Offer Document and the additional information contained in the appendices to this Composite Offer Document and the accompanying Form of Acceptance and Transfer.

Yours faithfully,
By order of the board of
SHELL ELECTRIC HOLDINGS LIMITED
Billy K Yung
Director

LETTER FROM ACCESS CAPITAL LIMITED



Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

26th February, 2010

To the Qualifying Privateco Shareholders

Dear Sir or Madam,

**VOLUNTARY UNCONDITIONAL CASH OFFER
FOR THE PRIVATECO SHARES
BY ACCESS CAPITAL ON BEHALF OF RED DYNASTY
(OTHER THAN THOSE PRIVATECO SHARES ALREADY OWNED
OR AGREED TO BE ACQUIRED BY
RED DYNASTY AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 29th September, 2009, it was announced that after Completion, Access Capital would, on behalf of the Red Dynasty and pursuant to the Takeovers Code, make the Privateco Offer. Completion took place on 10th February, 2010. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Composite Offer Document.

PRIVATECO OFFER

Access Capital on behalf of Red Dynasty, is now making the Privateco Offer on a voluntary and unconditional basis pursuant to the Takeovers Code. The Privateco Shares to be acquired under the Privateco Offer will include such Privateco Shares held by Mr. Simon Yung but not those 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 Privateco Offer price of HK\$1.80 each represents a discount of approximately 50.3% to the unaudited pro forma consolidated net asset value per Privateco Share of approximately HK\$3.619 calculated based on the 523,484,562 Privateco Shares in issue as at the Latest Practicable Date and the unaudited pro forma consolidated net asset value of the Privateco Group as at 30th June, 2009 of approximately HK\$1,894.7 million as set out in Appendix III to this Composite Offer Document.

LETTER FROM ACCESS CAPITAL LIMITED

TOTAL CONSIDERATION

As at the Latest Practicable Date, Privateco had 523,484,562 Privateco Shares in issue, of which 196,587,178 Privateco Shares (representing approximately 37.55% of the issued share capital of Privateco) were not owned or controlled by Red Dynasty and parties acting in concert with it. At the Privateco Offer price of HK\$1.80 each, the 196,587,178 Privateco Shares subject to the Privateco Offer are valued at approximately HK\$353.9 million.

FINANCING FOR THE PRIVATECO OFFER

The Privateco Offer will be financed by a facility of HK\$354 million provided by The Hongkong and Shanghai Banking Corporation Limited (“HSBC”). Access Capital is satisfied that sufficient financial resources are available to Red Dynasty to satisfy the full acceptances of the Privateco Offer. Red Dynasty confirms that it does not intend that the payment of interest on, repayment or security for the liability (contingent or otherwise) arising from, the use of the aforesaid facility will depend to any significant extent on the business of the Privateco Group.

EFFECT OF ACCEPTING THE PRIVATECO OFFER

By accepting the Privateco Offer, the Qualifying Privateco Shareholders will sell their Privateco Shares and all rights attached thereto to Red Dynasty free from all liens, charges, claims and encumbrances and any third party rights together with all rights attached to them, including the right to receive all dividends and distributions declared, paid or made at or after the date of the issue of those Privateco Shares.

The Privateco Offer also provides a cash exit to the Qualifying Privateco 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.

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.

HONG KONG STAMP DUTY

Since 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.

LETTER FROM ACCESS CAPITAL LIMITED

COMPULSORY ACQUISITION

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 to total 90% of the disinterested Privateco Shares.

INFORMATION ON RED DYNASTY

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. Mr. Billy Yung is also the sole director of Red Dynasty.

Mr. Billy Yung is a director of Listco and Privateco. 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 Privateco Group.

Ms. Hsu is the spouse of Mr. Billy Yung and a director of Privateco.

Madam Yung is the mother of Mr. Billy Yung and is a director of Privateco. Madam Yung has been involved in the development of the Distributed Businesses since inception of Listco Group and was appointed as an executive director of Listco in 1984.

RED DYNASTY'S INTENTIONS REGARDING THE PRIVATECO

It is the intention of Red Dynasty that the Privateco Group will not make material changes to its businesses. Red Dynasty intends diligently to continue the businesses of the Privateco Group and 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 is there any plans for any major assets to be injected into it, or to be disposed of. Red Dynasty has no plan to redeploy materially the fixed assets of the Privateco Group. In its ordinary course of business the Privateco Group intends to continue to seek new business opportunities vigorously to improve its profitability and prospects, and may diversify into other business should suitable opportunities arise. Following completion of the Privateco Offer, Red Dynasty intends to conduct a detailed review of the business and operations of the Privateco Group in order to formulate short and long term strategies for the Privateco Group and explore other business or investment opportunities in enhancing its future business development and strengthening its revenue

LETTER FROM ACCESS CAPITAL LIMITED

base which may necessitate a limited rationalisation of the Privateco Group's business. Any acquisition or disposal of assets or businesses of the Privateco Group in the future, if any, will be in compliance with the new bye-laws of the Privateco and the Takeovers Code (if applicable).

Red Dynasty is of the view that the Privateco Offer provides itself with a good opportunity to strengthen its investment in the Distributed Business while provides a cash exit for Privateco Shareholders to realize all or part of their shareholdings in the Privateco, which are unlisted and may be illiquid. While the Privateco Shares will not be listed, the interests of the Privateco Shareholders will be safeguarded by the new bye-laws of the Privateco, which will contain largely comparable provisions required under the Listing Rules in respect of listed issuers. A summary of the key provisions of the new bye-laws of the Privateco has been included in Appendix V to this Composite Offer Document.

Notwithstanding that 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.

ACCEPTANCE AND SETTLEMENT

Set out in Appendix I to the Composite Offer Document and the Form of Acceptance and Transfer contain the procedures for acceptance and settlement of the Privateco Offer, and further terms of the Privateco Offer.

TAXATION

You are recommended to consult your own professional advisers if you are in any doubt as to the taxation implications of your acceptance of the Privateco Offer. It is emphasised that none of Red Dynasty, Privateco, Access Capital, any of their respective directors and any persons involved in the Privateco Offer accepts responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Privateco Offer.

OVERSEAS PRIVATECO SHAREHOLDERS

The making of the Privateco Offer in, or to the Qualifying Privateco Shareholders in, any jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. Qualifying Privateco Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong should inform themselves about, and observe, all applicable legal and regulatory requirements of the relevant jurisdictions.

It is the responsibility of any Qualifying Privateco Shareholder not resident in Hong Kong who wishes to accept the Privateco Offer to satisfy himself as to the full observance of all the applicable laws and regulations of any relevant jurisdiction in connection therewith, including obtaining any government or other consent which may be required, complying with any other necessary formality and paying any issue, transfer or other taxes due in respect of such jurisdiction.

LETTER FROM ACCESS CAPITAL LIMITED

INDEPENDENT ADVICE

Taifook have been appointed as the independent financial adviser to advise the Qualifying Privateco Shareholders (i) as to whether the terms of the Privateco Offer are, or are not, fair and reasonable; and (ii) as to acceptance. Your attention is drawn to their letter of advice to the Qualifying Privateco Shareholders set out on pages 13 to 36 of the Composite Offer Document.

FURTHER INFORMATION

Your attention is drawn to the expected timetable on page ii of the Composite Offer Document and the additional information set out in the appendices to the Composite Offer Document and the Form of Acceptance and Transfer.

Yours faithfully,
For and on behalf of

ACCESS CAPITAL LIMITED

Ambrose Lam
Principal Director

Jimmy Chung
Principal Director

LETTER FROM TAIFOOK

The following is the text of a letter of advice to the Qualifying Privateco Shareholders from Taifook for the purpose of incorporation into this Composite Offer Document.



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

26th February, 2010

To the Qualifying Privateco Shareholders

Dear Sirs,

**VOLUNTARY UNCONDITIONAL CASH OFFER
FOR THE PRIVATECO SHARES
BY ACCESS CAPITAL ON BEHALF OF RED DYNASTY
(OTHER THAN THOSE PRIVATECO SHARES
ALREADY OWNED OR AGREED TO BE ACQUIRED BY
RED DYNASTY AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Qualifying Privateco Shareholders in relation to the terms of the Privateco Offer, details of which are set out in the composite offer and response document dated 26th February, 2010 (the "**Composite Offer Document**") jointly issued by the Privateco and Red Dynasty to the Privateco Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same respective meanings as defined in the Composite Offer Document unless the context otherwise requires.

On 29th September, 2009, the Listco, COLI and Red Dynasty jointly announced the Proposal which involves the Capital Reorganisation, the Group Restructuring and the Subscription. As set out in the "Letter from the board of Privateco" of the Composite Offer Document ("**Letter from the Board**"), Completion took place on 10th February, 2010 and Access Capital is making, on behalf of Red Dynasty, the Privateco Offer, which is a voluntary unconditional cash offer, for all the Privateco Shares (including the Privateco Shares held by Mr. Simon Yung) other than those owned or agreed to be acquired by Red Dynasty Concert Party.

LETTER FROM TAIFOOK

Mr. Billy Yung (currently a director of the Listco and the Privateco, and the sole director of Red Dynasty), Ms. Hsu (currently a director of the Privateco and the spouse of Mr. Billy Yung) and Mr. Chu Ka Loy (currently a director of certain subsidiaries of the Privateco) maintain stock brokerage accounts with Taifook Securities Company Limited ("**Taifook Securities**"), a fellow subsidiary of us. We consider that the above matters do not affect our independence in giving advice to the Qualifying Privateco Shareholders, given that:

- (a) we operate independently of other subsidiaries of Taifook Securities Group Limited ("**Taifook**"), our holding company, and a strictly-adopted Chinese wall policy exists between us and other subsidiaries of Taifook; and
- (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.

As set out in the Letter from the Board, since the board of Privateco does not have any non-executive Directors or independent non-executive Directors, an independent committee of the board cannot be formed to give recommendation to the Qualifying Privateco Shareholders in connection with the Privateco Offer. As such, we have been appointed as the independent financial adviser to advise the Qualifying Privateco Shareholders in respect of the Privateco Offer. In our capacity as the independent financial adviser to the Qualifying Privateco Shareholders, our role is to provide you with our independent opinion and recommendation as to whether the terms of the Privateco Offer are fair and reasonable and as to acceptance.

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 Privateco Group and have assumed that all such financial and other information and facts provided and any representations made to us, or contained in the Composite Offer Document, have been properly extracted from the relevant underlying accounting records (in case of financial information) and made after due and careful inquiry by the Privateco, the Directors and management of the Privateco 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 Composite Offer Document, were complete, true and accurate at the time they were made and continue to be so at the date of despatch of the Composite Offer Document. We have been advised by the Directors and/or management of the Privateco 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.

LETTER FROM TAIFOOK

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

- (a) the annual report of the Listco for each of the three years ended 31st December, 2008 and the interim report of the Listco for the six months ended 30th June, 2009 (the “**Interim Report**”); and
- (b) the Composite Offer Document.

We have also discussed with the Directors and/or management of the Privateco Group with respect to the terms of the Privateco Offer, 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 Privateco Group and the associated companies and jointly controlled entities of the Privateco, Listco and its associates and jointly controlled entities, and Red Dynasty and its associates.

We have not considered the tax implications on the Qualifying Privateco Shareholders of their acceptances or non-acceptances of the Privateco Offer since these are particular to their own individual circumstances. In particular, the Qualifying Privateco Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Privateco Offer and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the terms of the Privateco Offer, we have considered the following principal factors and reasons:

I. Background and principal terms of the Privateco Offer

Pursuant to the Group Restructuring completed on 10th February, 2010, the Listco group was split into a listed group and an unlisted group (namely the Privateco Group). Certain assets and liabilities of some of the subsidiaries of the Listco, which are carrying on the Distributed Businesses, were transferred to the Privateco and the Privateco (the holding company of the unlisted group) was spun off to the shareholders of the Listco through a distribution in specie to the shareholders of the Listco of all the issued Privateco Shares on the basis of one Privateco Share for every share of the Listco held.

As set out in the “Letter from Access Capital Limited” (“**Letter from Access Capital**”) of the Composite Offer Document, Access Capital, on behalf of the Red Dynasty, is making the Privateco Offer on a voluntary and unconditional basis pursuant to the Takeovers Code and as follows. The Privateco Shares to be acquired under the Privateco Offer will include such Privateco Shares held by Mr. Simon Yung but not those owned or agreed to be acquired by Red Dynasty Concert Party.

for every Privateco Share held HK\$1.80 in cash
(the “**Privateco Offer Price**”)

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As set out in the Letter from Access Capital, 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 of the terms of the Privateco Offer are set out in the Letter from Access Capital and Appendix I to the Composite Offer Document.

II. Information about the Privateco 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 II to the Composite Offer Document 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 <i>HK\$' million</i>	30th June, 2008 <i>HK\$' million</i>	31st December, 2008 <i>HK\$' million</i>	31st December, 2007 <i>HK\$' million</i>	31st December, 2006 <i>HK\$' million</i>
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	<u>(142.5)</u>	<u>54.6</u>	<u>(16.8)</u>	<u>310.4</u>	<u>212.2</u>
			As at		
	30th June, 2009 <i>HK\$' million</i>	31st December, 2008 <i>HK\$' million</i>	31st December, 2007 <i>HK\$' million</i>	31st December, 2006 <i>HK\$' million</i>	
Net assets value attributable to owners of the Privateco	<u>1,901.0</u>	<u>2,057.9</u>	<u>2,083.5</u>	<u>1,819.7</u>	

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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 Privateco that during the three years ended 31st December, 2008 and the six months ended 30th June, 2009, the Privateco 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 Privateco 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

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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
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
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 Listco for the relevant periods and the information provided by the Privateco.

Electrical household appliances segment

The electrical household appliances segment mainly comprises 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.

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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.

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

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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 Privateco 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 Privateco, 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.

Taxi rental segment

The turnover of the taxi rental segment showed a strong growth of approximately 39.3%, 65.4% and 44.7% during the year ended 31st December, 2007 and 2008 and the six months ended 30th June, 2009 respectively when comparing with their respective last corresponding years/period and the segment profit of the taxi rental segment showed a strong growth of approximately 23.4% and 32.2% during the year ended 31st December, 2007 and 2008 respectively when comparing with their respective last corresponding years. 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 Privateco Group only leases taxi licences (and not cars) to taxi drivers while under the rental model, the Privateco 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 Privateco 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 operate under the rental

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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

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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 Privateco:

	As at 30th June, 2009		
	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>HK\$'million</i>
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 and investees			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

Valuation of the property interests of the Privateco Group

The valuation of the property interests of the Privateco Group as at 30th November, 2009 are set out in the valuation reports from Knight Frank Petty Limited and Cushman & Wakefield Valuation Advisory Services (HK) Limited, independent property valuers, contained in Appendix IV to the Composite Offer Document. We have discussed with Knight Frank Petty Limited and Cushman & Wakefield Valuation Advisory Services (HK) Limited 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 rental 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 III to the Composite Offer Document, 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 523,484,562 Privateco Shares in issue as at the Latest Practicable Date, 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**").

