THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in The Quaypoint Corporation Limited (the "**Company**"), you should at once hand this circular to the purchaser or the transferee of to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

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

The Quaypoint Corporation Limited
紀翰集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2330)

VERY SUBSTANTIAL ACQUISITION

Financial adviser to The Quaypoint Corporation Limited

粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

寶橋 BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

A letter from the board of directors of the Company is set out from pages 7 to 28 of this circular. A letter from the independent board committee of the Company is set out on page 29 of this circular. A letter from the independent financial adviser containing its advice to the independent board committee and the independent shareholders of the Company is set out from pages 30 to 54 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Fountains Room 1, LG/F, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon on Friday, 9 October 2009 at 11:30 a.m. is set out from pages 335 to 336 of this circular. A form of proxy is enclosed with this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's head office and principal place of business at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the extraordinary general meeting or adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the extraordinary general meeting should you so wish.

This circular will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at http://www.hkexnews.hk and the website of the Company for at least 7 days from the date of its posting.

* *For identification purposes only*

23 September 2009

CONTENTS

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

"Acquisition"	the acquisition of the Sale Shares by the Company from the Vendor pursuant to the terms and conditions set out in the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement)
"Announcement"	the announcement of the Company dated 20 August 2009 in relation to the Acquisition
"associate(s)"	shall have the meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors
"Bridge Partners" or "Independent Financial Adviser"	Bridge Partners Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder
"Business Day(s)"	a day (excluding Saturday and Sunday) on which banks are generally open for business in Hong Kong
"BVI Acquisition Agreement"	the sale and purchase agreement dated 26 June 2009 entered into between the Target Company (as purchaser) and the Original Vendor (as vendor) regarding the acquisition of the BVI Company
"BVI Company"	Pine Global Investments Limited, a wholly-owned subsidiary of the Target Company and is established in the British Virgin Islands with limited liability, and prior to the BVI Company Acquisition, it was wholly-owned by the Original Vendor
"Company"	The Quaypoint Corporation Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange, being also the purchaser under the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement)
"Completion"	the completion of the Acquisition

"Completion Date"	the 5th Business Day after all the conditions under the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) having been satisfied or waived (as the case may be) (or such other time and/or date as the parties to the Sale and Purchase Agreement may agree)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules and the word "connected" shall be construed accordingly
"Consideration"	the consideration of HK$590,000,000 payable by the Company to the Vendor for the Acquisition pursuant to the Sale and Purchase Agreement
"Consideration Share(s)"	246,800,000 new Share(s) to be issued and allotted to the Vendor (or his nominee(s)) on the Completion Date, credited as fully paid at the Issue Price and representing approximately 28.97% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares (assuming the 460,000,000 convertible redeemable preference shares of the Company are not converted) in accordance with the terms of the Sale and Purchase Agreement
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be convened on Friday, 9 October 2009 to consider and, if thought fit, passing the ordinary resolutions to approve the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder, and the grant of the Specific Mandate
"Enlarged Group"	the Company and its subsidiaries immediately after the Completion
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee of the Company, comprising all the independent non-executive Directors, for the purpose of advising the Independent Shareholders in respect of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement)

"Independent Shareholders"	Shareholders other than those who are required under the Listing Rules to abstain from voting on the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the Supplemental Agreement
"Independent Third Party(ies)"	third parties and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
"Issue Price"	the issue price of HK$1.00 per Consideration Share
"Last Trading Day"	11 August 2009, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the publication of the Announcement
"Latest Practicable Date"	18 September 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Listing Committee"	the listing sub-committee of the board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 November 2009
"Mr. Chen"	Mr. Chen Xian, being an executive Director and the Chairman of the Company, and the deputy director and a shareholder of both Xi Hai and Zhongzhu Company, which are the existing shareholders of the Project Company
"New Genesis"	New Genesis International Co., Ltd. (新創衡國際有限公司), a company incorporated in the Macau Special Administrative Region of the PRC with limited liability, which is interested in 25% equity interest in the Project Company
"Original Vendor"	the sole original shareholder of the BVI Company prior to the BVI Company Acquisition, which is an investment fund established by an investment bank and to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, an Independent Third Party and does not have any relationship with Weina (BVI)
"Other Shareholders"	Xi Hai, Zhongzhu Company and New Genesis
"PRC"	the People's Republic of China
"Project"	a property project consisted of Property A and Property B

"Property A"	a parcel of land situated at West Santaishi Road, North Xiaguang Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市前山三臺石路西、霞光路北側) with buildings constructed thereon
"Property B"	a parcel of land situated at South Renmin West Road, West Santaishi Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市香洲人民西路南、三臺石路西側) with buildings to be constructed thereon
"Project Company"	珠海中珠房地產開發有限公司 (Zhuhai Zhongzhu Real Estate Development Company Ltd.*), a sino-foreign joint venture established in the PRC with limited liability and is owned as to 50% by the BVI Company and 50% by the Other Shareholders
"Project Management Agreement"	the project management agreement dated 25 August 2006 entered into between Zhongzhu Company, being one of the existing shareholders of the Project Company, and the Project Company in relation to the provision of the Project Management Services
"Project Management Services"	the project management services and relevant professionals for the Project provided by Zhongzhu Company to the Project Company pursuant to the terms and conditions set out in the Project Management Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the conditional sale and purchase agreement in relation to the Acquisition entered into between the Company and the Vendor on 11 August 2009
"Sale Shares"	1,000 shares of US$1.00 each in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share Charge"	the share charge dated 11 August 2009 executed by the Target Company pursuant to which the Target Company agreed to charge all of the issued shares of the BVI Company in favour of the Original Vendor as security for the payment of the remaining consideration of HK$53.10 million by the Target Company to the Original Vendor under the BVI Acquisition Agreement
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company

