
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 **Kee Shing Investment (BVI) Limited**, you should at once hand this Composite Offer Document and the accompanying Form of Acceptance 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, the provisions of which form part of the terms of the KSL Offer contained herein.

Merit Gala Limited
*(Incorporated in the British Virgin Islands
with limited liability)*

Kee Shing Investment (BVI) Limited
*(Incorporated in the British Virgin Islands
with limited liability)*

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO
THE UNCONDITIONAL VOLUNTARY CASH OFFER
BY OPTIMA CAPITAL ON BEHALF OF MERIT GALA
FOR THE VGO KSL SHARES**

Financial adviser to Merit Gala Limited


Optima Capital Limited

Independent financial adviser to the Qualifying KSL Shareholders

 **博大資本國際有限公司**
Partners Capital International Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this Composite Offer Document.

A letter from the Board is set out on pages 6 to 8 of this Composite Offer Document. A letter from Optima Capital is set out on pages 9 to 14 of this Composite Offer Document. A letter from Partners Capital containing their advice to the Qualifying KSL Shareholders in respect of the KSL Offer contained herein is set out on pages 15 to 25 of this Composite Offer Document.

The procedures for acceptance and settlement of the KSL Offer contained herein are set out in Appendix I to this Composite Offer Document and in the accompanying Form of Acceptance. Acceptances of the KSL Offer should be received by the Transfer Agent (Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong) by no later than 4:00 p.m. on Thursday, 11 November 2010.

21 October 2010

CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	ii
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM OPTIMA CAPITAL	9
LETTER FROM PARTNERS CAPITAL	15
APPENDICES:	
I – FURTHER TERMS OF THE KSL OFFER	26
II – FINANCIAL INFORMATION ON THE KSL GROUP	31
III – UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE KSL GROUP	84
IV – PROPERTY VALUATION ON THE KSL GROUP	94
V – SUMMARY OF THE NEW ARTICLES OF ASSOCIATION OF KSL	103
VI – GENERAL INFORMATION	118
ACCOMPANYING DOCUMENT:	
FORM OF ACCEPTANCE	

EXPECTED TIMETABLE

2010

Commencement date of the KSL Offer	Thursday, 21 October
Latest time for acceptance of the KSL Offer	4:00 p.m. on Thursday, 11 November
Closing Date (<i>Note 1</i>)	Thursday, 11 November
Announcement of the results of the KSL Offer posted on the Stock Exchange's website, the Kee Shing's website and the SFC's website	by 7:00 p.m. Thursday, 11 November
Announcement of the results of the KSL Offer published in the newspapers (<i>Note 2</i>)	Friday, 12 November
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the KSL Offer (<i>Note 3</i>)	Sunday, 21 November
Despatch of the share certificate(s) of KSL to the KSL Shareholder(s) who have not accepted the KSL Offer	on or before Monday, 6 December

Notes:

1. The KSL Offer, which is unconditional, will be closed on 11 November 2010 unless Merit Gala revises or extends the KSL Offer in accordance with the Takeovers Code. An announcement will be issued through the Stock Exchange's website under Kee Shing by 7:00 p.m. on 11 November 2010 stating whether the KSL Offer has been closed, revised or extended, and the next closing date or that the KSL Offer will remain open until further notice. In the event that Merit Gala decides that the KSL Offer will remain open until further notice, at least 14 days' notice in writing will be given, before the KSL Offer is closed, to those Qualifying KSL Shareholders who have not accepted the KSL Offer.
2. The announcement of the results of the KSL Offer will be published in Hong Kong Economic Times (in Chinese) and The Hong Kong Standard (in English).
3. Acceptance of the KSL Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code. Remittances in respect of the cash consideration payable for the KSL Shares tendered under the KSL Offer will be posted to the accepting KSL Shareholder(s) at his/her/its own risks as soon as possible but in any event within 10 days of the date of receipt by the Transfer Agent of the duly completed Form of Acceptance.

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

DEFINITIONS

In this Composite Offer Document and the Form of Acceptance, unless the context requires otherwise, the following expressions shall have the meanings set out below:

“acting in concert”	has the meanings ascribed thereto in the Takeovers Code
“Agreement”	the agreement dated 29 June 2010 entered into among the Sellers as vendors, Mr. Yuen as guarantor and Sino-Ocean as purchaser relating to the sale and purchase of the Sale Shares
“Beneficial Sellers”	Mr. Leung, Ms. Leung and Mr. Yuen
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System, established and operated by HKSCC
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this Composite Offer Document, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Circular”	the circular of Kee Shing dated 13 September 2010 in relation to, among other things, the Group Reorganisation
“Closing Date”	11 November 2010, the closing date of the KSL Offer, or the closing date as extended or revised by Merit Gala in accordance with the Takeovers Code
“Composite Offer Document”	this offer and response document relating to the KSL Offer jointly issued by Merit Gala and KSL in accordance with the Takeovers Code
“Completion”	completion of the Agreement
“Distributed Business”	all business (other than the Retained Business) carried on by the KSL Group upon completion of the Group Reorganisation, including the business of trading of chemicals and metals
“Distribution in Specie”	the distribution in specie of the entire issued share capital of KSL pursuant to the Group Reorganisation
“Director(s)”	the director(s) of KSL

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“Form of Acceptance”	the accompanying form of acceptance and transfer of KSL Shares
“Group Reorganisation”	the group reorganisation of Kee Shing which resulted in (i) Kee Shing continuing as a public listed company concentrating on the Retained Business; (ii) all the assets of the Kee Shing Group other than those related to the Retained Business having been transferred to KSL, which engages in the Distributed Business; and (iii) the Kee Shing Shareholders having received KSL Shares by way of the Distribution in Specie
“HK\$” and “cent(s)”	Hong Kong dollar(s) and cent(s) respectively
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kee Shing”	Kee Shing (Holdings) 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 (stock code: 174)
“Kee Shing Group”	Kee Shing and its subsidiaries immediately before completion of the Group Reorganisation
“Kee Shing Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of Kee Shing
“Kee Shing Shareholder(s)”	holder(s) of Kee Shing Share(s)
“KSL”	Kee Shing Investment (BVI) Limited, a company incorporated in the BVI with limited liability
“KSL Group”	KSL and its subsidiaries upon completion of the Group Reorganisation
“KSL Offer”	the unconditional voluntary cash offer being made by Optima Capital on behalf of Merit Gala to acquire all the VGO KSL Shares
“KSL Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of KSL
“KSL Shareholder(s)”	the holder(s) of the KSL Share(s)

DEFINITIONS

“Latest Practicable Date”	18 October 2010, being the latest practicable date prior to the printing of this Composite Offer Document for the purpose of ascertaining certain information included in this Composite Offer Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merit Gala”	Merit Gala Limited, a company incorporated in the BVI with limited liability and is beneficially owned as to 50% by Mr. Leung and 50% by Ms. Leung
“Merit Gala Group”	Merit Gala, Mr. Leung and Ms. Leung
“Mr. Leung”	Mr. Leung Shu Wing, the chairman of Kee Shing and a Director
“Mr. Yuen”	Mr. Yuen Tin Fan, Francis, a non-executive director of Kee Shing
“Ms. Leung”	Ms. Leung Miu King, Marina, the managing director and an executive director of Kee Shing and a Director
“Optima Capital”	Optima Capital Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealings in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities for the purposes of the SFO and the financial adviser to Merit Gala
“Partners Capital”	Partners Capital International Limited, a licensed corporation under the SFO permitted to carry out types 1 (dealings in securities) and 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Qualifying KSL Shareholders in respect of the KSL Offer
“Qualifying KSL Shareholders”	the KSL Shareholders other than Mr. Leung and Ms. Leung and parties acting in concert with them, but including for this purpose Tien Fung Hong Group Limited, Snowdon International Limited, Mr. Leung Chung Ping and Ms. Leung Miu Kam
“Record Date”	7 October 2010, the record date to determine entitlements to the Distribution in Specie

DEFINITIONS

“Relevant Period”	the period from 14 December 2009, being the date falling on the six months before the date of commencement of the offer period (as defined in the Takeovers Code), up to and including the Latest Practicable Date
“relevant securities”	has the meanings ascribed to it under Note 4 to Rule 22 of the Takeovers Code
“Retained Business”	the business remained in the Retained Group upon completion of the Group Reorganisation, including property investment and securities investment business
“Retained Group”	Kee Shing and its subsidiaries other than the members of the KSL Group upon completion of the Group Reorganisation
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share(s)”	the aggregate of 307,495,075 Kee Shing Shares acquired by Sino-Ocean pursuant to the Agreement
“Sellers”	Mr. Leung, Ms. Leung, Tien Fung Hong Group Limited and Snowdon International Limited
“Sellers Concert Group”	Merit Gala, Mr. Leung, Ms. Leung, Mr. Yuen, Tien Fung Hong Group Limited, Snowdon International Limited, Mr. Leung Chung Ping, Ms. Leung Miu Kam and parties acting in concert with any of them
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Sino-Ocean”	Sino-Ocean Land (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Sino-Ocean Land
“Sino-Ocean Land”	Sino-Ocean Land Holdings Limited, a company incorporated in Hong Kong with limited liability and shares of which are listed on the Main Board of the Stock Exchange (stock code: 3377)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Transfer Agent”	the transfer agent to handle the splitting and registration of transfer of the KSL Shares, being Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“US”	the United States of America
“VGO KSL Shares”	KSL Shares held by the Qualifying KSL Shareholders

LETTER FROM THE BOARD

KEE SHING INVESTMENT (BVI) LIMITED

(Incorporated in the British Virgin Islands with limited liability)

Directors:

Mr. Leung Shu Wing

Ms. Leung Miu King, Marina

Registered office:

Romasco Place

Wickhams Cay 1

P.O. Box 3140

Road Town

Tortola, British Virgin Islands

VG1110

Correspondence address in Hong Kong:

3rd Floor, Kee Shing Centre,

74-76 Kimberley Road,

Tsimshatsui,

Kowloon,

Hong Kong

21 October 2010

To the Qualifying KSL Shareholders

Dear Sir or Madam,

UNCONDITIONAL VOLUNTARY CASH OFFER BY OPTIMA CAPITAL ON BEHALF OF MERIT GALA FOR THE VGO KSL SHARES

INTRODUCTION

On 7 July 2010, Kee Shing, Merit Gala and Sino-Ocean Land jointly announced that, among other things, at the request of the Beneficial Sellers, the board of directors of Kee Shing proposed to place before the Kee Shing Shareholders a proposal for the Group Reorganisation which, if approved and implemented, would result in, (i) Kee Shing continuing as a public listed company with its subsidiaries engaged in the business of properties investment and securities investment; (ii) all other subsidiaries engaged in the Distributed Business would be transferred to KSL which would engage in the business of trading of chemicals and metals; and (iii) the KSL Shares held by Kee Shing would, following the injection of the Distributed Business into KSL, be distributed in specie to the Kee Shing Shareholders whose names appear on the register of members of Kee Shing on the Record Date on the basis of one KSL Share for each Kee Shing Share. Completion took place on 14 October 2010. The KSL Shares were distributed in specie to the Kee Shing Shareholders whose names appeared on the register of members of Kee Shing on the Record Date on the basis of one KSL Share for each Kee Shing Share then held. Optima Capital is making the KSL Offer on behalf of Merit Gala to acquire all the KSL Shares (including those

LETTER FROM THE BOARD

held by Tien Fung Hong Group Limited, Snowdon International Limited, Mr. Leung Chung Ping and Ms. Leung Miu Kam) not already owned or agreed to be acquired by Merit Gala and parties acting in concert with it, on the basis of HK\$0.192 per KSL Share.

This Composite Offer Document provides you with, among other things, information on the KSL Offer and the KSL Group, and the letter of advice from Partners Capital in respect of the KSL Offer.

THE KSL OFFER

Optima Capital, on behalf of Merit Gala, is making the KSL Offer to the Qualifying KSL Shareholders to acquire all the VGO KSL Shares on the following basis:

for every KSL Share heldHK\$0.192 in cash

The KSL Offer price of HK\$0.192 represents a discount of approximately 31.4% to the unaudited pro forma consolidated net asset value of the KSL Group attributable to owners of the KSL Group entities per KSL Share of approximately HK\$0.28, which is calculated based on the 445,500,000 KSL Shares in issue as at the Latest Practicable Date and the unaudited pro forma consolidated net asset value of the KSL Group as at 30 June 2010 (and adjusted for the financial effect of the Group Reorganisation) of approximately HK\$125.0 million as set out in Appendix III to this Composite Offer Document.

Further details of the KSL Offer including, inter alia, the terms and conditions and the procedures for acceptance and settlement are set out in the “Letter from Optima Capital”, Appendix I to this Composite Offer Document and the accompanying Form of Acceptance.

INFORMATION ON KSL

The KSL Group is principally engaged in trading of electroplating materials, chemicals, paints and coating chemicals, and stainless steel. The KSL Group also owns certain investment properties including office properties in Hong Kong and an industrial property in Singapore, and investment in securities including hedge funds and equity securities listed in Hong Kong, Singapore, Australia and Malaysia. As at the Latest Practicable Date, the Board comprises Mr. Leung and Ms. Leung. The accountants’ report and the unaudited pro forma financial information on the KSL Group are set out in Appendices II and III to this Composite Offer Document respectively. The property valuation report of the KSL Group is set out in Appendix IV to this Composite Offer Document.

INTENTION OF MERIT GALA REGARDING THE KSL GROUP

Your attention is drawn to the “Letter from Optima Capital” in this Composite Offer Document for the intention of Merit Gala regarding the KSL Group. The Board is of the view that Merit Gala’s plan in respect of the KSL Group is in the best interest of KSL and the KSL Shareholders as a whole.

LETTER FROM THE BOARD

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 KSL Shareholders in connection with the KSL Offer. In the circumstances, Partners Capital has been appointed as the independent financial adviser to advise the Qualifying KSL Shareholders as to whether the terms of the KSL Offer are fair and reasonable so far as the Qualifying KSL Shareholders are concerned and whether the Qualifying KSL Shareholders should accept the KSL Offer. Your attention is drawn to its letter of advice to the Qualifying KSL Shareholders set out on pages 15 to 25 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.

Yours faithfully,
By order of the board of
KEE SHING INVESTMENT (BVI) LIMITED
Leung Shu Wing
Director

LETTER FROM OPTIMA CAPITAL



Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

21 October 2010

To the Qualifying KSL Shareholders

Dear Sir or Madam,

UNCONDITIONAL VOLUNTARY CASH OFFER BY OPTIMA CAPITAL ON BEHALF OF MERIT GALA FOR THE VGO KSL SHARES

INTRODUCTION

On 7 July 2010, Kee Shing, Merit Gala and Sino-Ocean Land jointly announced that, among other things, at the request of the Beneficial Sellers, the board of directors of Kee Shing proposed to place before the Kee Shing Shareholders a proposal for the Group Reorganisation which, if approved and implemented, would result in, (i) Kee Shing continuing as a public listed company with its subsidiaries engaged in the business of properties investment and securities investment; (ii) all other subsidiaries engaged in the Distributed Business would be transferred to KSL which would engage in the business of trading of chemicals and metals; and (iii) the KSL Shares held by Kee Shing would, following the injection of the Distributed Business into KSL, be distributed in specie to the Kee Shing Shareholders whose names appear on the register of members of Kee Shing on the Record Date on the basis of one KSL Share for each Kee Shing Share. It was also announced that upon completion of the Group Reorganisation, Optima Capital would, on behalf of Merit Gala, make the KSL Offer to acquire all the KSL Shares (including those held by Tien Fung Hong Group Limited, Snowdon International Limited, Mr. Leung Chung Ping and Ms. Leung Miu Kam) not already owned or agreed to be acquired by Merit Gala and parties acting in concert with it. Completion took place on 14 October 2010. The KSL Shares were distributed in specie to the Kee Shing Shareholders whose names appeared on the register of members of Kee Shing on the Record Date on the basis of one KSL Share for each Kee Shing Share then held. Optima Capital is making the KSL Offer on behalf of Merit Gala to acquire all the VGO KSL Shares on the basis of HK\$0.192 per KSL Share.

This letter sets out, among other things, the terms of the KSL Offer, information on Merit Gala and the intention of Merit Gala regarding the KSL Group. Further details of the terms of the KSL Offer are set out in Appendix I to this Composite Offer Document and in the accompanying Form of Acceptance.

LETTER FROM OPTIMA CAPITAL

THE KSL OFFER

Optima Capital, on behalf of Merit Gala, is making the KSL Offer on a voluntary and unconditional basis to the Qualifying KSL Shareholders to acquire all the VGO KSL Shares on the following basis:

for every KSL Share heldHK\$0.192 in cash

The KSL Offer price of HK\$0.192 represents a discount of approximately 31.4% to the unaudited pro forma consolidated net asset value of the KSL Group per KSL Share of approximately HK\$0.28, which is calculated on the basis of 445,500,000 KSL Shares in issue as at the Latest Practicable Date and the unaudited pro forma consolidated net asset value of the KSL Group as at 30 June 2010 (and adjusted for the financial effect of the Group Reorganisation) of approximately HK\$125.0 million as set out in Appendix III to this Composite Offer Document.

VALUE OF THE KSL OFFER

As at the Latest Practicable Date, 445,500,000 KSL Shares were in issue. As a result of the Distribution in Specie, the Merit Gala Group were interested in 205,741,075 KSL Shares (representing approximately 46.18% of the issued share capital of KSL) whilst Merit Gala and parties acting in concert with it were interested in 339,109,075 KSL Shares (representing approximately 76.12% of the issued share capital of KSL). Since the KSL Offer is also being extended to certain parties acting in concert with Merit Gala, namely Tien Fung Hong Group Limited, Snowdon International Limited, Mr. Leung Chung Ping and Ms. Leung Miu Kam who together are interested in 133,368,000 KSL Share, there are accordingly 239,758,925 KSL Shares (representing approximately 53.82% of the issued share capital of KSL) subject to the KSL Offer, which constitute the VGO KSL Shares. The VGO KSL Shares are valued at approximately HK\$46.03 million based on the offer price of HK\$0.192 per KSL Share under the KSL Offer.

Pursuant to the Agreement, each of Tien Fung Hong Group Limited and Snowdon International Limited has severally undertaken to Mr. Leung that they will accept the KSL Offer. Such undertaking is legally-binding under the Agreement and so it is irrevocable unless the parties to the Agreement agree otherwise.

Save for the 445,500,000 KSL Shares in issue as at the Latest Practicable Date, KSL did not have any other KSL Shares, or outstanding options, derivatives, warrants or securities which are convertible or exchangeable into KSL Shares.

The KSL Offer is unconditional in all respects. Acceptance of the KSL Offer is irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code. The Executive may require the Qualifying KSL Shareholders accepting the KSL Offer be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

The procedures for acceptance and further terms of the KSL Offer are set out in Appendix I to this Composite Offer Document and the accompanying Form of Acceptance.

LETTER FROM OPTIMA CAPITAL

FINANCING OF THE KSL OFFER

Merit Gala will finance the consideration required to meet acceptances of the KSL Offer by the cash deposit held by Ms. Leung. Optima Capital, the financial adviser to Merit Gala, is satisfied that sufficient financial resources are available to Merit Gala to satisfy full acceptance of the KSL Offer.

COMPULSORY ACQUISITION

Merit Gala intends to avail itself of any compulsory acquisition or redemption provisions under the applicable laws in the BVI and the relevant provisions of the Takeovers Code. In the event that upon closing of the KSL Offer, the Merit Gala Group receives acceptances of the KSL Offer total 90% or more of the disinterested KSL Shares (i.e. KSL Shares other than those owned by Merit Gala and parties acting in concert with it), Merit Gala intends to direct KSL to redeem the KSL Shares not already owned by the Merit Gala Group pursuant to section 176 of the BVI Business Companies Act. The KSL Offer may not remain open for acceptance for more than four months from the posting of this Composite Offer Document, unless the Merit Gala Group has by that time become entitled to exercise such powers of compulsory acquisition, in which event it must do so without delay in accordance with the requirement under Rule 15.6 of the Takeovers Code.

DEALING AND INTERESTS IN THE KSL'S SECURITIES

Pursuant to the Distribution in Specie, a total of 339,109,075 KSL Shares were distributed as to 184,691,075 KSL Shares to Mr. Leung, as to 21,050,000 KSL Shares to Ms. Leung, as to 26,984,000 KSL Shares to Tien Fung Hong Group Limited, as to 74,770,000 KSL Shares to Snowdon International Limited, as to 21,564,000 KSL Shares to Mr. Leung Chung Ping and as to 10,050,000 KSL Shares to Ms. Leung Miu Kam. Accordingly, as at the Latest Practicable Date, Merit Gala and parties acting in concert with it were interested an aggregate of 339,109,075 KSL Shares, representing approximately 76.12% of the issued share capital of KSL. Save for the aforesaid, as at the Latest Practicable Date, Merit Gala and parties acting in concert with it did not hold any securities of KSL and there was no other existing holding of voting rights and rights over KSL Shares (a) which Merit Gala and parties acting in concert with it own or over which they have control or direction; or (b) in respect of which Merit Gala and parties acting in concert with it hold any convertible securities, warrants or options. Save for their aforesaid entitlements to the KSL Shares under the Distribution in Specie, none of Merit Gala and parties acting in concert with it had dealt in the relevant securities of KSL during the Relevant Period.

INFORMATION ON MERIT GALA

Merit Gala is a company incorporated in the BVI and is beneficially owned as to 50% by Mr. Leung and 50% by Ms. Leung. Mr. Leung and Ms. Leung are also the two directors of Merit Gala. Its principal activity is investment holding.