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As set out the Accountants' Report of the Privateco Group and as advised by the Directors, the book value of investment properties of the Privateco Group as at 30th June, 2009 were approximately HK\$540.2 million and without taking into account the effect of deferred taxation and minority interests relating thereto, the market value of such properties as at 30th November, 2009 as shown in the valuation reports set out in Appendix IV to the Composite Offer Document was approximately HK\$537.0 million. Given that the aforesaid market value of investment properties of the Privateco Group as at 30th November, 2009 represents a decrease of approximately 0.6% as compared with the book value of such properties as at 30th June, 2009, we consider that there was no material change in the market value of the investment properties of the Privateco Group as at 30th November, 2009 as compared to their book value as at 30th June, 2009.

In addition, as set out in the Accountants' Report of the Privateco Group and as advised by the Directors, the net book value of land and buildings and prepaid lease rental on land as at 30th June, 2009 in aggregate amounted to approximately HK\$113.1 million and without taking into account the effect of deferred taxation and minority interests relating thereto, the market value of such properties as at 30th November, 2009 as shown in the valuation reports set out in Appendix IV to the Composite Offer Document was approximately HK\$154.7 million. Notwithstanding that the market value of such properties as at 30th November, 2009 was much higher than the net book value of such properties as at 30th June, 2009, we understand from the Directors that: (i) the appreciation of the market value of such properties as compared to their net book value as a whole was attributable to the fact that such properties were, unlike the investment properties held by the Privateco Group which were booked at their respective fair values, booked at cost less accumulated depreciation or amortisation; and (ii) the Privateco Group has no intention to dispose such properties, indicating that the Privateco Group does not intend to recover the value of such properties through disposal of such properties, making the current market value of such properties less relevant in forming our opinion. It is also noted that the increase in the market value of land and buildings and prepaid lease rental on land as at 30th November, 2009 (as compared to their net book value as at 30th June, 2009) will not have a significant impact on the combined net assets value of the Privateco Group.

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

As disclosed in the Letter from Access Capital, it is the intention of Red Dynasty that the Privateco Group will not make material changes to its businesses. Red Dynasty intends diligently to continue the businesses of the Privateco Group and 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 are there any plans for any major assets to be injected into it, or to be disposed of. Red Dynasty has no plan to redeploy materially the fixed assets of the Privateco Group. In its

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ordinary course of business the Privateco Group intends to continue to seek new business opportunities vigorously to improve its profitability and prospects, and may diversify into other business should suitable opportunities arise. Following completion of the Privateco Offer, Red Dynasty intends to conduct a detailed review of the business and operations of the Privateco Group in order to formulate short and long term strategies for the Privateco Group and explore other business or investment opportunities in enhancing its future business development and strengthening its revenue base which may necessitate a limited rationalisation of the Privateco Group's business. Any acquisition or disposal of assets or businesses of the Privateco Group in the future, if any, will be in compliance with the new bye-laws of the Privateco and the Takeovers Code (if applicable). As mentioned in the Letter from Access Capital, 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 V to the Composite Offer Document. Notwithstanding that 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 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

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 last corresponding year/period). The Directors consider that the electrical household appliances segment is currently under a difficult position. As advised by the Directors, the segment heavily relies 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.

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According to iSuppli, an international and reputable independent market research and consulting firm specialising in the electronics value chain, the electronics manufacturing services (EMS) industry suffered from the economic downturn during the year 2008, and was 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 was 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 about 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).

Based on the above, we consider that given the pricing pressure set out above as advised by the Directors, 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 leasing segment

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.

According to the U.S. Census News released by the U.S. Department of Commerce, the non-seasonally adjusted value of total construction put in place in the US in 2009 had demonstrated an approximately 12.4% decline compared with that in 2008.

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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 relieve 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 year-on-year sales price indices of buildings in 70 medium-large sized cities in the PRC had recovered from 98.7 in early 2009 to 109.5 in January 2010. In addition, the gross domestic product growth rate of the PRC for the year 2009 as compared to the year 2008 reached approximately 8.7%. In addition, the year-on-year growth on the investment in fixed assets in the PRC for the year 2009 was approximately 30.1%, which was higher than the year-on-year growth on the investment in fixed assets in the PRC for the year 2008, whereby the growth rate was approximately 25.5%.

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 government has recently announced measures to cool down property prices, including increasing supply of low-cost houses for low-income families and common residential houses, restraining purchases for speculation and investment, strengthening real estate project loan risk management and market supervision, and speeding up construction of housing projects for low-income households, etc. 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 development plans for the expansion of the business division 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

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environment, general raw material costs inflation as well as labour and operating costs increase in the 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 Privateco 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 Privateco 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 development plans for the expansion of the business division 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.

III. The Privateco Offer Price

Comparable Companies

For the purpose of assessing the fairness and reasonableness of the value of the Privateco Group implied by the Privateco Offer Price, we have identified twelve Hong Kong listed companies (the "**Comparable 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 are not aware of any Hong Kong listed company of which the major businesses comprise each of electrical household appliances segment, property leasing segment and taxi rental segment. We consider the list of Comparable Companies an exhaustive list of the relevant comparable companies. However, we have excluded Hisense Kelon Electrical Holdings Company Limited ("**Hisense Kelon**") in the list of 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 price to book multiple 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 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. As disclosed in the interim report of Ngai Lik for the six months ended 30th September, 2009, Ngai Lik recorded an unaudited consolidated net loss attributable to owners of Ngai Lik of approximately HK\$55.6 million for the six months ended 30th September, 2009 and deficit attributable to owners of Ngai Lik of approximately HK\$37.9 million as at 30th September, 2009; (ii) as disclosed in the circular of Ngai Lik 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, and as announced by Ngai Lik on 11th January, 2010, the restructuring proposal has been completed; (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

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Ngai Lik as at the Latest Practicable Date maintained at HK\$0.179 per share; and (iv) we consider that the aforesaid exceptionally increase in the 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 “Comparable Companies” shall exclude Hisense Kelon and Ngai Lik.

We have reviewed the price to book multiples (“P/B”) of the Comparable Companies. No comparison of price earnings ratios (“PER”) has been made between the Privateco Group and the Comparable Companies as the Privateco Group recorded a combined net loss after taxation attributable to owners of the Privateco for FY2008. The valuation multiples of the 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.

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	10,152.2	1.32
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	1,044.6	1.18
3. Allan International Holdings Ltd. (684)	Manufacture and distribution of household electrical appliances	738.0	1.11

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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)
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	197.2	0.81
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"	8,633.6	6.30
6. Raymond Industrial Ltd. (229)	Manufacture and sale of electronic products, electrical accessories, ironware products, optic and digital fibre products and electrical appliances	335.2	0.73
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	513.2	0.49

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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)
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	475.1	0.39
9. Wong's International (Holdings) Ltd. (99)	Mainly engages in manufacture and distribution of electronic products. Also engages in original design and manufacturing	505.5	0.49
10. Chigo Holding Ltd. (449)	Design, development, manufacture and sale of air-conditioning products	2,605.5	1.40 (Note 2)
Average			1.42
Maximum			6.30
Minimum			0.39

Source of information for 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.

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Notes:

1. P/Bs of the 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 Comparable Companies as at the Latest Practicable Date, the P/Bs of the Comparable Companies range from approximately 0.39 time to approximately 6.30 times, with an average of approximately 1.42 times. We note that the P/B of Haier was much higher than the P/Bs of other Comparable Companies. It is noted that Haier is one of the largest white goods home appliance manufacturers in the PRC. As mentioned in the interim report of Haier for the six months ended 30th June, 2009, Haier and its subsidiaries are principally engaged in the research, development, production and sale of washing machines and water heaters under the brand name of "Haier". Accordingly, the increase in sales through development of its own brand is one of the strategies of Haier. On the other hand, as advised by the Directors, the business strategy of the electrical household appliances segment of the Privateco Group is much different from that of Haier as many products of the electrical household appliances segment of the Privateco Group do not bear the brand name of the Privateco Group and the major competitive edge of the Privateco Group does not lie in the development of its own brand. We note that the P/Bs of the Comparable Companies (excluding Haier which is an outlier as compared to the P/Bs of other Comparable Companies) range from approximately 0.39 time to approximately 1.40 times, with an average of approximately 0.88 time.

It was also noted that the Comparable Companies which recorded consolidated net loss attributable to equity holders as shown in their last published consolidated annual accounts, being Raymond Industrial Ltd., Fitec International Group Ltd., and Sinotronics Holdings Ltd., in general had a lower P/B (ranging from approximately 0.39 time to approximately 0.73 time and having an average of approximately 0.54 time) than those which recorded consolidated net profit attributable to equity holders.

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 below the average of P/Bs of the Comparable Companies. The Privateco Offer Price represents a discount of approximately 50.3% to the Pro Forma NAV Per

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Share of the Privateco Group. We note that the P/Bs of the Comparable Companies excluding Haier have an average of approximately 0.88 time, which is higher than the Pro Forma Privateco Group P/B. Notwithstanding this, we consider that the Privateco Offer Price is fair and reasonable for the following reasons:

- (a) the Pro Forma Privateco Group P/B of approximately 0.50 time as mentioned above is close to the average of the P/Bs of the Comparable Companies which recorded consolidated net loss attributable to equity holders as shown in their last published consolidated annual accounts of approximately 0.54 time as set out in the paragraph headed “Comparable Companies” above;
- (b) 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;
- (c) in view of the financial performance of the Privateco Group mentioned in (b) above and the uncertainties 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” above (such as the uncertainties of the economic conditions of US and Europe, the over concentration of the manufacturing business of the Privateco Group in the electrical household appliances segment in a few customers, competitive operating environment of the electrical household appliances segment and property leasing segment businesses, and the uncertainties of the government policies on PRC property market, etc), 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; and
- (d) the Privateco is not listed on any stock exchange and liquidity of the Privateco Shares is limited. Given the lack of an active market for the trading of the Privateco Shares as the Privateco Shares are 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.

Given the limited liquidity of the Privateco Shares as the Privateco Shares are unlisted and taken together with our observation as stated in (a) above indicating that the Pro Forma Privateco Group P/B is close to the

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average of the P/Bs of the Comparable Companies which recorded consolidated net loss attributable to equity holders as shown in their last published consolidated annual accounts, the decline in the results of the Privateco Group in FY2008 and the six months ended 30th June, 2009 as mentioned in (b) above and the uncertainties of the outlook of the business of the Privateco Group as set out in (c) above, we consider that the discount of the Privateco Offer Price to the Pro Forma NAV Per Share of the Privateco Group is reasonable.

IV. Protections for the interests of the Privateco Shareholders

Privateco, as an unlisted company, is not governed by the Listing Rules and therefore is not 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 Access Capital, the interests of Privateco Shareholders will be safeguarded by the new bye-laws of the Privateco, a summary of the key terms of which is set out in the Appendix V to the Composite Offer Document. 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 Qualifying Privateco Shareholders be in doubt of the protections for the interests of the Privateco Shareholders, they may choose to realise their investment in the Privateco Shares by accepting the Privateco Offer.

V. Risk factors in holding Privateco Shares

Should Privateco Shareholders consider holding their Privateco Shares instead of accepting the Privateco Offer, they should bear in mind the following risk factors:

(a) Lack of liquidity of Privateco Shares

As mentioned above, the Privateco is not listed on any stock exchange and liquidity of the Privateco Shares is limited. Given the lack of an active market for the trading of the Privateco Shares as the Privateco Shares are unlisted, Privateco Shareholders would have difficulty in realising their investments in the Privateco Shares.

(b) Privateco Shareholders will not be protected by the Listing Rules

As the Privateco is an unlisted company, the Privateco Shareholders will not be able to enjoy the protections presently afforded by the Listing Rules. However, as mentioned in the paragraph headed "Protections for the interests of the Privateco Shareholders" above, we consider 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.

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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 Privateco is not listed on any stock exchange and liquidity of the Privateco Shares is limited. Given the lack of an active market for the trading of the Privateco Shares as the Privateco Shares are unlisted, Privateco Shareholders would have difficulty in realising their investments in the Privateco Shares and 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 while the Privateco Offer provides an alternative exit to such Privateco Shareholders to realise their investment through the Privateco Offer;
- (iii) the Pro Forma Privateco Group P/B is close to the average of the P/Bs of the Comparable Companies which recorded consolidated net loss attributable to equity holders as shown in their last published consolidated annual accounts; and
- (iv) Privateco, as an unlisted company, is not governed by the Listing Rules and therefore is not subject to the same degree of corporate governance and minority protection requirements as set out in the Listing Rules, despite the fact that Privateco will continue to be subject to the Takeovers Code for as long as it remains a public company,

we consider that the terms of the Privateco Offer are fair and reasonable so far as the Qualifying Privateco Shareholders are concerned. Accordingly, we recommend the Qualifying Privateco Shareholders to accept the Privateco Offer.

Qualifying Privateco Shareholders who are attracted by the future prospects of the Privateco Group and are confident on the management of the Privateco Group may consider retaining some or all of their Privateco Shares.

Yours faithfully,
For and on behalf of
Taifook Capital Limited

Derek C. O. Chan
Managing Director

Kenneth Ng
Executive Director

PROCEDURES FOR ACCEPTANCE

Your registered holding of Privateco Shares is set out in Box B in the accompanying Form of Acceptance and Transfer. To accept the Privateco Offer, whether in full or in part of your Privateco Shares, you should duly complete the Form of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Privateco Offer.

The completed Form of Acceptance and Transfer should then be forwarded by post or by hand to, which should also reach, the Transfer Agent (Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) marked "Privateco Offer" on the envelope by no later than 4:00 p.m. on Friday, 19th March, 2010 (being the Closing Date).

If your Privateco Shares are held through your licensed securities dealer/registered institution in securities/custodian bank through CCASS, you must instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Privateco Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet such deadline, you should check with your licensed securities dealer/registered institution in securities/custodian bank on the timing for the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.

If your Privateco Shares are held through your Investor Participant Account maintained with CCASS, you must authorise your instruction via the CCASS Phone System or the CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

No acknowledgement of receipt of any Form of Acceptance and Transfer will be given.

Your attention is also drawn to the further details regarding the procedures for acceptance set out in the Form of Acceptance and Transfer.