"Shareholder(s)"	holder(s) of the Shares
"Specific Mandate"	the specific mandate to be granted to the Directors by the Shareholders at the EGM to issue new Shares at any time during the period specified in the relevant ordinary resolution set out in the notice of EGM
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	shall have the meaning as ascribed to it under the Listing Rules
"Supplemental Agreement"	the supplemental agreement to the Sale and Purchase Agreement to amend certain conditions precedent to the Completion entered into between the Company and the Vendor on 20 August 2009
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Repurchases of the Securities and Futures Commission of Hong Kong
"Target Company"	Boom Lotus Holdings Limited, a company established in the British Virgin Islands with limited liability and is wholly-owned by the Vendor
"Target Group"	the Target Company and its subsidiaries (including the BVI Company and the Project Company)
"USD"	US dollars, the lawful currency of the United States of America
"Valuation"	the valuation on the Project of approximately HK$1,223,000,000 as at 30 June 2009
"Valuer"	Vigers Appraisal & Consulting Limited, an independent valuer
"Vendor"	Mr. Ho Man Hung, being the vendor of the Acquisition under the Sale and Purchase Agreement and an Independent Third Party
"Weina (BVI)"	Weina (BVI) Limited, being the holder of an aggregate of 460,000,000 convertible redeemable preference shares of the Company
"Xi Hai"	珠海經濟特區西海集團有限公司 (Zhuhai Special Economic Zone Xi Hai Group Limited*), a company incorporated in the PRC with limited liability, which is interested in 5% equity interest in the Project Company

"Zhongzhu Company"	珠海中珠股份有限公司 (Zhuhai Zhongzhu Holdings Limited*), a company incorporated in the PRC with limited liability, being a substantial shareholder of the Project Company (which is interested in 20% equity interest in the Project Company) and also the service provider under the Project Management Agreement
"%"	per cent.

For the purpose of this circular, all amounts denominated in RMB have been translated (for information only) into HK$ using the exchange rate of HK$1.00:RMB0.88 and all amounts denominated in USD have been translated (for information only) into HK$ using the exchange rate of USD1.00: HK$7.80. No representation is made that any amounts in RMB or HK$ or USD can be or could have been converted at the relevant dates at the above rates or any other rates at all.

If there is any inconsistency between the Chinese names of the PRC entitles mentioned in this circular and their English translations, the Chinese names shall prevail.

* *For identification purposes only*

The Quaypoint Corporation Limited
紀翰集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2330)

Executive Directors:
Mr. Chen Xian *(Chairman)*
Mr. Lau Sai Chung *(Chief Executive Officer)*
Mr. Tsim Sze Hon
Mr. Xiong Jianrui

Non-executive Director:
Ms. Xia Dan

Independent non-executive Directors:
Mr. Poon Lai Yin, Michael
Mr. Chong Yiu Chik
Mr. Choi Kai Ming, Raymond

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Suite 1501, 15/F.
Tower 1, Silvercord
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

23 September 2009

To the Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

INTRODUCTION

Reference is made to the announcement of the Company dated 20 August 2009 regarding the Sale and Purchase Agreement, the Supplemental Agreement and the Acquisition.

The purpose of this circular is to, among other things, provide you with (i) further details of the Acquisition including the Sale and Purchase Agreement, the Supplemental Agreement and the Project Management Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement); (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and

* *For identification purposes only*

the Independent Shareholders in relation to the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement); (iv) the valuation report on the Project; and (v) a notice of EGM.

THE SALE AND PURCHASE AGREEMENT (AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT)

On 11 August 2009 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Company has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares, being the entire issued capital of the Target Company, at a total consideration of HK$590,000,000.

On 20 August 2009, the Company further entered into the Supplemental Agreement with the Vendor to amend certain conditions precedent to the Completion. Save as and except for those amendments to the conditions precedent, other terms of the Sale and Purchase Agreement shall remain unchanged and be effective in full force.

Set out below are the principal terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement):

Date:

11 August 2009 (after trading hours)

Parties involved:

Purchaser

The Company

Vendor

Mr. Ho Man Hung, being the sole shareholder and director of the Target Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and his associates (i) are independent third parties of the Purchaser and its connected persons; (ii) are not parties acting in concert (as defined under the Takeovers Code) with any substantial shareholders of the Company; and (iii) have no relationship with Weina (BVI) and its associates.

In addition, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (i) each of the Vendor and his associates did not, whether directly or indirectly, have any interest in any Shares or other convertible securities of the Company as at the date of the Announcement; (ii) the Vendor and his concert parties will not hold 30% or more of the issued share capital of the Company upon completion of the issue of the Consideration Shares; and (iii) there have been no previous transactions or business relationship between the Company and the Vendor and his associates which would result in aggregation under Rule 14.22 of the Listing Rules.

Assets to be acquired:

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares at the Consideration. The Sale Shares represent the entire equity interest in the Target Company.

The Target Company entered into the BVI Acquisition Agreement with the Original Vendor on 26 June 2009 to acquire for the entire issued share capital of the BVI Company (the "**BVI Company Acquisition**"). The transfer of shares of the BVI Company contemplated under the BVI Acquisition Agreement was completed on 11 August 2009.

According to the BVI Acquisition Agreement, certain portion of the consideration in the sum of HK$53.10 million in respect of the BVI Company Acquisition will only be paid to the Original Vendor by the Target Company within 90 days from the completion date of the BVI Company Acquisition (i.e. no later than 9 November 2009). The Target Company shall settle the remaining consideration of HK$53.10 million for the BVI Company Acquisition prior to the Completion.

As certain part of the consideration has not been settled by the Target Company, as agreed in the BVI Acquisition Agreement, the Target Company entered into the Share Charge on 11 August 2009 to charge all of the issued shares of the BVI Company in favour of the Original Vendor as security for the payment of the remaining consideration of HK$53.10 million by the Target Company to the Original Vendor. Upon payment of the remaining consideration by the Target Company to the Original Vendor no later than the date as agreed in the BVI Acquisition Agreement, the Share Charge will be released by the Original Vendor, and the release of such Share Charge is a condition precedent to the Completion.

The BVI Company will be entirely owned by the Target Company upon completion of the BVI Company Acquisition. The shareholding structure of the Target Group is detailed under the section headed "Shareholding structure of the Target Group" of this circular. The only principal asset of the Target Group is the Project operated by the Project Company.

The original cost of the Target Group (inclusive of the purchase cost the BVI Company and other capital contributed) to the Vendor was estimated to be of approximately HK$310 million (the "**Original Cost**"). As advised by the Vendor, the Original Cost was determined based on the arm's length negotiation between the Vendor and the Original Vendor with reference to the then unstable condition in the property market which was unfavourable to property investment.

The Consideration:

Pursuant to the Sale and Purchase Agreement, the Consideration of HK$590,000,000 shall be settled by the Company in the following manner:

(i) as to HK$246,800,000 by the issuance and allotment of 246,800,000 Consideration Shares to the Vendor or his nominee(s) at the Issue Price of HK$1.00 per Consideration Share on the Completion Date; and

(ii) as to the remaining Consideration of HK$343,200,000 by cash (the "**Remaining Balance**") payable by the Company after 24 months from the Completion Date.