LETTER FROM OPTIMA CAPITAL

INTENTION OF MERIT GALA REGARDING KSL

KSL was incorporated in the BVI with limited liability on 26 January 2010 and has not carried out any business since its incorporation. KSL is principally engaged in investment holding and its subsidiaries are principally engaged in the Distributed Business. It is the intention of Merit Gala that the KSL Group will not conduct any business other than the Distributed Business or acquire any other material assets other than those assets related to the Distributed Business which are inherited from the Group Reorganisation, unless prior approval from its shareholders has been obtained. Merit Gala will conduct a detailed review on the operations of Distributed Business after the close of the KSL Offer with a view to formulating a suitable business strategy for the KSL Group. In view of the aforesaid, Merit Gala is of the view that the KSL Offer is in its long term commercial interest. The Board does not have any intention to dispose of any major assets of the KSL Group upon completion of the KSL Offer. It is the intention of Merit Gala that it will not inject any material asset into KSL or propose the Board to authorise the disposal of any material assets or make any material changes to the principal business of the KSL Group (including re-deployment any of the fixed assets of the KSL Group) after the close of the KSL Offer. Merit Gala does not intend to introduce any material changes to the existing management and employees of the KSL Group following the close of the KSL Offer.

Interests of the shareholders of KSL will be safeguarded by the constitutional documents of KSL. Any connected transaction falling within the definition of the Listing Rules as if KSL were a listed issuer which requires the approval of independent shareholders under the Listing Rules shall require the approval by ordinary resolution of the independent members in general meeting, the notice convening which shall be accompanied by a circular containing the advice of an independent financial adviser to the independent members in respect of such transaction in accordance with the Listing Rules as far as applicable. In addition, the following transactions shall require the approval by ordinary resolution of the members of KSL in general meeting in accordance with the Listing Rules as far as applicable:

- (a) any notifiable transaction falling within the definition of the Listing Rules as if KSL were a listed issuer which requires the approval of shareholders under the Listing Rules; and
- (b) any issue of KSL Shares or securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new KSL Shares wholly for cash unless an offer of such shares or securities has first been made to holders of shares on the register of members of KSL on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of KSL may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).

A summary of the new Articles of Association of KSL which has been adopted on 14 October 2010 under the Group Reorganisation is set out in Appendix V to this Composite Offer Document. If KSL remains a public company upon close of the KSL Offer, it will appoint three independent non-executive directors and will still be subject to the provisions of the Takeovers Code. Further announcement will be made in this regard as and when appropriate.

LETTER FROM OPTIMA CAPITAL

No listing application will be made for the KSL Shares on the Stock Exchange or any other stock exchange. The KSL Offer provides a cash exit opportunity to the Qualifying KSL Shareholders to realize all or part of their shareholdings in KSL, which are unlisted and may be illiquid.

EFFECT OF ACCEPTING THE KSL OFFER

By accepting the KSL Offer, the Qualifying KSL Shareholders will sell their KSL Shares and all rights attached thereto to Merit Gala 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 KSL Shares.

Share certificates of KSL will be posted only to the KSL Shareholders who do not accept the KSL Offer after the close of the KSL Offer in order to avoid confusion and to enhance efficiency.

HONG KONG STAMP DUTY

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

ACCEPTANCE AND SETTLEMENT

Appendix I to the Composite Offer Document and the Form of Acceptance contain the procedures for acceptance and settlement of the KSL Offer, and further terms of the KSL 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 KSL Offer. It is emphasised that none of Merit Gala, KSL, Optima Capital, any of their respective directors and any persons involved in the KSL Offer accepts responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the KSL Offer.

QUALIFYING KSL SHAREHOLDERS OUTSIDE HONG KONG

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

It is the responsibility of any Qualifying KSL Shareholder not resident in Hong Kong who wishes to accept the KSL 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 OPTIMA CAPITAL

INDEPENDENT ADVICE

Partners Capital has been appointed as the independent financial adviser to advise the Qualifying KSL Shareholders (i) as to whether the terms of the KSL Offer are, or are not, fair and reasonable; and (ii) as to the acceptance of the KSL Offer. Your attention is drawn to their letter of advice to the Qualifying KSL Shareholders set out on pages 15 to 25 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.

Yours faithfully,
For and on behalf of
OPTIMA CAPITAL LIMITED
Mei H. Leung
Chairman

LETTER FROM PARTNERS CAPITAL



博大資本國際有限公司
Partners Capital International Limited

Partners Capital International Limited
Unit 3906, 39/F, COSCO Tower
183 Queen's Road Central
Hong Kong

To the Qualifying KSL Shareholders

21 October 2010

Dear Sirs,

UNCONDITIONAL VOLUNTARY CASH OFFER BY OPTIMA CAPITAL ON BEHALF OF MERIT GALA FOR THE VGO KSL SHARES

INTRODUCTION

We refer to our engagement to advise the Qualifying KSL Shareholders in respect of the terms of the KSL Offer, particulars of which are set out in the composite offer document of KSL (the "Composite Offer Document") dated 21 October 2010 to the Qualifying KSL Shareholders, of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Composite Offer Document.

As set out in the letter from the Board (the "Letter from the Board"), on 7 July 2010, Kee Shing, Merit Gala and Sino-Ocean Land jointly announced that, among other things, at the request of the Beneficial Sellers, the board of directors of Kee Shing proposed to place before the Kee Shing Shareholders a proposal for the Group Reorganisation which, if approved and implemented, would result in:

- (i) Kee Shing continuing as a public listed company with its subsidiaries principally engaged in the business of properties investment and securities investment;
- (ii) all other subsidiaries carrying on trading business would be transferred to KSL which will principally engage in the business of trading of chemicals and metals (with retention of certain securities investment and properties not retained by the Kee Shing Group); and
- (iii) KSL Shares held by Kee Shing would, following the injection of the Distributed Business into KSL, be distributed in specie to the Kee Shing Shareholders whose names appear on the register of members of Kee Shing on the Record Date on the basis of one KSL Share for each Kee Shing Share.

The Group Reorganisation was completed on 14 October 2010. The KSL Shares have been distributed in specie to the Kee Shing Shareholders whose name appeared on the register of members of Kee Shing on the Record Date on the basis of one KSL Share for each Kee Shing Share. The share certificates of KSL will only be posted to those Qualifying KSL Shareholders who do not accept the KSL Offer after the close of the KSL Offer.

LETTER FROM PARTNERS CAPITAL

Optima Capital, on behalf of Merit Gala, is making the KSL Offer on a voluntary and unconditional basis to the Qualifying KSL Shareholders to acquire all the VGO KSL Shares on the following basis:

For each KSL Share held HK\$0.192 in cash

Further terms and conditions of the KSL Offer, including the procedures for acceptance, are set out in the Composite Offer Document.

Partners Capital is not in the same group as the financial or other professional adviser (including a stockbroker) to Merit Gala or KSL and is not connected with the directors, chief executive and substantial shareholders of KSL and Merit Gala or any of their respective associates or their respective party acting, or presumed to be acting, in concert and Partners Capital had not had, a significant connection, financial or otherwise, with either Merit Gala or KSL, or the controlling shareholder(s) of either of them, of a kind reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice. Therefore, Partners Capital is considered eligible to give independent advice on the KSL Offer. Apart from normal professional fees payable to Partners Capital in connection with this appointment, no arrangement exists whereby Partners Capital will receive any fees or benefits from KSL or Merit Gala or the directors, chief executive and substantial shareholders of KSL or Merit Gala or any of their respective associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Composite Offer Document and have assumed that all information and representations made or referred to in the Composite Offer Document as provided by the Directors and/or Merit Gala were true, accurate and complete in all material aspects at the time they were made and continue to be true, accurate and complete in all material aspects and up to the Latest Practicable Date and KSL Shareholders will be notified by the Directors and/or Merit Gala of any material changes as soon as practicable if such material change arises after the despatch of the Composite Offer Document and would affect our opinion. We have also relied on our discussion with the Directors regarding the KSL Offer, including the information and representations contained in the Composite Offer Document. We have also assumed that all statements of belief, opinion and intention made by the Directors and Merit Gala respectively in the Composite Offer Document were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Composite Offer Document and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Composite Offer Document nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and Merit Gala. We have not, however, conducted an independent in-depth investigation into the business and affairs of the KSL Group, Merit Gala and their respective associates nor have we carried out any independent verification of the information supplied.

We have not considered the tax implications on the Qualifying KSL Shareholders of their acceptances or non-acceptances of the KSL Offer since these are particular to their own individual circumstances. In particular, the Qualifying KSL 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 KSL Offer and, if in any doubt, should consult their own professional advisers.

LETTER FROM PARTNERS CAPITAL

THE KSL OFFER

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the KSL Offer, we have considered the following principal factors and reasons:

(i) *Review of financial performance*

- Background of the KSL Group and historical financial performance

As set out in the letter from Optima Capital (the “Letter from Optima Capital”), KSL was incorporated in the BVI on 26 January 2010 as an investment holding company. As advised by the Directors, upon completion of the Group Reorganisation, the principal business of the KSL Group will be the Distributed Business (i.e. the trading of electroplating materials, paint and coating chemicals and stainless steel). The KSL Group owns certain investment properties and securities investment not held by the Retained Group. The KSL Group has set up several offices in Hong Kong, the PRC, Taiwan and Singapore serving customers covering region in South Korea, the PRC, Hong Kong, Taiwan, Singapore, Malaysia, Indonesia, Thailand and Philippine. The KSL Group generally sources the relevant metals (namely precious metal products and base metal products) and chemicals from suppliers in Europe, North America, Japan, the PRC and Taiwan for sale to customers in the East Asia Region. Besides, certain members of the KSL Group are distributors of a number of large European and US-based producers of chemicals and raw materials in the East Asia Region. Meanwhile, the major customers of the trading of electroplating materials business are (i) factories supplying various semi-finished or finished products to different decorative sectors such as watch, jewelry, gifts and premium and electronic industries such as printed circuit board, toys, mobile phones parts, computer parts and etc; and (ii) dealers for distributions to overseas or the PRC. The major customers of the trading of paint and coating chemicals business are industries in applications on industrial coatings, industrial water treatment, adhesives, food processing and etc. in the PRC. Furthermore, the KSL Group sources stainless steel from Japan and Korea and sells the same to the customers in Asia with main focus in the PRC. The major customers of the trading of stainless steel business are manufacturers of watch-band, watch parts, buckles and jewelry products or dealers of stainless steel in Hong Kong.

LETTER FROM PARTNERS CAPITAL

Set out below is a summary of the financial information on the KSL Group as extracted from Appendix II to the Composite Offer Document:

	Year ended 31 December			Six months ended
	2007	2008	2009	30 June 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2,757,130	1,762,298	944,721	581,752
Profit/(loss) before taxation	79,215	(108,881)	14,580	18,336
Profit/(loss) attributable to				
KSL Shareholders	68,444	(105,302)	7,928	11,981
Earnings/(loss) per KSL Share (<i>HK cents</i>)				
– Basic (<i>Note</i>)	0.154	(0.236)	0.0178	0.027
Net assets attributable to				
KSL Shareholders	195,764	93,905	84,991	75,411
Net assets attributable to KSL				
Shareholders per KSL Share (<i>HK\$</i>) (<i>Note</i>)	0.4394	0.2108	0.1908	0.1693

Note: calculated based on the total number of 445,500,000 KSL Shares in issue after completion of the Group Reorganisation.

The KSL Group recorded revenue of HK\$2,757.1 million for the year ended 31 December 2007. Profit attributable to the owners of KSL for the year ended 31 December 2007 was approximately HK\$68.4 million. Revenue of the KSL Group was largely contributed by the trading division, while its profit was mainly contributed by the trading division as well as the gain arising from changes in fair value of investment properties which amounted to approximately HK\$50.1 million. The investment properties held by the KSL Group as at 31 December 2007 included office properties in Hong Kong, residential properties in Shanghai and office properties in Singapore.

For the year ended 31 December 2008, the KSL Group recorded revenue of HK\$1,762.3 million, representing a significant decrease of approximately 36.1% as compared to that of the previous year. The decrease was mainly attributable to substantial reduction in demand and sharp fall of metal prices due to the global financial crisis. Loss attributable to the owners of KSL for the year ended 31 December 2008 was approximately HK\$105.3 million. The losses were mainly attributable to write-down of inventories and loss arising from changes in fair value of investments held for trading. The investment properties held by the KSL Group as at 31 December 2008 included office properties in Hong Kong, residential properties in Shanghai and office properties in Singapore. The KSL Group also sold some of its residential units in Shanghai during 2008 with total saleable value of HK\$20.9 million and a reported gain of HK\$1.9 million.

LETTER FROM PARTNERS CAPITAL

For the year ended 31 December 2009, the KSL Group recorded revenue of HK\$944.7 million, representing a significant drop of approximately 46.4% as compared to the year ended 31 December 2008. The decrease in revenue was mainly attributable to the reduced sales activities and lower average metal prices except gold. Amid economic recovery in Asia, the KSL Group recorded write-back of inventories, gain arising from changes in fair value of investments held for trading and gain arising from changes in fair value of investment properties, resulting in profit attributable to the owners of KSL of approximately HK\$7.9 million. The investment properties held by the KSL Group as at 31 December 2009 included office properties in Hong Kong, residential properties in Shanghai and Singapore. The KSL Group sold some of its residential properties in Shanghai during 2009 at RMB33.3 million with a reported gain of HK\$4.1 million.

For the six months ended 30 June 2010, the KSL Group recorded revenue of approximately HK\$581.8 million, representing an increase of approximately 31.7% as compared with that for the corresponding period of the preceding year. The increase in turnover was mainly driven by stock replenishment and increasing orders from exports and domestic needs, commodities prices and prices of other raw materials surged significantly in reflection of abruptly mounting demand from industrial users. For the same period, the KSL Group recorded a net profit attributable to KSL Shareholders of approximately HK\$12.0 million as compared to the net loss attributable to KSL Shareholders of approximately HK\$13.6 million for the corresponding period of the preceding year.

More than 99% of the turnover of the KSL Group was generated from the sales of chemicals and metals, of which approximately 90.8% were generated from the trading of electroplating materials and chemicals. Driven by the economic rebound across East Asian region since the end of 2009 and increasing orders from exports and domestic needs, the commodities prices and prices of other raw materials surged significantly in reflection of abruptly mounting demand from industrial users. In view of the bumpy growth pace, the KSL Group continued to adopt defensive strategies in controlling the inventory and receivable level and cautiously to manage new purchases to match with actual demand from customers.

As at 30 June 2010, the investment properties owned by the KSL Group were located in Hong Kong and Singapore and were valued at approximately HK\$60.3 million in total as at 30 June 2010. The KSL Group sold the rest of its residential properties in Shanghai during the first six months of 2010 at RMB15.8 million with a reported gain of HK\$57,000. For the six months ended 30 June 2010, rental income generated from the investment properties owned by the KSL Group amounted to approximately HK\$1.6 million. During the six months ended 30 June 2010, the KSL Group also recorded a gain arising from changes in fair value of investment properties of approximately HK\$12.7 million.

- Further analysis

We note that the size of the trading business of the KSL Group has been shrinking from a turnover of approximately HK\$2.7 billion recorded in 2007 to approximately HK\$945 million recorded in 2009. Meanwhile, the net profit margin has been diminishing from approximately 2.5% recorded in 2007 to approximately 0.8% recorded in 2009. Although we note that the performance of the KSL Group has shown some signs of improvement, especially in the net profit margin, it is uncertain as to whether such improvement can be sustained over a long period of time. As advised

LETTER FROM PARTNERS CAPITAL

by the Directors, demand from the PRC and other neighboring countries is expected to continue to grow but the Directors remains skeptical on the persistent growth of the economies. In addition, the Directors consider the business environment of the trading business remains competitive and consumer spending may remain weak in many sectors. Products are price sensitive, bearing a resemblance to features of commodities, and are highly subject to international market volatility of commodity prices which include gold, silver, palladium, rhodium, nickel and copper. Besides, it is a moderate-to-low entry-barrier business. It is easy to access distributors who are marketing products from suppliers overseas and the PRC, though it is difficult to access directly to the primary suppliers overseas and the PRC.

Based on the above, we concur with the view of Directors that the business environment in which the KSL Group operates is and will remain challenging and competitive in future notwithstanding the fact that the KSL Group has strived to improve its performance by maintaining a strict cost control discipline.

(ii) *The principal terms of the KSL Offer*

Optima Capital is making, on behalf of Merit Gala, the KSL Offer to the Qualifying KSL Shareholders to acquire all the VGO KSL Shares on the basis of HK\$0.192 (the “KSL Offer Price”) in cash for every KSL Share.

As at the Latest Practicable Date, 445,500,000 KSL Shares were in issue. As a result of the Distribution in Specie, the Merit Gala Group was interested in 205,741,075 KSL Shares (representing approximately 46.18% of the issued share capital of KSL) whilst the Sellers Concert Group were interested in 339,109,075 KSL Shares (representing approximately 76.12% of the issued share capital of KSL). Since the KSL Offer is also being extended to certain other members of the Sellers Concert Group, namely Tien Fung Hong Group Limited, Snowdon International Limited, Mr. Leung Chung Ping and Ms. Leung Miu Kam who together were interested in 133,368,000 KSL Shares, there are accordingly, 239,758,925 KSL Shares (representing approximately 53.82% of the issued share capital of KSL) subject to the KSL Offer, which constitute the VGO KSL Shares. Such VGO KSL Shares are valued at approximately HK\$46.03 million based on the offer price of HK\$0.192 per KSL Share under the KSL Offer.

Pursuant to the Agreement, each of Tien Fung Hong Group Limited and Snowdon International Limited has severally undertaken to Mr. Leung that they will accept the KSL Offer. Such undertaking is legally-binding under the Agreement and so it is irrevocable unless the parties to the Agreement agree otherwise.

The KSL Offer is unconditional in all respects. Acceptance of the KSL Offer shall be irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code. The Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

Qualifying KSL Shareholders are advised to read the procedures for acceptance and further terms of the KSL Offer set out in Appendix I to the Composite Offer Document and the accompanying Form of Acceptance.

LETTER FROM PARTNERS CAPITAL

(iii) *Price-earnings multiple*

As the KSL Group is principally engaged in the trading of electroplating materials, paint and coating chemicals and stainless steel, reference to price/earnings multiple is the most common approach adopted by the investment community in valuing such kind of revenue-generating entities. For the purpose of assessing the reasonableness of the KSL Offer Price by reference to the price/earnings multiple, we have identified (to the best of our knowledge) two companies listed on the Main Board of the Stock Exchange which are principally engaged in the similar business of that of the KSL Group (the “Comparables”). We consider that the Comparables represent an exhaustive list and are fair and representative comparable as their businesses are closely comparable to that of the KSL Group, including the geographical location of the principal business (their revenues have been primarily generated from the Hong Kong and PRC markets). We also note that both the KSL Group and the Comparables are also engaged in securities investment business. Details of the Comparables are set out below:

Company name	Year end date	Closing share price as at 11 June 2010 (HK\$)	Approximate Market Capitalisation (HK\$ million)	Latest published earnings per share before the First Last Trading Day (HK\$)	Price/ earnings multiple (times)
Lee Kee Holdings Limited (Note 1)	31 December	0.960	795.6	0.129	7.44
APAC Resources Limited (Note 2)	31 December	0.510	3,530.3	0.0715	7.13
				Mean	7.29
				Median	7.29
KSL Offer Price (HK\$)	31 December	0.192	N/A (Note 3)	0.0178 (Note 4)	10.79

Source: www.hkex.com.hk

Notes:

- Lee Kee Holdings Limited is principally engaged in the sourcing and distribution of non-ferrous metal, primarily zinc alloy and zinc, nickel and nickel-related products, aluminium alloy and aluminium, other electroplating chemicals (including chemicals of precious metals, such as silver, gold and rhodium), processing and distribution of stainless steel, manufacturing of aluminium alloy and metal testing laboratory.
- APAC Resources Limited is principally engaged in the (a) trading in base metals and commodities, and (b) trading and investment of listed securities with a portfolio primarily focused on natural resources and related sectors and industries.
- The KSL Group is unlisted and its market capitalisation is not available.
- The earnings per KSL Share for the year ended 31 December 2009 is calculated based on the audited net profit attributable to KSL Shareholders of approximately HK\$7,928,000 and total number of 445,500,000 KSL Shares in issue after completion of the Group Reorganisation.

LETTER FROM PARTNERS CAPITAL

Upon comparison, we note that the price/earnings multiple represented by the KSL Offer Price of 10.79 times is higher than the price/earnings multiples of each of the Comparables of 7.13 times and 7.44 times, which were calculated with reference to the respective closing price of the shares of the Comparables as at 11 June 2010, being the last trading day (the "First Last Trading Day") of the Kee Shing Shares before the publication of an announcement of Kee Shing dated 14 June 2010 in relation to the memorandum of understanding entered into between the Beneficial Sellers and Sino-Ocean regarding possible sale and purchase of the Sale Shares.

Based on the above, we consider that the KSL Offer Price is fair and reasonable so far as the Qualifying KSL Shareholders are concerned from the perspective of price/earnings multiple.

(iv) *Net Assets*

Although it may not be most relevant to value a company principally engaged in trading business by reference to its net assets in general as trading companies usually do not require a large asset base to run their businesses, we also set out the analysis for reference purposes and we have reviewed and tabulated below the premium/(discounts) of the closing share prices of the Comparables as at the First Last Trading Day over/(to) their respective net asset value as reported in their latest published financial reports:

Company name	Year end date	Closing share price as at 11 June 2010 (HK\$)	Latest published net asset value per share (HK\$)	Premium/ (discount) of the closing share price on 11 June 2010 over/(to) the latest published net asset value per share
Lee Kee Holdings Limited	31 December	0.960	1.48	(35.14)%
APAC Resources Limited	31 December	0.510	0.43	18.60%
			Mean	(8.27)%
			Median	(8.27)%
KSL Offer Price (HK\$)	31 December	0.192	0.1693	13.41%
			<i>(Note 1)</i>	
		0.192	0.280	(31.43)%
			<i>(Note 2)</i>	

Source: www.hkex.com.hk

Notes:

1. The audited consolidated net assets per KSL Share as at 30 June 2010.
2. The unaudited pro forma consolidated net assets per KSL Share as at 30 June 2010.