SETTLEMENT

Provided that a valid Form of Acceptance and Transfer is complete and in good order and has been received by the Transfer Agent by no later than 4:00 p.m. on the Closing Date, a cheque for the amount representing the consideration due to you in respect of the Privateco Shares tendered by you under the Privateco Offer will be despatched to you by ordinary post at your own risk as soon as possible but in any event within 10 days of the date on which the duly completed Form of Acceptance and Transfer which renders such acceptance complete and valid is received by the Transfer Agent. If such is not a business day, then the day by which the aforesaid consideration to be despatched will be extended to the next business day thereafter.

Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holder(s) should contact Red Dynasty for payment.

Settlement of the consideration to which any Qualifying Privateco Shareholder is entitled under the Privateco Offer will be implemented in full in accordance with the terms of the Privateco Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which Red Dynasty may otherwise be, or claim to be, entitled against such Qualifying Privateco Shareholder.

NOMINEE REGISTRATION

To ensure equality of treatment of all Qualifying Privateco Shareholders, those Qualifying Privateco Shareholders who hold Privateco Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the Privateco Shares, whose investments are registered in nominee names, to accept the Privateco Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Privateco Offer.

The completed Form of Acceptance and Transfer and remittances sent by or to the Qualifying Privateco Shareholders through ordinary post will be sent by or to them at their own risk. The remittances will be sent to them at their addresses as they appear in the register of members of Privateco (or in the case of joint Qualifying Privateco Shareholders, to the Qualifying Privateco Shareholder whose name stands first in the register of members of Privateco).

All such documents and remittances will be sent at the risk of the persons entitled thereto and none of Red Dynasty, Privateco, Access Capital, any of their respective directors and any other persons involved in the Privateco Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

Tricor Standard Limited has been appointed as the transfer agent to handle splitting and registration of transfer of the Privateco Shares. The charge for splitting of Privateco Share certificates are expected to be HK\$2.5 per new certificate issued. The charge for transfer of Privateco Shares are expected to be HK\$2.5 per old Privateco Share certificate cancelled or per new Privateco Share certificate issued, whichever is the higher. Both charges shall be borne by the holder(s) of the Privateco Shares or transferee who lodges the request with the transfer agent. New certificates will be available for collection within 10 Business Days upon surrender of the old Privateco Share certificates to the transfer agent for splitting or lodgement of the transfer form and the related Privateco Share certificates to the transfer agent for registration of transfer.

ACCEPTANCE PERIOD, EXTENSIONS AND REVISIONS

Unless the Privateco Offer has previously been extended or revised, the latest time for acceptance under the Privateco Offer is at 4:00 p.m. on Friday, 19th March, 2010 (being the Closing Date).

If the Privateco Offer is extended or revised, an announcement of such extension or revision will be published by Red Dynasty on the Stock Exchange's website under the Listco and the SFC's website by 7:00 p.m. on the Closing Date which will state either the next closing date or that the Privateco Offer will remain open until further notice. In the latter case, it will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to those Qualifying

Privateco Shareholders who have not accepted the Privateco Offer and, unless previously extended or revised, shall be closed on the subsequent closing date. The benefit of any revision of the Privateco Offer will also be available to all Qualifying Privateco Shareholders who have previously accepted the Privateco Offer. The execution of any Form of Acceptance and Transfer by or on behalf of any Qualifying Privateco Shareholders who have previously accepted the Privateco Offer shall be deemed to constitute acceptance of any revised Privateco Offer.

If the Closing Date is extended, any reference in this Composite Offer Document and in the Form of Acceptance and Transfer shall, except where the context otherwise requires, be deemed to refer to the closing date of the Privateco Offer so extended.

The Offeror may introduce new conditions to be attached to any revision to the Privateco Offer, or any subsequent revision thereof but only to the extent necessary to implement the revised offer and subject to the consent of the Executive.

ANNOUNCEMENTS

By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit) the Offeror shall inform the Executive of its intention in relation to the extension or revision of the Privateco Offer. The Offeror shall publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Privateco Offer has been revised or extended. Such announcement shall state the total number of Privateco Shares and rights over Privateco Shares:

- (i) for which acceptances of the Privateco Offer have been received;
- (ii) held, controlled or directed by Red Dynasty or any parties acting in concert with it before 10th August, 2009 (being the commencement date of the offer period as defined in the Takeovers Code for the Privateco Offer); and
- (iii) acquired or agreed to be acquired during the offer period as defined in the Takeovers Code for the Privateco Offer by Red Dynasty or any parties acting in concert with it.

The announcement must specify the percentages of the issued share capital of Privateco, and the percentages of voting rights, represented by the total number of issued Privateco Shares.

In computing the number of Privateco Shares represented by acceptances, only valid acceptances that are complete and in good order and which have been received by the Transfer Agent by no later than 4:00 p.m. on the Closing Date shall be included.

As required under the Takeovers Code, all announcements in relation to the Privateco Offer in respect of which the Executive has confirmed that he has no further comments thereon must be published as a paid announcement in the Standard and the Hong Kong Economic Journal, or at least one English language newspaper and one Chinese language newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong. All documents published in respect of Privateco will also be delivered to the Executive in electronic form for publication on the SFC's website.

RIGHT OF WITHDRAWAL

Acceptance of the Privateco Offer tendered by the Qualifying Privateco Shareholders shall be irrevocable and cannot be withdrawn unless the Executive requires that a right of withdrawal is granted in the event that the requirements of Rule 19 of the Takeovers Code have not been complied with.

The Privateco Offer will be in respect of securities of a company incorporated in Bermuda and will be subject to the procedures and disclosure requirements under the relevant Hong Kong laws and regulations, which may be different from other jurisdictions. The making of the Privateco Offer or the acceptance thereof by persons not being a resident of Hong Kong or with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. Qualifying Privateco Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

It is the responsibility of any such persons who wish to accept the Privateco Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Red Dynasty that the local laws and requirements have been fully complied with. Qualifying Privateco Shareholders should consult their professional adviser if in doubt.

GENERAL

- (i) Acceptance of the Privateco Offer by any person will be deemed to constitute a warranty by such person to Red Dynasty and Privateco that the Privateco Shares sold under the Privateco Offer are sold by such person free from all rights of pre-emption, options, liens, claim, equities, charges, encumbrances or third party rights of any nature and the relevant Privateco Shares are sold with all rights attaching or accruing thereto, including the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of those Privateco Shares.
- (ii) All communications, notices, Forms of Acceptance and Transfer and remittances to settle the consideration payable under the Privateco Offer to be delivered by or sent to or from the accepting Qualifying Privateco Shareholders will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of Red Dynasty, Privateco, Access Capital, any of their respective directors, agents and advisers accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (iii) The provisions set out in the Form of Acceptance and Transfer form part of the terms of the Privateco Offer.
- (iv) The accidental omission to despatch this Composite Offer Document and/or the Form of Acceptance and Transfer to any person to whom the Privateco Offer is made will not invalidate the Privateco Offer in any way.

- (v) The Privateco Offer, all acceptances thereof and contracts resulting therefrom will be governed by and construed in accordance with the Laws of Hong Kong.
- (vi) References to the Privateco Offer in this Composite Offer Document and in the Form of Acceptance and Transfer shall include any revision or extension thereof.
- (vii) Due execution of the Form of Acceptance and Transfer will constitute an irrevocable authority to any director of Red Dynasty or Access Capital or such person or persons as the Red Dynasty or Access Capital may direct to complete and execute, on behalf of the person accepting the Privateco Offer, any document and to do any other act that may be necessary or expedient for the purpose of vesting in Red Dynasty, or such other person(s) as Red Dynasty shall direct, all rights of the accepting Qualifying Privateco Shareholders in respect of the Privateco Shares which are the subject of such acceptance.

(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 Composite Offer Document, no qualified opinion had been given in the Accountants' Report on the financial statements of the Privateco Group in respect of each of the three years ended 31st December, 2008 and the six months ended 30th June, 2009:



Member of Grant Thornton International Ltd

26th February, 2010

The Board of Directors
Shell Electric Holdings 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 composite offer document dated 26th February, 2010 in connection with the voluntary unconditional cash offer for the shares of the Privateco by Access Capital Limited on behalf of Red Dynasty Investments Limited ("Red Dynasty") (other than those shares already owned by Red Dynasty and parties acting in concert with it) (the "Privateco Offer").

The Privateco was incorporated in Bermuda on 20th August, 2009 with limited liability. Pursuant to the group restructuring (the "Group Restructuring"), the capital reorganisation (the "Capital Reorganisation") and the subscription of new shares (the "Subscription") proposed by the directors of Shell Electric Mfg. (Holdings) Company Limited (the "Company") as set out in the circular of the Company dated 8th December, 2009 which was approved by the shareholders of the Company in the extraordinary general meeting on 31st December, 2009, the Privateco has acquired 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”). In addition, all the shares of the Privateco held by the Company were distributed in specie to the shareholders of the Company upon fulfillment of all the conditions to the Group Restructuring on 10th February, 2010, which include the Capital Reorganisation becoming effective and all the conditions to completion of the Subscription having been fulfilled or waived. Following the completion of the Group Restructuring, the Capital Reorganisation and the Subscription, Access Capital Limited is to make the Privateco Offer, which is unconditional, on behalf of Red Dynasty.

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. 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 of Privateco (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 Privateco 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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

COMBINED INCOME STATEMENTS

	NOTES	Year ended 31st December,			Six months ended	
		2006	2007	2008	30th June, 2008	2009
		HK\$'000	HK\$'000	HK\$'000	(Unaudited) 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		<u>212,727</u>	<u>311,093</u>	<u>(19,452)</u>	<u>54,032</u>	<u>(143,007)</u>
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)
		<u>212,727</u>	<u>311,093</u>	<u>(19,452)</u>	<u>54,032</u>	<u>(143,007)</u>

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31st December,			Six months ended	
	2006	2007	2008	30th June, 2008	2009
	HK\$'000	HK\$'000	HK\$'000	(Unaudited) HK\$'000	HK\$'000
Profit/(Loss) for the year/period	<u>212,727</u>	<u>311,093</u>	<u>(19,452)</u>	<u>54,032</u>	<u>(143,007)</u>
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	<u>1,021</u>	<u>(478)</u>	<u>(25,189)</u>	<u>(1,782)</u>	<u>1,964</u>
	<u>25,523</u>	<u>39,274</u>	<u>70,069</u>	<u>48,891</u>	<u>5,520</u>
Fair value change on available-for-sale financial assets	<u>(13,020)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Other comprehensive income for the year/period, net of tax	<u>12,503</u>	<u>39,274</u>	<u>70,069</u>	<u>48,891</u>	<u>5,520</u>
Total comprehensive income for the year/period	<u><u>225,230</u></u>	<u><u>350,367</u></u>	<u><u>50,617</u></u>	<u><u>102,923</u></u>	<u><u>(137,487)</u></u>
Total comprehensive income attributable to:					
Owners of the Privateco	225,025	349,605	53,195	103,428	(136,940)
Non-controlling interests	<u>205</u>	<u>762</u>	<u>(2,578)</u>	<u>(505)</u>	<u>(547)</u>
	<u><u>225,230</u></u>	<u><u>350,367</u></u>	<u><u>50,617</u></u>	<u><u>102,923</u></u>	<u><u>(137,487)</u></u>

Notes:

- (i) There were no extraordinary items and exceptional items for the Privateco Group during each of the three financial years ended 31st December, 2008 and the six months ended 30th June, 2009.
- (ii) Basic earnings/(loss) per share for the years ended 31st December, 2006, 2007 and 2008 and the six months ended 30th June 2008 and 30th June 2009 is HK\$0.405, HK\$0.593, (HK\$0.032), HK\$0.104 and (HK\$0.272) respectively, which is calculated based on the combined profit/(loss) attributable to the owners of the Privateco for each of the Relevant Periods, and on the assumption that 523,484,562 shares as mentioned in note 35 were in issue throughout the Relevant Periods. Diluted earnings per share is not presented as its inclusion, for the purpose of this report, is not considered meaningful.
- (iii) Dividend declared and dividend paid are disclosed in note 11.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

COMBINED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31st December,			As at
		2006	2007	2008	30th June, 2009
		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	-	-
		<u>1,488,176</u>	<u>1,667,219</u>	<u>1,589,887</u>	<u>1,461,510</u>
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
		<u>1,057,738</u>	<u>2,017,323</u>	<u>1,724,265</u>	<u>1,578,122</u>
Assets classified as held for sale	31	156,504	-	-	-
		<u>1,214,242</u>	<u>2,017,323</u>	<u>1,724,265</u>	<u>1,578,122</u>

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

		As at 31st December,			As at
		2006	2007	2008	30th June,
	NOTES	HK\$'000	HK\$'000	HK\$'000	2009
					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
		<u>725,707</u>	<u>1,435,140</u>	<u>707,306</u>	<u>719,120</u>
Net current assets		<u>488,535</u>	<u>582,183</u>	<u>1,016,959</u>	<u>859,002</u>
Total assets less current liabilities		<u>1,976,711</u>	<u>2,249,402</u>	<u>2,606,846</u>	<u>2,320,512</u>
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
		<u>146,248</u>	<u>154,348</u>	<u>539,998</u>	<u>411,078</u>
Net assets		<u>1,830,463</u>	<u>2,095,054</u>	<u>2,066,848</u>	<u>1,909,434</u>
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		<u>1,830,463</u>	<u>2,095,054</u>	<u>2,066,848</u>	<u>1,909,434</u>

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

	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 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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

	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

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31st December,			Six months ended 30th June,	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	(Unaudited) 2008 HK\$'000	2009 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)

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	Year ended 31st December,			Six months ended 30th June, (Unaudited)	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2008 HK\$'000	2009 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") 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.

The Privateco was a wholly-owned subsidiary of Shell Electric Mfg. (Holdings) Company Limited (the "Company"). As mentioned in note 2 below, all the shares of the Privateco were distributed in specie to the shareholders of the Company on 10th February, 2010.

2. BASIS OF PREPARATION

Pursuant to the group restructuring (the "Group Restructuring") proposed by the directors of the Company and approved by the shareholders of the Company in the extraordinary general meeting on 31st December, 2009:

- (i) the Privateco has acquired 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 were distributed in specie to the shareholders of the Company on 10th February, 2010 upon fulfillment of all the conditions to the Group Restructuring.