The Company intends to pay the Remaining Balance on an one-off basis and shall finance the Remaining Balance by the Group's internal resources or possible fund raising activities.

Basis of the Consideration:

The Consideration was determined between the Vendor and the Company after arm's length negotiations and on normal commercial terms, taking into account the followings:

(i) the Valuation on the Project of approximately HK$1,223,000,000 as at 30 June 2009 by an independent Valuer, 50% of which is approximately HK$611,500,000. According to the Valuer, the Valuation was arrived at by applying the market approach; and

(ii) the future prospects of the property market in Zhuhai City, the PRC.

Since (i) there was no valuation conducted on the Project for the BVI Company Acquisition; (ii) the terms (including but not limited to the payment term) of the BVI Company Acquisition and the Acquisition are different; and (iii) the economic environment and the outlook of the property market in Zhuhai City had rapidly turned to be much more optimistic and favourable from the time of negotiation for the BVI Company Acquisition to the date of the Sale and Purchase Agreement, there is an increment of the Consideration when compared with the Original Cost.

In light of the above, especially that the Board is of the view that any rapid change in market perception on the property market is not abnormal, the Board considers that the Consideration, which was arrived at after arm's length negotiations with reference to the Valuation, is fair and reasonable even though there is an increment of the Consideration when compared with the Original Cost.

Conditions precedent:

Completion of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) is subject to the satisfactory fulfillment and/or waiver by the Company of the following conditions:

(i) the Vendor's warranties under the Sale and Purchase Agreement shall be true, accurate and complete in all respects on and as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date;

(ii) since the date of the Sale and Purchase Agreement, there shall have been no material adverse change in and there shall not have occurred any events which materially and adversely affect the business, prospects, operations or position, financial or otherwise, of the Target Group;

(iii) any and all authorisations, approvals, consents or permits of any competent authority or of any third party that are required to be obtained by the Target Group before the Completion Date in connection with the transactions contemplated under the Sale and Purchase Agreement, including without limitation any waivers of rights of first refusal, preemptive rights, put or call rights, or other rights triggered by the Sale and Purchase Agreement (if any) shall have been duly obtained and be effective as of the Completion Date. Each company in the Target Group has obtained and maintains in full force and effect any and all consents, permits, orders, licenses, approvals, authorisations, registrations, amendment registrations, notifications, waivers, releases, certificates, filings and any other governmental authorisations under the laws of the PRC, or any other applicable laws, necessary for the conduct of its business as now being conducted;

(iv) the listing of and permission to deal in all of the Consideration Shares being granted by the Listing Committee of the Stock Exchange have been obtained;

(v) the approval by the Independent Shareholders with respect to the entering into of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement), the issue and allotment of the Consideration Shares and the transactions contemplated therein shall have been obtained;

(vi) the Project Company shall have good and marketable title to Property A and Property B on and as of the Completion Date, not being subject to any encumbrances save as disclosed in the Sale and Purchase Agreement;

(vii) the Vendor has delivered to the Company copies certified true by the Vendor of all the title documents in respect of Property A and Property B, including without limitation, state-owned land use rights transfer agreements (國有土地使用權出讓合同書), real estate ownership certificates (房地產權證), construction land permit (建設用地批准書), permit for presale of commercial buildings (商品房預售許可證), construction project planning permit (建設工程規劃許可證), construction work commencement permit (建築工程施工許可證), construction site planning permit (建設用地規劃許可證) and construction project planning completion certificate (建設工程規劃驗收合格證), all issued in the name of the Project Company;

(viii) the BVI Company Acquisition shall have completed and the Vendor shall have delivered to the Company a certified copy of the release of the Share Charge duly executed by the Original Vendor;

(ix) the Company shall have completed all business, legal and financial due diligence on the Target Group to its reasonable satisfaction;

(x) the Company shall have received from the Valuer a valuation report (in such form and substance satisfactory to the Company) in respect of the Project, showing that the market value of the Project is not less than HK$1,200,000,000; and

(xi) the Company shall have received from its PRC legal adviser a PRC legal opinion (in such form and substance satisfactory to the Company).

The Company shall have the right to waive in writing the conditions (save and except for conditions (iv), (v), (viii) and (x)) as mentioned above. If the aforementioned conditions precedent have not been fulfilled (or, where applicable, waived by the Company in writing) on or before the Long Stop Date (or such other dates as agreed by parties to the Sale and Purchase Agreement in writing), the Sale and Purchase Agreement shall become void and of no further effect from the Long Stop Date and, save in respect of any antecedent breaches, all liabilities and obligations of the Vendor and the Company shall cease and terminate provided that such termination shall be without prejudice to any rights or remedies of the Vendor and the Company which shall have accrued prior to such termination.

As at the Latest Practicable Date, none of the condition(s) precedent as set out above had been fulfilled.

Completion:

Completion shall take place at 6:00 p.m. on the Completion Date (or such other dates agreed by the parties to the Sale and Purchase Agreement in writing).

The Company has no present intention to change the composition of the Board upon Completion and the Directors confirm that the Company does not intend to appoint the Vendor and/or any of his associate(s) as Director(s) as a result of the Acquisition.

The Consideration Shares:

246,800,000 Consideration Shares at the Issue Price of HK$1.00 per Consideration Share will be issued and allotted by the Company to the Vendor (or his nominee(s)) on the Completion Date.

The Issue Price was arrived at after arm's length negotiations between the Company and the Vendor, after taking into account of the prevailing market price of the Shares and the recent condition of the financial market in Hong Kong.

The Issue Price represents:

(i) a discount of approximately 6.54% to the closing price of HK$1.07 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 13.79% to the closing price of HK$1.160 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 11.03% to the average of the closing price of approximately HK$1.124 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 9.67% to the average of the closing price of approximately HK$1.107 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and

(v) a premium of approximately 2,678% over the unaudited consolidated net asset value per Share of approximately HK$0.036 as at 31 December 2008 (based on the unaudited consolidated net asset value of the Group of approximately RMB13,507,000 (equivalent to approximately HK$15.35 million) as at 31 December 2008 and 429,180,000 issued Shares as at the date of the Sale and Purchase Agreement).

The Consideration Shares represent (i) approximately 40.78% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 28.97% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration Shares shall rank pari passu in all respects with the Shares in issue on the date of issuance and allotment including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such issuance and allotment.