LETTER FROM PARTNERS CAPITAL

The premium/(discount) of the closing share prices as at 11 June 2010, being the First Last Trading Day, over/(to) the net asset value per share of the Comparables range from a discount of approximately 35.14% to a premium of approximately 18.60%.

Upon comparison, we note that the premium of the KSL Offer Price over the audited consolidated net asset value per KSL Share as at 30 June 2010 of approximately 13.41% is substantially higher than the discount represented by the closing price of Lee Kee Holdings Limited to its net assets whilst it is comparable to the premium represented by the closing price of APAC Resources Limited over its net assets. In addition, we note that the discount of the KSL Offer Price to the unaudited pro forma consolidated net asset value per KSL Share as at 30 June 2010 of approximately 31.43% is comparable to the discount represented by the closing price of Lee Kee Holdings Limited to its net assets whilst it is lower than the premium represented by the closing price of APAC Resources Limited over its net assets. The difference between the audited consolidated net assets of the KSL Group as at 30 June 2010 and its unaudited pro forma consolidated net assets as at 30 June 2010 reflects the settlement of the net amount due to the Retained Group of HK\$49,548,000 by issue of 445,500,000 KSL Shares of par value HK0.05 each and recognition of share premium of HK\$27,273,000. From the perspective of analysis, we consider that the unaudited pro forma consolidated net assets to be a more reliable estimate of the KSL Group after completion of the Group Reorganisation. Further details of the adjustments to the financial position of the KSL Group brought by the Group Reorganisation are set out in the unaudited pro forma financial information of the KSL Group contained in Appendix III to the Composite Offer Document. Nevertheless, Qualifying KSL Shareholders should note that the pro forma financial information on the KSL Group has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the KSL Group upon completion of the Group Reorganisation. The actual effect of the Group Reorganisation will be subject to the then financial figures of the KSL Group as at the date of the completion of the Group Reorganisation.

Notwithstanding the above analysis, in view of the fact that trading companies usually do not require a large asset base to run their businesses, we consider that it may not be most relevant to value a company principally engaged in trading business by reference to its net assets in general and the discount of the KSL Offer Price to the unaudited pro forma consolidated net asset value per KSL Share as at 30 June 2010 alone does not give much weight to our conclusion and recommendation in respect of the KSL Offer.

(v) *Intention of Merit Gala regarding the future prospects of the KSL Group*

As set out in the section headed “Intentions of Merit Gala regarding the KSL Group” in the Letter from Optima Capital, KSL is principally engaged in investment holding and its subsidiaries are principally engaged in the Distributed Business. It is the intention of Merit Gala that the KSL Group will not conduct any business other than the Distributed Business or acquire any other material assets other than those assets related to the Distributed Business which would be inherited from the Group Reorganisation, unless prior approval from its shareholders has been obtained. Merit Gala will conduct a detailed review on the operations of Distributed Business after the close of the KSL Offer with a view to formulating a suitable business strategy for the KSL Group. In view of aforesaid, Merit Gala is of the view that the KSL Offer is in its long term commercial interest. The board of directors of KSL does not have any intention to dispose of any major assets of the KSL Group upon completion of the KSL Offer. It is the intention of Merit Gala that it will not inject any material asset into KSL or propose the board of directors of KSL to authorise the

LETTER FROM PARTNERS CAPITAL

disposal of any material assets or make any material changes to the principal business of the KSL Group (including re-deployment any of the fixed assets of the KSL Group) after the close of the KSL Offer. Merit Gala does not intend to introduce any material changes to the existing management and employees of the KSL Group following the close of the KSL Offer.

Interests of the shareholders of KSL will be safeguarded by the constitutional documents of KSL. Any connected transaction falling within the definition of the Listing Rules as if KSL were a listed issuer which requires the approval of independent shareholders under the Listing Rules shall require the approval by ordinary resolution of the independent members in general meeting, the notice convening which shall be accompanied by a circular containing the advice of an independent financial adviser to the independent members in respect of such transaction in accordance with the Listing Rules as far as applicable. In addition, the following transactions shall require the approval by ordinary resolution of members of KSL in general meeting in accordance with the Listing Rules as far as applicable: (a) any notifiable transaction falling within the definition of the Listing Rules as if KSL were a listed issuer which requires the approval of shareholders under the Listing Rules; and (b) any issue of shares of KSL or securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new shares of KSL wholly for cash unless an offer of such shares or securities has first been made to holders of shares on the register of members of KSL on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of KSL may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong). If KSL remains a public company upon close of the KSL Offer, it will appoint three independent non-executive directors and will still be subject to the provisions of the Takeovers Code.

No listing application will be made for the KSL Shares on the Stock Exchange or any other stock exchange.

Merit Gala intends to avail itself of any compulsory acquisition or redemption provisions under the applicable laws in the BVI and the relevant provisions of the Takeovers Code. In the event that upon closing of the KSL Offer, the Merit Gala Group receives acceptances of the KSL Offer total 90% or more of the disinterested KSL Shares (i.e. KSL Shares other than those owned by Merit Gala and parties acting in concert with it), Merit Gala intends to direct KSL to redeem the KSL Shares not already owned by the Merit Gala Group pursuant to section 176 of the BVI Business Companies Act.

Qualifying KSL Shareholders are reminded that, in the event that Merit Gala Group does not obtain 90% or more of the voting rights of KSL upon completion of the KSL Offer (i.e. the relevant thresholds for the exercise of the compulsory acquisition or redemption rights), KSL will remain as an unlisted company. As such, those Qualifying KSL Shareholders who do not accept the KSL Offer will end up holding the unlisted KSL Shares which may be difficult to dispose of as no on-market trading facilities for such shares will be provided.

LETTER FROM PARTNERS CAPITAL

RECOMMENDATION

Having considered the principal factors set out above, in particular, the following:

- (i) the KSL Offer provides an opportunity for the Qualifying KSL Shareholders to realise their investment in KSL which would otherwise be illiquid upon completion of the Group Reorganisation;
- (ii) the price/earnings multiple represented by the KSL Offer Price of 10.79 times is higher than the price/earnings multiple of the Comparables; and
- (iii) the business environment in which the KSL Group operates is and will remain challenging and competitive in future and it is uncertain as to whether the improvement in performance of the KSL Group can be sustained over a long period of time,

we consider that the KSL Offer is fair and reasonable so far as the Qualifying KSL Shareholders are concerned, and accordingly, we recommend the Qualifying KSL Shareholders to accept the KSL Offer.

For those Qualifying KSL Shareholders who wish to retain part or all of their shareholding in KSL, they should note that the KSL Shares will not be listed on the Stock Exchange or any other stock exchange, and accordingly, the KSL Shares are illiquid and unlisted. Accordingly, those Qualifying KSL Shareholders should carefully consider the future intention of Merit Gala regarding the KSL Group after the close of the KSL Offer, details of which are set out in the Letter from Optima Capital.

In any case, the Qualifying KSL Shareholders should read carefully the procedures for accepting the KSL Offer as detailed in the Composite Offer Document and are strongly advised that the decision to realize or to hold their investment in the KSL Shares is subject to individual circumstances and investment objectives.

Yours faithfully,
For and on behalf of
Partners Capital International Limited
Alan Fung
Managing Director

PROCEDURES FOR ACCEPTANCE

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

The completed Form of Acceptance should then be forwarded by post or by hand marked “KSL Offer” on the envelope, to, which should also reach, the Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Thursday, 11 November 2010 (being the Closing Date).

If your KSL 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 KSL Offer on your behalf on or before the deadline set 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 KSL 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 by HKSCC Nominees Limited.

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

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

SETTLEMENT

Provided that a valid Form of Acceptance is complete and in good order and has been received by the Transfer Agent by no later than 4:00 p.m. on Thursday, 11 November 2010 (being the Closing Date), a cheque for the amount representing the consideration due to you in respect of the KSL Shares tendered by you under the KSL Offer will be despatched to you by ordinary post at your own risk as soon as possible but in any event within 10 days from the date on which the duly completed Form of Acceptance 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 Merit Gala for payment.

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

NOMINEE REGISTRATION

To ensure equality of treatment of all Qualifying KSL Shareholders, those Qualifying KSL Shareholders who hold KSL 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 KSL Shares, whose investments are registered in nominee names, to accept the KSL Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the KSL Offer.

The completed Form of Acceptance and remittances sent by or to the Qualifying KSL 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 KSL (or in the case of joint Qualifying KSL Shareholders, to the Qualifying KSL Shareholder whose name stands first in the register of members of KSL).

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

Tricor Investor Services Limited has been appointed as the Transfer Agent. The charge for splitting of KSL Share certificates are expected to be HK\$2.5 per new certificate issued. The charge for transfer of KSL Shares are expected to be HK\$2.5 per old KSL Share certificate cancelled or per new KSL Share certificate issued, whichever is the higher. Both charges shall be borne by the KSL Shareholder(s) 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 KSL Share certificates to the transfer agent for splitting or lodgement of the transfer form and the related KSL Share certificates to the transfer agent for registration of transfer.

ACCEPTANCE PERIOD, EXTENSIONS AND REVISIONS

Unless the KSL Offer has previously been extended or revised, the latest time for acceptance under the KSL Offer is at 4:00 p.m. on Thursday, 11 November 2010 (being the Closing Date).

If the KSL Offer is extended or revised, an announcement of such extension or revision will be published by Merit Gala on the Stock Exchange's website under Kee Shing 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 KSL 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 KSL Shareholders who have not accepted the KSL Offer and, unless previously extended or

revised, shall be closed on the subsequent closing date. The benefit of any revision of the KSL Offer will also be available to all Qualifying KSL Shareholders who have previously accepted the KSL Offer. The execution of any Form of Acceptance by or on behalf of any Qualifying KSL Shareholders who have previously accepted the KSL Offer shall be deemed to constitute acceptance of any revised KSL Offer.

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

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), Merit Gala shall inform the Executive of its intention in relation to the extension or revision of the KSL Offer. Merit Gala shall publish an announcement on the Stock Exchange's website under Kee Shing and the SFC's website by 7:00 p.m. on the Closing Date stating whether the KSL Offer has been revised or extended. Such announcement shall state the total number of KSL Shares and rights over KSL Shares:

- (i) for which acceptances of the KSL Offer have been received;
- (ii) held, controlled or directed by Merit Gala or any parties acting in concert with it before 14 June 2010 (being the commencement date of the offer period as defined in the Takeovers Code);
- (iii) acquired or agreed to be acquired during the offer period as defined in the Takeovers Code for the KSL Offer by Merit Gala or any parties acting in concert with it; and
- (iv) details of any relevant securities in KSL which Merit Gala or any parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold.

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

In computing the number of KSL 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 KSL Offer in respect of which the Executive has confirmed that he has no further comments thereon will be published as a paid announcement in The Hong Kong Standard (in English) and Hong Kong Economic Times (in Chinese), each of which is a newspaper published daily and circulating generally in Hong Kong. All documents published in respect of KSL will also be delivered to the Executive in electronic form for publication on the SFC's website.

RIGHT OF WITHDRAWAL

Acceptance of the KSL Offer tendered by the Qualifying KSL 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 KSL Offer will be in respect of securities of a company incorporated in the BVI 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 KSL 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 KSL 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 KSL 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 by any accepting KSL Shareholders in respect of such jurisdiction. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to Merit Gala that the local laws and requirements have been fully complied with. Qualifying KSL Shareholders should consult their professional adviser if in doubt.

GENERAL

- (i) Acceptance of the KSL Offer by any person will be deemed to constitute a warranty by such person to Merit Gala and KSL that the KSL Shares sold under the KSL Offer are sold by such person free from all rights of pre-emption, options, liens, claim, equities, charges nor encumbrances or third party rights of any nature and the relevant KSL 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 KSL Shares.
- (ii) All communications, notices, Form of Acceptance and remittances to settle the consideration payable under the KSL Offer to be delivered by or sent to or from the accepting Qualifying KSL Shareholders will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of Merit Gala, KSL, Optima Capital nor 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 form part of the terms of the KSL Offer.
- (iv) The accidental omission to despatch this Composite Offer Document and/or the Form of Acceptance to any person to whom the KSL Offer is made will not invalidate the KSL Offer in any way.

- (v) The KSL 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 KSL Offer in this Composite Offer Document and in the Form of Acceptance shall include any revision or extension thereof.
- (vii) Due execution of the Form of Acceptance will constitute an irrevocable authority to any director of Merit Gala or Optima Capital or such person or persons as the Merit Gala or Optima Capital may direct to execute, on behalf of the person accepting the KSL Offer, any document and to do any other act that may be necessary or expedient for the purpose of vesting in Merit Gala, or such other person(s) as Merit Gala shall direct, all rights of the accepting Qualifying KSL Shareholders in respect of the KSL Shares which are the subject of such acceptance.

1. FINANCIAL SUMMARY

Set out below is a financial summary of the KSL Group for the three financial years ended 31 December 2009 and for the six months ended 30 June 2010 (save for the earnings (loss) per KSL Share and the dividend per KSL Share which are calculated based on the figures extracted from the accountants' report of the KSL Group) extracted from the accountants' report on the KSL Group set out in the Circular:

	Year ended 31 December			Six months ended	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Turnover	2,757,130	1,762,298	944,721	441,795	581,752
Profit/(loss) before taxation	79,215	(108,881)	14,580	(12,108)	18,336
Income tax (expense)/credit	(5,770)	1,435	(4,600)	(1,028)	(4,820)
Profit/(loss) for the year/period	73,445	(107,446)	9,980	(13,136)	13,516
Attributable to:					
Owners of KSL Group entities	68,444	(105,302)	7,928	(13,587)	11,981
Non-controlling interests	5,001	(2,144)	2,052	451	1,535
	73,445	(107,446)	9,980	(13,136)	13,516
Dividends paid for the year/ period:					
Owners of the KSL Group	–	–	17,300	–	22,000
Non-controlling interest	326	395	2,932	1,200	3,831
	326	395	20,232	1,200	25,831
Earnings (loss) per KSL Share (HK cents) (note iii)	18.4	(23.6)	1.8	3.1	2.7
Dividends per KSL Share (HK cents) (note iv)	–	–	3.9	–	4.9

Notes:

- (i) An unqualified opinion in respect of the audit of the combined financial statements of the KSL Group has been issued by Deloitte Touche Tohmatsu for each of the three years ended 31 December 2009 and for the six months ended 30 June 2010.
- (ii) There were no extraordinary items or items which are exceptional because of its size, nature or evidence for the KSL Group during each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010.
- (iii) Earnings (loss) per KSL Share is calculated based on the KSL Group's profit attributable to owners of KSL Group entities for the year/period and assuming 445,500,000 KSL Shares had been in issue throughout the reporting period, comprising 2 KSL Shares in issue as at the date of its incorporation and 445,499,998 KSL Shares allotted and issued pursuant to the Group Reorganisation.
- (iv) Dividend per KSL Share is calculated based on the dividends attributable to the owners of the KSL Group for the respective year/period and assuming 445,500,000 KSL Shares had been in issue throughout the reporting period, comprising 2 KSL Shares in issue as at the date of its incorporation and 445,449,998 KSL Shares allotted and issued pursuant to the Group Reorganisation.

2. AUDITED FINANCIAL INFORMATION ON THE KSL GROUP

The audited financial information on the KSL Group contained in the Circular is reproduced below. Capitalised terms used in this section shall have the same meanings as those defined in the Circular.

“
Deloitte.
德勤

德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

13 September 2010

The Board of Directors
Kee Shing (Holdings) Limited
3rd Floor, Kee Shing Centre
74-76 Kimberley Road
Tsimshatsui, Kowloon
Hong Kong

Dear Sirs

We set out below our report on the financial information relating to Kee Shing Investment (BVI) Limited (“KSL”) and certain other subsidiaries and an associate of Kee Shing (Holdings) Limited (“KSH”) (hereinafter collectively referred to as “KSL Group”), including the combined statements of financial position of KSL Group as at 31 December 2007, 2008 and 2009, and 30 June 2010, and combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the KSL Group for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the “Relevant Periods”) and the explanatory notes thereto (collectively the “Financial Information”) for inclusion in the circular of KSH dated 13 September 2010 (the “Circular”) in connection with the proposed group reorganisation of KSH and its subsidiaries as set out in the “Letter from the Board” contained in the Circular.

KSL was incorporated in the British Virgin Islands on 26 January 2010 with limited liability. Upon completion of the proposed group reorganisation, the entities set out in notes 30 and 11 to the Financial Information (“KSL Group entities”) will become the subsidiaries and an associate of KSL, respectively.

No audited financial statements have been prepared for KSL since its date of incorporation as it was newly incorporated and has not been involved in any significant business transactions.

Certain entities comprising KSL Group prepared audited statutory financial statements for the three years ended 31 December 2009. Details of the statutory auditors of KSL Group entities are set out in notes 30 and 11 to the Financial Information.

For the purpose of this report, the directors of KSH have prepared the combined management accounts of KSL Group for the Relevant Periods in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards and on the basis set out in note 1 to the Financial Information (the “Underlying Accounts”). We have carried out audit procedures on the Underlying Accounts in accordance with Hong Kong Standards of Auditing issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have examined the Underlying Accounts in accordance with the Auditing Guideline 3.340 “Prospectuses and Reporting Accountant” as recommended by the HKICPA.

The Financial Information of KSL Group for the Relevant Periods set out in this report has been prepared from the Underlying Accounts. No adjustments are considered necessary to adjust the Underlying Accounts for the preparation of this report for inclusion in the Circular.

The directors of KSH are responsible for the preparation of the Underlying Accounts in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards and on the basis set out in note 1 to the Financial Information. They are also responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Accounts, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 to the Financial Information, the Financial Information together with the notes thereon give, for the purpose of this report, a true and fair view of the state of affairs of KSL Group as at 31 December 2007, 2008 and 2009, and 30 June 2010, and of its combined results and combined cash flows for each of the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010.

The comparative unaudited combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 June 2009, together with explanatory notes thereto (the “30 June 2009 Financial Information”) have been extracted from KSL Group’s unaudited combined management accounts for the same period prepared by the directors of KSH solely for incorporation in this report. We have reviewed the 30 June 2009 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of 30 June 2009 Financial Information 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 30 June 2009 Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the 30 June 2009 Financial Information is not prepared, in all material respects, in accordance with the basis and accounting policies which conform with HKFRSs consistent with those used in the preparation of the Financial Information.

A. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

	Notes	Year ended 31 December			Six months ended 30 June	
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2009 HK\$'000 (unaudited)	2010 HK\$'000
Turnover	4	2,757,130	1,762,298	944,721	441,795	581,752
Other income	5	4,605	6,320	6,497	1,360	4,933
Changes in inventories of finished goods		(65,246)	(86,764)	(75,453)	(57,740)	(7,384)
Purchases of goods held for resale		(2,553,509)	(1,604,037)	(805,444)	(362,380)	(534,627)
Raw materials and consumables used		(48,760)	(44,205)	(33,210)	(12,779)	(13,797)
Staff costs		(16,625)	(16,318)	(12,869)	(5,568)	(7,383)
Depreciation		(1,381)	(1,156)	(1,059)	(570)	(390)
(Write-down) write-back of inventories		–	(20,647)	17,173	11,739	2,597
Other expenses		(31,617)	(44,702)	(34,320)	(19,845)	(13,539)
Gain (loss) arising from changes in fair value of investments held for trading		12,773	(51,411)	2,284	(10,367)	(4,372)
Gain arising from changes in fair value of foreign exchange yield linked deposit		847	58	112	539	–
Gain arising from changes in fair value of investment properties		50,094	3,733	9,671	4,215	12,705
Share of loss of an associate		–	–	(453)	–	–
Finance costs	6	(29,096)	(12,050)	(3,070)	(2,507)	(2,159)
Profit (loss) before taxation		79,215	(108,881)	14,580	(12,108)	18,336
Income tax (expense) credit	7	(5,770)	1,435	(4,600)	(1,028)	(4,820)
Profit (loss) for the year/period	8	73,445	(107,446)	9,980	(13,136)	13,516

APPENDIX II
FINANCIAL INFORMATION ON THE KSL GROUP

<i>Notes</i>	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Other comprehensive income (expense)					
Effect of the change in tax rate	–	70	–	–	–
Exchange differences arising on translation	1,613	3,703	759	(1,095)	576
	<u>1,613</u>	<u>3,703</u>	<u>759</u>	<u>(1,095)</u>	<u>576</u>
Other comprehensive income (expense) for the year/period	<u>1,613</u>	<u>3,773</u>	<u>759</u>	<u>(1,095)</u>	<u>576</u>
Total comprehensive income (expense) for the year/period	<u>75,058</u>	<u>(103,673)</u>	<u>10,739</u>	<u>(14,231)</u>	<u>14,092</u>
Profit (loss) for the year/period attributable to:					
Owners of the KSL Group entities	68,444	(105,302)	7,928	(13,587)	11,981
Non-controlling interests	5,001	(2,144)	2,052	451	1,535
	<u>73,445</u>	<u>(107,446)</u>	<u>9,980</u>	<u>(13,136)</u>	<u>13,516</u>
Total comprehensive income (expense) attributable to:					
Owners of the KSL Group entities	69,368	(101,859)	8,386	(14,582)	12,420
Non-controlling interests	5,690	(1,814)	2,353	351	1,672
	<u>75,058</u>	<u>(103,673)</u>	<u>10,739</u>	<u>(14,231)</u>	<u>14,092</u>