Upon completion of the Transfer, the Privateco would 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 assessed by the directors of the Company and the directors of the Privateco (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

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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 ⁷
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 ⁸
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2008 – amendments to HKFRS 5 ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 ³
HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement ⁷
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 18	Transfer of Assets from Customers ²
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

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 July, 2010

⁷ Effective for annual periods beginning on or after 1st January, 2011

⁸ 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 end of 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	
	2006	2007	2008	30th June, 2008	2009
	HK\$'000	HK\$'000	HK\$'000	(Unaudited) 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	<u>1,324,926</u>	<u>1,418,298</u>	<u>1,201,894</u>	<u>597,854</u>	<u>542,295</u>

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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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 <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Car rental <i>HK\$'000</i>	All other segments <i>HK\$'000</i>	Combined <i>HK\$'000</i>	
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 <i>HK\$'000</i>	
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 <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Car rental <i>HK\$'000</i>	All other segments <i>HK\$'000</i>	Corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
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

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

	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 amortisation	(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

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

	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

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

	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

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

	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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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	
	2006	2007	2008	30th June, 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
	<u>1,324,926</u>	<u>1,418,298</u>	<u>1,201,894</u>	<u>597,854</u>	<u>542,295</u>

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
	2006	2007	2008	30th June, 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
	<u>1,195,358</u>	<u>1,275,731</u>	<u>1,303,291</u>	<u>1,185,071</u>
	<u>1,307,810</u>	<u>1,429,065</u>	<u>1,454,921</u>	<u>1,335,326</u>

7. OTHER INCOME

	Year ended 31st December,			Six months ended	
	2006	2007	2008	30th June, 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
	<u>55,903</u>	<u>65,213</u>	<u>87,461</u>	<u>43,459</u>	<u>43,426</u>

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

8. PROFIT/(LOSS) BEFORE INCOME TAX

	Year ended 31st December,			Six months ended	
	2006	2007	2008	30th June, 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	
	2006	2007	2008	30th June, 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
Total	128,131	109,750	105,825	57,963	49,933

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

9. FINANCE COSTS

	Year ended 31st December,			Six months ended	
	2006	2007	2008	30th June, 2008	2009
				(Unaudited)	
	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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
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	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total borrowing costs	<u>31,381</u>	<u>43,329</u>	<u>43,051</u>	<u>23,966</u>	<u>9,218</u>

10. INCOME TAX EXPENSE

	Year ended 31st December,			Six months ended	
	2006	2007	2008	30th June, 2008	2009
				(Unaudited)	
	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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	10,561	9,726	17,006	6,392	10,247
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
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	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	30,164	5,335	13,866	12,693	80,965
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred tax (note 38)	12,299	9,269	7,360	12,326	(5,776)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>53,024</u>	<u>24,330</u>	<u>38,232</u>	<u>31,411</u>	<u>85,436</u>

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%).

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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	
	2006	2007	2008	2008	2009
	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	
	2006	2007	2008	2008	2009
	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

No dividend was proposed or declared by the Privateco during the Relevant Periods as the Privateco has not been incorporated during the Relevant Periods.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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. Dividend per share is not presented as such information is not meaningful for the purpose of this report.

12. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

	Salaries, allowances and other benefits <i>HK\$'000</i>	Retirement fund contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	–	–	–
	<u>6,843</u>	<u>226</u>	<u>7,069</u>

	Salaries, allowances and other benefits <i>HK\$'000</i>	Retirement fund contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	–	–	–
	<u>7,352</u>	<u>230</u>	<u>7,582</u>

	Salaries, allowances and other benefits <i>HK\$'000</i>	Retirement fund contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	–	–	–
	<u>6,459</u>	<u>191</u>	<u>6,650</u>

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	Salaries, allowances and other benefits <i>HK\$'000</i>	Retirement fund contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	-	-	-
	<u>2,841</u>	<u>96</u>	<u>2,937</u>

	Salaries, allowances and other benefits <i>HK\$'000</i>	Retirement fund contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	-	-	-
	<u>2,761</u>	<u>96</u>	<u>2,857</u>

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	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and other benefits	13,788	9,536	7,049	3,372	2,439
Retirement fund contributions	143	100	12	6	34
	<u>13,931</u>	<u>9,636</u>	<u>7,061</u>	<u>3,378</u>	<u>2,473</u>

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

Their emoluments were within the following bands:

	Number of employee				
	Year ended 31st December,			Six months ended	
	2006	2007	2008	30th June, 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	-	-	-	-
	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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
	2006	2007	2008	30th June, 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	<u>698,265</u>	<u>715,494</u>	<u>660,068</u>	<u>540,234</u>

The carrying amount of the Privateco Group's interests in investment properties is analysed as follows:

	As at 31st December,			As at
	2006	2007	2008	30th June, 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
	<u>698,265</u>	<u>715,494</u>	<u>660,068</u>	<u>540,234</u>

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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 II-93.

14. PROPERTY, PLANT AND EQUIPMENT

	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	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

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

	Land and buildings	Plant and machinery	Tools and moulds	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	–	–	–	–
<hr/>						
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)
<hr/>						
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)
<hr/>						
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)
<hr/>						
At 30th June, 2009	39,152	37,014	64,922	52,340	17,857	211,285
<hr/>						
NET CARRYING AMOUNT						
At 31st December, 2006	<u>88,456</u>	<u>14,114</u>	<u>374</u>	<u>23,590</u>	<u>7,308</u>	<u>133,842</u>
At 31st December, 2007	<u>90,644</u>	<u>14,642</u>	<u>350</u>	<u>18,749</u>	<u>18,469</u>	<u>142,854</u>
At 31st December, 2008	<u>97,771</u>	<u>14,066</u>	<u>218</u>	<u>16,829</u>	<u>31,785</u>	<u>160,669</u>
At 30th June, 2009	<u>96,044</u>	<u>12,742</u>	<u>148</u>	<u>13,800</u>	<u>45,315</u>	<u>168,049</u>

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009 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
	<u>105,467</u>	<u>108,419</u>	<u>115,946</u>	<u>113,142</u>
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
	<u>105,467</u>	<u>108,419</u>	<u>115,946</u>	<u>113,142</u>

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
	2006	2007	2008	30th June, 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)
	<u>17,011</u>	<u>17,775</u>	<u>18,175</u>	<u>17,098</u>
	As at 31st December,			As at
	2006	2007	2008	30th June, 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
	<u>17,011</u>	<u>17,775</u>	<u>18,175</u>	<u>17,098</u>

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

16. GOODWILL

	Year ended 31st December,			Six months ended
	2006	2007	2008	30th June, 2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount at the beginning of the year/period	-	-	-	-
Acquisition of additional interest in a subsidiary	1,473	-	-	-
Impairment loss	(1,473)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount at the end of the year/period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

17. OTHER INTANGIBLE ASSET

	Taxi licences HK\$'000
COST	
At 1st January, 2006	202,267
Translation adjustment	<u>7,198</u>
At 31st December, 2006 and 1st January, 2007	209,465
Translation adjustment	<u>15,279</u>
At 31st December, 2007 and 1st January, 2008	224,744
Translation adjustment	<u>13,890</u>
At 31st December, 2008 and 1st January, 2009	238,634
Translation adjustment	<u>105</u>
At 30th June, 2009	<u>238,739</u>
AMORTISATION AND IMPAIRMENT	
At 1st January, 2006	38,400
Translation adjustment	<u>1,366</u>
At 31st December, 2006 and 1st January, 2007	39,766
Translation adjustment	<u>2,901</u>
At 31st December, 2007 and 1st January, 2008	42,667
Translation adjustment	<u>2,637</u>
At 31st December, 2008 and 1st January, 2009	45,304
Translation adjustment	<u>20</u>
At 30th June, 2009	<u>45,324</u>
NET CARRYING AMOUNT	
At 31st December, 2006	<u>169,699</u>
At 31st December, 2007	<u>182,077</u>
At 31st December, 2008	<u>193,330</u>
At 30th June, 2009	<u>193,415</u>

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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
	2006	2007	2008	30th June, 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
	<u>289,383</u>	<u>366,962</u>	<u>418,860</u>	<u>413,266</u>

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			Six months
	Year ended 31st December,			ended
	2006	2007	2008	30th June, 2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results for the year/period				
Revenue	<u>876,203</u>	<u>835,591</u>	<u>1,104,349</u>	<u>459,206</u>
Profit/(Loss)	<u>250,363</u>	<u>286,170</u>	<u>167,345</u>	<u>(98,623)</u>

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

	As at 31st December,			As at
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009
				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	<u>1,014,980</u>	<u>1,292,856</u>	<u>1,472,933</u>	<u>1,372,488</u>

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
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
Share of net assets	-	3,931	3,873	3,318
Goodwill on acquisition	-	390	390	390
	<u>-</u>	<u>4,321</u>	<u>4,263</u>	<u>3,708</u>

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
	2006	2007	2008	ended
	HK\$'000	HK\$'000	HK\$'000	30th June,
				2009
				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
	<u>-</u>	<u>3,931</u>	<u>3,873</u>	<u>3,318</u>
	As at 31st December,			As at
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009
				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)
	<u>-</u>	<u>3,931</u>	<u>3,873</u>	<u>3,318</u>

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31st December,			As at
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009 HK\$'000
Unlisted investments				
Convertible notes (<i>note (a)</i>)	–	5,070	–	–
Club debentures (<i>note (b)</i>)	2,920	2,920	2,920	2,920
	<u>2,920</u>	<u>7,990</u>	<u>2,920</u>	<u>2,920</u>

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,			As at
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009 HK\$'000
Loans receivable from				
Investees (<i>note (a)</i>)	15,600	–	14,212	13,253
Associates (<i>note (b)</i>)	164,974	152,668	128,928	120,377
Others (<i>note (c)</i>)	42,269	49,730	40,593	41,947
	<u>222,843</u>	<u>202,398</u>	<u>183,733</u>	<u>175,577</u>
Less: Impairment (<i>notes (a) and (c)</i>)	(38,251)	(45,877)	(38,250)	(38,942)
	<u>184,592</u>	<u>156,521</u>	<u>145,483</u>	<u>136,635</u>
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
	<u>184,592</u>	<u>156,521</u>	<u>145,483</u>	<u>136,635</u>

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.

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23. INVENTORIES

	As at 31st December,			As at
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009
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
	<u>98,617</u>	<u>112,916</u>	<u>123,332</u>	<u>83,129</u>
Inventories stated				
At cost	84,942	102,129	106,772	75,276
At net realisable value	13,675	10,787	16,560	7,853
	<u>98,617</u>	<u>112,916</u>	<u>123,332</u>	<u>83,129</u>

24. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31st December,			As at
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009
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 (<i>note</i>)	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
	<u>224,817</u>	<u>277,367</u>	<u>287,258</u>	<u>199,198</u>

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
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009
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
	<u>142,752</u>	<u>179,780</u>	<u>250,407</u>	<u>155,528</u>

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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
	2006	2007	2008	30th June, 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)	–	–	–
	<u>18,964</u>	<u>12,530</u>	<u>13,436</u>	<u>15,100</u>
Carrying amount at the end of the year/period	<u>18,964</u>	<u>12,530</u>	<u>13,436</u>	<u>15,100</u>

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
	2006	2007	2008	30th June, 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
	<u>18,964</u>	<u>12,530</u>	<u>13,436</u>	<u>15,100</u>
	<u>18,964</u>	<u>12,530</u>	<u>13,436</u>	<u>15,100</u>

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009
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
	<u>14,513</u>	<u>24,376</u>	<u>83,839</u>	<u>31,338</u>

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
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009
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
	<u>184,884</u>	<u>48,381</u>	<u>20,643</u>	<u>41,301</u>

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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

28. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31st December,			As at
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009
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 [#]		Knock-out price	Maturity date
	HK\$	Lower	Higher	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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

30. CASH AND CASH EQUIVALENTS

	As at 31st December,			As at
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009 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
	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
	2006	2007	2008	June,
	HK\$'000	HK\$'000	HK\$'000	2009 HK\$'000
Investment properties (note (a))	24,914	–	–	–
Interest in an associate (note (b))	131,590	–	–	–
	156,504	–	–	–
	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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

32. TRADE AND OTHER PAYABLES

	As at 31st December,			As at
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009 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
	<u>292,699</u>	<u>313,207</u>	<u>335,563</u>	<u>231,659</u>

The ageing analysis of trade payables (based on invoice date) is as follows:

	As at 31st December,			As at
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009 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
	<u>89,850</u>	<u>107,984</u>	<u>123,230</u>	<u>68,863</u>

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
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009 HK\$'000
Bank loans				
Secured	109,809	497,478	352,404	349,688
Unsecured	376,340	565,735	328,193	348,595
	<u>486,149</u>	<u>1,063,213</u>	<u>680,597</u>	<u>698,283</u>

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

The movement of bank borrowings is as follows:

	Year ended 31st December,			Six months ended 30th June, 2009
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 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	<u>486,149</u>	<u>1,063,213</u>	<u>680,597</u>	<u>698,283</u>

The maturity of bank borrowings is as follows:

	As at 31st December,			As at 30th June, 2009
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 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	–	–
	<u>486,149</u>	<u>1,063,213</u>	<u>680,597</u>	<u>698,283</u>
Less: Amounts due within one year included in current liabilities	<u>(379,573)</u>	<u>(959,819)</u>	<u>(209,152)</u>	<u>(354,167)</u>
Amounts due after one year included in non-current liabilities	<u>106,576</u>	<u>103,394</u>	<u>471,445</u>	<u>344,116</u>

The carrying amounts of the bank loans are denominated in the following currencies:

	As at 31st December,			As at 30th June, 2009
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 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
	<u>486,149</u>	<u>1,063,213</u>	<u>680,597</u>	<u>698,283</u>

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 was increased to 523,484,562 shares by issuing 523,484,561 ordinary shares to the Company on 3rd December, 2009 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 pages 9 to 11 in Appendix II. 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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

38. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised and movements thereon during the Relevant Periods:

	Accelerated tax depreciation <i>HK\$'000</i>	Amortisation on intangible assets <i>HK\$'000</i>	Allowance on trade receivables <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
<hr/>							
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
<hr/>							
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
<hr/>							
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)
<hr/>							
At 30th June, 2009	903	20,230	(55)	30,269	-	-	51,347

Represented by:

	As at 31st December,			As at
	2006	2007	2008	30th June,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2009 <i>HK\$'000</i>
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

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009 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
	<u>504,679</u>	<u>346,543</u>	<u>280,992</u>	<u>242,959</u>

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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options		As at 31.12.2006
				As at 1.1.2006	Cancelled during the year	
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
					<u>27,000</u>	<u>-</u>
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	
				<u>183,500</u>	<u>(90,000)</u>	<u>93,500</u>

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			As at 31.12.2006
				As at 1.1.2006	Cancelled during the year	Granted during the year	
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	

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			As at 31.12.2006
				As at 1.1.2006	Cancelled during the year	Granted during the year	
	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
				<u>75,500</u>	<u>(13,000)</u>	<u>17,000</u>	<u>79,500</u>
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
				<u>30,425</u>	<u>-</u>	<u>-</u>	<u>30,425</u>
				<u>316,425</u>	<u>(103,000)</u>	<u>17,000</u>	<u>230,425</u>
Weighted average exercise price (HK\$)				<u>19.60</u>	<u>19.99</u>	<u>23.40</u>	<u>19.70</u>