Application has been made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consideration Shares. The Consideration Shares shall be issued and allotted under the Specific Mandate. There is no restriction on subsequent sale of the Consideration Shares.

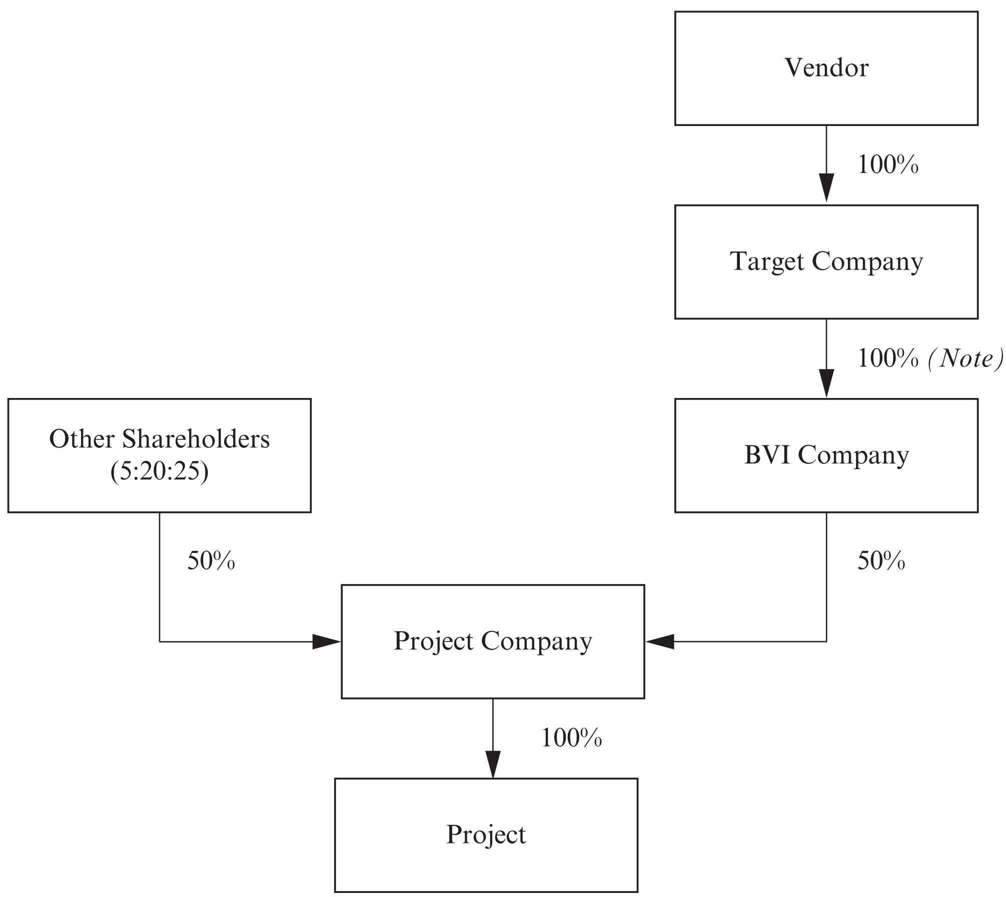
Board composition of the Project Company:

The Project Company is currently managed by a board of seven directors and five of the existing directors will resign upon Completion. Pursuant to the Sale and Purchase Agreement, the BVI Company shall be entitled to appoint three directors to the board of directors of the Project Company which shall comprise a total of five directors upon Completion. As such, upon Completion, the Company shall have majority control over the board of directors of the Project Company.

SHAREHOLDING STRUCTURE OF THE TARGET GROUP

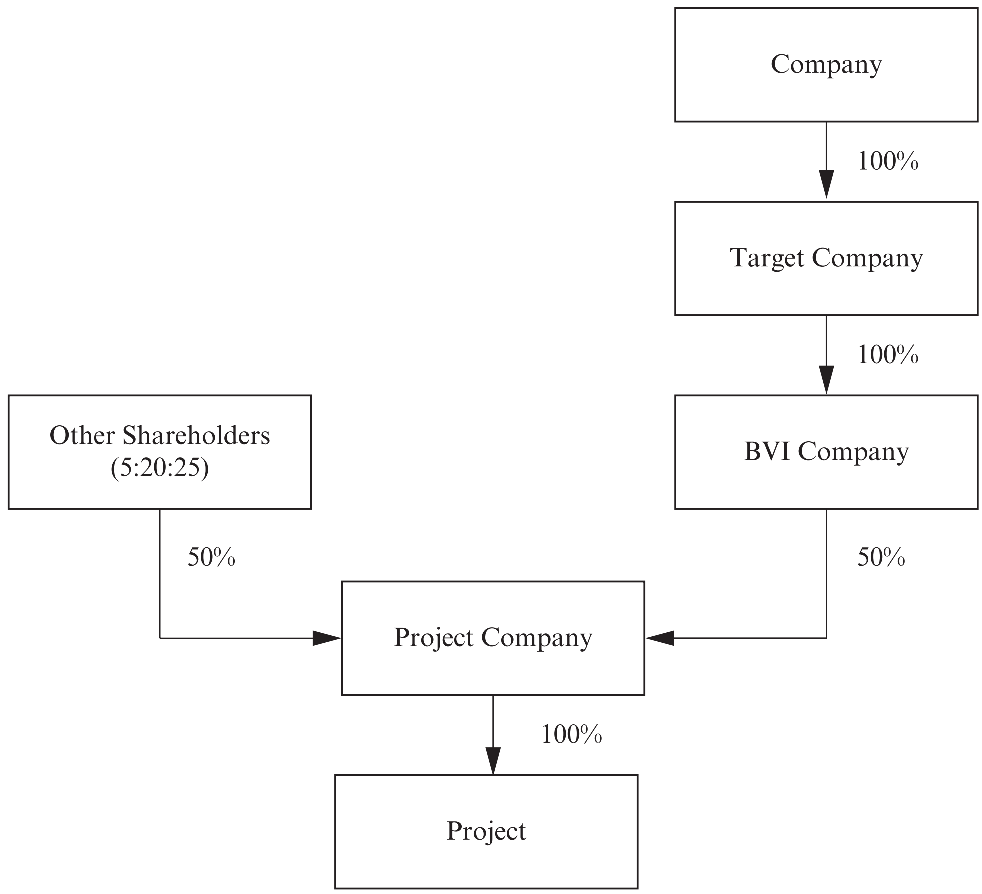
The following charts show the shareholding structure of the Target Group (i) as at the Latest Practicable Date (assuming the Vendor has delivered to the Company a certified copy of the release of the Share Charge duly executed by the Original Vendor); and (ii) immediately upon Completion:

Simplified shareholding structure as at the Latest Practicable Date



Note: The BVI Company Acquisition was completed on 11 August 2009. However, as certain part of the consideration will only be paid to the Original Vendor by the Target Company within 90 days after the completion date of the BVI Company Acquisition, the Target Company entered into the Share Charge on 11 August 2009 to charge all of the issued shares of the BVI Company in favour of the Original Vendor as security for the payment of the remaining consideration by the Target Company. The Share Charge will be released upon payment of the remaining consideration by the Target Company to the Original Vendor no later than the date as agreed in the BVI Acquisition Agreement and prior to the Completion.

Simplified shareholding structure immediately upon Completion



INFORMATION ON THE OTHER SHAREHOLDERS

Xi Hai

Xi Hai is a company incorporated in the PRC with limited liability on 2 August 1989 and is interested in 5% equity interest in the Project Company. Mr. Chen (i) is a shareholder (holding 16% equity interest) and the deputy director of Xi Hai; and (ii) does not control the majority of the voting rights of Xi Hai. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save and except for Mr. Chen, the other ultimate beneficial owners of Xi Hai are Independent Third Parties.

Zhongzhu Company

Zhongzhu Company is a company incorporated in the PRC with limited liability on 8 March 1997 and is interested in 20% equity interest in the Project Company. Mr. Chen (i) is a shareholder (through Xi Hai which holds 10% equity interest in Zhongzhu Company) and the deputy director of Zhongzhu Company; and (ii) does not control the majority composition of the board of directors of Zhongzhu Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save and except for Mr. Chen, the other ultimate beneficial owners of Zhongzhu Company are Independent Third Parties.

In addition, none of Xi Hai and Zhongzhu Company would be classified as associate of Mr. Chen under the Listing Rules.

New Genesis

New Genesis is a company incorporated in the Macau Special Administrative Region of the PRC with limited liability on 25 July 2006 and is interested in 25% equity interest in the Project Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, New Genesis is an Independent Third Party.

As at the Latest Practicable Date, none of the Other Shareholders had any shareholding interest in the Company.

Note: the information above is provided by the Other Shareholders.

INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company is an investment holding company incorporated in the British Virgin Islands on 7 December 2007 with limited liability and is wholly-owned by the Vendor. Subject to the release of the Share Charge, the principal asset of the Target Company is its 100% equity interest in the BVI Company and in turn the 50% equity interest in the Project Company.

The BVI Company

The BVI Company is an investment holding company incorporated in the British Virgin Islands on 19 May 2006 with limited liability. Upon completion of the BVI Company Acquisition, the BVI Company will be entirely owned by the Target Company. The only asset of the BVI Company is the holding of the 50% equity interest in the Project Company.

The Project Company

The Project Company is a sino-foreign joint venture incorporated in the PRC on 8 November 2005 with limited liability and is owned as to 50% by the BVI Company. The remaining equity interests in the Project Company are held by Xi Hai, Zhongzhu Company and New Genesis in the proportion of 5:20:25 respectively. The only major asset of the Project Company is the Project.

The Target Group

Upon Completion, the Company will become the sole shareholder of the Target Company and therefore be effectively interested in (i) 100% equity interest in the Target Company; (ii) 100% equity interest in the BVI Company; and (iii) 50% equity interest in the

Project Company. Given that the Company will be able to enjoy majority control over the board of directors of the Project Company, as confirmed by the reporting accountants to the Company, the Project Company will become an indirect non-wholly owned subsidiary of the Company upon Completion and the financial results of the Target Group will be consolidated into the financial statements of the Group.

Information on the Project

The only major asset of the Project Company is the Project and the Project is consisted of two development properties, being Property A and Property B.

Property A is situated at West Santaishi Road, North Xiaguang Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市前山三臺石路西、霞光路北側) and occupies approximately 48,382.70 square meters with a gross floor area of approximately 140,816.93 square meters. The construction of Property A was completed on 30 March 2009. Property A has been developed into a residential and commercial complex with 872 and 60 residential and commercial units respectively and 562 car parking spaces. As at the Latest Practicable Date, approximately 60% of the residential units, i.e. around 525 units, under Property A had been sold and delivered to buyers, and the gross proceeds from such sale were approximately RMB400,965,000 (equivalent to approximately HK$455.64 million).

Property B is situated at South Renmin West Road, West Santaishi Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市香洲人民西路南、三臺石路西側) and occupies approximately 57,762.92 square meters with a planned gross floor area of approximately 171,336.68 square meters. The construction of Property B has not yet started, and is preliminarily scheduled to commence in October 2009 and be completed in May 2011. The Board expects that the development of Property B will require an estimated total construction cost of approximately RMB450,000,000 (equivalent to approximately HK$511.36 million), and Property B will be developed into a residential and commercial complex with car parking spaces. Furthermore, it is expected that Property B may start the pre-sale of its property units in the second quarter of 2010.

As mentioned in the foregoing, Property A was completed and approximately 60% of the residential units under Property A had been sold and delivered to buyers. The Project Company has retained the aforesaid proceeds from such sale until the Completion and it also intends to apply the said proceeds for the development of Property B. In addition, according to the audited financial information of the Project Company, the revenue of the Project Company was approximately RMB364 million for the six months ended 30 June 2009 and no dividend had been paid out by the Project Company from the date of its incorporation up to 30 June 2009.

Pursuant to the Sale and Purchase Agreement, the Vendor shall also procure that any member of the Target Group will not declare, pay or make any dividends or other capital distributions prior to the Completion. In view of the above, the Company shall be able to receive its entitlement to all dividends deriving from the Project. As such, the Directors consider that it is fair and reasonable to determine the Consideration with reference to the preliminary Valuation on the entire Project.

Based on the existing budget of the Project (which has taken into account (i) the proceeds from the sale of the property units under Property A; (ii) the expected timetable for the pre-sale of the property units under Property B; and (iii) the available banking facility of RMB200 million from Bank of China), the Company expects that the Project can be self-financed. Thus, no further capital contributions are required from the Company for the development of Property B.