Combined Statements of Financial Position

	Notes	As at 31 December			As at
		2007	2008	2009	30 June
		HK\$'000	HK\$'000	HK\$'000	2010
					HK\$'000
Non-current Assets					
Investment properties	9	107,134	93,533	65,546	60,345
Property, plant and equipment	10	13,919	13,574	12,607	12,606
Interest in an associate	11	453	453	–	–
Foreign exchange yield linked deposit	12	8,657	8,715	–	–
		<u>130,163</u>	<u>116,275</u>	<u>78,153</u>	<u>72,951</u>
Current Assets					
Inventories	13	221,734	127,439	72,674	69,375
Debtors, deposits and prepayments	14	226,415	81,997	69,051	86,014
Bills receivable	16	24,914	3,536	3,124	6,304
Amounts due from related companies	18	42,237	96,256	114,317	178,965
Investments held for trading	15	176,118	106,809	86,024	95,804
Taxation recoverable		4,832	847	1,206	–
Short term bank deposits	16	13,982	22,695	65,580	86,446
Bank balances and cash	16	107,203	80,756	136,923	118,872
		<u>817,435</u>	<u>520,335</u>	<u>548,899</u>	<u>641,780</u>
Current Liabilities					
Creditors and accrued charges	17	40,468	28,397	19,706	29,916
Amounts due to related companies	18	279,446	322,044	327,046	385,097
Amounts due to non-controlling shareholders of subsidiaries	18	3,288	818	–	3,500
Taxation payable		673	704	1,960	4,342
Bank borrowings	19	394,843	162,498	165,982	189,769
		<u>718,718</u>	<u>514,461</u>	<u>514,694</u>	<u>612,624</u>
Net Current Assets		<u>98,717</u>	<u>5,874</u>	<u>34,205</u>	<u>29,156</u>
Total Assets Less Current Liabilities		<u><u>228,880</u></u>	<u><u>122,149</u></u>	<u><u>112,358</u></u>	<u><u>102,107</u></u>

	<i>Notes</i>	As at 31 December			As at
		2007	2008	2009	30 June
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and Reserves					
Share capital	20	–	–	–	–
Reserves		195,764	93,905	84,991	75,411
<hr/>					
Equity attributable to owners					
of the KSL Group entities		195,764	93,905	84,991	75,411
Non-controlling interests		22,328	20,119	19,540	17,381
<hr/>					
Total Equity		218,092	114,024	104,531	92,792
Non-current Liabilities					
Deferred tax liabilities	21	10,788	8,125	7,827	9,315
<hr/>					
		228,880	122,149	112,358	102,107
<hr/> <hr/>					

Combined Statements of Changes in Equity

	Share capital HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Attributable to owners of the KSL Group entities HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2007	-	4,747	5,767	1,674	111,478	123,666	16,964	140,630
Exchange differences arising on translation of foreign operations	-	-	-	924	-	924	689	1,613
Profit for the year	-	-	-	-	68,444	68,444	5,001	73,445
Total comprehensive income for the year	-	-	-	924	68,444	69,368	5,690	75,058
Contribution from shareholders	-	2,730	-	-	-	2,730	-	2,730
Dividends paid	-	-	-	-	-	-	(326)	(326)
At 31 December 2007	-	7,477	5,767	2,598	179,922	195,764	22,328	218,092
Effect of the change in tax rate	-	-	70	-	-	70	-	70
Exchange differences arising on translation of foreign operations	-	-	-	3,373	-	3,373	330	3,703
Loss for the year	-	-	-	-	(105,302)	(105,302)	(2,144)	(107,446)
Total comprehensive income (expense) for the year	-	-	70	3,373	(105,302)	(101,859)	(1,814)	(103,673)
Dividends paid	-	-	-	-	-	-	(395)	(395)
At 31 December 2008	-	7,477	5,837	5,971	74,620	93,905	20,119	114,024
Exchange differences arising on translation of foreign operations	-	-	-	458	-	458	301	759
Profit for the year	-	-	-	-	7,928	7,928	2,052	9,980
Total comprehensive income for the year	-	-	-	458	7,928	8,386	2,353	10,739
Dividends paid	-	-	-	-	(17,300)	(17,300)	(2,932)	(20,232)
At 31 December 2009	-	7,477	5,837	6,429	65,248	84,991	19,540	104,531

APPENDIX II
FINANCIAL INFORMATION ON THE KSL GROUP

	Share capital	Capital reserve	Property revaluation reserve	Translation reserve	Retained profits	Attributable to owners of the KSL Group entities	Non- controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange differences arising on translation of foreign operations	-	-	-	439	-	439	137	576
Profit for the period	-	-	-	-	11,981	11,981	1,535	13,516
Total comprehensive income for the period	-	-	-	439	11,981	12,420	1,672	14,092
Dividends paid	-	-	-	-	(22,000)	(22,000)	(3,831)	(25,831)
At 30 June 2010	-	7,477	5,837	6,868	55,229	75,411	17,381	92,792
At 1 January 2009	-	7,477	5,837	5,971	74,620	93,905	20,119	114,024
Exchange differences arising on translation of foreign operations	-	-	-	(995)	-	(995)	(100)	(1,095)
Loss for the period	-	-	-	-	(13,587)	(13,587)	451	(13,136)
Total comprehensive expense for the period	-	-	-	(995)	(13,587)	(14,582)	351	(14,231)
Dividends paid	-	-	-	-	-	-	(1,200)	(1,200)
At 30 June 2009	-	7,477	5,837	4,976	61,033	79,323	19,270	98,593

Capital reserve of the KSL Group represents the capital contributions from KSH and its subsidiaries.

Combined Statements of Cash Flows

	Year ended 31 December			Six months ended	
	2007	2008	2009	30 June	
	HK\$'000	HK\$'000	HK\$'000	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
OPERATING ACTIVITIES					
Profit (loss) before taxation	79,215	(108,881)	14,580	(12,108)	18,336
Adjustments for:					
Depreciation	1,381	1,156	1,059	570	390
(Gain) loss arising from changes in fair value of investments held for trading	(12,773)	51,411	(2,284)	10,367	4,372
Gain arising from changes in fair value of foreign exchange yield linked deposit	(847)	(58)	(112)	(539)	–
Share of loss of an associate	–	–	453	–	–
Impairment loss on bills receivable	–	5,324	–	–	–
Impairment loss on trade debtors	873	11,628	11,233	8,361	310
Reversal of impairment loss on trade debtors	(1,110)	(1,532)	(1,281)	(1,312)	(871)
Write-down (write-back) of inventories	–	20,647	(17,173)	(11,739)	(2,597)
Gain arising from changes in fair value of investment properties	(50,094)	(3,733)	(9,671)	(4,215)	(12,705)
Finance costs	29,096	12,050	3,070	2,507	2,159
(Gain) loss on disposal of property, plant and equipment	(44)	7	1	4	(51)
Interest income from bank deposits	(2,759)	(1,931)	(518)	(292)	(340)

	Year ended 31 December			Six months ended	
				30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Operating cash flows before					
movements in working capital	42,938	(13,912)	(643)	(8,396)	9,003
Decrease in inventories	70,100	73,570	72,156	61,147	5,952
Decrease (increase) in debtors,					
deposits and prepayments	19,404	134,266	3,099	4,382	(16,320)
(Increase) decrease in bills receivable	(644)	16,054	412	(4,445)	(3,180)
(Increase) decrease in investments					
held for trading	(22,600)	17,885	23,110	18,730	(14,111)
(Decrease) increase in creditors and					
accrued charges	(36,452)	(12,068)	(8,724)	(1,979)	10,175
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash generated from (used in)					
operations	72,746	215,795	89,410	69,439	(8,481)
Profits Tax (paid) refunded	(9,115)	2,858	(4,001)	(9)	256
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET CASH GENERATED FROM					
(USED IN) OPERATING					
ACTIVITIES	<u>63,631</u>	<u>218,653</u>	<u>85,409</u>	<u>69,430</u>	<u>(8,225)</u>
INVESTING ACTIVITIES					
Purchase of foreign exchange yield					
linked deposit	(7,810)	–	–	–	–
Purchase of property, plant and					
equipment	(466)	(916)	(90)	(38)	(336)
Interest received from bank deposits	2,759	1,931	518	292	340
Proceeds from disposal of investment					
properties	26,416	20,897	37,863	7,424	18,132
Proceeds from redemption of foreign					
exchange linked deposit	–	–	8,827	–	–
Proceeds from disposal of property,					
plant and equipment	67	90	137	7	59
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET CASH GENERATED FROM					
INVESTING ACTIVITIES	<u>20,966</u>	<u>22,002</u>	<u>47,255</u>	<u>7,685</u>	<u>18,195</u>

	Year ended 31 December			Six months ended	
				30 June	
	2007	2008	2009	2009	2010
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
					(unaudited)
FINANCING ACTIVITIES					
(Repayment) drawdown of bank borrowings, net	(63,663)	(232,285)	3,363	(41,632)	23,666
Dividends paid	(326)	(395)	(20,232)	(1,200)	(25,831)
Interest paid	(29,096)	(12,050)	(3,070)	(2,507)	(2,159)
Contribution from shareholders	2,730	–	–	–	–
(Decrease) increase in amounts due to non-controlling shareholders of subsidiaries	(100)	(2,470)	(818)	(818)	3,490
(Increase) decrease in amounts due from related companies	(17,105)	(54,019)	(18,061)	6,588	(64,648)
Increase in amounts due to related companies	29,515	42,598	5,002	9,231	58,051
NET CASH USED IN FINANCING ACTIVITIES	(78,045)	(258,621)	(33,816)	(30,338)	(7,431)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,552	(17,966)	98,848	46,777	2,539
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	114,547	121,185	103,451	103,451	202,503
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	86	232	204	(10)	276
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	121,185	103,451	202,503	150,218	205,318
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS					
Short term bank deposits	13,982	22,695	65,580	63,605	86,446
Bank balances and cash	107,203	80,756	136,923	86,613	118,872
	121,185	103,451	202,503	150,218	205,318

Notes to the Financial Information

1. GENERAL

Kee Shing Investment (BVI) Limited (“KSL”) is a limited company incorporated in the British Virgin Islands on 26 January 2010 as a wholly-owned subsidiary of Kee Shing (Holdings) Limited (“KSH”). The address of its registered office is Romasco Place, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands, VG1110. The principal activity of KSL is investment holding. In accordance with the proposed group reorganisation of KSH as set out in its circular dated 13 September 2010 (the “Group Reorganisation”), the entities as set out in notes 30 and 11 (“KSL Group entities”) will become the subsidiaries and an associate of KSL, respectively, upon completion of the Group Reorganisation. The shares of KSL will be distributed in specie to the shareholders of KSH on completion of the Group Reorganisation.

The combined statements of financial position of KSL and KSL Group entities (the “KSL Group”) as at 31 December 2007, 2008 and 2009 and 30 June 2010 have been prepared to present the assets and liabilities of KSL Group on a combined basis as if the KSL Group structure had been in existence at those dates. The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for each of the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010 (the “Relevant Periods”) have been prepared to include the results and cash flows of KSL Group on a combined basis as if the KSL Group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment.

The Financial Information is presented in Hong Kong dollars, which is also the functional currency of KSL upon completion of the Group Reorganisation. In addition, the functional currencies of certain group entities comprising KSL Group that operate outside Hong Kong are determined based on the currency of the primary economic environment in which these group entities operate.

Basis of combination

The Financial Information incorporated the financial statements of KSL and entities which will become the subsidiaries and associate of KSL.

All transactions, balances, income and expenses among entities comprising KSL Group are eliminated in full on combination.

Non-controlling interests in the net assets of KSL Group entities are presented separately from equity therein. Non-controlling interests in the net assets of entities consist of the amount of those interests at the date of the original business combination and the non-controlling’s share of changes in equity since the date of combination.

Effective from 1 January 2010, total comprehensive income and expense of an entity is attributed to the owners of the KSL Group entities and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in an entity’s equity were allocated against the interests of the owners of the KSL Group entities except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of new and revised Standards, Amendments and Interpretations (“new and revised HKFRSs”) that are effective for the financial year beginning on 1 January 2010. For the purpose of preparing and presenting the Financial Information, the amounts included in the Financial Information have been recognised and measured in accordance with the accounting policies of KSH over the Relevant Periods. All new and revised HKFRS effective during the Relevant Periods were applied in accordance with the transitional provision of relevant new and revised HKFRS, retrospectively or prospectively, where appropriate.

KSL Group apply HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the KSL Group on or after 1 January 2010.

As there was no transaction subsequent to the annual period beginning on or after 1 January 2010 in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the Financial Information of the KSL Group.

Results of KSL Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

At the date of this report, the HKICPA has issued the following new and revised Standards, Amendments and Interpretations which are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2009 except for the amendments to HKFRS 2, IAS 38, HK(IFRIC) – Int 9, HK(IFRIC) – Int 16, and paragraph 80 of HKAS 39 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ²
HKAS 24 (Revised)	Related Party Disclosures ⁵
HKAS 32 (Amendment)	Classification of Rights Issues ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁴
HKFRS 9	Financial Instruments ⁶
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁵
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁴

¹ Amendments that are effective for annual periods beginning on or after 1 January 2011

² Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

³ Effective for annual periods beginning on or after 1 February 2010

⁴ Effective for annual periods beginning on or after 1 July 2010

⁵ Effective for annual periods beginning on or after 1 January 2011

⁶ Effective for annual periods beginning on or after 1 January 2013

The directors anticipate that the application of these new and revised Standards, Amendments and Interpretations will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the accounting policies set out below which conform to the Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represent amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the terms of the relevant leases.

Dividend income from investments including financial asset at fair value through profit or loss is recognised when the shareholder's right to receive payment have been established.

Interest income from a financial asset including financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

Certain leasehold land and buildings were revalued at 31 December 1991. The surplus arising on revaluation of land and buildings was credited to the property revaluation reserve. Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, plant and equipment" from the requirement to make regular revaluations of the land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the property revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the property corresponding revaluation surplus is transferred to retained profits directly.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	2% to 2.5% or over the remaining term of the lease, whichever is the shorter
Furniture, fixtures and equipment	16% to 20%
Motor vehicles	16% to 25%
Plant and machinery	20%
Computer equipment	20% to 33 $\frac{1}{3}$ %

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an investment in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investments in associates are carried at cost as adjusted for post-acquisition changes in the share of the net assets of the associate, less any identified impairment loss. Where a group entity transacts with an associate of the KSL Group, profits and losses are eliminated to the extent of the KSL Group's interest in the relevant associate.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Impairment of tangible assets

At the end of each reporting period, the directors reviews the carrying amounts of its tangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increases under that standard to the extent of the decrease previously charged.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The KSL Group's financial assets are classified into fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified at FVTPL when the financial assets are either held for trading or it is designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that KSL Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the KSL Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including debtors, bills receivable, and bank deposits and balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit and loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including creditors and accrued charges, amounts due to related companies and non-controlling shareholders of subsidiaries and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and KSL Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where KSL Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the KSL Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The KSL Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The KSL Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

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 get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 January 2009, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rate of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the KSL Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit and loss on disposal of foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the Financial Information, the assets and liabilities of the KSL Group's foreign operations are translated to Hong Kong dollars using exchange rates prevailing at the end of the reporting period, and their income and expense are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Retirement benefits costs

Payments to Mandatory Provident Fund Scheme and other defined contribution retirement schemes are charged as an expense when employees have rendered service entitling them to the contributions.

4. SEGMENT INFORMATION

The operating segment of the KSL Group are regularly reviewed by the directors of KSH for the purpose of allocating resources to segments and assessing their performance.

The KSL Group's operating segments under HKFRS 8 based on each business division are as follows:

1. Sales of chemicals and metals – trading of electroplating materials, paint and coating chemicals and stainless steel
2. Property investments – rental income from leasing of office and residential properties
3. Securities investments – investing in various securities and generating investment income

Information regarding the above segments, as reported to the chief operating decision maker for the purposes of resource allocation and performance assessment, is tabulated below.

The following is an analysis of the KSL Group's revenue and results by operating segment.

For the year ended 31 December 2007

	Sales of chemicals and metals	Property investments	Securities investments	Eliminations	Combined
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Turnover</i>					
External sales	2,749,299	3,682	4,149	–	2,757,130
Inter-segment sales	–	597	–	(597)	–
Total turnover	<u>2,749,299</u>	<u>4,279</u>	<u>4,149</u>	<u>(597)</u>	<u>2,757,130</u>
Segment result	38,115	50,552	15,137	–	103,804
Interest income from bank deposits and structured bank deposits					2,759
Unallocated other income					1,844
Unallocated expenses					(96)
Finance costs					<u>(29,096)</u>
Profit before taxation					79,215
Income tax expense					<u>(5,770)</u>
Profit for the year					<u><u>73,445</u></u>

APPENDIX II
FINANCIAL INFORMATION ON THE KSL GROUP

For the year ended 31 December 2008

	Sales of chemicals and metals	Property investments	Securities investments	Eliminations	Combined
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Turnover</i>					
External sales	1,755,254	3,451	3,593	–	1,762,298
Inter-segment sales	–	986	–	(986)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total turnover	<u>1,755,254</u>	<u>4,437</u>	<u>3,593</u>	<u>(986)</u>	<u>1,762,298</u>
Segment result	(56,239)	6,045	(50,549)	–	(100,743)
Interest income from bank deposits					1,931
Unallocated other income					2,331
Unallocated expenses					(350)
Finance costs					(12,050)
					<hr/>
Loss before taxation					(108,881)
Income tax expense					1,435
					<hr/>
Loss for the year					<u>(107,446)</u>

For the year ended 31 December 2009

	Sales of chemicals and metals	Property investments	Securities investments	Eliminations	Combined
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Turnover</i>					
External sales	940,037	3,385	1,299	–	944,721
Inter-segment sales	–	936	–	(936)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total turnover	<u>940,037</u>	<u>4,321</u>	<u>1,299</u>	<u>(936)</u>	<u>944,721</u>
Segment result	2,523	12,993	2,872	–	18,388
Interest income from bank deposits					518
Unallocated other income					2,086
Unallocated expenses					(3,342)
Finance costs					(3,070)
					<hr/>
Profit before taxation					14,580
Income tax expense					(4,600)
					<hr/>
Profit for the year					<u>9,980</u>

APPENDIX II
FINANCIAL INFORMATION ON THE KSL GROUP

For the six months ended 30 June 2009 (unaudited)

	Sales of chemicals and metals	Property investments	Securities investments	Eliminations	Combined
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Turnover</i>					
External sales	439,109	1,760	926	–	441,795
Inter-segment sales	20	447	–	(467)	–
	<u>439,129</u>	<u>2,207</u>	<u>926</u>	<u>(467)</u>	<u>441,795</u>
Total turnover	<u>439,129</u>	<u>2,207</u>	<u>926</u>	<u>(467)</u>	<u>441,795</u>
Segment result	(4,563)	3,945	(9,384)	–	(10,002)
Interest income from bank deposits					292
Unallocated other income					955
Unallocated expenses					(846)
Finance costs					(2,507)
Loss before taxation					(12,108)
Income tax expense					(1,028)
Loss for the period					<u>(13,136)</u>

For the six months period ended 30 June 2010

	Sales of chemicals and metals	Property investments	Securities investments	Eliminations	Combined
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Turnover</i>					
External sales	579,770	1,592	390	–	581,752
Inter-segment sales	–	508	–	(508)	–
	<u>579,770</u>	<u>2,100</u>	<u>390</u>	<u>(508)</u>	<u>581,752</u>
Total turnover	<u>579,770</u>	<u>2,100</u>	<u>390</u>	<u>(508)</u>	<u>581,752</u>
Segment result	9,025	16,885	(4,980)	–	20,930
Interest income from bank deposits					340
Unallocated other income					417
Unallocated expenses					(1,192)
Finance costs					(2,159)
Profit before taxation					18,336
Income tax expense					(4,820)
Profit for the period					<u>13,516</u>

Inter-segment sales are charged at prevailing market rates.

Segment result represents the profit or loss by each segment without allocation of interest income from bank deposits, unallocated other income, unallocated expenses (including certain administration costs) and finance costs. This is the measure reported to the directors of KSH for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the KSL Group's assets and liabilities by operating segment:

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
<i>Assets</i>				
Segment assets				
– Sales of chemicals and metals	480,072	219,379	150,961	168,138
– Property investments	113,439	100,317	67,675	66,421
– Securities investments	184,904	115,600	86,119	95,888
Unallocated assets	169,183	201,314	322,297	384,284
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Combined total assets	947,598	636,610	627,052	714,731
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Liabilities</i>				
Segment liabilities				
– Sales of chemicals and metals	39,272	27,402	12,494	29,040
– Property investments	1,050	690	6,957	673
– Securities investments	97	257	205	178
Unallocated liabilities	689,087	494,237	502,865	592,048
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Combined total liabilities	729,506	522,586	522,521	621,939
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than interest in associates, other receivables, taxation recoverable, short term bank deposits, bank balances and cash; and
- all liabilities are allocated to operating segments other than other creditors, amounts due to related companies and non-controlling shareholders of subsidiaries, taxation payable, bank borrowings, and deferred tax liabilities.