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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 US\$	Number of share options			As at 31.12.2007
				As at 1.1.2007	Cancelled during the year	Granted during the year	
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
					<u>27,000</u>	<u>-</u>	<u>-</u>
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)	-	-	
				<u>93,500</u>	<u>(80,000)</u>	<u>-</u>	<u>13,500</u>
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

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			As at 31.12.2007
				As at 1.1.2007	Cancelled during the year	Granted during the year	
	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)	–	–
				<u>79,500</u>	<u>(45,000)</u>	<u>–</u>	<u>34,500</u>
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
				<u>30,425</u>	<u>–</u>	<u>–</u>	<u>30,425</u>
				<u>230,425</u>	<u>(125,000)</u>	<u>–</u>	<u>105,425</u>
Weighted average exercise price (HK\$)				<u>19.70</u>	<u>22.62</u>	<u>–</u>	<u>16.24</u>

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

Movements in the options to subscribe for shares in Apeon for the year ended 31st December, 2008 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			As at 31.12.2008
				As at 1.1.2008	Cancelled during the year	Granted during the year	
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	–	–
Other directors of Apeon	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)	–
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	–	–

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			As at 31.12.2008	
				As at 1.1.2008	Cancelled during the year	Granted during the year		
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 US\$	Number of share options			As at 30.06.2009
				As at 1.1.2009	Cancelled during the period	Granted during the period	
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	–	–
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

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options		As at 30.06.2009		
				As at 1.1.2009	Cancelled during the period		Granted during the period	
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

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			As at 31.12.2006
				As at 1.1.2006	Cancelled during the year	Granted during the year	
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

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			As at 31.12.2006
				As at 1.1.2006	Cancelled during the year	Granted during the year	
	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)	-	-
				<u>860,000</u>	<u>(350,000)</u>	<u>-</u>	<u>510,000</u>
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

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Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			As at 31.12.2006
				As at 1.1.2006	Cancelled during the year	Granted during the year	
	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
				<u>437,500</u>	<u>(167,500)</u>	<u>–</u>	<u>270,000</u>
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
				<u>156,250</u>	<u>–</u>	<u>–</u>	<u>156,250</u>
				<u>1,653,750</u>	<u>(517,500)</u>	<u>–</u>	<u>1,136,250</u>
Weighted average exercise price (HK\$)				<u>3.84</u>	<u>4.40</u>	<u>–</u>	<u>3.58</u>

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 31.12.2007
				As at 1.1.2007	Cancelled during the year	Granted during the year	
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
				<u>200,000</u>	<u>–</u>	<u>–</u>	<u>200,000</u>
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

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options		As at 31.12.2007
				As at 1.1.2007	Granted during the year	
	31.12.2007	01.01.2008 – 10.11.2012	0.45	-	-	372,832
	31.12.2007	01.07.2008 – 10.11.2012	0.45	-	-	372,832
	31.12.2007	01.01.2009 – 10.11.2012	0.45	-	-	372,832
	31.12.2007	01.07.2009 – 10.11.2012	0.45	-	-	372,832
	31.12.2007	01.01.2010 – 10.11.2012	0.45	-	-	372,832
	31.12.2007	01.07.2010 – 10.11.2012	0.45	-	-	372,832
	31.12.2007	01.01.2011 – 10.11.2012	0.45	-	-	372,832
	31.12.2007	01.07.2011 – 10.11.2012	0.45	-	-	372,831
				<u>510,000</u>	<u>-</u>	<u>2,982,655</u>
						<u>3,492,655</u>
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)	-
	25.05.2005	01.10.2005 – 10.11.2012	0.60	16,250	(10,000)	-
	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
	31.12.2007	01.07.2008 – 10.11.2012	0.45	-	-	335,542
	31.12.2007	01.01.2009 – 10.11.2012	0.45	-	-	335,554
	31.12.2007	01.07.2009 – 10.11.2012	0.45	-	-	335,542
	31.12.2007	01.01.2010 – 10.11.2012	0.45	-	-	335,553
	31.12.2007	01.07.2010 – 10.11.2012	0.45	-	-	335,546
	31.12.2007	01.01.2011 – 10.11.2012	0.45	-	-	335,550
	31.12.2007	01.07.2011 – 10.11.2012	0.45	-	-	335,548
				<u>270,000</u>	<u>(170,000)</u>	<u>2,684,389</u>
						<u>2,784,389</u>
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)	-
				<u>156,250</u>	<u>(156,250)</u>	<u>-</u>
				<u>1,136,250</u>	<u>(326,250)</u>	<u>5,667,044</u>
						<u>6,477,044</u>
Weighted average exercise price (HK\$)				<u>3.58</u>	<u>3.58</u>	<u>3.51</u>
						<u>3.52</u>

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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 US\$	Number of share options			As at 31.12.2008
				As at 1.1.2008	Cancelled during the year	Granted during the year	
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	-	-
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

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Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			As at 31.12.2008
				As at 1.1.2008	Cancelled during the year	Granted during the year	
	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
				3.52	3.51	–	3.52

Weighted average exercise price
(HK\$)

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 US\$	Number of share options			As at 30.06.2009	
				As at 1.1.2009	Cancelled during the period	Granted during the period		
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

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Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options		As at 30.06.2009		
				As at 1.1.2009	Cancelled during the period		Granted during the period	
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	
					<u>1,952,973</u>	<u>(18,642)</u>	<u>298,266</u>	<u>2,232,597</u>
					<u>5,395,628</u>	<u>(18,642)</u>	<u>298,266</u>	<u>5,675,252</u>
	Weighted average exercise price (HK\$)				<u>3.52</u>	<u>3.51</u>	<u>3.51</u>	<u>3.52</u>

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.

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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
	2006	2007	2008	30th June, 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
	<u>340,902</u>	<u>1,214,010</u>	<u>279,755</u>	<u>216,705</u>

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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
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009
				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	–	–	–
	<u>9,364</u>	<u>6,698</u>	<u>5,741</u>	<u>5,299</u>

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
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009
				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
	<u>268,797</u>	<u>210,302</u>	<u>154,056</u>	<u>131,705</u>

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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,			As at
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009
Contracted for but not provided for in the financial statements:				
Subscription of convertible and non-convertible notes (<i>note 22</i>)	75,711	–	–	–
Property, plant and equipment	–	2,547	6,400	–
	<u>75,711</u>	<u>2,547</u>	<u>6,400</u>	<u>–</u>

44. GUARANTEES

As at the end of each reporting year/period, the Privateco Group had issued the following significant guarantees:

	As at 31st December,			As at
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009
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
	<u>129,380</u>	<u>35,925</u>	<u>35,925</u>	<u>35,925</u>

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.

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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	
	2006	2007	2008	30th June, 2008	2009
	HK\$'000	HK\$'000	HK\$'000	(Unaudited) HK\$'000	HK\$'000
Minority Shareholders					
Interest received	1,258	–	–	–	–
Service income received	3,900	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Associates					
Commission paid to	149	104	25	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Investees					
Interest received	–	1,167	1,991	993	785
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
A subsidiary of the Remaining Group					
Interest received	–	19,906	54,461	26,797	26,592
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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	
	2006	2007	2008	30th June, 2008	2009
	HK\$'000	HK\$'000	HK\$'000	(Unaudited) 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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>19,323</u>	<u>15,497</u>	<u>13,711</u>	<u>6,318</u>	<u>5,330</u>

46. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE AS AT 30TH JUNE, 2009

Subsequent to 30th June, 2009, the directors of the Company have signed revised banking facilities with the two principal bankers of the Company regarding revising the facilities previously granted by the bankers to the Company which were available for use by the Company and certain of its subsidiaries. Under the revised facilities, the Privateco and certain of its subsidiaries entitle to utilise the banking facilities and at the same time, the Privateco becomes 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. As at the date of this report, such conditions have been satisfied. Accordingly, the guarantee provided by the Company were released. 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.

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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
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009
				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	<u>149,870</u>	<u>(133,662)</u>	<u>209,770</u>	<u>270,974</u>
Capital represented by total equity	<u>1,830,463</u>	<u>2,095,054</u>	<u>2,066,848</u>	<u>1,909,434</u>
Gearing ratio	<u>8.2%</u>	<u>N/A</u>	<u>10.1%</u>	<u>14.2%</u>

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
	2006	2007	2008	30th June,
	HK\$'000	HK\$'000	HK\$'000	2009
				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 [^]	<u>694,219</u>	<u>1,404,012</u>	<u>1,054,431</u>	<u>867,959</u>

[#] 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

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48.2 Financial results by financial instruments

	Year ended 31st December,			Six months ended	
	2006	2007	2008	30th June, 2008	2009
	HK\$'000	HK\$'000	HK\$'000	(Unaudited) 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	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

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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
	2006	2007	2008	30th June, 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
	2006	2007	2008	30th June, 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).

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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 index 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
	2006	2007	2008	30th June, 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.

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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
	2006	2007	2008	30th June, 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.

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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):

Increase/(Decrease) in profit after tax	Year ended 31st December,			Six months ended
	2006	2007	2008	30th June, 2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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

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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 HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years 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	–	–
	<u>593,459</u>	<u>13,566</u>	<u>32,488</u>	<u>138,532</u>
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	–	–
	<u>1,329,127</u>	<u>13,262</u>	<u>29,889</u>	<u>124,941</u>
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
	<u>590,968</u>	<u>71,819</u>	<u>431,047</u>	<u>3,386</u>
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
	<u>522,054</u>	<u>10,701</u>	<u>350,393</u>	<u>3,490</u>

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 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31st December, 2006				
Investments held for trading	184,884	–	–	184,884
Derivative financial instruments	–	1,292	–	1,292
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31st December, 2007				
Investments held for trading	48,381	–	–	48,381
Derivative financial instruments	–	(6,738)	–	(6,738)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31st December, 2008				
Investments held for trading	20,643	–	–	20,643
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 30th June, 2009				
Investments held for trading	41,301	–	–	41,301
Derivative financial instruments	–	(1,073)	–	(1,073)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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.

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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		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 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 31st December, 2008 & 30th 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

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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	
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
佛山市順德區規華多媒體製品有限公司 ³	PRC [^]	Paid up capital	2006 & 2007: US\$10,710,000 31st December, 2008 & 30th June, 2009: US\$18,870,000	-	100%	Manufacturing and trading of electrical appliances
佛山市順德區規華先進晶體元件 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

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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	
正陽軟件(深圳)有限公司 ⁸	PRC [^]	Paid up capital	HK\$9,000,000	-	89.33%	Computer software development
規壳星盈科技(深圳)有限公司 ⁸	PRC [^]	Paid up capital	2006 & 2007: HK\$24,000,000 31st December, 2008 & 30th June, 2009: HK\$27,200,000	-	100%	Computer software and hardware development
規壳星盈軟件(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. 佛山市順德區規壳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 廣州翠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 wound 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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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 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 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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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		Principal activities
				Directly	Indirectly	
Apeon 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.

Grant Thornton
Certified Public Accountants
 6th Floor, Nexxus Building
 41 Connaught Road Central
 Hong Kong

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

(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 (<i>Note</i>)	Industrial premises	125,315.99 sq.ft.	100%	100%	Long
No. 18 San Le East Road, Beijiao Residents' Committee Industrial Park, Beijiao 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 (<i>Note</i>)	Industrial premises	26,188.10 sq.m.	90.10%	100%	Medium

Note: Partly classified as property, plant and equipment and partly as investment properties.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

(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 the 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 the 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 the 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 the 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 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 II of this Composite Offer Document, 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 II and other financial information included elsewhere in this Composite Offer Document.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE PRIVATECO GROUP**

	Privateco Group As at 30th June, 2009 HK\$'000 (Note 1)	Pro forma adjustments			Pro forma Privateco Group As at 30th June, 2009 HK\$'000
		HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (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

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE PRIVATECO GROUP**

	Privateco Group As at 30th June, 2009 HK\$'000 (Note 1)	Pro forma adjustments			Pro forma Privateco Group As at 30th June, 2009 HK\$'000
		HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (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
	1,900,988				1,894,708
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 II of this Composite Offer Document.
2. This adjustment reflects the settlement of balances due from the Listco Group excluding the Privateco Group (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 its shareholders 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 II of this Composite Offer Document, 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 II and other financial information included elsewhere in this Composite Offer Document.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE PRIVATECO GROUP**

	Privateco Group Year ended 31st December, 2008 <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustments <i>HK\$'000</i> <i>(Note 2)</i>	Pro forma Privateco Group Year ended 31st December, 2008 <i>HK\$'000</i>
Revenue	1,201,894		1,201,894
Cost of goods and services	<u>(969,721)</u>		<u>(969,721)</u>
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	<u>25,802</u>	(18,331)	<u>7,471</u>
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	<u>2,456</u>		<u>2,456</u>
Profit/(Loss) before income tax	18,780		(47,673)
Income tax expense	<u>(38,232)</u>	8,662	<u>(29,570)</u>
Loss for the year	<u><u>(19,452)</u></u>		<u><u>(77,243)</u></u>

Notes:

- The amounts have been extracted without adjustment from the Accountants' Report of the Privateco Group set out in Appendix II to this Composite Offer Document.
- 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 II of this Composite Offer Document, 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 II and other financial information included elsewhere in this Composite Offer Document.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE PRIVATECO GROUP**

	Privateco Group Year ended 31st December, 2008 HK\$'000 (Note 1)	Pro forma adjustments			Pro forma Privateco Group Year ended 31st December, 2008 HK\$'000
		HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (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
	<u> </u>				<u> </u>
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
	<u> </u>				<u> </u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE PRIVATECO GROUP**

	Privateco Group Year ended 31st December, 2008 <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustments			Pro forma Privateco Group Year ended 31st December, 2008 <i>HK\$'000</i>
		<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i> <i>(Note 3)</i>	<i>HK\$'000</i> <i>(Note 4)</i>	
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	<u>(389,519)</u>				<u>(93,716)</u>
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	<u>1,046,033</u>				<u>995,378</u>
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	<u>(520,139)</u>				<u>(520,139)</u>
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	<u>470,827</u>				<u>1,193,317</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE PRIVATECO GROUP**

Notes:

1. The amounts have been extracted without adjustment from the Accountants' Report of the Privateco Group set out in Appendix II to this Composite Offer Document.
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



Member of Grant Thornton International Ltd

26th February, 2010

The Board of Directors
Shell Electric Holdings 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 III to the composite offer document dated 26th February, 2010 (the "Composite Offer Document") in connection with the voluntary unconditional cash offer for the shares of the Privateco by Access Capital Limited on behalf of Red Dynasty Investments Limited (other than those shares already owned by Red Dynasty Investments Limited and parties acting in concert with it). The unaudited pro forma financial information has been prepared by the directors of Privateco (the "Directors") for illustrative purposes only to provide information about how the proposed Capital Reorganisation, Group Restructuring and Subscription (the "Proposed Transactions") as defined in the circular of Shell Electric Mfg. (Holdings) Company Limited (the "Company") dated 8th December, 2009 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 III to the Composite Offer Document.