On 25 August 2006, the Project Company entered into the Project Management Agreement with Zhongzhu Company regarding the provision of the Project Management Services by Zhongzhu Company. Details of the Project Management Agreement are presented under the section headed "The Project Management Agreement" below.

Financial information of the Target Group

Set out below is a summary of the audited consolidated financial information of the Target Company and its subsidiaries for the period from 7 December 2007 (date of its incorporation) to 31 December 2008 and for the six months ended 30 June 2009 prepared in accordance with the Hong Kong Financial Reporting Standards, as extracted from Appendix III A to this circular:

	Period from 7 December 2007 (date of incorporation) to 31 December 2008	**Six months ended 30 June 2009**
	RMB'000	*RMB'000*
Consolidated Statements of Comprehensive Income		
Turnover	—	—
(Loss)/Profit before tax	(31)	14
(Loss)/Profit and total comprehensive income for the period	(31)	14

	As at 31 December 2008 *RMB'000*	As at 30 June 2009 *RMB'000*
Consolidated Statements of Financial Position		
Total assets	—	—
Total liabilities	(24)	(10)
Net liabilities	(24)	(10)

The Directors would like to draw your attention to Appendix III A to this circular. As set out in the accountants' report of the Target Company as contained in Appendix III A (the "**Target Company's Accountants' Report**"), the reporting accountants of the Company (the "**Reporting Accountants**") have issued qualified opinion (the "**Qualified Opinion**") on that, "(i) the Target Company and its subsidiaries; and (ii) the Target Company had net current liabilities of approximately RMB10,000 respectively as at 30 June 2009, the financial information have been prepared on a going concern basis. In the absence of sufficient documentary evidence, the Reporting Accountants were unable to ascertain whether the assumptions made by the sole director in preparing the financial information regarding the Target Company and its subsidiaries on a going concern basis are proper and appropriate. Should the Target Company and its subsidiaries be not able to continue its business as a going concern, adjustments would be necessary to provide for further liabilities which may arise. The financial information regarding the Target Company and its subsidiaries has not incorporated any of these adjustments."

Since the amount of net current liabilities without sufficient supporting documentary evidence was of approximately RMB10,000 only for both (i) the Target Company and its subsidiaries; and (ii) the Target Company, the Directors are of the view that the foregoing would not have material adverse impact on the going concern of the Enlarged Group upon Completion.

Set out below is a summary of the audited financial information of the BVI Company (on company level) for the period from 19 May 2006 (date of its incorporation) to 31 December 2006, for the two years ended 31 December 2008 and for the six months ended 30 June 2009 prepared in accordance with the Hong Kong Financial Reporting Standards, as extracted from Appendix III B to this circular:

	Period from 19 May 2006 (date of incorporation) to 31 December 2006	**Year ended 31 December 2007**	**Year ended 31 December 2008**	**Six months ended 30 June 2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Statement of Comprehensive Income				
Turnover	—	—	—	—
(Loss)/Profit before tax	(3,658)	(22,899)	(18,122)	58,756
(Loss)/Profit and total comprehensive income for the period/year	(3,658)	(22,899)	(18,122)	52,294

	As at 31 December			**As at 30 June**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Statement of Financial Position				
Total assets	243,550	234,857	232,454	299,483
Total liabilities	(175,648)	(184,229)	(199,948)	(214,683)
Net assets	67,902	50,628	32,506	84,800

Set out below is a summary of the audited financial information of the Project Company (on company level) for the three years ended 31 December 2008 and for the six months ended 30 June 2009 prepared in accordance with the Hong Kong Financial Reporting Standards, as extracted from Appendix III C to this circular:

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Statement of Comprehensive Income				
Turnover	—	—	—	363,845
(Loss)/Profit before tax	(1,901)	(21,412)	(13,920)	143,182
(Loss)/Profit and total comprehensive income for the year/period	(1,901)	(21,412)	(13,920)	129,256

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Statement of Financial Position				
Total assets	469,826	831,331	1,048,189	767,928
Total liabilities	(209,257)	(580,925)	(811,703)	(402,186)
Net assets	260,569	250,406	236,486	365,742

REASONS FOR THE ACQUISITION

The Group is principally engaged in (i) the design, supply and integration of automation and control system; (ii) trading of automation products and electronic components; (iii) property investment; (iv) investment in listed securities; and (v) trading of mobile phones. It is the intention of the Company to hold the Project for property development and investment. In view of the economic prospect of Zhuhai City and that the Consideration is at a discount of approximately 3.52% to "50% of the Valuation", the Directors consider that the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a summary of the shareholdings in the Company as a result of the issue of the Consideration Shares:

Name of Shareholder	As at the Latest Practicable Date		Immediately after the issue of the Consideration Shares *(Note 6)*		Immediately after the issue of the Consideration Shares and upon full conversion of the convertible redeemable preference shares of the Company *(Notes 1 & 2 & 6)*	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Mega Edge International Limited *(Notes 3 and 5)*	79,500,000	13.14	79,500,000	9.33	79,500,000	6.06
Chak Joaquim Emilio Kin Man *(Notes 4 and 5)*	96,824,000	16.00	96,824,000	11.36	96,824,000	7.38
Wong Sio Leng *(Note 5)*	135,000,000	22.31	135,000,000	15.85	135,000,000	10.29
The Vendor	—	—	246,800,000	28.97	246,800,000	18.81
Weina (BVI) *(Note 1)*	—	—	—	—	460,000,000	35.06
Public Shareholders	293,856,000	48.55	293,856,000	34.49	293,856,000	22.40
Total	**605,180,000**	**100**	**851,980,000**	**100**	**1,311,980,000**	**100**

Notes:

1. The Company entered into a subscription and option agreement on 26 May 2006 with Weina (BVI) and through such agreement and the exercise of the option by the Company, Weina (BVI) is interested in 350,000,000 convertible redeemable preference shares of the Company and has the right to convert the aforesaid shares into 350,000,000 Shares (based on its initial conversion price). On 2 June 2009, the Company and Weina (BVI) entered into a supplemental agreement to extend the conversion period for the aforesaid shares for a further 12 months from the expiry date of the conversion period under the subscription and option agreement. Moreover, the Company entered into a sale and purchase agreement on 17 November 2006 with Weina Holdings Limited and through such agreement, Weina (BVI) (as designated by Weina Holdings Limited) is interested in 110,000,000 convertible redeemable preference A shares of the Company and has the right to convert the aforesaid preference A shares into 110,000,000 Shares. Weina Group Limited owns the entire issued share capital of Weina (BVI) and is therefore deemed to have interests in the underlying Shares in which Weina (BVI) is interested. Mr. Tsim Wing Kong is deemed to be interested in the underlying Shares by virtue of his controlling interest in Weina Group Limited. Mr. Tsim Wing Kong is the father of Mr. Tsim Sze Hon, an executive Director. Details of the above were set out in the circulars of the Company dated 10 June 2006, 11 December 2006, 11 May 2007 and the announcement of the Company dated 2 June 2009 respectively.