For the year ended 31 December 2007

Other segment information

	Sales of chemicals and metals <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Segment Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	463	3	–	466
Depreciation	979	402	–	1,381
Gain arising from changes in fair value of investment properties	–	50,094	–	50,094
Gain arising from changes in fair value of investments held for trading	–	–	12,773	12,773
Gain arising from changes in fair value of foreign exchange yield linked deposit	–	–	847	847
Gain on disposal of property, plant and equipment	–	44	–	44
Reversal of impairment loss on trade debtors, net	237	–	–	237

For the year ended 31 December 2008

Other segment information

	Sales of chemicals and metals <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Segment Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	175	741	–	916
Depreciation	775	381	–	1,156
Gain arising from changes in fair value of investment properties	–	3,733	–	3,733
Loss arising from changes in fair value of investments held for trading	–	–	51,411	51,411
Gain arising from changes in fair value of foreign exchange yield linked deposit	–	–	58	58
Loss on disposal of property, plant and equipment	7	–	–	7
Impairment loss on trade debtors and bills receivable, net	15,420	–	–	15,420
Write-down of inventories	20,647	–	–	20,647

For the year ended 31 December 2009

Other segment information

	Sales of chemicals and metals <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Segment Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	71	19	–	90
Depreciation	623	436	–	1,059
Gain arising from changes in fair value of investment properties	–	9,671	–	9,671
Gain arising from changes in fair value of investments held for trading	–	–	2,284	2,284
Gain arising from changes in fair value of foreign exchange yield linked deposit	–	–	112	112
Loss on disposal of property, plant and equipment	–	1	–	1
Impairment loss on trade debtors, net	9,952	–	–	9,952
Write-back of inventories	17,173	–	–	17,173

For the six months ended 30 June 2009 (unaudited)

Other segment information

	Sales of chemicals and metals <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Segment Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	176	744	–	920
Depreciation	341	229	–	570
Gain arising from changes in fair value of investment properties	–	4,215	–	4,215
Loss arising from changes in fair value of investments held for trading	–	–	10,367	10,367
Gain arising from changes in fair value of foreign exchange yield linked deposit	–	–	539	539
Loss (gain) on disposal of property, plant and equipment	7	(3)	–	4
Impairment loss on trade debtors, net	7,049	–	–	7,049
Write-back of inventories	11,739	–	–	11,739

For the six months ended 30 June 2010

Other segment information

	Sales of chemicals and metals	Property investments	Securities investments	Segment Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	336	–	–	336
Depreciation	212	178	–	390
Gain arising from changes in fair value of investment properties	–	12,705	–	12,705
Loss arising from changes in fair value of investments held for trading	–	–	4,372	4,372
Gain on disposal of property, plant and equipment	48	3	–	51
Reversal of impairment loss on trade debtors, net	561	–	–	561
Write-back of inventories	2,597	–	–	2,597

Revenue from trading of chemicals and metals

The following is an analysis of the KSL Group's revenue from trading of chemicals and metals:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Electroplating Materials and Chemicals	2,568,448	1,609,257	840,000	398,793	535,793
Paint and Coating Chemicals	123,028	109,968	80,377	34,304	26,458
Stainless Steel	57,823	36,029	19,660	6,012	17,519
	<u>2,749,299</u>	<u>1,755,254</u>	<u>940,037</u>	<u>439,109</u>	<u>579,770</u>

Geographical information

The KSL Group's operations are located in Hong Kong (place of domicile), Taiwan, elsewhere in the People's Republic of China ("PRC") and Singapore.

The KSL Group's revenue from external customers and its non-current assets, other than financial instruments, by geographical location of the assets are detailed below:

	Revenue from external customers					Non-current assets			As at 30 June 2010 HK\$'000
	Year ended 31 December			Six months ended 30 June		As at 31 December			
	2007	2008	2009	2009	2010	2007	2008	2009	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
									(unaudited)
Hong Kong	2,072,231	1,175,849	618,645	312,777	324,164	48,828	55,531	48,375	60,470
Taiwan	382,160	246,715	69,322	25,832	71,164	48	43	49	48
Singapore	175,611	128,819	91,251	31,423	78,668	10,628	10,329	11,286	11,970
Elsewhere in the PRC	124,572	111,462	81,017	44,182	36,422	61,551	49,919	18,443	463
Others	2,556	99,453	84,486	27,581	71,334	9,108	453	-	-
	<u>2,757,130</u>	<u>1,762,298</u>	<u>944,721</u>	<u>441,795</u>	<u>581,752</u>	<u>130,163</u>	<u>116,275</u>	<u>78,153</u>	<u>72,951</u>

No revenue from individual customer contributes over 10% of the total sales of the KSL Group for all years/periods presented.

5. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
Interest income	2,759	1,931	518	292	340
Other income	1,846	4,389	5,979	1,068	4,593
	<u>4,605</u>	<u>6,320</u>	<u>6,497</u>	<u>1,360</u>	<u>4,933</u>

6. FINANCE COSTS

The finance costs mainly represent interest on bank borrowings wholly repayable within five years.

7. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 December			Six months ended	
	2007	2008	2009	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
The tax charge (credit) comprises:					
Current taxation					
Hong Kong Profits Tax	1,087	64	413	117	143
Profits tax outside Hong Kong	1,293	1,498	4,570	772	3,155
	<u>2,380</u>	<u>1,562</u>	<u>4,983</u>	<u>889</u>	<u>3,298</u>
(Over)underprovision in prior years/periods					
Hong Kong Profits Tax	(42)	(95)	(23)	–	33
Profits tax outside Hong Kong	(472)	(153)	(66)	–	–
	<u>(514)</u>	<u>(248)</u>	<u>(89)</u>	<u>–</u>	<u>33</u>
	<u>1,866</u>	<u>1,314</u>	<u>4,894</u>	<u>889</u>	<u>3,331</u>
Deferred taxation (note 21)					
Current year/period	3,951	(1,735)	(318)	139	1,489
Effect of change in tax rate	(47)	(1,014)	24	–	–
	<u>3,904</u>	<u>(2,749)</u>	<u>(294)</u>	<u>139</u>	<u>1,489</u>
	<u>5,770</u>	<u>(1,435)</u>	<u>4,600</u>	<u>1,028</u>	<u>4,820</u>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profit for 2008 onwards.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No.63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and the Implementation Regulations changed the tax rate of relevant KSL Group entities to 7.5% from 1 January 2008 onwards.

Taxation in other countries outside PRC is calculated at the statutory rates prevailing in the respective jurisdictions.

Details of deferred tax liabilities are set out in note 21.

The tax charge (credit) for the year/period can be reconciled to the profit (loss) before taxation per the combined statements of comprehensive income as follows:

	Hong Kong						Elsewhere in the PRC						Other countries						Total					
	Year ended 31 December		Six months ended 30 June		Year ended 31 December		Six months ended 30 June		Year ended 31 December		Six months ended 30 June		Year ended 31 December		Six months ended 30 June		Year ended 31 December		Six months ended 30 June					
	2007	2008	2009	2010	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010	2009	2010	2007	2008	2009	2010				
Profit (loss) before taxation	25,387	(91,655)	(851)	(18,348)	12,478	41,407	6,238	9,820	3,741	4,835	12,421	(23,464)	5,611	2,499	1,023	79,215	(108,881)	14,580	(12,108)	18,336				
Applicable tax rate	17.5%	16.5%	16.5%	16.5%	16.5%	10%	7.5%	7.5%	7.5%	7.5%	21.5%	19%	19%	19%	19%									
Tax at the applicable income tax rate	4,443	(15,123)	(141)	(3,027)	2,058	4,141	460	736	281	363	2,671	(4,458)	1,066	475	194	11,255	(19,121)	1,661	(2,271)	2,615				
Land appreciation tax	-	-	-	-	-	-	-	1,809	-	1,418	-	-	-	-	-	-	-	-	1,809	-	1,418			
Tax effect of expenses not deductible for tax purpose	86	6,704	495	2,431	335	224	567	262	128	114	84	2,729	16	25	300	394	10,000	773	2,584	749				
Tax effect of income not taxable for tax purpose	(2,183)	(2,219)	(1,735)	(859)	(242)	(628)	(451)	(199)	(146)	(464)	(1,852)	(60)	(426)	(263)	(18)	(4,663)	(2,730)	(2,360)	(1,268)	(724)				
Tax effect of utilisation of tax losses previously not recognised	(905)	(883)	(436)	(239)	(683)	-	-	-	-	-	-	-	(690)	-	-	(905)	(883)	(1,126)	(239)	(683)				
Tax effect of unrecognised tax loss	1,158	11,395	2,839	1,689	965	-	-	-	-	-	-	477	-	-	-	1,158	11,872	2,839	1,689	965				
Tax effect on change in tax rate	-	(386)	-	-	-	-	(629)	-	-	-	(46)	-	24	-	-	(46)	(1,015)	24	-	-				
Tax effect on different tax rate of operations in other jurisdiction	-	-	-	-	-	-	-	237	100	116	(467)	256	(32)	24	(160)	(467)	256	205	124	(44)				
(Over)underprovision in prior years	(42)	(95)	(23)	-	33	(289)	-	-	-	-	(183)	(153)	(66)	-	-	(514)	(248)	(89)	-	33				
Others	(38)	(48)	(82)	30	(339)	(348)	443	909	636	540	(56)	39	37	(257)	290	(442)	434	864	409	491				
Tax charge (credit) for the year/period	2,519	(655)	917	25	2,127	3,100	390	3,754	999	2,087	151	(1,170)	(71)	4	606	5,770	(1,435)	4,600	1,028	4,820				

8. PROFIT (LOSS) FOR THE YEAR/PERIOD

	Year ended 31 December			Six months ended	
	2007	2008	2009	30 June	
	HK\$'000	HK\$'000	HK\$'000	2009	2010
				HK\$'000	HK\$'000
				(unaudited)	
Profit (loss) for the year/period has been arrived at after charging:					
Auditor's remuneration					
– current year/period	1,132	1,131	1,125	561	514
– underprovision in the prior year/period	25	–	20	20	–
	<u>1,157</u>	<u>1,131</u>	<u>1,145</u>	<u>581</u>	<u>514</u>
Impairment loss on trade debtors included in other expenses	873	11,628	11,233	8,361	310
Impairment loss on bills receivable included in other expenses	–	5,324	–	–	–
Loss on disposal of property, plant and equipment	–	7	7	7	–
Net foreign exchange loss	1,589	5,071	869	161	948
Rental payments in respect of properties under operating leases	2,172	2,864	2,797	1,384	1,320
Retirement benefits scheme contributions (excluding amounts paid under directors' emoluments)	408	388	355	190	200
and after crediting:					
Gain on disposal of properties, plant and equipment	44	–	6	3	51
Dividend income from investments held for trading	122	2,731	828	250	467
Net foreign exchange gain	789	2,042	650	546	834
Reversal of impairment loss on trade debtors	1,110	1,532	1,281	1,312	871
Gross rental income from investment properties	3,895	3,922	3,849	2,019	1,674
Less: direct operating expenses from investment properties that generated rental income during the year/period	(16)	(3)	(23)	–	–
	<u>3,879</u>	<u>3,919</u>	<u>3,826</u>	<u>2,019</u>	<u>1,674</u>

9. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
VALUATION	
At 1 January 2007	83,213
Exchange realignment	243
Increase in fair value	50,094
Disposal	(26,416)
	<hr/>
At 31 December 2007	107,134
Exchange realignment	3,563
Increase in fair value	3,733
Disposal	(20,897)
	<hr/>
At 31 December 2008	93,533
Exchange realignment	205
Increase in fair value	9,671
Disposal	(37,863)
	<hr/>
At 31 December 2009	65,546
Exchange realignment	226
Increase in fair value	12,705
Disposal	(18,132)
	<hr/>
At 30 June 2010	<u>60,345</u>

The KSL Group's investment properties comprise:

	As at 31 December			As at
	2007	2008	2009	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held under medium-term leases:				
– in Hong Kong	41,778	40,372	42,692	54,616
Properties held under long leases:				
– elsewhere in the PRC	61,400	49,223	17,887	–
– overseas	3,956	3,938	4,967	5,729
	<hr/>	<hr/>	<hr/>	<hr/>
	107,134	93,533	65,546	60,345
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The fair value of the KSL Group's investment properties located in Hong Kong, elsewhere in the PRC and Singapore have been arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the KSL Group. The valuation report on these properties was signed by a director of Knight Frank Petty Limited who is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The revaluation of investment properties gave rise to a net gain arising from changes in fair value for each of the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2009 and 2010 of HK\$50,094,000, HK\$3,733,000, HK\$9,671,000, HK\$4,215,000 and HK\$12,705,000 respectively which has been recognised in the combined statement of comprehensive income.

All the investment properties of the KSL Group are rented out under operating leases.

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

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Computer equipment HK\$'000	Total HK\$'000
COST OR VALUATION						
At 1 January 2007	16,841	11,682	3,126	1,760	505	33,914
Exchange realignment	532	37	103	–	10	682
Additions	–	455	–	1	10	466
Disposals	–	(745)	–	–	(13)	(758)
At 31 December 2007	17,373	11,429	3,229	1,761	512	34,304
Exchange realignment	(37)	114	36	–	3	116
Additions	–	247	637	3	29	916
Disposals	–	(785)	(757)	(681)	(29)	(2,252)
At 31 December 2008	17,336	11,005	3,145	1,083	515	33,084
Exchange realignment	192	16	23	–	3	234
Additions	–	50	–	9	31	90
Disposals	–	(937)	–	(476)	–	(1,413)
At 31 December 2009	17,528	10,134	3,168	616	549	31,995
Exchange realignment	66	16	14	–	2	98
Additions	–	40	–	290	6	336
Disposals	–	(825)	(1,020)	–	–	(1,845)
At 30 June 2010	17,594	9,365	2,162	906	557	30,584
Comprising:						
At cost	8,600	9,365	2,162	906	557	21,590
At valuation – 1991	8,994	–	–	–	–	8,994
	17,594	9,365	2,162	906	557	30,584
DEPRECIATION						
At 1 January 2007	4,604	10,502	2,796	1,225	363	19,490
Exchange realignment	125	24	93	–	7	249
Provided for the year	340	584	220	177	60	1,381
Eliminated on disposals	–	(722)	–	–	(13)	(735)
At 31 December 2007	5,069	10,388	3,109	1,402	417	20,385
Exchange realignment	(12)	109	25	–	2	124
Provided for the year	351	529	80	134	62	1,156
Eliminated on disposals	–	(765)	(682)	(681)	(27)	(2,155)
At 31 December 2008	5,408	10,261	2,532	855	454	19,510
Exchange realignment	57	12	23	–	2	94
Provided for the year	345	475	116	93	30	1,059
Eliminated on disposals	–	(923)	–	(352)	–	(1,275)
At 31 December 2009	5,810	9,825	2,671	596	486	19,388
Exchange realignment	19	7	10	–	1	37
Provided for the period	176	119	58	26	11	390
Eliminated on disposals	–	(818)	(1,019)	–	–	(1,837)
At 30 June 2010	6,005	9,133	1,720	622	498	17,978
CARRYING VALUES						
At 31 December 2007	12,304	1,041	120	359	95	13,919
At 31 December 2008	11,928	744	613	228	61	13,574
At 31 December 2009	11,718	309	497	20	63	12,607
At 30 June 2010	11,589	232	442	284	59	12,606

Certain of the leasehold land and buildings were revalued at 31 December, 1991. Had all the leasehold land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of these properties would be HK\$3,531,000, HK\$3,192,000, HK\$2,790,000 and HK\$2,595,000 as 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

The KSL Group has pledged its leasehold land and buildings with a net carrying amount of approximately HK\$6,368,000, HK\$6,174,000, HK\$6,145,000 and HK\$6,104,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, to secure general banking facilities granted to the KSL Group entities and its related companies.

The KSL Group's leasehold land and buildings comprise:

	Leasehold land and buildings			As at
	As at 31 December			30 June
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Properties held under medium-term leases:				
– in Hong Kong	5,936	5,754	5,573	5,485
Properties held under medium-term leases:				
– overseas	6,368	6,174	6,145	6,104
	<u>12,304</u>	<u>11,928</u>	<u>11,718</u>	<u>11,589</u>

11. INTEREST IN AN ASSOCIATE

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of investment				
Unlisted	757	757	757	757
Share of post-acquisition losses and other comprehensive expense, net of dividends received, up to cost of investment	(304)	(304)	(757)	(757)
	<u>453</u>	<u>453</u>	<u>–</u>	<u>–</u>

Particulars of the associate at 31 December 2007, 2008, 2009 and 30 June 2010 are as follows:

Name of associate	Form of business structure	Country of incorporation	Principal place of operation	Class of shares held	Proportion of issued share capital held by the KSL Group %	Principal activities
KSIP (Thailand 1989) Co., Ltd.	Incorporated	Thailand	Thailand	Ordinary	49	Inactive

Summarised financial information in respect of the associate is set out below:

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Total assets and net assets	924	924	–	–
KSL Group's share of associate's net assets	453	453	–	–

12. FOREIGN EXCHANGE YIELD LINKED DEPOSIT

Foreign exchange yield linked deposit represents a principal protected foreign exchange yield differential accrual index-linked deposit of US\$1 million with maturity date in March 2012 (can be terminated at any time prior to maturity without compensation at the option of the KSL Group). The deposit does not carry interest but its potential return is linked to the performance of yields of a basket of currencies. The linking to foreign exchange yield is considered to be non-closely related embedded derivative. Upon initial recognition, the deposit is designated as financial asset at fair value through profit and loss. The fair value as at 31 December 2007 and 2008 is based on the valuation amount provided by the counterparty financial institution. Such deposit was terminated in 2009.

13. INVENTORIES

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Raw materials	120	108	87	1,851
Finished goods	221,614	127,331	72,587	67,524
	221,734	127,439	72,674	69,375

The market price of certain inventories with impairment loss recognised in 2008 of HK\$20,647,000 had increased subsequently. This led to a write-back of inventories of HK\$17,173,000 and HK\$2,597,000 for the year ended 31 December 2009 and six months ended 30 June 2010, respectively.

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Trade debtors	223,359	91,267	84,819	94,739
Less: allowance for doubtful debts	(11,681)	(19,789)	(20,202)	(19,641)
	211,678	71,478	64,617	75,098
Deposits and prepayments	14,737	10,519	4,434	10,916
Total debtors, deposits and prepayments	226,415	81,997	69,051	86,014

The aged analysis of trade debtors, net of allowance for doubtful debts presented based on the invoice date at the end of reporting period are as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
0 – 30 days	105,682	25,941	46,007	48,771
31 – 60 days	59,811	10,428	11,623	16,930
61 – 90 days	26,968	15,825	5,804	7,605
91 – 120 days	9,508	10,497	869	1,105
121 – 365 days	9,709	8,787	314	687
	<u>211,678</u>	<u>71,478</u>	<u>64,617</u>	<u>75,098</u>

The credit period on sales of goods to its trade debtors ranges from cash on delivery to 120 days. The KSL Group has provided fully for all receivables over due for more than 270 days because historical experience is such that receivables that are past due beyond 270 days are generally not recoverable. Trade debtors between 120 days and 270 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Before accepting any new customer, the KSL Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. For the each of the years ended 31 December 2007, 2008, 2009 and six months ended 30 June 2010, the aggregate turnover attributable to the KSL Group's five largest customers approximates 20%, 15%, 22% and 23% respectively of the KSL Group's total turnover.

Included in the KSL Group's trade receivable balance are debtors with aggregate carrying amount of HK\$65,989,000, HK\$31,447,000, HK\$12,640,000 and HK\$ 19,642,000 at 31 December 2007, 2008, 2009 and 30 June 2010, respectively, which are past due at the end of each reporting period for which the KSL Group has not provided for impairment loss. There has not been a significant change in credit quality and the amounts are still considered recoverable. The KSL Group does not hold any collateral over these balances. The average overdue age of these receivables is 30 days, 30 days, 27 days and 20 days for each of the years ended 31 December 2007, 2008, 2009 and six months ended 30 June 2010, respectively.

Ageing of trade debtors which are past due but not impaired

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Overdue:				
0 – 30 days	50,735	20,660	11,374	17,704
31 – 60 days	8,894	3,194	1,074	1,123
61 – 90 days	2,135	5,188	165	121
91 – 120 days	1,075	1,324	22	6
121 – 270 days	3,150	1,081	5	688
	<u>65,989</u>	<u>31,447</u>	<u>12,640</u>	<u>19,642</u>

Movement in the allowance for doubtful debts

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
At beginning of the year/period	12,708	11,681	19,789	20,202
Amounts written off during the year/period as uncollectible	(790)	(1,988)	(9,539)	–
Impairment loss recognised on receivables	873	11,628	11,233	310
Impairment loss reversed	(1,110)	(1,532)	(1,281)	(871)
	<u>11,681</u>	<u>19,789</u>	<u>20,202</u>	<u>19,641</u>
At end of the year/period	<u>11,681</u>	<u>19,789</u>	<u>20,202</u>	<u>19,641</u>

In determining the recoverability of a trade debtor, the KSL Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the end of the reporting period. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are specific trade debtors with a balance at 31 December 2007, 2008, 2009 and 30 June 2010 of HK\$3,910,000, HK\$15,912,000, HK\$11,089,000 and HK\$17,235,000, respectively, which have been placed under liquidation or in severe financial difficulties. The impairment recognised represents the carrying amount of the specific trade debtor.

15. INVESTMENTS HELD FOR TRADING

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Listed securities:				
– Equity securities listed in Hong Kong	30,446	28,638	18,555	14,657
– Equity securities listed elsewhere	34,832	19,026	20,532	22,826
	<u>65,278</u>	<u>47,664</u>	<u>39,087</u>	<u>37,483</u>
Mutual funds	110,840	59,145	46,937	58,321
	<u>176,118</u>	<u>106,809</u>	<u>86,024</u>	<u>95,804</u>

The fair values of all listed equity securities are determined by reference to the quoted market bid price available on the relevant exchanges.

Mutual funds represent funds managed by professional fund managers, which are redeemable at their net assets value, net of handling fee and expenses. Fair values of the mutual funds are provided by the fund managers and are measured based on their net assets value which is calculated by dividing the value of the assets of the mutual funds less its liabilities, by the total number of units in issue as stipulated in the relevant trust deed. The underlying investments held by the mutual funds are valued as follows:

- quoted investments of the underlying funds are valued at their closing bid price.
- unquoted investments of the underlying funds are valued in accordance with the most recent revaluation or expected disposal or redemption price provided by the professional fund managers.

16. OTHER FINANCIAL ASSETS

Other financial assets include bills receivable, short term bank deposits and bank balances and cash.

The KSL Group's bills receivable are aged within 90 days. In 2008, impairment loss of HK\$5,324,000 has been recognised in the combined statement of comprehensive income for the amount under dispute with a counterparty bank.

Short term bank deposits and bank balances and cash comprise cash and deposits held by the KSL Group with an original maturity of three months or less.

Bank balances carry interest at market rates with average interest rate at 31 December 2007, 2008, 2009 and 30 June 2010 of 1.99%, 0.41%, 0.0068% and 0.0675% per annum, respectively.

Short-term bank deposits carry interest at market rates with average interest rate at 31 December 2007, 2008, 2009 and 30 June 2010 of 4.62%, 3.06%, 2.40% and 0.51% per annum, respectively.