Respective responsibilities of directors and reporting accountants

It is the responsibility solely of the Directors 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. 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 on the basis stated, that such basis is consistent with the accounting policies of the Privateco 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, 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 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 Composite Offer Document, in connection with its valuation of the property interests held by the Privateco Group as at 30th November, 2009.



Knight Frank Petty Limited
4/F, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

26th February, 2010

The Directors
Shell Electric Holdings 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 Holdings 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 November, 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 rental shown on the documents handed to us by the Group. We have allowed for outgoings, and where appropriate, made provisions for reversionary income potential of the property upon expiry of the existing lease by reference to the current market level 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 dated 9th February, 2010 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 = RMB0.88091, RMB6.8272 = USD1 and HK\$0.248 = 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.

As advised by the Company, the potential tax liability which would arise on the disposal of the property interests held by the Group mainly includes profit tax (16.5%) for Hong Kong properties; and business tax (5%), land value-added tax (ranging from 30% to 60%) and corporate income tax (10% to 25%) for the PRC properties, assuming the property interests and the land use rights of the PRC properties could be freely transferable. We have been further advised that it is unlikely that such tax liability will be crystallized in the recent future as the Group has no intention to dispose of or transfer the relevant property interests. According to our standard practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

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 November, 2009	Interest Attributed to the Group (%)	Market Value in Existing State Attributable to the Group as at 30th November, 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 (<i>Note</i>)	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\$450,000	98%	HK\$441,000
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\$165,000	98%	HK\$161,700

Note: Part of the property has been held for investment

No.	Property	Market Value in Existing State as at 30th November, 2009	Interest Attributed to the Group (%)	Market Value in Existing State Attributable to the Group as at 30th November, 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\$113,000	98%	HK\$110,740
8.	No. 168 Flying Goose Hillock, Da Men Residents' Committee, Da Liang Street Office, Shunde District, Foshan, Guangdong Province, the PRC (<i>Note</i>)	HK\$20,700,000	90.1%	HK\$18,650,700
9.	No. 162 Flying Goose Hillock, Da Men Residents' Committee, Da Liang Street Office, Shunde District, Foshan, Guangdong Province, the PRC	HK\$6,200,000	90.1%	HK\$5,586,200
10.	No. 05, Type A, Zone E, Phase 2 of Xinchijiehaoyuan, Nanshan District, Shenzhen, Guangdong Province, the PRC	HK\$17,740,000	100%	HK\$17,740,000
				Sub-total: HK\$115,669,940
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 November, 2009	Interest Attributed to the Group (%)	Market Value in Existing State Attributable to the Group as at 30th November, 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\$7,970,000	100%	HK\$7,970,000
14.	Lot No. B105-19-3 at Hong Mian Road, Futian Free Trade Zone, Shenzhen, Guangdong Province, the PRC	HK\$184,000,000	100%	HK\$184,000,000
15.	135 office units in CITIC Plaza, No. 233 Tian He North Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	HK\$920,000,000	40%	HK\$368,000,000
				Sub-total: HK\$564,024,500
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 November, 2009	Interest Attributed to the Group (%)	Market Value in Existing State Attributable to the Group as at 30th November, 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 November, 2009	Interest Attributed to the Group (%)	Market Value in Existing State Attributable to the Group as at 30th November, 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: <u>HK\$855,194,440</u>

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 November, 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 Holdings 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.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th November, 2009
2.	Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong Chai Wan Inland Lot Nos. 10 and 11	<p>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).</p> <p>Carparking and loading/unloading areas are found on Ground Floor. The property was completed in about 1965.</p> <p>The gross floor area of the property (excluding carparking spaces) are approximately 126,820 sq ft (11,781.87 sq m).</p> <p>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.</p> <p>The total government rent for the lots is HK\$224 per annum.</p>	<p>As at the date of valuation, except for about 7,100 sq ft (659.6 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 May 2012 at a total monthly rent of approximately HK\$566,000 partly exclusive of rates.</p> <p>The total monthly licence fees for the carparking spaces was approximately HK\$16,700.</p>	<p>HK\$150,000,000</p> <p>(100% interest attributable to the Group: HK\$150,000,000 (see note 4)</p>

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 November, 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"), a wholly-owned subsidiary of the Company, 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 November, 2009
4.	Nos. 33-34 Jin Long Avenue, Da Liang District North District Residents' Committee, Shunde District, Foshan, Guangdong Province, the PRC	<p>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.</p> <p>The property has a gross floor area of approximately 207 sq m.</p> <p>The land use right of the property was granted for a term expiring on 11th May, 2038.</p>	<p>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.</p>	<p>HK\$2,020,000</p> <p>(98% interest attributable to the Group: HK\$1,979,600)</p>

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"), a 98% owned subsidiary of the Company.
- (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 November, 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	<p>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.</p> <p>The property has a total gross floor area of approximately 169.4 sq m.</p> <p>The land use rights of the property were granted for a term of 70 years expiring on 30th April, 2063.</p>	No. 402 is occupied by the Group as staff quarters use and No. 302 is currently vacant.	<p>HK\$450,000</p> <p>(98% interest attributable to the Group: HK\$441,000)</p>

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"), a 98% owned subsidiary of the Company.
- (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 certificates 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 November, 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	<p>The property comprises a unit on Level 8 of an 8-storey residential building which was completed in or about 1991.</p> <p>The property has a gross floor area of approximately 74.6 sq m.</p> <p>The land use right of the property was granted for a term of 30 years expiring on 4th June, 2021.</p>	The property is occupied by the Group as staff quarters use.	<p>HK\$165,000</p> <p>(98% interest attributable to the Group: HK\$161,700)</p>

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"), a 98% owned subsidiary of the Company.
- (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 November, 2009
7.	No. 3 Lane 3 of Shi Luo Road, Da Liang District Nan Hua Residents' Committee, Shunde District, Foshan, Guangdong Province, the PRC	<p>The property comprises a 2-storey residential building which was completed in or about 1994.</p> <p>The property has a gross floor area of approximately 66.2 sq m.</p> <p>The land use rights of the property were granted for a term expiring on 23rd April, 2072.</p>	The property is currently vacant.	<p>HK\$113,000</p> <p>(98% interest attributable to the Group: HK\$110,740)</p>

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"), a 98% owned subsidiary of the Company.
- (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 November, 2009
8.	No. 168 Flying Goose Hillock, Da Men Residents' Committee, Da Liang Street Office, Shunde District, Foshan, Guangdong Province, the PRC	<p>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.</p> <p>The total gross floor area of the property is approximately 16,682 sq m.</p> <p>The land use right of the property was granted for a term expiring on 7th January, 2044.</p>	<p>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)</p>	<p>HK\$20,700,000</p> <p>(90.1% attributable to the Group: HK\$18,650,700)</p> <p>(please see note 3, 4 & 6)</p>

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"), a 90.1% owned subsidiary of the Company.
- (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\$11,300,000 respectively as at the valuation date.

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State As At 30th November, 2009
9.	No. 162 Flying Goose Hillock, Da Men Residents' Committee, Da Liang Street Office, Shunde District, Foshan, Guangdong Province, the PRC	<p>The property comprises an industrial site having a site area of approximately 9,679.4 sq m and a single-storey building which was built in 2005.</p> <p>The gross floor area of the property is approximately 5,468.9 sq m.</p> <p>The land use right of the property was granted for a term expiring on 7th January, 2044.</p>	<p>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)</p>	<p>HK\$6,200,000</p> <p>(90.1% attributable to the Group: HK\$5,586,200)</p> <p>(please see note 2 & 3)</p>

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"), a 90.1% owned subsidiary of the Company. 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 30th October, 2009, 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, 2009 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 November, 2009
10.	No. 05, Type A, Zone E, Phase 2 of Xinhijiehaoyuan, Nanshan District, Shenzhen, Guangdong Province, the PRC	<p>The property comprises a 3-storey terraced house which was completed in or about 2004.</p> <p>The property has a gross floor area of approximately 473.52 sq m.</p> <p>The land use rights of the property were granted for a term of 70 years expiring on 27th December, 2067.</p>	The property is occupied by the Group as staff quarters use.	<p>HK\$17,740,000</p> <p>(100% interest attributable to the Group: HK\$17,740,000)</p>

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"), a wholly-owned subsidiary of the Company.

- (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 November, 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 Holdings 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 November, 2009
12.	Staff dormitory at Flying Goose Hillside, Da Men Residents' Committee, Da Liang Street Office, Shunde District, Foshan, Guangdong Province, the PRC	<p>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.</p> <p>The total gross floor area of the property is approximately 3,677.5 sq m.</p> <p>The land use right of the property was granted for a term expiring on 22nd September, 2053.</p>	<p>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.</p>	<p>HK\$4,500,000</p> <p>(90.1% attributable to the Group: HK\$4,054,500)</p>

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"), a 90.1% owned subsidiary of the Company.
- (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 November, 2009
13.	Office unit 7104, CITIC Plaza, No. 233 Tian He North Road, Tianhe District, Guangzhou, Guangdong Province, The PRC	<p>CITIC Plaza (the "Development") is located at the northern side of Tian He North Road amidst Tianhe District in Guangzhou.</p> <p>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.</p> <p>The property comprises an office unit on Level 71 with a gross floor area of approximately 309.55 sq m.</p> <p>The land use right of the property was granted for a term of 50 years from 30th September, 1994.</p>	The property is currently vacant.	<p>HK\$7,970,000</p> <p>(100% interest attributable to the Group: HK\$7,970,000)</p>

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"), a wholly-owned subsidiary of the Company, 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 November, 2009
14.	Lot No. B105-19-3 at Hong Mian Road, Futian Free Trade Zone, Shenzhen, Guangdong Province, the PRC	<p>The property comprises an industrial complex erected on a piece of site having an area of approximately 31,348.8 sq m.</p> <p>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.</p> <p>The total gross floor area of the property is approximately 32,317.69 sq m.</p> <p>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.</p>	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.	<p>HK\$184,000,000</p> <p>(100% interest attributable to the Group: HK\$184,000,000)</p> <p>(please see note 5)</p>

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. which is a wholly-owned subsidiary of the Company.

- (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 November, 2009
15.	135 office units in CITIC Plaza, No. 233 Tian He North Road, Tianhe District, Guangzhou, Guangdong Province, the PRC	<p>CITIC Plaza (“the Development”) is located at the northern side of Tian He North Road amidst Tianhe District in Guangzhou.</p> <p>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.</p> <p>The property comprises 135 office units in the Development with a total gross floor area of approximately 38,368.94 sq m.</p> <p>The land use right of the property was granted for a term of 50 years from 30th September, 1994.</p>	<p>Portion of the property is subject to various tenancies with the latest one expiring in February 2014 at a total rent of approximately RMB5,392,000 per month. The remaining portion of the property is vacant.</p>	<p>HK\$920,000,000</p> <p>(40% interest attributable to the Group: HK\$368,000,000)</p>

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”), a 40% owned associate company of the Company.
- (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 certificates 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 November, 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 is used as staff quarters.	No commercial value
		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.		

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 November, 2009
17.	No. A640, Huangshi East Road, Baiyun District, Guangzhou, Guangdong Province, the PRC	<p>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.</p> <p>The property has a gross floor area of approximately 550 sq m.</p> <p>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.</p>	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限公司 (“Party A”) and 廣州蜆富出租汽車有限公司 (“Party B”), a wholly-owned subsidiary of the Company, 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 November, 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	<p>The property comprises a unit on Level 1 of an industrial building which was completed in or about 1999.</p> <p>The property has a gross floor area of approximately 1,000 sq m.</p> <p>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.</p>	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"), a wholly-owned subsidiary of the Company, 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 November, 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	<p>The property comprises a unit on Level 1 of an industrial building which was completed in or about 1999.</p> <p>The property has a gross floor area of approximately 180.29 sq m.</p> <p>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.</p>	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"), a wholly-owned subsidiary of the Company, 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 November, 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	<p>The property comprises a unit on the roof of an industrial building which was completed in or about 1999.</p> <p>The property has a lettable floor area of approximately 30 sq m.</p> <p>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.</p>	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"), a wholly-owned subsidiary of the Company, 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 November, 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	<p>The property comprises a unit on Level 2 of a residential building which was completed in or about 2002.</p> <p>The property has a gross floor area of approximately 111.82 sq m.</p> <p>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.</p>	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 蠟壳星盈科技(深圳)有限公司 ("Party B"), a wholly-owned subsidiary of the Company, 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 November, 2009
22.	Unit 802, Block 7, Yue Hai Men Village, Nanshan District, Shenzhen, Guangdong Province, the PRC	<p>The property comprises a unit on Level 8 of a residential building which was completed in or about 2000.</p> <p>The property has a lettable floor area of approximately 87.8 sq m.</p> <p>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.</p>	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 蠟壳星盈科技(深圳)有限公司 ("Party B"), a wholly-owned subsidiary of the Company, 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 November, 2009
23.	East No. 1 on Level 2, Tongxungongye Office Building, No. 2 Ke Feng Road, Nanshan District, Shenzhen, Guangdong Province, the PRC	<p>The property comprises a unit on Level 2 of an office building which was completed in or about 2000s.</p> <p>The property has a gross floor area of approximately 512.75 sq m.</p> <p>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.</p>	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"), a 52.18% owned jointly controlled entity of the Company, 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 November, 2009
24.	Unit B2107, Fengtian Ginza, No. 19 You Hao Street, Shenhe District, Shenyang, Liaoning Province, the PRC	<p>The property comprises a unit on Level 21 of an office building which was completed in or about 2005.</p> <p>The property has a gross floor area of approximately 54.70 sq m.</p> <p>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.</p>	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"), a 65% owned subsidiary of the Company, 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 November, 2009
25.	1F, 501-17 Chung Cheng Road, Hsin Tien, Taipei, Taiwan	<p>The property comprises a unit on Level 1 of an office building which was completed in about 1988.</p> <p>The property has a gross floor area of approximately 260.74 sq m.</p> <p>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.</p>	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”), a 44.89% owned associate company of the Company, 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 November, 2009 of the property interests of the Privateco Group.