2. Such scenario is for illustrative purpose only. The full conversion of the 460,000,000 convertible redeemable preference shares of the Company (the "**Convertible Shares**") by Weina (BVI) and its concert parties may result in Weina (BVI) and its concert parties owning more than 30% of the then issued share capital of the Company. Weina (BVI) and its concert parties would have an obligation to make a mandatory general offer under the Takeovers Code for all of the Shares not held by it or parties acting in concert with any of them. In this regard, Weina Group Limited, being the ultimate beneficial owner of the Convertible Shares has given an undertaking that (i) it and its concert parties shall comply with all the relevant requirements under the Takeovers Code in relation to the holding, conversion and exercise of any rights attaching to the Convertible Shares at all times as and when

necessary; and (ii) it and its concert parties shall not exercise their right to convert in all or in part, any of the Convertible Shares into the Shares at any time during the period from the date of the undertaking up to the Completion Date.

3. Mega Edge International Limited is legally and beneficially owned as to 100% by Ms. Xia Dan, a non-executive Director.

4. Chak Joaquim Emilio Kin Man was a substantial shareholder of the Company as at the Latest Practicable Date. Save for the aforementioned, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Chak Joaquim Emilio Kin Man does not have any other relationship with the Company. Under the scenario "immediately after the issue of the Consideration Shares and upon full conversion of the convertible redeemable preference shares of the Company" in the above shareholding table, Chak Joaquim Emilio Kin Man will be classified as a public Shareholder and thus the Company will be able to comply with the public float requirements under Rule 8.08 of the Listing Rules.

5. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, other than being substantial shareholders of the Company as at the Latest Practicable Date, Mega Edge International Limited, Chak Joaquim Emilio Kin Man and Wong Sio Leng did not have any relationship among themselves.

6. Assuming no share options are exercised pursuant to the share option scheme dated 20 January 2003.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any other fund raising activities in the past twelve months prior to the Latest Practicable Date.

THE PROJECT MANAGEMENT AGREEMENT

On 25 August 2006, the Project Company entered into the Project Management Agreement with Zhongzhu Company regarding the provision of the project management services and relevant professionals for the Project at the basic service fee of RMB19,740,000 (equivalent to approximately HK$22,431,818) (the "**Basic Service Fee**") and a performance bonus (the "**Performance Bonus**").

Set out below are the principal terms of the Project Management Agreement:

Date:

25 August 2006

Parties involved:

Purchaser

The Project Company

Service provider

Zhongzhu Company, being a substantial shareholder of the Project Company.

Term:

Commencing from the date of the Project Management Agreement up to the date the real properties of both Property A and Property B are delivered to all buyers, and can be extended for another 12 months upon the service of written notice by the Project Company.

Subject matter:

The provision of project management services and relevant professionals for the Project.

Service fees:

The Basic Service Fee of RMB19,740,000 (equivalent to approximately HK$22.43 million) is payable by cash in 30 installments (RMB658,000 (equivalent to approximately HK$747,727) for each installment) to Zhongzhu Company in advance on a monthly basis. As at the Latest Practicable Date, the Basic Service Fee had been fully paid by the Project Company.

The Project Company should also pay the Performance Bonus to Zhongzhu Company on the date of expiry or termination of the Project Management Agreement, in the event that the return from investment in the Project (as measured by the total cash distributable to the shareholders of the Project Company) satisfies certain conditions relating to the return from investment, as a multiple of such investment during different time frame under the Project Management Agreement. The Performance Bonus would be 15% of the then total cash distributable to the shareholders of the Project Company. Zhongzhu Company has confirmed in writing that it has forfeited its right of entitlement to the Performance Bonus.

Even though the Basic Service Fee had already been received by Zhongzhu Company, Zhongzhu Company confirmed that it will continue to provide the Project Management Services to the Project Company without compensation in any form until the end of the term of the Project Management Agreement.

Reasons for the provision of the Project Management Services

As presented under the section headed "Reasons for the Acquisition" of this circular, the Company intends to hold the Project for property development and investment. Zhongzhu Company and its subsidiaries are principally engaged in property development and management and have experience and expertise in property project management. The Directors consider that the entering into of the Project Management Agreement is consistent with the business and commercial objectives of the Group.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

According to the interim report of the Company for the six months ended 31 December 2008 (the "**2008 Interim Report**"), as for the more profitable trading business of natural resources, mobile phones and machines of vertical impregnating line, due to volatile market situations, trading of natural resources, mobile phones and machines of vertical impregnating line became difficult which lead to a significant decline in gross profit. Bearing in mind the possible adverse effect of the financial tsunami, the Group will continue to sustain the growth in the trading of electronic component in a cautious manner.

In view of the recent worldwide financial tsunami, the Board is taking a very cautious approach in broadening the revenue base. Bearing this risk factor in mind, the Board is taking advantage of such downturn and will continue to look for good projects for expansion in Asia, especially in the PRC. In June 2009, the Company identified and acquired the entire equity interest in Ocean Vast Corporation Limited, a company which indirectly holds 60% interest in a property development project in Zhuhai City (the "**Previous Project**") .

The Previous Project was planned to be developed into a composite residential and commercial development with car parking spaces and the construction is scheduled to be completed in the second half of 2010. As at the Latest Practicable Date, approximately 70% of the construction work on the Previous Project (including part of the basement and the residential portion) had been completed and the pre-sale of such properties with a total gross floor area of 30,557.69 sq.m. had also been permitted by Zhuhai City Construction Bureau. The pre-sale of the properties under the Previous Project is expected to commence in October 2009. The consideration for the acquisition of Ocean Vast Corporation Limited of RMB69.3 million (equivalent to approximately HK$78.75 million) was satisfied by the Company by issuance and allotment of 175,000,000 consideration Shares at the issue price of HK$0.45 per consideration Share.