17. CREDITORS AND ACCRUED CHARGES

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Trade creditors	30,979	18,448	7,049	23,187
Other creditors and accrued charges	9,489	9,949	12,657	6,729
	<u>40,468</u>	<u>28,397</u>	<u>19,706</u>	<u>29,916</u>

The aged analysis of the trade creditors presented based on the invoice date at the end of the reporting period are as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
0 – 30 days	30,925	18,390	7,049	23,051
31 – 60 days	44	58	–	69
Over 90 days	10	–	–	67
	<u>30,979</u>	<u>18,448</u>	<u>7,049</u>	<u>23,187</u>

The credit period on purchase of goods ranges from 0 to 120 days. The KSL Group has financial risk management policies in place to ensure that all payables are paid within the credit terms.

18. AMOUNTS DUE FROM/TO RELATED COMPANIES AND NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

Related companies consist of other subsidiary of KSH not included in the KSL Group entities according to the Group Reorganisation.

Included in the amounts due to related companies were balances of HK\$24,001,994 and HK\$45,189,567 which borne interest at 4.25% and Hong Kong Bank Offered Rate plus 1% per annum, respectively, for the year ended 31 December 2007. The remaining balances are unsecured, interest free and repayable on demand.

The amounts due from related companies and amount due to non-controlling shareholders of subsidiaries are unsecured, interest free and repayable on demand.

19. BANK BORROWINGS

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
The bank borrowings, which are due within one year, comprise:				
Bank loans				
– secured (<i>Note</i>)	18,943	10,762	1,228	5,124
– unsecured	7,998	9,838	9,602	12,810
Trust receipt and import loans	367,902	141,898	155,152	171,835
	<u>394,843</u>	<u>162,498</u>	<u>165,982</u>	<u>189,769</u>

Note: For details of the assets pledged as collateral, please refer to note 24.

The bank borrowings are arranged at floating interest rates. The average interest rate for each of the years ended 31 December 2007, 2008, 2009 and six months ended 30 June 2010 were 5.33%, 3.37%, 1.17% and 1.27% per annum, respectively.

The bank borrowings that are denominated in currencies, other than the functional currency of the operations to which they related are set out below:

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
United States dollars	26,220	20,093	22,112	58,170
Japanese Yen	9,033	9,838	9,602	10,110
	<u>35,253</u>	<u>29,931</u>	<u>31,714</u>	<u>68,280</u>

20. SHARE CAPITAL

KSL was incorporated on 26 January 2010 with an authorised share capital of HK\$2,500, comprising 50,000 shares of HK\$0.05 each. At the date of incorporation, 2 ordinary shares of HK\$0.05 each were issued. 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 KSL. All ordinary shares rank equally with regard to the KSL's residual assets.

21. DEFERRED TAX LIABILITIES

The KSL Group's deferred tax liabilities are set out below:

	Fair value change of investment properties HK\$'000	Revaluation of leasehold land and buildings HK\$'000	Accelerated tax depreciation HK\$'000	Tax loss HK\$'000	Total HK\$'000
At 1 January 2007	4,821	1,223	812	–	6,856
Charge (credit) to statement of comprehensive income	4,073	–	(122)	–	3,951
Effect of change in tax rate	(36)	–	(11)	–	(47)
Exchange realignment	25	–	3	–	28
At 31 December 2007	8,883	1,223	682	–	10,788
Credit to statement of comprehensive income	(687)	–	(31)	(1,017)	(1,735)
Effect of change in tax rate	(976)	(70)	(38)	–	(1,084)
Exchange realignment	132	–	–	24	156
At 31 December 2008	7,352	1,153	613	(993)	8,125
(Credit) charge to statement of comprehensive income	(279)	–	10	(49)	(318)
Effect of change in tax rate	(22)	–	(1)	47	24
Exchange realignment	16	–	–	(20)	(4)
At 31 December 2009	7,067	1,153	622	(1,015)	7,827
Charge (credit) to statement of comprehensive income	1,509	–	(20)	–	1,489
Exchange realignment	–	–	–	(1)	(1)
At 30 June 2010	8,576	1,153	602	(1,016)	9,315

As at 31 December 2007, 2008, 2009 and 30 June 2010, the KSL Group had unused tax losses of approximately HK\$73,924,000, HK\$139,399,000, HK\$151,736,000 and HK\$153,444,000, respectively, available for offset against future profits. No deferred tax assets have been recognised in respect of such unused tax losses due to the unpredictability of future profit streams. Such tax losses may be carried forward indefinitely.

22. OPERATING LEASE COMMITMENTS

The KSL Group as lessee:

At the end of the reporting period, the KSL Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 December			As at 30 June
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
Within one year	1,975	2,556	1,990	978
In the second to fifth year inclusive	2,568	1,989	29	–
	4,543	4,545	2,019	978

Operating lease payments represent rentals payable by the KSL Group for certain of its office premises. Leases are negotiated for terms ranging from one to three years and rentals are fixed over the lease terms.

The KSL Group as lessor:

Property rental income earned during the year is disclosed in note 8. The properties held have committed tenants for the lease term ranging from one to three years and rentals are fixed over the lease terms.

At the end of the reporting period, the KSL Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Within one year	1,460	1,559	1,240	795
In the second to fifth year inclusive	516	798	798	165
	<u>1,976</u>	<u>2,357</u>	<u>2,038</u>	<u>960</u>

23. CONTINGENT LIABILITIES

As at 31 December 2007, 2008, 2009 and 30 June 2010, KSL Group is jointly and severally liable in respect of banking facilities utilised by KSH amounted to HK\$25,000,000, HK\$25,000,000, HK\$15,500,000 and HK\$10,000,000, respectively.

24. PLEDGE OF ASSETS

The following assets were pledged to banks to secure banking facilities granted to the KSL Group as at end of the reporting period:

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Foreign exchange yield linked deposit	8,657	8,715	–	–
Leasehold land and buildings	6,368	6,174	6,145	6,104
	<u>15,025</u>	<u>14,889</u>	<u>6,145</u>	<u>6,104</u>

25. RETIREMENT BENEFITS SCHEME

The KSL Group operates a Mandatory Provident Fund Scheme and other defined contribution retirement schemes for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the KSL Group, in funds under the control of trustees. The employees of the KSL Group entities established outside Hong Kong are members of a state-managed retirement scheme operated by respective governments. These subsidiaries are required to contribute certain percentage of basic payroll costs to the retirement benefit scheme. The only obligation of the KSL Group with respect to these schemes is to make the required contributions under the scheme.

For each of years ended 31 December 2007, 2008, 2009 and six months ended 30 June 2009 and 2010, the retirement benefits cost charged to the combined statement of comprehensive income of HK\$419,700, HK\$400,165, HK\$366,895, HK\$190,410 and HK\$205,797, respectively represents contributions payable to the scheme by the KSL Group at rates specified in the rules of the scheme.

26. RELATED PARTY TRANSACTIONS

Other than the amounts due from/to related companies, amounts due to non-controlling shareholders of subsidiaries and guarantee provided by the KSL Group as disclosed in respective notes, the KSL Group entered into the following transactions with the following related companies.

	Year ended 31 December			Six months ended	
	2007	2008	2009	30 June	
	HK\$'000	HK\$'000	HK\$'000	2009	2010
				(unaudited)	
KSH					
Management fee paid	10,140	6,636	6,636	5,286	5,286
Interest paid	2,978	–	1,143	1,527	1,069
Dividend paid	–	–	17,300	–	22,000
Rental income received	746	945	1,011	487	562
Rental reimbursement received	322	956	483	215	234
Interest received	–	187	208	134	5
Subsidiaries of KSH not included in KSL Group entities					
Management fee received	384	409	432	208	388
Rental expenses	–	417	284	147	136
Consultancy fee received	–	48	58	–	–

27. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the KSL Group's accounting policies, which are described in note 3, the directors of KSH are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance of doubtful debts

The KSL Group makes allowances for bad and doubtful debts when there is objective evidence that receivables balances are impaired. The balances of the receivables are based on the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The directors of KSH involved a considerable amount of judgment in assessing the ultimate realisation of these receivables including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers were to deteriorate, resulting in an impairment of their activity to make payments, additional allowance may be required. As at 31 December 2007, 2008, 2009 and 30 June 2010, the carrying amount of trade receivables are HK\$211,678,000, HK\$71,478,000, HK\$64,617,000 and HK\$75,098,000 net of allowance for doubtful debts of HK\$11,681,000, HK\$19,789,000, HK\$20,202,000 and HK\$19,641,000, respectively.

Net realisable value of inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sale have increased. The amount written off to the profit or loss is the difference between the carrying value and net realisable value of the inventories. As at 31 December 2007, 2008, 2009 and 30 June 2010, the carrying amount of inventories are HK\$221,734,000, HK\$127,439,000, HK\$72,674,000 and HK\$69,375,000, respectively, with write-down of HK\$20,647,000 as at 31 December 2008 and reversal of write-down of HK\$17,173,000 and HK\$2,597,000 as at 31 December 2009 and 30 June 2010, respectively.

28. CAPITAL RISK MANAGEMENT

The directors of KSH manages KSL Group's capital to ensure that entities in the KSL Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the KSL Group consists of net debt, net of cash and cash equivalents, and equity attributable to the owners, comprising issued share capital, reserves and retained profits.

The directors of KSH reviews the capital structure regularly. As a part of this review, the directors of KSH considers the cost of capital and the risks associated with the issued share capital and will balance the overall capital structure through the payment of dividends, the issue of new debt or the repayment of existing debt.

29. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments**

	As at 31 December			As at
	2007	2008	2009	30 June
	HK\$'000	HK\$'000	HK\$'000	2010
				HK\$'000
Financial assets				
FVTPL				
– Held for trading	176,118	106,809	86,024	95,804
– Designated as at FVTPL	8,657	8,715	–	–
Loans and receivables (including cash and cash equivalents)	400,113	274,794	384,596	465,697
	<u>400,113</u>	<u>274,794</u>	<u>384,596</u>	<u>465,697</u>
Financial liabilities				
Amortised cost	715,044	507,736	504,112	605,690
	<u>715,044</u>	<u>507,736</u>	<u>504,112</u>	<u>605,690</u>

(b) Financial risk management objectives and policies

The directors of KSH monitors and manages the financial risks relating to the operations of the KSL Group through various internal management reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the KSL Group's exposure to market risks or the manner in which it manages and measures such risks.

(c) Foreign currency risk management

Some of the transactions were conducted in United States dollars, Japanese Yen, Euro, Renminbi, New Taiwanese dollars and Hong Kong dollars which are other than the functional currency of the operations to which they related. Certain trade debtors, bank balances and deposits, trade creditors and bank borrowings are also denominated in foreign currencies other than the functional currency of the KSL Group entities. Hence, exposures to exchange rate fluctuations arise. The directors of KSH will manage the exchange rate exposures of KSL Group by using forward exchange contracts to hedge its foreign currency exposure in trading activities when considered appropriate.

The carrying amount of the KSL Group's foreign currency denominated monetary assets and monetary liabilities other than the functional currency of the operations to which they relate at the end of the reporting period is as follows:

	Assets				Liabilities			
	As at		As at		As at		As at	
	31 December		30 June		31 December		30 June	
	2007	2008	2009	2010	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States dollars	107,278	51,877	122,020	171,642	51,593	29,527	19,788	61,367
Japanese Yen	8,437	9,841	9,610	53	9,058	9,858	9,602	10,110
Euro	235	4,882	4,701	319	2	7	30	-
Renminbi	136	306	3,690	199	-	94	-	-
New Taiwanese dollars	5,132	6,531	1,397	-	253	104	247	-
Hong Kong dollars	343	11,456	355	707	85,634	50,539	58,059	3,732
	<u>121,561</u>	<u>84,893</u>	<u>141,773</u>	<u>172,920</u>	<u>146,540</u>	<u>90,129</u>	<u>87,726</u>	<u>75,209</u>

Foreign currency sensitivity

As Hong Kong dollars is currently pegged to United States dollars, the directors of KSH considers that the exposure to exchange fluctuation in respect of United States dollars is limited as the relevant entities have Hong Kong dollars as their functional currency. The KSL Group therefore mainly exposed to other currencies.

The following table indicates the approximate change in the KSL Group's profit or loss in response to reasonably possible changes in the foreign exchange rates to which the KSL Group has significant exposure at the end of the reporting period.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the KSL Group entities' exposure to currency risk for non-derivative financial instruments in existence at that date.

The stated changes represent the directors of KSH's assessment of reasonably possible changes in foreign exchange rates over the next reporting period. Results of the analysis as presented in the below table represent an aggregation of the effects on each of the KSL Group entities' profit or loss measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes. A positive (negative) number represented an increase in profit or decrease in loss (decrease in profit or increase in loss).

	As at 31 December						As at 30 June	
	2007		2008		2009		2010	
	Increase (decrease) in foreign exchange rates <i>HK\$'000</i>	Effect on profit or loss	Increase (decrease) in foreign exchange rates <i>HK\$'000</i>	Effect on profit or loss	Increase (decrease) in foreign exchange rates <i>HK\$'000</i>	Effect on profit or loss	Increase (decrease) in foreign exchange rates <i>HK\$'000</i>	Effect on profit or loss
Japanese Yen against Hong Kong dollars	10% (10%)	(62) 62	10% (10%)	(2) 2	10% (10%)	1 (1)	10% (10%)	(1,006) 1,006
Euro against Hong Kong dollars	10% (10%)	23 (23)	10% (10%)	488 (488)	10% (10%)	467 (467)	10% (10%)	32 (32)
Renminbi against Hong Kong dollars	10% (10%)	14 (14)	10% (10%)	21 (21)	10% (10%)	369 (369)	10% (10%)	20 (20)
New Taiwanese dollars against Hong Kong dollars	1% (1%)	49 (49)	1% (1%)	64 (64)	10% (10%)	115 (115)	10% (10%)	- -

(d) Interest rate risk management

The KSL Group obtained financing through bank borrowings. Majority of bank borrowings bear interests on floating rates and matured within one year. Accordingly, the KSL Group is not exposed to significant fair value interest rate risk. The KSL Group analyses its interest rate exposure on a dynamic basis, but the KSL Group did not use floating-to-fixed interest rate swaps in managing its cash flow interest rate risk.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial instruments (representing variable rate bank borrowings as at 31 December 2007, 2008, 2009 and 30 June 2010) and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used as it represents management's assessment of the possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the KSL Group's profit for each of the years ended 31 December 2007, 2009 and six months ended 30 June 2010 would (decrease)/increase by HK\$1,974,000, HK\$830,000 and HK\$949,000 respectively; while the KSL Group's loss for the year ended 31 December 2008 would increase/(decrease) by HK\$812,000.

(e) Other price risks

The KSL Group's investments held for trading, comprising listed equity securities and mutual funds, are measured at fair value at the end of the reporting period. The directors of KSH has performed analysis of the nature of market risk associated with the equity securities and mutual funds, including discussion with the investment advisors, and concluded that the price risk is more prominent in evaluating the market risk of this kind of investments. The directors of KSH manages this exposure by maintaining a portfolio of investments with different risk profiles in accordance with the limits set by the KSL Group and located in different jurisdictions.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risk at the end of the reporting period. A 10% increase or decrease is used as it represents directors of KSH's assessment of the possible change in price of equity securities and mutual funds.

If the prices of the respective equity securities and mutual funds had been 10% higher/lower, the KSL Group's profit for each of the years ended 31 December 2007, 2009 and six months ended 30 June 2010 would increase/(decrease) by HK\$17,612,000, HK\$860,000 and HK\$9,580,000 respectively; while the KSL Group's loss for the year ended 31 December 2008 would (decrease)/increase by HK\$10,681,000 as a result of the changes in fair value of investments held-for-trading investments. In management's opinion, the sensitivity analysis is unrepresentative as the exposure does not reflect the exposure as at the end of each Relevant Periods.

(f) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the KSL Group. The directors of KSH has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Trade debtors consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The KSL Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and investments is limited because directors consider that the counterparties are financially sound.

As at the end of each reporting period, the KSL Group's maximum exposure to credit risk which will cause a financial loss to the KSL Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the KSL Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the KSL Group as disclosed in note 23.

(g) Liquidity risk management

In managing the liquidity risk, the directors of KSH monitors and maintains a level of cash and cash equivalents deemed adequate by them to finance the KSL Group's operations and mitigate the effects of fluctuations in cash flows. The directors of KSH monitors the utilisation of bank borrowings closely.

The KSL Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2007, 2008, 2009 and 30 June 2010, the KSL Group has available unutilised short-term bank loan facilities of approximately HK\$521,083,000, HK\$671,151,000, HK\$422,768,000, HK\$344,557,000, respectively.

Liquidity information

The following tables detail the KSL Group's remaining contractual maturity for other non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the KSL Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1-3 months HK\$'000	Over 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<i>31 December 2007</i>						
Creditors and accrued charges		35,629	694	1,144	37,467	37,467
Amounts due to related companies		210,254	–	–	210,254	210,254
Amounts due to non-controlling shareholders of subsidiaries		3,288	–	–	3,288	3,288
Amounts due to related companies – variable rate	4.85	54,352	15,084	–	69,436	69,192
Bank borrowings – variable rate	4.75	284,329	111,774	–	396,103	394,843
		<u>587,852</u>	<u>127,552</u>	<u>1,144</u>	<u>716,548</u>	<u>715,044</u>
<i>31 December 2008</i>						
Creditors and accrued charges		20,653	607	1,116	22,376	22,376
Amounts due to related companies		322,044	–	–	322,044	322,044
Amounts due to non-controlling shareholders of subsidiaries		818	–	–	818	818
Bank borrowings – variable rate	4.66	155,759	7,399	–	163,158	162,498
		<u>499,274</u>	<u>8,006</u>	<u>1,116</u>	<u>508,396</u>	<u>507,736</u>
<i>31 December 2009</i>						
Creditors and accrued charges		8,024	234	2,826	11,084	11,084
Amounts due to related companies		327,046	–	–	327,046	327,046
Bank borrowings – variable rate	1.13	134,711	31,496	–	166,207	165,982
		<u>469,781</u>	<u>31,730</u>	<u>2,826</u>	<u>504,337</u>	<u>504,112</u>
<i>30 June 2010</i>						
Creditors and accrued charges		23,969	179	3,176	27,324	27,324
Amounts due to related companies		385,097	–	–	385,097	385,097
Amounts due to non-controlling shareholders of subsidiaries		3,500	–	–	3,500	3,500
Bank borrowings – variable rate	1.43	176,356	13,662	–	190,018	189,769
		<u>588,922</u>	<u>13,841</u>	<u>3,176</u>	<u>605,939</u>	<u>605,690</u>

In addition, as mentioned in note 23, the KSL Group has, as at 31 December 2007, 2008, 2009 and 30 June 2010, given financial guarantees to banks in respect of banking facilities granted to KSH amounted to HK\$150,000,000, HK\$150,000,000, HK\$150,000,000 and HK\$90,000,000, respectively of which HK\$23,000,000, HK\$25,000,000, HK\$15,500,000 and HK\$10,000,000 have been utilised as disclosed in Note 23. In the event due to a failure by KSH to repay the borrowings, the KSL Group may be required to settle the maximum guaranteed amounts upon demand by the counterparties to the guarantee. The management expects that it was not probable that the counterparties to the financial guarantee contracts for banking facilities granted to the KSH will claim under the contracts.

(h) Fair value of financial instruments

Fair value measurements recognised in the combined statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 and Level 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from the quoted prices provided by the dealer, provided the dealer is standing ready and able to transact at that price).

	As at 31 December 2009			As at 30 June 2010		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Total investments held for trading	53,961	32,063	86,024	62,468	33,336	95,804

There were no transfers between Level 1 and 2.

Other than set out in notes 12 and 15, the fair value of other financial assets and all financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined financial statements approximate their fair values.

30. ENTITIES COMPRISING KSL GROUP

Particulars of the entities comprising KSL Group as 30 June 2010 are as follows:

Name of entities	Place of incorporation/ registration	Principal place of operation	Issued/registered and fully paid capital		Percentage of issued/registered capital held %	Principal activities
			Ordinary	Non-voting preferred**		
Asia Fame International Limited ¹	Hong Kong	Hong Kong	HK\$1,000,000	–	100*	Manufacturing of electroplating chemicals and solutions
Bright Star Limited ⁴	Cook Islands	Hong Kong	US\$1,000	–	100	Investment holding
Charterway Developments Limited ¹	Hong Kong	Hong Kong	HK\$1,000,000	–	100	Property investment
Electrochemical Technologies Limited ¹	Hong Kong	Hong Kong	HK\$2	–	100*	Securities investment
EngoTech Limited ¹	Hong Kong	Hong Kong	HK\$10,000	–	100*	Manufacturing of and trading in electroplating chemicals and solutions
Ever Channel Properties Limited ¹	Hong Kong	Elsewhere in the PRC	HK\$10,000	–	90	Property investment
Global Trade Properties Limited ¹	Hong Kong	Elsewhere in the PRC	HK\$10,000	–	90	Property investment
Gold Asset Properties Limited ¹	Hong Kong	Elsewhere in the PRC	HK\$10,000	–	90	Property investment
Guan Heng Trading (Shanghai) Co., Ltd. ²	Shanghai, PRC	Elsewhere in the PRC	US\$350,000	–	100 [#]	Trading in chemicals
Jollifair Investments Limited ¹	Hong Kong	Hong Kong	HK\$3,497,897	–	100*	Investment holding
Kee Shing (Coins) Limited ¹	Hong Kong	Hong Kong	HK\$1,000,000	–	100*	Securities trading
Kee Shing Hardware Supplies Limited ¹	Hong Kong	Hong Kong	HK\$800,000	HK\$400,000	100	Trading in stainless steel
Kee Shing Industrial Products Limited ¹	Hong Kong	Hong Kong and Taiwan	HK\$200	HK\$1,000,000	100*	Investment holding and trading in electroplating chemicals and metals
Kee Shing (Investments) Limited ⁴	Cook Islands	Hong Kong	US\$1,000	–	100*	Investment holding
Kee Shing Investment (BVI) Limited ⁴	British Virgin Islands	Hong Kong	HK\$0.1	–	100	Investment holding
Kee Shing Property Consultants (Shanghai) Co., Ltd. ²	Shanghai, PRC	Elsewhere in the PRC	US\$350,000	–	100 [#]	Property management

Name of entities	Place of incorporation/ registration	Principal place of operation	Issued/registered and fully paid capital		Percentage of issued/registered capital held %	Principal activities
			Ordinary	Non-voting preferred**		
Kingsview Properties Limited ¹	Hong Kong	Elsewhere in the PRC	HK\$10,000	–	90	Property investment
KSIP (Singapore) Pte. Ltd. ³	Republic of Singapore	Republic of Singapore	S\$1,000,000	–	51	Trading in electroplating chemicals and metal plating products
Pacific Apex International Limited ¹	Hong Kong	Hong Kong	HK\$10,000	–	100*	Inactive
Pacific Wide Properties Limited ¹	Hong Kong	Elsewhere in the PRC	HK\$10,000	–	90	Property investment
Sam Wing International Limited ¹	Hong Kong	Elsewhere in the PRC	HK\$1,825,200	HK\$2,160,000	100*	Trading in chemicals and securities investment
Sure Glory Ventures, Inc. ⁴	British Virgin Islands	Australia	US\$2	–	100	Investment holding
Topbase Properties Limited ¹	Hong Kong	Elsewhere in the PRC	HK\$10,000	–	90	Property investment
Top Image Properties Limited ¹	Hong Kong	Elsewhere in the PRC	HK\$10,000	–	90	Property investment
Union Channel Properties Limited ¹	Hong Kong	Elsewhere in the PRC	HK\$10,000	–	90	Property investment
Union Crown Properties Limited ¹	Hong Kong	Elsewhere in the PRC	HK\$10,000	–	90	Property investment
Winbase Properties Limited ¹	Hong Kong	Elsewhere in the PRC	HK\$10,000	–	90	Property investment

* Directly held by KSH

** The non-voting preferred shares, which are not held by KSH, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.

A wholly foreign owned enterprise.