26th February, 2010

Cushman & Wakefield Valuation Advisory Services (HK) Limited

6/F Henley Building
5 Queen's Road Central, Hong Kong
Tel: (852) 2956 3888
Fax: (852) 2956 2323



www.cushmanwakefield.com

The Board of Directors
Shell Electric Holdings 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 Holdings 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 November, 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 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 November, 2009	Interest attributable to the Group	Market Value in existing state as at 30th November, 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 November, 2009	Interest attributable to the Group	Market Value in existing state as at 30th November, 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 November, 2009	Interest attributable to the Group	Market Value in existing state as at 30th November, 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 III – PROPERTY INTEREST LEASED AND OCCUPIED BY THE GROUP IN THE UNITED STATES

No.	Property	Market Value in existing state as at 30th November, 2009	Interest attributable to the Group	Market Value in existing state as at 30th November, 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 November, 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) <i>100% interest attributable to the Group:</i> US\$1,180,000 (HK\$9,145,000)

Notes:-

- 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.
- The assessor's parcel number of the property is 04619579 as per the Tarrant County Tax Assessor's Office.
- 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. The property tax should be paid upon conveyance of the property. Nevertheless, the Company confirmed that they have no intention to dispose this property.
- SMC Marketing Corporation is a wholly-owned subsidiary of the Company.
- 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 November, 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) <i>100% interest attributable to the Group:</i> US\$12,100,000 (HK\$93,775,000)

Notes:-

- 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.
- The assessor's parcel number of the property is 99B-8110-76 as per the Alameda County Assessor's Office.
- Details of the tenancy status are listed as follows:

Portion	Name of Tenant	Net Rentable Area <i>(sq.ft.)</i>	Lease Term From	To	Rent <i>(US\$/sq.ft. /mth)</i>
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 <i>(sq.ft.)</i>	Lease Term From	To	Rent <i>(US\$/sq.ft. /mth)</i>
No. 7503	FormFactor	16,371	Nov 2006	Oct 2011	From Dec 2008 : \$12.09 From Dec 2009 : \$12.46 From Dec 2010 : \$12.83
No. 7475	FormFactor	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:		<u>131,081</u>			

* *Pennysaver has vacated the leased premises and will not renew its lease upon its expiry.*

4. Under the provisions of Article XIII A 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. The property tax should be paid upon conveyance of the property. Nevertheless, the Company confirmed that they have no intention to dispose this property.
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 November, 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) <i>100% interest attributable to the Group:</i> US\$12,700,000 (HK\$98,425,000)

Notes:-

- 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.
- The assessor's parcel number of the property is 99B-8110-77 as per the Alameda County Assessor's Office.
- Details of the tenancy status are listed as follows:

Portion	Name of Tenant	Net Rentable Area (sq.ft.)	Lease Term From	To	Rent (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 <i>(sq.ft.)</i>	Lease Term From	To	Rent <i>(US\$/sq.ft. /mth)</i>
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:		<u>103,820</u>			

4. Under the provisions of Article XIII A 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. The property tax should be paid upon conveyance of the property. Nevertheless, the Company confirmed that they have no intention to dispose this property.
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 November, 2009
4. Suite 105 2125 Corporate Drive Marietta Georgia The United States	<p>The property comprises the tenanted portion of a single-storey warehouse which was completed in about 1982.</p> <p>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.</p> <p>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.</p>	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).

Set out below is a summary of certain provisions of the memorandum of association (the "Memorandum of Association") and bye-laws (the "Bye-laws") 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 of 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 VI. 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.

RESPONSIBILITY STATEMENTS

This Composite Offer Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Privateco Group and Red Dynasty.

The information contained in this Composite Offer Document (other than that relating to Red Dynasty, the terms and conditions of the Privateco Offer and Red Dynasty's intention regarding the Privateco Group) is supplied by the Directors. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document (other than that relating to Red Dynasty, the terms and conditions of the Privateco Offer and Red Dynasty's intention regarding the Privateco Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document (other than those relating to Red Dynasty, the terms and conditions of the Privateco Offer and Red Dynasty's intention regarding the Privateco Group) have been arrived at after due and careful consideration and there are no other facts (other than those relating to Red Dynasty, the terms and conditions of the Privateco Offer and Red Dynasty's intention regarding the Privateco Group) not contained in this Composite Offer Document, the omission of which would make any statement in this Composite Offer Document misleading.

The information contained in this Composite Offer Document relating to Red Dynasty, the terms and conditions of the Privateco Offer and Red Dynasty's intention regarding the Privateco Group is supplied by Red Dynasty. The sole director of Red Dynasty accepts full responsibility for the accuracy of the information contained in this Composite Offer Document relating to Red Dynasty, the terms and conditions of the Privateco Offer and Red Dynasty's intention regarding the Privateco Group and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document, the omission of which would make any statement in this Composite Offer Document misleading.

SHARE CAPITAL

The authorised and issued share capital of Privateco as at the Latest Practicable Date were as follows:

<i>Authorised:</i>		US\$
<u>600,000,000</u>	Privateco Shares	<u>12,000</u>
<i>Issued and fully paid or credited as fully paid:</i>		
1	Privateco Share allotted and issued on 2nd September, 2009	0.00002
<u>523,484,561</u>	Privateco Shares allotted and issued on 3rd December, 2009	<u>10,469.69122</u>
<u>523,484,562</u>	Privateco Shares as at the Latest Practicable Date	<u>10,469.69124</u>

Save for the 523,484,561 Privateco Shares allotted and issued on 3rd December, 2009, Privateco has not issued any Privateco Shares since 2nd September, 2009, being the date of its incorporation.

All Privateco Shares in issue rank pari passu in all respects with each other including all rights as regards rights to dividends, voting and return of capital.

As at the Latest Practicable Date, the Privateco Group did not have any outstanding options, warrants, derivatives or other securities carrying rights of conversion into or exchange or subscription for the Privateco Shares.

SHAREHOLDINGS AND DEALINGS

As at the Latest Practicable Date,

- (i) Directors' / director of Red Dynasty's long positions in shares and underlying shares of the Privateco

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 Privateco
Mr. Billy Yung (also a director of Red Dynasty)	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		
Ms. Hsu	Interest of child under 18 or spouse	Other	216,329,084	226,329,084	43.24%
	Interest held jointly with another person (Note 3)	Other	10,000,000		
Madam Yung	Beneficial owner	Personal	53,246,300	63,246,300	12.08%
	Interest of spouse (Note 4)	Family	10,000,000		

Notes:

- (1) These shares are held by a trust for the benefit of Mr. Billy Yung's and Ms. Hsu's family members.
 - (2) These shares are held jointly with his wife, Ms. Hsu.
 - (3) These shares are held jointly with her husband Mr. Billy Yung.
 - (4) This interest represents the holding of Shares held by the late Dr. Yung Yau.
- (ii) Save as disclosed above, none of Red Dynasty and its parties acting in concert owned or controlled any Privateco Shares, options, warrants, derivatives or securities convertible into Privateco Shares;
- (iii) Privateco held no shares, options, warrants, derivatives or securities convertible into shares in Red Dynasty;
- (iv) save for Mr. Billy Yung, Ms. Hsu and Madam Yung who owns 99.996%, 0.002% and 0.002% of the issued share capital of Red Dynasty, none of the Directors held any shares, options, warrants, derivatives or securities convertible into shares in Red Dynasty;
- (v) none of Privateco's subsidiaries, pension fund of Privateco or its subsidiaries, or any advisers to Privateco as specified in class (2) of the definition of associate under the Takeovers Code owned or controlled any Privateco Shares, options, warrants, derivatives or securities convertible into Privateco Shares;
- (vi) There is no Privateco Shares, options, warrants, derivatives or securities convertible into Privateco Shares which the Privateco or any Directors has borrowed or lent.; and
- (vii) There is no shares in Red Dynasty, options, warrants, derivatives or securities convertible into shares in Red Dynasty which Red Dynasty or any persons acting in concert with Red Dynasty has borrowed or lent.

Save for the distribution in specie of a total of 326,897,384 Privateco Shares to Mr. Billy Yung, Ms. Hsu and Madam Yung pursuant to the Group Restructuring, none of the persons whose shareholdings are disclosed in (i) to (iv) above dealt for value in the shares, options, warrants, derivatives or securities convertible into Privateco Shares during the period beginning six months prior to 10th August, 2009 (being the commencement date of the offer period as defined in the Takeovers Code for the Privateco Offer) up to and including the Latest Practicable Date.

None of the persons whose shareholdings are disclosed in (v) above and (iii) in the section headed "Miscellaneous" in this appendix dealt for value in the shares, options, warrants, derivatives or securities convertible into shares in question during the period from 10th August, 2009 (being the commencement date of the offer period as defined in the Takeovers Code for the Privateco Offer) up to and including the Latest Practicable Date.

MARKET PRICES

As the Privateco Shares are not listed on the Stock Exchange or any other stock exchanges, there is no information in relation to the prices of the Privateco Shares quoted on the Stock Exchange or any other stock exchanges.

ARRANGEMENTS IN CONNECTION WITH THE PRIVATECO OFFER

- (i) As at the Latest Practicable Date, there was no agreement, arrangement or understanding whereby any securities to be acquired pursuant to the Privateco Offer will be transferred, charged or pledged to any other persons.
- (ii) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between Red Dynasty or any parties acting in concert with it and any of the Directors, recent Directors, Privateco Shareholders or recent Privateco Shareholders having any connection with or dependent upon the Privateco Offer.
- (iii) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in note 8 to Rule 22 of the Takeovers Code with (a) Privateco; (b) any person who is an associate of Privateco by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code; (c) Red Dynasty; or (d) any parties acting in concert with the Red Dynasty.
- (iv) Save for the Group Restructuring, the Capital Reorganisation, the Subscription Agreement and the Undertaking, as at the Latest Practicable Date, there was no agreement or arrangement to which Red Dynasty is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Privateco Offer.

ARRANGEMENTS AFFECTING THE PRIVATECO DIRECTORS

There is no benefit (other than statutory compensation) to be given to any Director as compensation for loss of office or otherwise in connection with the Privateco Offer. There is no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Privateco Offer or is otherwise connected with the Privateco Offer. There is no material contract entered into by Red Dynasty in which any Director has a material personal interest.

SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any service contract with Privateco or any of its subsidiaries or associated companies in force (i) which is continuous with a notice period of 12 months or more; (ii) which is of a fixed term with more than 12 months to run irrespective of the notice period; or (iii) which (being either continuous or of a fixed term) had been entered into or amended within six months before 10th August, 2009 (being the commencement date of the offer period as defined in the Takeovers Code for the Privateco Offer).

EXPERTS AND CONSENTS

The following are the qualifications of the experts whose letters or reports (as the case may be) are contained in this Composite Offer Document:

Name	Qualification
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
Taifook	a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity 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
King & Wood	PRC legal advisers
Conyers Dill & Pearman ("Conyers")	Bermuda legal advisers

Each of Access Capital, Taifook, Grant Thornton, Knight Frank, Cushman & Wakefield, King & Wood and Conyers has given and has not withdrawn its written consent to the issue of this Composite Offer Document, with the inclusion of its letter or report or references to its name in the form and context in which they are included.

LITIGATION

As at the Latest Practicable Date, no member of the Privateco Group was engaged in any litigation or arbitration of material importance and no litigation of claim of material importance is known to the Privateco Directors to be pending or threatened by or against any member of the Privateco Group.

MATERIAL CHANGES

Save for the Proposal, there has been no material change in the financial or trading position or outlook of the Privateco Group since 30th June, 2009 (being the date to which the latest audited combined financial statements of the Privateco Group were made up) up to and including the Latest Practicable Date.

INDEBTEDNESS

As at the close of business on 31st December, 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Offer Document, the Privateco Group had borrowings amounting to approximately HK\$732 million and guarantees amounting to approximately HK\$14 million, details of which are as follows:

Borrowings

The following table illustrates the Privateco Group's bank and other borrowings as at 31st December, 2009:

	<i>HK\$'000</i>
Bank borrowings (unsecured)	381,151
Mortgage loan (secured) (<i>note</i>)	346,909
Loan from a minority shareholder (unsecured)	3,599
	<u>731,659</u>

Note: The Privateco Group had charge on an investment property mainly for securing mortgage loan. In addition, the Privateco 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 Privateco Group.

Guarantees

The following table illustrates the Privateco Group's Guarantees as at 31st December, 2009:

Guarantee given to:

	<i>HK\$'000</i>
A supplier of an associate, to secure the repayment of balance due by the associate to the supplier	<u>13,525</u>

As at the close of business on 31st December, 2009, the Privateco 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 31st December, 2009.

Legal contingencies

As at 31st December, 2009, the Privateco 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 Privateco Group's financial position, liquidity or operating results.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Privateco Group did not have, as at the close of business on 31st December, 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.

MATERIAL CONTRACTS

There are no material contracts, not being those entered into in the ordinary course of business carried on or intended to be carried on by Privateco or any of its subsidiaries, entered into by members of the Privateco Group after the date two years prior to 10th August, 2009 (being the commencement date of the offer period as defined in the Takeovers Code for the Privateco Offer) up to and including the Latest Practicable Date.

MISCELLANEOUS

- (i) The principal members of the parties acting in concert with Red Dynasty are Mr. Billy Yung (a director of Red Dynasty), Madam Yung (the mother of Mr. Billy Yung) and Ms. Hsu (the spouse of Mr. Billy Yung). The address of Mr. Billy Yung, Madam Yung and Ms. Hsu is 1/F Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.
- (ii) No persons, prior to the posting of this Composite Offer Document, have irrevocably committed themselves to accept or reject the Privateco Offer.
- (iii) As at the Latest Practicable Date, no Privateco Shares, options, warrants, derivatives or securities convertible into Privateco Shares were managed on a discretionary basis by fund managers connected with Privateco.
- (iv) None of the Privateco Directors has decided whether to accept or reject the Privateco Offer.
- (v) Save for the Distribution In Specie, as at the Latest Practicable Date, none of Red Dynasty or parties acting in concert with Red Dynasty had any of the kind of arrangements referred to in the Note 8 of Rule 22 of the Takeovers Code with any persons.
- (vi) The registered office of Red Dynasty is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of Red Dynasty is 1/F Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.
- (vii) The registered office of Access Capital Limited is at Suite 606, 6th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (viii) The English text of each of this Composite Offer Document and the accompanying Form of Acceptance and Transfer shall prevail over the Chinese text.

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, excluding public holidays, at Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong and will be displayed on the websites of the Listco (www.smc.com.hk) and the SFC (www.sfc.hk) at the date of this Composite Offer Document up to and including the Closing Date.