Notes:

1. The statutory financial statements of these entities for each of the years ended 31 December 2007, 2008 and 2009 were audited by Deloitte Touche Tohmatsu, Certified Public Accountants.
2. The statutory financial statements of these entities for each of the years ended 31 December 2007, 2008 and 2009 were audited by Shu Lun Pan Certified Public Accountants Co., Ltd.
3. The statutory financial statements of these entities for each of the years ended 31 December 2007, 2008 and 2009 were audited by Deloitte & Touche LLP, Public Accountants and Certified Public Accountants.
4. The audited financial statements of these entities have not been prepared as there is no statutory audit requirement under the legislation of their respective jurisdictions of the incorporation.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the KSL Group entities have been prepared in respect of any period subsequent to 30 June 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong”

3. STATEMENT OF INDEBTEDNESS

At the close of business on 31 July 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Offer Document, the KSL Group had outstanding bank borrowings of HK\$213,861,698 (of which HK\$8,300,731 was secured by leasehold land and buildings) including trust receipt and import loans. In addition, as at 31 July 2010, the KSL Group was contingently liable for banking facilities utilised by Kee Shing of approximately HK\$5,000,000.

The KSL Group's banking facilities were also secured by corporate guarantees given by Kee Shing and KSL Group's leasehold land and buildings of which the outstanding bank borrowings were HK\$205,560,967 and HK\$8,300,731, respectively as at 31 July 2010. The directors of Kee Shing advised that the corporate guarantees had been released and replaced by the personal guarantees of certain directors of KSL after completion of the Group Reorganisation.

Save as aforesaid and apart from intra-group liabilities, the KSL Group did not have outstanding at the close of business on 31 July 2010, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

As at the Latest Practicable Date, there has been no material change in the financial or trading position or outlook of the KSL Group since 30 June 2010, being the date to which the latest audited financial statements of the KSL Group were made up, up to the Latest Practicable Date.

The unaudited pro forma financial information on the KSL Group contained in the Circular is reproduced below. Capitalised terms used in this section shall have the same meanings as those defined in the Circular.

“1. UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION OF THE KSL GROUP

The unaudited pro forma statement of financial position of the KSL Group (the “Unaudited Pro Forma Statement of Financial Position”) has been prepared to illustrate the effect of the proposed Group Reorganisation on the KSL Group as if the proposed Group Reorganisation had been completed on 30 June 2010.

The preparation of the Unaudited Pro Forma Statement of Financial Position is based on the combined statement of financial position of the KSL Group as at 30 June 2010 which has been extracted from the Accountants’ Report of the KSL Group set out in Appendix II of this circular and adjusted to reflect the unaudited pro forma adjustments described in the notes thereto. Narrative description of the unaudited pro forma adjustments that are directly attributable to the proposed Group Reorganisation, and are factually supportable, are summarised in the accompanying notes.

As the Unaudited Pro Forma Statement of Financial Position is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the KSL Group as at 30 June 2010 or any future date following the completion of the proposed Group Reorganisation.

	KSL Group as at 30 June 2010	Pro forma adjustments		Pro forma KSL Group
	HK\$'000 (note 1)	HK\$'000 (note 2)	HK\$'000 (note 3)	HK\$'000
Non-current Assets				
Investment properties	60,345			60,345
Property, plant and equipment	12,606			12,606
	<u>72,951</u>			<u>72,951</u>
Current Assets				
Inventories	69,375			69,375
Debtors, deposits and prepayments	86,014			86,014
Bills receivable	6,304			6,304
Amounts due from related companies	178,965	156,584	(335,549)	–
Investments held for trading	95,804	(44,871)		50,933
Short term bank deposits	86,446	(66,005)		20,441
Bank balances and cash	118,872	(45,708)		73,164
	<u>641,780</u>			<u>306,231</u>
Current Liabilities				
Creditors and accrued charges	29,916			29,916
Amounts due to related companies	385,097		(385,097)	–
Amounts due to non-controlling shareholders of subsidiaries	3,500			3,500
Taxation payable	4,342			4,342
Bank borrowings	189,769			189,769
	<u>612,624</u>			<u>227,527</u>
Net Current Assets	<u>29,156</u>			<u>78,704</u>
Total Assets Less Current Liabilities	<u>102,107</u>			<u>151,655</u>
Capital and Reserves				
Share capital	–		22,275	22,275
Reserves	75,411		27,273	102,684
	<u>75,411</u>			<u>124,959</u>
Equity attributable to owners of the KSL Group entities	75,411			124,959
Non-controlling interests	17,381			17,381
	<u>92,792</u>			<u>142,340</u>
Total Equity	<u>92,792</u>			<u>142,340</u>
Non-current Liabilities				
Deferred tax liabilities	9,315			9,315
	<u>9,315</u>			<u>9,315</u>
Total Equity and Liabilities	<u>102,107</u>			<u>151,655</u>

2. UNAUDITED PRO FORMA STATEMENT OF COMPREHENSIVE INCOME OF THE KSL GROUP

The unaudited pro forma statement of comprehensive income of the KSL Group (the “Unaudited Pro Forma Statement of Comprehensive Income”) has been prepared to illustrate the effect of the proposed Group Reorganisation on the KSL Group as if the proposed Group Reorganisation had been completed on 1 January 2010.

The preparation of the Unaudited Pro Forma Statement of Comprehensive Income is based on the combined statement of comprehensive income of the KSL Group for the six months ended 30 June 2010 which has been extracted from the Accountants’ Report of the KSL Group set out in Appendix II of this circular and adjusted only to reflect the unaudited pro forma adjustments described in the notes thereto. Narrative description of the unaudited pro forma adjustments that are directly attributable to the proposed Group Reorganisation, and are factually supportable, are summarised in the accompanying notes.

As the Unaudited Pro Forma Statement of Comprehensive Income is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the results of the KSL Group for the six months ended 30 June 2010 or any future period following the completion of the proposed Group Reorganisation.

	KSL Group for the six months ended 30 June 2010 <i>HK\$'000</i> <i>(note 1)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(note 2)</i>	Pro forma KSL Group <i>HK\$'000</i>
Turnover	581,752	(246)	581,506
Other income	4,933	(157)	4,776
Changes in inventories of finished goods	(7,384)		(7,384)
Purchases of goods held for resale	(534,627)		(534,627)
Raw materials and consumables used	(13,797)		(13,797)
Write-back of allowance on inventories	2,597		2,597
Staff costs	(7,383)		(7,383)
Depreciation	(390)		(390)
Other expenses	(13,539)	7	(13,532)
Loss arising from changes in fair value of investments held for trading	(4,372)	1,424	(2,948)
Gain arising from changes in fair value of investment properties	12,705		12,705
Finance costs	(2,159)	56	(2,103)
Profit before taxation	18,336		19,420
Income tax expense	(4,820)		(4,820)
Profit for the period	13,516		14,600
Other comprehensive income			
Exchange differences arising on translation	576		576
Other comprehensive income for the period	576		576
Total comprehensive income for the period	14,092		15,176
Profit for the period attributable to:			
Owners of the KSL Group entities	11,981	1,084	13,065
Non-controlling interests	1,535		1,535
	13,516		14,600
Total comprehensive income attributable to:			
Owners of the KSL Group entities	12,420	1,084	13,504
Non-controlling interests	1,672		1,672
	14,092		15,176

3. UNAUDITED PRO FORMA STATEMENT OF CASH FLOWS OF THE KSL GROUP

The unaudited pro forma statement of cash flows of the KSL Group (the “Unaudited Pro Forma Statement of Cash Flows”) has been prepared to illustrate the effect of the proposed Group Reorganisation on the KSL Group as if the proposed Group Reorganisation had been completed on 1 January 2010.

The preparation of the Unaudited Pro Forma Statement of Cash Flows is based on the combined statement of cash flows of the KSL Group for the six months ended 30 June 2010 which has been extracted from the Accountants’ Report of the KSL Group set out in Appendix II of this circular and adjusted only to reflect the unaudited pro forma adjustments described in the notes thereto. Narrative description of the unaudited pro forma adjustments that are directly attributable to the proposed Group Reorganisation, and are factually supportable, are summarised in the accompanying notes.

As the Unaudited Pro Forma Statement of Cash Flows is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the cash flows of the KSL Group for the six months ended 30 June 2010 or any future period following the completion of the proposed Group Reorganisation.

	KSL Group for the six months ended 30 June 2010	Pro forma adjustment	Pro forma of KSL Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(note 1)</i>	<i>(note 2)</i>	
OPERATING ACTIVITIES			
Profit before taxation	18,336	1,084	19,420
Adjustments for:			
Depreciation	390		390
Loss arising from changes in fair value of investments held for trading	4,372	(1,424)	2,948
Impairment loss on trade debtors	310		310
Reversal of impairment loss on trade debtors	(871)		(871)
Write-back of inventories	(2,597)		(2,597)
Gain arising from changes in fair value of investment properties	(12,705)		(12,705)
Finance costs	2,159	(56)	2,103
Gain on disposal of property, plant and equipment	(51)		(51)
Interest income from bank deposits	(340)	157	(183)
	<hr/>		<hr/>
Operating cash flows before movements in working capital	9,003		8,764
Decrease in inventories	5,952		5,952
Increase in debtors, deposits and prepayments	(16,320)		(16,320)
Increase in bills receivable	(3,180)		(3,180)
Increase in investments held for trading	(14,111)		(14,111)
Increase in creditors and accrued charges	10,175		10,175
	<hr/>		<hr/>
Cash used in operations	(8,481)		(8,720)
Profits Tax refunded	256		256
	<hr/>		<hr/>
NET CASH USED IN OPERATING ACTIVITIES	(8,225)		(8,464)
	<hr/>		<hr/>

	KSL Group for the six months ended 30 June 2010 <i>HK\$'000</i> <i>(note 1)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(note 2)</i>	Pro forma KSL Group <i>HK\$'000</i>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(336)		(336)
Interest received from bank deposits	340	(157)	183
Proceeds from disposal of investment properties	18,132		18,132
Proceeds from disposal of property, plant and equipment	59		59
	<hr/>		<hr/>
NET CASH GENERATED FROM INVESTING ACTIVITIES	18,195		18,038
	<hr/>		<hr/>
FINANCING ACTIVITIES			
Drawdown of bank borrowings, net	23,666		23,666
Dividends paid	(25,831)		(25,831)
Interest paid	(2,159)	56	(2,103)
Repayment of bank borrowings of Retained Group	–	(22,872)	(22,872)
Increase in amounts due from related companies	(64,648)		(64,648)
Increase (decrease) in amounts due to related companies	58,051	(81,860)	(23,809)
Increase in amounts due to non-controlling shareholders of subsidiaries	3,490		3,490
	<hr/>		<hr/>
NET CASH USED IN FINANCING ACTIVITIES	(7,431)		(112,107)
	<hr/>		<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,539		(102,533)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	202,503		202,503
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	276		276
	<hr/>		<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>205,318</u>		<u>100,246</u>

Notes:

1. The amounts have been extracted without adjustment from the combined statement of financial position, combined statement of comprehensive income and combined statement of cash flows set out in the Accountants' Report of the KSL Group included in Appendix II of this circular.
2. The adjustments are to reflect (i) certain investments held for trading, short term bank deposits, bank balances and cash (and related interest income/expenses, dividend income, fair value gains/losses and other related expenses) to be transferred from the KSL Group to Retained Group, and (ii) settlement of the bank borrowings (and related interest expenses) of Retained Group by the KSL Group pursuant to the terms of the Agreement and the proposed Group Reorganisation.
3. Before the completion of the proposed Group Reorganisation, the net amount of inter-group balances between the Retained Group and the KSL Group are to be settled by way of capitalisation issue of KSL Shares to Kee Shing in accordance with the Agreement. The number of KSL Shares issued and to be issued shall be equal the number of Kee Shing Shares in issue at Record Date and assumed to be 445,500,000 which is the number of Kee Shing Shares in issue on 30 June 2010 for the purpose of preparing the pro forma financial information.

The adjustments reflect the settlement of the net amount due to Retained Group of HK\$49,548,000 by the issue of 445,500,000 KSL Shares of par value HK\$0.05 each and recognition of share premium of HK\$27,273,000.

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO
THE DIRECTORS OF KEE SHING (HOLDINGS) LIMITED**

We report on the unaudited pro forma financial information of Kee Shing Investment (BVI) Limited (“KSL”) and certain other subsidiaries and an associate of Kee Shing (Holdings) Limited (hereinafter collectively referred to as the “KSL Group”) upon completion of the proposed Group Reorganisation (as defined in the circular), which has been prepared by the directors of Kee Shing for illustrative purposes only, to provide information about how the Group Reorganisation might have affected the financial information presented, for inclusion in Appendix IV of the circular dated 13 September 2010 (the “Circular”). The basis of preparation of the unaudited pro forma financial information is set out in Appendix IV to the Circular.

Respective responsibilities of directors of Kee Shing and reporting accountants

It is the responsibility solely of the directors of Kee Shing to prepare the unaudited pro forma financial information in accordance with paragraph 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.

It is our responsibility to form an opinion, as required by paragraph 29(7) 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 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of Kee Shing. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of Kee Shing on the basis stated, that such basis is consistent with the accounting policies of Kee Shing Group (as defined in the Circular) and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of Kee Shing, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the KSL Group as at 30 June 2010 or any future date; or
- the results and cash flows of the KSL Group for the six months ended 30 June 2010 or any future period.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of Kee Shing on the basis stated;
- b) such basis is consistent with the accounting policies of Kee Shing Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Your faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
13 September 2010”

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 KSL Group as at 31 July 2010.



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

T + 852 2840 1177
F + 852 2840 0600
www.knightfrank.com.hk

21 October 2010

The Directors
Kee Shing Investment (BVI) Limited
3rd Floor, Kee Shing Centre
74-76 Kimberley Road
Tsim Sha Tsui
Kowloon

Dear Sirs

In accordance with your instructions for us to value the property interests in Hong Kong Special Administrative Region (“Hong Kong”) and Singapore held by Kee Shing Investment (BVI) Limited (the “Company”) and its subsidiaries (together referred to as the “KSL Group”), we confirm that we have carried out 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 market value of the properties as at 31 July 2010 (the “Valuation Date”).

BASIS OF VALUATION

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

PROPERTY CATEGORIZATION AND VALUATION METHODOLOGY

The properties in Group I and Group IV, which are owner-occupied by the KSL Group respectively in Hong Kong and Singapore, have been valued by reference to sales evidence as available on the market and on the assumption that vacant possession of the properties is immediately available upon completion of a sale.

The properties in Groups II and III which are respectively held by the KSL Group in Hong Kong and Singapore for investment have been valued by reference to comparable market transaction and where appropriate on the basis of capitalization of the net income shown on the schedules handed to us. We have allowed for outgoings, and where appropriate, made provisions for reversionary income potential.

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 Singapore. 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.

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, title defects, 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 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. 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.

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 KSL 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, 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 KSL 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 KSL Group which is material to the valuation. We were also advised by the KSL Group that no material facts have been omitted from the information provided.

CURRENCY

Unless otherwise stated, all monetary amounts stated are in Hong Kong Dollars. The exchange rate adopted for the valuation of the Singapore properties was the approximate exchange rate as at the valuation date being HK\$5.7105 = S\$1 and there has been no significant fluctuation in exchange rate between the valuation date and the date of this letter.

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 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 KSL Group mainly includes profit tax (16.5%) for Hong Kong properties and Corporate Tax (17%) for Singapore properties. We have been further advised that it is unlikely that such liability will be crystallized in the recent future as the KSL 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 valuation 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: Mr Alex Ng Siu Lam, MRICS, MHKIS, RPS(GP), has been a qualified valuer with Knight Frank Petty Limited since November 1995 and has about 24 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 VALUATION

No.	Property	Market Value in Existing State as at 31 July 2010	Interest Attributed to the KSL Group	Market Value in Existing State Attributable to the KSL Group as at 31 July 2010
Group I – Property held by the KSL Group for Owner-occupation in Hong Kong				
1.	Units A, B, C, D and E on 3rd Floor, Units A, B, C and D on 4th Floor with Flat Roofs attached thereto and Car Parking Space Nos 1, 2, 3, 4, 5 and 6 on Lower Ground Floor, Kee Shing Centre, 74-76 Kimberley Road, Tsim Sha Tsui, Kowloon, Hong Kong.	HK\$43,300,000	100%	HK\$43,300,000
Sub-total :				HK\$43,300,000
Group II – Property held by the KSL Group for Investment in Hong Kong				
2.	Units A, B, C, D and E on 2nd Floor, Kee Shing Centre, 74-76 Kimberley Road, Tsim Sha Tsui, Kowloon, Hong Kong.	HK\$23,968,000	100%	HK\$23,968,000
Sub-total :				HK\$23,968,000
Group III – Property held by the KSL Group for Investment in Singapore				
3.	39 Jalan Pemimpin, #03-01, Tai Lee Industrial Building, Singapore 577182	HK\$5,996,000	51%	HK\$3,057,960
Sub-total :				HK\$3,057,960
Group IV – Property held by the KSL Group for Owner-occupation in Singapore				
4.	10 Anson Road, #28-10, International Plaza, Singapore 079903	HK\$7,252,000	51%	HK\$3,698,520
Sub-total :				HK\$3,698,520
Grand-total :				<u>HK\$74,024,480</u>

VALUATION REPORT

Group I – Property held by the KSL Group for Owner-occupation in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2010
1. Units A, B, C, D and E on 3rd Floor, Units A, B, C and D on 4th Floor with Flat Roofs attached thereto and Car Parking Space Nos 1, 2, 3, 4, 5 and 6 on Lower Ground Floor, Kee Shing Centre, 74-76 Kimberley Road, Tsim Sha Tsui, Kowloon, Hong Kong.	The property comprises five adjoining office units on the third floor, four adjoining office units with respective flat roofs attached on the fourth floor and 6 private car parking spaces on the lower ground floor of an 18-storey commercial building completed in about 1983.	The property is originally subject to three intra-group tenancies with the last tenancy expiring in February 2012 at a total monthly rent of approximately HK\$180,000 exclusive of rates, management fee and air-conditioning charges.	HK\$43,300,000 (100% interest attributable to the KSL Group: HK\$43,300,000)
40/229th shares of and in the Remaining Portion of Kowloon Inland Lot No 10554 and Kowloon Inland Lot No 9827.	The saleable area of the property (excluding the car parking spaces) is approximately 5,819 sq ft plus flat roof area 1,651 sq ft. The property is held under two Conditions of Re-grants each for a term of 150 years commencing from 1 October 1901.	After Group Reorganisation, the property will be subject to two intra-group tenancies with the last tenancy expiring in August 2012 at a total monthly rent of approximately HK\$180,000 exclusive of rates, management fee and air-conditioning charges.	
	The total Government rent for the whole of the lots is HK\$1,256 per annum.	The property is occupied for office and car parking spaces purposes.	

Notes :

- (1) The registered owner of the property is Charterway Developments Limited, which is a wholly-owned subsidiary of the Company.
- (2) The property falls within an area zoned for “Commercial” uses under Tsim Sha Tsui Outline Zoning Plan No S/K1/25 dated 12 February 2010.

Group II – Property held by the KSL Group for Investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2010
2. Units A, B, C, D and E on 2nd Floor, Kee Shing Centre, 74-76 Kimberley Road, Tsim Sha Tsui, Kowloon, Hong Kong.	The property comprises five adjoining office units on the second floor of an 18-storey (including lower ground floor) commercial building completed in about 1983. The saleable area of the property is approximately 3,718 sq ft.	The property has been repartitioned into four office units and is subject to three tenancies with the last tenancy expiring in October 2011 at a total monthly rent of approximately HK\$84,000 exclusive of rates, management fee and air-conditioning charges.	HK\$23,968,000 (100% interest attributable to the KSL Group: HK\$23,968,000)
18/229th shares of and in the Remaining Portion of Kowloon Inland Lot No 10554 and Kowloon Inland Lot No 9827.	The property is held under two Conditions of Re-grants each for a term of 150 years commencing from 1 October 1901. The total Government rent for the whole of the lots is HK\$1,256 per annum.	As advised by the Company, one of the tenancies will be renewed for a term of two years from 1 September 2010 at a monthly rent of HK\$37,600 exclusive of rates, management fee and air-conditioning charges.	

Notes :

- (1) The registered owner of the property is Charterway Developments Limited, which is a wholly-owned subsidiary of the Company.
- (2) The property falls within an area zoned for “Commercial” uses under Tsim Sha Tsui Outline Zoning Plan No S/K1/25 dated 12 February 2010.

Group III – Property held by the KSL Group for Investment in Singapore

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2010
3. 39 Jalan Pemimpin #03-01 Tai Lee Industrial Building Singapore 577182	<p>The property comprises a flatted factory unit on the 3rd floor of a part 6/ part 7-storey industrial building known as Tai Lee Industrial Building.</p> <p>The development is located on the western side of Jalan Pemimpin, off Bishan Street 21/Marymount Road and about 8.5 km from the City Centre.</p> <p>The building was completed in the 1970's and refurbished in the late 1990's. The property is maintained in average condition.</p> <p>Legal Description : Strata Lot No U47682L Mukim 18</p> <p>Tenure : Estate in Fee Simple</p> <p>Strata Floor Area : 318 sq m (3,423 sq ft)</p> <p>Master Plan 2008 : Zoning “Business 1” with gross plot ratio of 2.5</p>	<p>The property is subject to a tenancy for a term of three years from 1 August 2009 at a monthly rent of S\$3,000 inclusive of management fee.</p>	<p>HK\$5,996,000</p> <p>(51% interest attributable to the KSL Group: HK\$3,057,960)</p>

Note: The registered owner of the property is KSIP (Singapore) Pte Ltd. in which the Company has an attributable interest of 51 percent.

Group IV – Property held by the KSL Group for Owner-occupation in Singapore

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2010
4. 10 Anson Road #28-10 International Plaza Singapore 079903	<p>The property comprises an office unit on the 28th floor of a 52-storey commercial-cum-residential development known as International Plaza which accommodates bank premises and shops on the 1st to 3rd floors, carparks on the 4th to 8th floors, offices on the 9th to 35th floors, apartments on the 37th to 49th floors and penthouses on the 50th floor.</p> <p>The development is located within the Central Business District at the south-western junction of Anson Road and Choon Guan Street, immediately next to the Tanjong Pagar MRT Station.</p> <p>The building was originally completed in the early 1970's and the common areas were upgraded in the late 1980's and 2008. The property is in average condition.</p> <p>Legal Description : Strata Lot No U278C Town Subdivision 3</p> <p>Tenure : Leasehold 99 years commencing from 2 June 1970</p> <p>Strata Floor Area : 87 sq m (936 sq ft)</p> <p>Master Plan 2008 : Zoning “Commercial” with gross plot ratio of 8.4</p>	The property is owner-occupied for office purpose.	<p>HK\$7,252,000</p> <p>(51% interest attributable to the KSL Group: HK\$3,698,520)</p>

Note: The registered owner of the property is KSIP (Singapore) Pte Ltd. in which the Company has an attributable interest of 51 percent.

Set out below is a summary of certain provisions of the Articles of Association (the “Articles”) of Kee Shing Investment (BVI) Limited (referred to as the “Company” for the purpose of the summary below) which has been adopted on 14 October 2010 under the Group Reorganisation.

(a) directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the BVI Business Companies Act (the “Act”), the memorandum of association (the “Memorandum”) and the Articles and to any special rights conferred on the holders of any shares or class of shares, any share in the Company 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, if there has not been any such determination or so far as the same shall not make specific provision), as the board of directors of the Company (the “Board”) may determine. Subject to the provisions of the Act, the Memorandum and the Articles, and to any special rights conferred on the holders of any shares or attaching to any class of shares, shares may be issued on the terms that they may be, or at the option of the Company or the holder are, liable to be redeemed on such terms and in such manner as the Board may deem fit.

The Board may issue warrants or convertible securities or securities of similar nature 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 Act, the Articles and any direction that may be given by the Company in general meeting 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 the Board may in its absolute discretion think fit, but so that no shares shall be issued at a discount.

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 subsidiary

There are provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries and requirements for approval of members in certain circumstances disclosed in paragraph (r) below. The directors may also sell, transfer, secure, exchange or otherwise dispose of the assets of the Company without authorisation by the Members notwithstanding section 175 of the Act. The directors may otherwise 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 Articles or the Act to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, 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 provisions in the Articles prohibiting the making of loans to directors.

(v) 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 the auditors of the Company) in conjunction with his office of director for such period and, subject to the Articles, upon such terms as the Board may determine. Any remuneration (whether by way of salary, commission, participation in profits or otherwise) paid to any director in respect of any such other office or place of profit shall be in addition to any remuneration provided for by or pursuant to any other Articles. A director may be or become a director or other officer or member of, or otherwise interested in, 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 Articles, the directors may exercise or cause to be exercised the voting power conferred by the shares in any other company held or owned by the Company in such manner in all respects as they think 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 Act and the Articles, 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 considered, 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 in respect of any contract, transaction or arrangement or other proposal in which he is to his knowledge materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract, transaction, arrangement or proposal for giving of any security or indemnity to the director in respect of money lent or obligations incurred or undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract, transaction, arrangement or proposal for the giving by the Company 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 has himself 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, transaction, arrangement or proposal 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 is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract, transaction, arrangement or proposal in which the director is interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Company;
- (ee) any contract, transaction, arrangement or proposal concerning any other company in which he is interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the director together with any of his associates is beneficially interested in five (5) 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 is derived); or
- (ff) any proposal 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 and employees of the Company or of any of its subsidiaries and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the directors shall from time to time be determined by the directors and shall 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. Any material variation of such remuneration shall be subject to the approval of the independent members in general meeting.

The directors shall also be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending meetings of the Board or committees of the Board 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 the Articles. An executive 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 dependents 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 dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as 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.

(vii) 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 (3), 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 an annual general meeting at least once every three (3) years. A retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he retires. The directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any director who wishes to retire and not to offer himself for re-election. Any further directors so to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. 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 as an addition to the existing Board. Any director so appointed by the Board shall hold office only until the next following 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) and the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of directors shall not be less than two (2). There is no maximum number of directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the Board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the Board resolves that his office be vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles; or

(gg) if he is removed from office by notice in writing served upon him signed by all his co-directors.

The Board may from time to time appoint any one or more of its body to be a 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. 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.

(viii) Borrowing powers

The Board may 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 Act, 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.

(ix) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of directors and Officers

The Articles provide that the Company will maintain at its registered office a register of directors and officers which is not available for inspection by the public.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum (save for an amendment for purposes of altering the capital as described in (c) below which shall require an ordinary resolution only), to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution amend the Memorandum to increase or reduce the maximum number of shares that the Company is authorised to issue, or to authorise the Company to issue an unlimited number of shares. Subject to the Memorandum and the Articles, the Company may also by ordinary resolution:

- (i) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine; or
- (ii) combine its shares, including issued shares, into a smaller number of shares.

(d) Variation of rights of existing shares or classes of shares

Subject to the Act, all or any of the special rights for the time being 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 in nominal value 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 Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two (2) 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 (2) 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 on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy or authorised representative may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, 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 not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, 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 (95) per cent. 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 less than twenty-one (21) clear days' notice has been given.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of any member being a corporation, by its duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which not less than fourteen (14) clear days' notice has been duly given.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person (or being a corporation, is present by a representative duly authorised), or by proxy shall have one vote and on a poll every member present in person or by proxy or, in the case of a member 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. On a poll, 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 on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three (3) members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

(g) Requirements for annual general meetings

Unless otherwise resolved by members at a general meeting, an annual general meeting of the Company must be held in each year, other than the year of incorporation (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or such longer period as the members may approve) or not more than eighteen (18) months after the date of incorporation at such time 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 Act and in accordance with the generally accepted accounting principles and practices in Hong Kong or as may be 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 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 to inspect 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.

A printed copy of the directors' report, accompanied by the balance sheet and profit and loss account (including the notes thereto and every document required by law to be annexed thereto) prepared in accordance with the generally accepted accounting principles in Hong Kong, 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 every person entitled thereto within the time prescribed under the Listing Rules (as defined in the Articles); however, subject to compliance with all applicable laws, the Company may instead send to such persons summary financial statements derived from the Company's annual financial statements 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 a summary financial statement, a complete printed copy of the Company's annual financial statements and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors 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 auditors in accordance with generally accepted auditing standards applicable in Hong Kong. The auditors shall make a written report thereon in accordance with generally accepted auditing standards applicable in Hong Kong and the report of the auditors shall be sent to the members within the time prescribed under the Listing Rules (as defined in the Articles).

There are no provisions relating to preparation of interim financial reports.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary 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 at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice in writing (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. Notice of every

general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, to all persons entitled to a share in consequence of the death or bankruptcy or winding-up of a member, and to each of the directors and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors and other documents required to be annexed to the balance sheet;
- (cc) the election of directors whether by rotation or otherwise in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in any other form approved by the Board and may be under 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 shall 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 or such other place at which the principal register is kept in accordance with the Act.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register a transfer of any share to more than four (4) joint holders or any transfer of any share issued for a promissory note or other binding obligation to contribute money or property or a contribution thereof to the Company on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share, the instrument of transfer is lodged at the registered office or such other place at which the principal register is kept in accordance with the Act or the registration office or such other place at which the principal or (as the case may be) branch 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) and, if applicable, the instrument of transfer is duly and properly stamped.

The registration of transfers may be suspended and the register closed on giving notice by advertisement in the appointed newspaper or by other means as set out in the Articles, at such times and for such periods as the Board may determine and either generally or in respect of any class of shares. The registration of transfers shall not be suspended and 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

Subject to the Act, the Memorandum and the Articles, the Company shall have all the powers conferred upon it by the Act to purchase or otherwise acquire its own shares and such power shall be exercisable by the Board in such manner, upon such terms and subject to such conditions as it thinks fit, including but not limited to, the purchase of shares at a price less than fair value.

Shares that the Company purchases, redeems or otherwise acquires pursuant to the Articles may be cancelled or held as treasury shares provided that the number of shares purchased, redeemed or otherwise acquired as treasury shares when aggregated with shares already held as treasury shares may not exceed 50% of the shares of that class previously issued (excluding shares that have been cancelled).

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Act the directors may declare and pay to all members on a pro rata basis a dividend or a distribution at such time and for such amount as they think fit if they are satisfied on reasonable grounds that immediately after payment the value of the Company's assets exceeds its liabilities and the Company is able to pay its debts as they fall due.

Except in so far as the rights attaching to, or the terms of issue of, any Share otherwise provide, all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Whenever the Board has resolved that a dividend be paid or declared, 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 members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members 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 members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register of members or addressed to such person and at such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board 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 (1) 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 (6) years after having been declared may be forfeited by the Board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against 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 (2) 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 and shall be entitled to exercise the same powers on behalf of a member for whom he acts as proxy as such member could exercise. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Forfeiture of shares

When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share. No forfeiture shall be invalidate by any omission or neglect to give such notice.

The Board may accept the surrender of any share liable to be forfeited and, in such case, references in the Articles to forfeiture will include surrender.

A declaration by a director or the secretary of the Company that a share has been forfeited on a specified date shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration shall (subject to the execution of an instrument of transfer by the Company if necessary) constitute a good title to the Share, and the person to whom the share is disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the consideration (if any), nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture, sale or disposal of the share. When any share shall have been forfeited, notice of the declaration shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry.

Notwithstanding any such forfeiture as aforesaid, the Board may at any time, before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, permit the shares forfeited to be bought back upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.

(p) Inspection of share register

Pursuant to the Articles the principal share register and branch share register shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the registration office, unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two (2) members entitled to vote and present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. 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 (2) persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Reserved matters

Notwithstanding any provision contained in the Articles, any connected transaction falling within the definition of the Listing Rules as if the Company were a listed issuer which requires the approval of independent shareholders under the Listing Rules shall require the approval by ordinary resolution of the independent members in general meeting, the notice convening which shall be accompanied by a circular containing the advice of an independent financial adviser to the independent members in respect of such transaction in accordance with the Listing Rules as far as applicable.

Notwithstanding any provision contained in the Articles, the following transactions shall require the approval by ordinary resolution of members in general meeting in accordance with the Listing Rules as far as applicable:

- (a) any notifiable transaction falling within the definition of the Listing Rules as if the Company were a listed issuer which requires the approval of shareholders under the Listing Rules; and
- (b) any issue of shares of the Company or securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new shares of the Company wholly for cash unless an offer of such shares or securities has first been made to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).

(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.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

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 Act, divide among the members in specie or kind the whole or any part of the assets of the Company and whether or not 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 properties 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) Untraceable members

Pursuant to the Articles, 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 (3) 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 given notice to, and caused advertisement in the appointed newspaper to be made of its intention to sell such shares and a period of three (3) months, has elapsed since such advertisement. 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.

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 KSL Group and Merit Gala.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document and confirm, having made all reasonable enquiries, that to the best of their 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 KSL as at the Latest Practicable Date were as follows:

<i>Authorised:</i>	<i>HK\$</i>
900,000,000 KSL Shares	45,000,000
<i>Issued and fully paid or credited as fully paid:</i>	
2 KSL Shares allotted and issued on 26 January 2010, being the date of incorporation of KSL	0.1
445,499,998 KSL Shares allotted and issued pursuant to the Group Reorganisation	22,274,999.9
<u>445,500,000 KSL Shares as at the Latest Practicable Date</u>	<u>22,275,000.0</u>

Save for (i) the initial allotment of two KSL Shares to Kee Shing upon incorporation of KSL and (ii) 445,499,998 KSL Shares allotted and issued pursuant to the Group Reorganisation, KSL has not issued any KSL Shares since 26 January 2010, being the date of its incorporation.

All KSL 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 KSL Group did not have any outstanding options, warrants, derivatives or other securities carrying rights of conversion into or exchange or subscription for the KSL Shares.

SHAREHOLDINGS AND DEALINGS

Interest in KSL

As at the Latest Practicable Date, the beneficial interests of the Directors and the directors of Merit Gala in the share capital of KSL were as follows:

Name	Capacity	Number of KSL Shares held	Percentage of shareholding
Mr. Leung	Beneficial owner	184,691,075	41.457%
Ms. Leung	Beneficial owner	21,050,000	4.725%

As at the Latest Practicable Date, Merit Gala did not own any KSL Shares.

As at the Latest Practicable Date, each of Tien Fung Hong Group Limited, Snowdon International Limited, Mr. Leung Chung Ping and Ms. Leung Miu Kam owned 26,984,000 KSL Shares, 74,770,000 KSL Shares, 21,564,000 KSL Shares and 10,050,000 KSL Shares. Pursuant to the Agreement, each of Tien Fung Hong Group Limited and Snowdon International Limited has severally undertaken to Mr. Leung that they will accept the KSL Offer. Save as disclosed above, there were no other KSL Shares owned or controlled by any persons who, prior to the posting of this Composite Offer Document, have irrevocably committed themselves to accept or reject the KSL Offer.

Save as disclosed above, none of Merit Gala and parties acting in concert with it owned or controlled any KSL Shares, options, warrants, derivatives or securities convertible into KSL Shares.

As at the Latest Practicable Date, none of the KSL Shares were owned or controlled by a subsidiary of KSL, by a pension fund of KSL or of a subsidiary of KSL, or by an adviser to KSL as specified in class (2) of the definition of associate under the Takeovers Code.

As at the Latest Practicable Date, there were no KSL Shares which KSL, the Directors or Merit Gala and parties acting in concert with it had borrowed or lent.

As at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which has to be disclosed in this Composite Offer Document.

As at the Latest Practicable Date, none of the KSL Shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with KSL.

The Directors, being Mr. Leung and Ms. Leung, are also beneficial owners of Merit Gala and their KSL Shares are therefore not subject to the KSL Offer.

Interest in Merit Gala

As at the Latest Practicable Date, the beneficial interests of the Directors in the share capital of Merit Gala were as follows:

Name	Capacity	Number of shares in Merit Gala held	Percentage of shareholding
Mr. Leung	Beneficial owner	50	50.0%
Ms. Leung	Beneficial owner	50	50.0%

As at the Latest Practicable Date, the KSL Group did not have any beneficial interest in the share capital of Merit Gala, or convertible securities, warrants, options or derivatives in respect of the shares of Merit Gala.

Dealings in securities of KSL

Pursuant to the Distribution in Specie, a total of 339,109,075 KSL Shares were distributed as to 184,691,075 KSL Shares to Mr. Leung, as to 21,050,000 KSL Shares to Ms. Leung, as to 26,984,000 KSL Shares to Tien Fung Hong Group Limited, as to 74,770,000 KSL Shares to Snowdon International Limited, as to 21,564,000 KSL Shares to Mr. Leung Chung Ping and 10,050,000 KSL Shares to Ms. Leung Miu Kam. Save for the aforesaid, none of the persons with their interest in KSL disclosed in the paragraph headed "Interest in KSL" above had dealt for value in the shares, options, warrants, derivatives or securities convertible into the KSL Shares during the Relevant Period.

During the Relevant Period, none of the subsidiaries of KSL, pension funds of any member of the KSL Group, advisers to KSL as specified in class (2) of the definition of associate under the Takeovers Code, and discretionary fund managers connected with KSL had any dealings in any shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the KSL Shares.

Dealings in securities of Merit Gala

During the Relevant Period, save for the subscription of 50 shares in Merit Gala by each of Mr. Leung and Ms. Leung for US\$50 on 25 June 2010, none of KSL or the Directors had any dealings in shares, warrants, options, derivative and securities carrying conversion or subscription rights into shares of Merit Gala.

Miscellaneous

Pursuant to the Agreement, each of Tien Fung Hong Group Limited and Snowdon International Limited has severally undertaken to Mr. Leung that they will accept the KSL Offer. Such undertaking is legally-binding under the Agreement and so it is irrevocable unless the parties to the Agreement agree otherwise. As at the Latest Practicable Date, save for such undertaking by Tien Fung Hong Group Limited and Snowdon International Limited, there was no agreement, arrangement or understanding (including any compensation arrangement) between Merit Gala or any person acting in concert with it and any director, recent director, shareholder or recent shareholder of KSL which had any connection with or dependence upon the KSL Offer.

As at the Latest Practicable Date,

- (i) there was no agreement, arrangement or understanding whereby any securities acquired in pursuance of the KSL Offer will be transferred, charged or pledged to any other persons;
- (ii) none of Merit Gala or any person acting in concert with it had any arrangement or indemnity of the kind described in note 8 to Rule 22 of the Takeovers Code with any person;
- (iii) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the KSL Offer;
- (iv) no material contracts had been entered into by Merit Gala in which any Director has a material personal interest;
- (v) there was no agreement or arrangement to which Merit Gala is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the KSL Offer;
- (vi) none of Merit Gala or parties acting in concert with it had borrowed or lent any KSL Shares during the Relevant Period; and
- (vii) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the KSL Offer or otherwise connected with the KSL Offer.

MARKET PRICE

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

SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any service contract with KSL or any of its subsidiaries or associated companies in force (i) which (being either continuous or of a fixed term) had been entered into or amended within six months before 14 June 2010 (being the commencement date of the offer period as defined in the Takeovers Code for the KSL Offer); (ii) which is continuous with a notice period of 12 months or more; or (iii) which is of a fixed term with more than 12 months to run irrespective of the notice period.

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
Optima Capital	a licensed corporation under SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
Partners Capital	a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Deloitte Touche Toohmatsu ("Deloitte")	Certified Public Accountants
Knight Frank Petty Limited ("Knight Frank")	independent professional property valuer

Each of Optima Capital, Partners Capital, Deloitte and Knight Frank 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 KSL Group was engaged in any litigation or arbitration of material importance and no litigation of claim of material importance is known to the Directors to be pending or threatened by or against any member of the KSL Group.

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 KSL or any of its subsidiaries, entered into by members of the KSL Group after the date two years prior to 14 June 2010 (being the commencement date of the offer period as defined in the Takeovers Code for the KSL Offer) up to and including the Latest Practicable Date.

GENERAL

- (i) The principal members of the parties acting in concert with Merit Gala are Mr. Leung and Ms. Leung (directors of Merit Gala). The correspondence address of Merit Gala, Mr. Leung and Ms. Leung is 4th Floor, Kee Shing Centre, 74-76 Kimberley Road, Tsimshatsui, Kowloon, Hong Kong.
- (ii) The registered office of Merit Gala is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of Merit Gala is 4th Floor, Kee Shing Centre, 74-76 Kimberley Road, Tsimshatsui, Kowloon.
- (iii) The registered office of Optima Capital, the financial adviser to Merit Gala, is at Suite 1501, 15th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (iv) The registered office of Partners Capital is at Unit 3906, 39/F, Cosco Tower, 183 Queen's Road Central, Hong Kong.
- (v) The English text of each of this Composite Offer Document and the accompanying Form of Acceptance 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 3rd Floor, Kee Shing Centre, 74-76 Kimberley Road, Tsimshatsui, Kowloon and will be displayed on the websites of Kee Shing (www.keeshing.com) 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 Merit Gala;
- (ii) the memorandum and articles of association of KSL;

- (iii) the letter from Optima Capital, the text of which is set out on pages 9 to 14 of this Composite Offer Document;
- (iv) the letter of advice from Partners Capital, the text of which is set out on pages 15 to 25 of this Composite Offer Document;
- (v) the accountants' report on financial information of the KSL 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 KSL 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 KSL Group, the text of each of which is set out in Appendix IV to this Composite Offer Document;
- (viii) the written consents referred to in the section headed "Experts and consents" in this appendix; and
- (ix) the Agreement.