- (i) the memorandum and articles of association of Red Dynasty;
- (ii) the Bye-laws of Privateco;
- (iii) the letter from Access Capital Limited, the text of which is set out on pages 8 to 12 of this Composite Offer Document;
- (iv) the letter of advice from Taifook, the text of which is set out on pages 13 to 36 of this Composite Offer Document;
- (v) the accountants' report on historical financial information of the Privateco Group, the text of which is set out in Appendix II to this Composite Offer Document;
- (vi) the accountant's report on unaudited pro forma financial information on the Privateco Group, the text of each of which is set out in Appendix III to this Composite Offer Document;
- (vii) the valuation report on properties of the Privateco Group, the text of each of which is set out in Appendix IV to this Composite Offer Document;
- (viii) the letter from Conyers dated 8th December, 2009 as referred to in the Circular and in Appendix V to this Composite Offer Document 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; and
- (ix) the written consents referred to in the section headed "Experts and consents" in this appendix.

SHELL ELECTRIC HOLDINGS LIMITED

蜆壳電器控股有限公司

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

BOX A 甲欄	NAME(S) AND ADDRESS OF REGISTERED SHAREHOLDER(S) 已登記股東之姓名及地址	BOX B 乙欄	REGISTERED HOLDING OF PRIVATECO SHARES OF US\$0.00002 EACH AT THE RECORD DATE ON 1ST FEBRUARY, 2010 於二零一零年二月一日記錄日期所登記持有之每股面值0.00002美元之PRIVATECO股份數目。
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FORM OF ACCEPTANCE AND TRANSFER OF SHARE(S) OF US\$0.00002 EACH IN THE ISSUED SHARE CAPITAL OF SHELL ELECTRIC HOLDINGS LIMITED

蜆壳電器控股有限公司已發行股本中
每股面值0.00002美元之股份之
接納及過戶表格

The form must be completed in full
本表格每項均須填寫

Transfer Agents:
轉讓代理：

Tricor Standard
Limited
26th Floor,
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong
卓佳標準有限公司
香港灣仔
皇后大道東28號
金鐘匯中心26樓

FOR THE CONSIDERATION stated below, the registered shareholder(s) named in Box A above ("Transferor(s)") hereby transfer(s) to the "Transferee" named below the share(s) of US\$0.00002 each in the issued share capital of SHELL ELECTRIC HOLDINGS LIMITED ("Privateco Shares") specified below.
上面甲欄所述之已登記股東（「轉讓人」）現按下列代價，將其所持有下列蜆壳電器控股有限公司已發行股本中每股面值0.00002美元之股份（「Privateco股份」）轉讓予下述之「承讓人」。

Number of Privateco Share(s) tendered (Note) 交回Privateco股份之數目（附註）	FIGURES 數目	WORDS 大寫
CONSIDERATION 代價	Cash: HK\$1.80 in cash for each Privateco Share 現金： 每股Privateco股份可得現金1.80港元	
TRANSFEEE 承讓人	Name 名稱： RED DYNASTY INVESTMENTS LIMITED Correspondence address 通訊地址： 1/E, Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong 香港柴灣工業區利翠街十二號蜆壳工業大廈一樓 Occupation 職業： Corporation 法團	
SIGNED by the parties to this transfer, this _____ day of _____ 2010 轉讓雙方簽字日期：二零一零年 _____ 月 _____ 日		

PLEASE
DO NOT
DATE
請勿填寫日期

Signed by the Transferor(s) in the presence of:

轉讓人在下列見證下簽署：

SIGNATURE OF WITNESS 見證人簽署

Name of Witness 見證人姓名

Signature(s) of Transferor(s)
轉讓人簽署

Address 地址

Telephone number of transferor(s)
轉讓人聯絡電話

Occupation 職業

ALL JOINT
HOLDERS MUST
SIGN HERE
所有聯名股東
均須於本欄
簽署

Do not complete 請勿填寫本欄 Signed by the Transferee in the presence of: 承讓人在下列見證人見證下簽署： Name of Witness 見證人姓名 Signature of Witness 見證人簽署 Address 地址 Occupation 職業	For and on behalf of 代表 Red Dynasty Investments Limited Signature of Transferee or their duly authorized agent(s) 承讓人或其正式授權代表簽署
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Note: Insert the total number of Privateco Share(s) tendered under the Privateco Offer. If no number is inserted or a number in excess of your registered holding of Privateco Share(s) (as indicated in BOX B above) is inserted, you will be deemed to have tendered your entire registered holding of Privateco Share(s) under the Privateco Offer.

附註：請填上 閣下於Privateco收購下交回之Privateco股份總數，如無詳列數額或如所填上之數額乃超過 閣下已登記持有之Privateco股份數量（如乙欄所顯示），則 閣下將被視為就Privateco收購將名下登記持有之Privateco股份全部交回論。

THIS FORM IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares of US\$0.00002 each ("Privateco Shares") in the issued share capital of SHELL ELECTRIC HOLDINGS LIMITED ("Privateco"), you should at once hand this form of acceptance and transfer and the accompanying offer and response document (the "Document") dated 26th February, 2010 or around that date to the purchaser or the transferee, or to the bank or the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

HOW TO COMPLETE THIS FORM

You should read the Document before completing this form. To accept the voluntary unconditional cash offer for the Privateco Shares (the "Privateco Offer") made by Access Capital Limited ("Access Capital") on behalf of Red Dynasty Investments Limited ("Red Dynasty") to acquire your Privateco Shares at a cash price of HK\$1.80 each, you should duly complete and sign this form and forward this entire form by post or by hand, marked "Privateco Offer" on the envelope, to, which should also reach, Tricor Standard Limited (the "Transfer Agent") at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Friday, 19th March, 2010 or such later date as stated in the Document. All words and expressions defined in the Document shall, unless the context otherwise requires, have the same meanings when used in this form.

FORM OF ACCEPTANCE AND TRANSFER IN RESPECT OF THE PRIVATECO OFFER

To: Access Capital and Red Dynasty

1. My/Our execution of this form of acceptance and transfer overleaf (whether or not such form is dated) which shall be binding on my/our successors and assignees shall constitute:

- (i) my/our irrevocable acceptance of the Privateco Offer made by Access Capital on behalf of Red Dynasty as contained in the Document for the consideration and on and subject to the terms and conditions therein and herein mentioned, in respect of the number of Privateco Shares specified in this form or, if no such number is specified, in respect of all Privateco Shares in respect of which I/we am/are registered as the holder(s);
- (ii) my/our irrevocable instruction and authority to Red Dynasty and/or Access Capital and/or their respective agent(s), in relation to the number of Privateco Shares tendered under the Privateco Offer, to send a cheque crossed "Not Negotiable — Account Payee Only" drawn in my/our favour for the consideration to which I/we shall have become entitled under the terms of the Privateco Offer, by ordinary post at my/our risk to the person named below or, if no name and/or address is stated below, to me/to the first-named Privateco Shareholder of joint registered holders of Privateco Shares at the address shown in the register of members of Privateco;

(Here insert name and address of the person to whom the cheque is to be sent if different from the registered Privateco Shareholder or the first-named Privateco Shareholder of joint registered holders of Privateco Shares.)

Name: (in block capitals) _____

Address: (in block capitals) _____

- (iii) my/our irrevocable instruction and authority to Red Dynasty and/or Access Capital or such person or persons as any of Red Dynasty or Access Capital may direct to complete and execute any document on my/our behalf including but without limitation to insert a date in this form or, if I/we or any other person shall have inserted a date, to delete such date and insert another date and to do any other act, that may be necessary or expedient for the purpose of vesting my/our Privateco Shares in Red Dynasty;
 - (iv) my/our undertaking to execute such further documents and to do such acts and things by way of further assurance as may be necessary or desirable to transfer my/our Privateco Shares tendered under the Privateco Offer to Red Dynasty or such person or persons as it may direct free from all rights of pre-emption, options, liens, claims, charges, encumbrances, equities and third party rights and together with all rights attaching or accruing thereto including the right to receive all dividends and distributions declared, made or paid on or after the date of the issue of my/our Privateco Shares; and
 - (v) my/our agreement to ratify each and every act or thing which may be done or effected by Red Dynasty and/or Access Capital and/or their respective agent(s) or such person or persons as it/they may direct on the exercise of any of the authorities contained herein.
2. In the event of the Privateco Offer lapsing or in the event that my/our acceptance is not valid, or is treated as invalid, in accordance with the terms of the Privateco Offer, all instructions, authorisations and undertakings contained in paragraph 1 above shall cease and in which event, I/we hereby irrevocably authorise and request you to return to me/us this form duly cancelled, by ordinary post at my/our risk to the person named in paragraph 1(ii) above or, if no name and/or address is stated above, to me or the first-named Privateco Shareholder (in the case of joint registered holders of Privateco Shares) at the address shown in the register of members of Privateco.
 3. I/We understand and agree that cheque(s) issued for acceptance of the Privateco Offer not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, in such circumstances, I/we should contact Red Dynasty for payment.
 4. I/We hereby warrant that I/we have the full right, power and authority to sell and pass the title and ownership of such Privateco Shares to Red Dynasty by way of acceptance of the Privateco Offer.
 5. I/We hereby warrant and undertake to Red Dynasty and/or Access Capital that I/we have satisfied the laws of the jurisdiction where my/our address is stated in the register of members of Privateco in connection with my/our acceptance of the Privateco Offer, including the obtaining of any governmental, exchange control or other consent which may be required to comply with other necessary formalities or legal requirements.
 6. I/We undertake to Red Dynasty and/or Access Capital that I/we shall be responsible for the payment of any transfer or other taxes payable in respect of the jurisdiction where my/our address is located as set out in the register of members of Privateco.
 7. I/We acknowledge that, save as expressly provided in the Document and in this form, all acceptances, instructions, authorities and undertaking hereby given shall be irrevocable.
 8. I/We understand that no acknowledgement of receipt of this form by the Transfer Agent will be given.

PERSONAL DATA

Personal Information Collection Statement

This personal information collection statement informs you of the policies and practice of Red Dynasty and the Transfer Agent in relation to personal data and the Personal Data (Privacy) Ordinance of Hong Kong (the "Privacy Ordinance").

1. Reasons for the collection of your personal data

To accept the Privateco Offer for your Privateco Shares, you must provide the personal data requested. Failure to supply the requested data may result in the processing of your acceptance being rejected or delayed.

2. Purposes

The personal data which you provide on this form may be used, held and/or stored (by whatever means) for the following purposes:

- processing your acceptance and verification of compliance with the terms and application procedures set out in this form;
- conducting or assisting to conduct signature verification, and any other verification or exchange of information;
- distributing communications from Red Dynasty and/or its subsidiaries or agents such as Access Capital and the Transfer Agent;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules or regulations (whether statutory or otherwise);
- disclosing relevant information to facilitate claims or entitlements;
- any other purposes in connection with the business of Red Dynasty or the Transfer Agent; and
- any other incidental or associated purposes relating to the above and/or to enable Red Dynasty and/or Access Capital to discharge their obligations to Privateco Shareholders and/or under applicable regulations, and any other purposes to which Privateco Shareholders may from time to time agree or be informed of.

3. Transfer of personal data

The personal data provided in this form will be kept confidential but Red Dynasty, Access Capital and/or the Transfer Agent may, to the extent necessary for achieving the purposes above or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and, in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) such personal data to, from or with any and all of the following persons and entities:

- Red Dynasty and/or its subsidiaries or agents such as Access Capital and the Transfer Agent;
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to the Transfer Agent in connection with the operation of its business;
- any regulatory or governmental bodies;
- any other persons or institutions with which you have or propose to have dealings, such as bankers, solicitors, professional accountants, licensed securities dealers or registered institutions in securities; and
- any other persons or institutions whom Red Dynasty, Access Capital and/or the Transfer Agent consider(s) to be necessary or desirable in the circumstances.

4. Access and correction of personal data

The Privacy Ordinance provides you with the rights to ascertain whether Red Dynasty, Access Capital and/or the Transfer Agent hold(s) your personal data, to obtain a copy of that data, and to correct any data that is incorrect. In accordance with the Privacy Ordinance, Red Dynasty, Access Capital and the Transfer Agent have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and the kinds of data held should be addressed to Red Dynasty, Access Capital or the Transfer Agent (as the case may be).

BY SIGNING THIS FORM YOU AGREE TO ALL OF THE ABOVE

個人資料

個人資料收集聲明

本個人資料收集聲明知會閣下有關Red Dynasty及轉讓代理就有關個人資料及香港之個人資料(私隱)條例(「私隱條例」)之政策及實務做法。

1. 收集閣下個人資料之原因

倘閣下欲就閣下之Privateco股份接納Privateco收購，則閣下須提供所需之個人資料。若未能提供所需資料，可能會導致閣下之接納不予受理或遭延誤。

2. 資料用途

閣下於本表格所提供之個人資料可以任何方式被採用、持有及/或保存，以作下列用途：

- 處理閣下之接納及核實是否遵守本表格所呈列之條款及申請程序而作出；
- 進行或協助進行核對簽名，以及校對或交換任何其他資料；
- 送遞Red Dynasty及/或其附屬公司或代理人(例如卓怡及轉讓代理)所發出之通訊；
- 編製統計資料及股東資料；
- 遵照法例、規則或規例(不論法定或在其他方面)之要求作出披露；
- 披露有關資料以便進行申索或獲得所有權；
- 與Red Dynasty或轉讓代理之業務有關之任何其他用途；及
- 與上述有關之任何其他附帶或相關用途及/或令Red Dynasty及/或卓怡得以履行彼等對Privateco股東及/或適用法規項下之責任，以及Privateco股東可能不時同意或獲知會之任何其他用途。

3. 向他人提供個人資料

本表格所載之個人資料將會保密，但Red Dynasty、卓怡及/或轉讓代理可作出必要之查詢以確定個人資料之準確性，以便資料可作任何上述用途，尤其可能會向下列任何及所有人士及實體披露、取得或提供該等個人資料(不論在香港或香港以外地方)：

- Red Dynasty及/或其附屬公司或代理人(例如卓怡及轉讓代理)；
- 任何向轉讓代理提供與其業務運作有關之行政、電訊、電腦、付款或其地服務之代理人、承包商或第三方服務供應商；
- 任何監管或政府機構；
- 與閣下有案務往來或將有某務往來之任何其他人士或機構，例如銀行、律師、專業會計師或持牌證券交易商或註冊證券機構；及
- Red Dynasty、卓怡及/或轉讓代理在該情況下認為必需或適當之任何其他人士或機構。

4. 查閱及更正個人資料

私隱條例賦予閣下權利確定Red Dynasty、卓怡及/或轉讓代理是否持有閣下之個人資料，索取資料副本及更正任何不確資料。根據私隱條例，Red Dynasty、卓怡及轉讓代理有權就處理任何查閱資料之查詢收取合理費用。所有關於查閱資料或更正資料或查閱關於政策及實務做法及所持之資料類別之查詢，應向Red Dynasty、卓怡或轉讓代理(視乎情況而定)提出。

閣下簽署本表格即表示同意上述各項