With the broadening of revenue base and the fund raising activities (if necessary), the Directors are confident that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future.

With the PRC government's timely introduction of various monetary measures to boost the economy, the economy is showing signs of stabilisation and recovery, which will benefit the property market. For this reason, together with the current favourable development of the Previous Project, the Directors consider that the Acquisition will further enable the Group to diversify its current business to participate in the property investment industry, which will broaden the Group's income base and improve its financial performance.

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the financial results of the Target Group will be consolidated into the financial statements of the Group.

Effect on asset position

According to the unaudited pro forma financial information on the Enlarged Group as contained in Appendix VI to this circular, the unaudited pro forma consolidated total assets of the Group were approximately RMB279,400,000 (equivalent to approximately HK$317,500,000) while the total liabilities of the Group were approximately RMB248,565,000 (equivalent to approximately HK$282,460,000) as at 30 June 2008. With reference to the unaudited pro forma financial information on the Enlarged Group as contained in Appendix VI to this circular, the Enlarged Group's total assets and total liabilities would become approximately RMB2,064,153,000 (equivalent to approximately HK$2,345,628,000) and approximately RMB1,696,312,000 (equivalent to approximately HK$1,927,627,000) respectively upon Completion.

Effect on earnings

In light of the prospects of the Project, the Directors are of the view that the Acquisition would likely to have a positive impact on the future earnings of the Enlarged Group.

Effect on gearing and working capital

According to the unaudited pro forma financial information on the Enlarged Group as contained in Appendix VI to this circular, the Group's gearing level (being calculated as total borrowings divided by the Group's net asset value) was approximately 4.06 times as at 30 June 2008. Upon Completion, the total borrowings of the Enlarged Group would be increased to approximately RMB764,814,000 (equivalent to approximately HK$869,107,000) while the Enlarged Group's net asset value would be increased to approximately RMB367,841,000 (equivalent to approximately HK$418,001,000). The Enlarged Group's gearing level would thus become 2.08 times.

Furthermore, as the Remaining Balance is payable by the Company after 24 months from the Completion Date, the Acquisition would not have any immediate impact on the working capital of the Enlarged Group upon Completion.

IMPLICATION UNDER THE LISTING RULES

Since the relevant percentage ratio(s) (as defined under the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

By virtue of that Mr. Chen, being an executive Director and the Chairman of the Company, is also a shareholder and the deputy director of both Xi Hai and Zhongzhu Company, which are the existing shareholders of the Project Company (interested in approximately 5% and 20% equity interests in the Project Company respectively), Mr. Chen and his associates are considered to have material interest in the Acquisition. Accordingly, the Acquisition is subject to the Independent Shareholders' approval by way of poll at the EGM. Mr. Chen and his associates (who did not have any shareholding interest in the Company as at the Latest Practicable Date) are required to abstain from voting at the EGM in respect of the ordinary resolutions to approve the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder, in the event that they are entitled to vote at the EGM.

EGM

A notice convening the EGM to be held at Fountains Room 1, LG/F, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon on Friday, 9 October 2009 at 11:30 a.m. or any adjournment is set out from pages 335 to 336 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's head office and principal place of business at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the EGM or adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM should you so wish.

GENERAL

An Independent Board Committee comprising Mr. Poon Lai Yin, Michael, Mr. Chong Yiu Chik and Mr. Choi Kai Ming, Raymond (all being independent non-executive Directors) has been established to (i) advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) advise the Independent Shareholders on how to vote in respect of the Sale and Purchase Agreement and the Supplemental Agreement after taking into account the recommendation of the Independent Financial Adviser.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 29 of this circular which contains its recommendation to the Independent Shareholders in relation to the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder. Your attention is also drawn to the letter of advice from the Independent Financial Adviser set out from pages 30 to 54 of this circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, and the principal factors and reasons taken into account in arriving at its recommendation.

The Board considers that the terms of the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder, including the issue of the Consideration Shares are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. In addition, the Board considers that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

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

By order of the Board
The Quaypoint Corporation Limited
Law Kim Fai
Company Secretary

The Quaypoint Corporation Limited
紀翰集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2330)

23 September 2009

To the Shareholders,

VERY SUBSTANTIAL ACQUISITION

We refer to the circular dated 23 September 2009 issued by the Company (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders in connection with the terms of Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder. Bridge Partners has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We are of the view that the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, after taking into account the advice of the Independent Financial Adviser as set out from pages 30 to 54 of the Circular, are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee
Mr. Poon Lai Yin, Michael **Mr. Chong Yiu Chik** **Mr. Choi Kai Ming, Raymond**
Independent non-Executive Directors

* *For identification purposes only*

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Bridge Partners relating to the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder dated 23 September 2009 prepared for the purpose of incorporation in this circular:

寶橋 BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

Bridge Partners Capital Limited
Unit 605, 6/F, Grand Millennium Plaza
181 Queen's Road Central
Central, Hong Kong

23 September 2009

To the independent board committee
and the independent shareholders of The Quaypoint Corporation Limited

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 23 September 2009 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

On 11 August 2009 (after trading hours), the Company entered into the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement dated 20 August 2009) with the Vendor pursuant to which the Company has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares, being the entire issued share capital of the Target Company, at a total consideration of HK$590,000,000. The Consideration shall be settled by the Company by a combination of the issuance and allotment of Consideration Shares and cash.

The Acquisition constitutes a very substantial acquisition for the Company pursuant to Rule 14.06(3) of the Listing Rules. Mr. Chen, being an executive Director and the chairman of the Company, is also a shareholder and the deputy director of both Xi Hai and Zhongzhu Company, which are the existing shareholders of the Project Company (interested in approximately 5% and 20% equity interests in the Project Company respectively), Mr. Chen and his associates are considered to have material interest in the Acquisition. Accordingly, the Acquisition is subject to the Independent Shareholders' approval by way of poll at the EGM. Mr. Chen and his associates (who do not have any shareholding interest in the Company as at the Latest Practicable Date) are required to abstain from voting at the EGM in respect of the ordinary resolutions to approve the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder, in the event that they are entitled to vote at the EGM.

We, Bridge Partners, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement and the Supplemental Agreement are on normal commercial terms and the transactions contemplated therein are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the Acquisition, in compliance with Rule 13.39 (6)(b) of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our opinion and recommendation, we have relied on the information supplied, the opinion and representations expressed by the Directors and the management of the Company. We have reviewed, amongst others, (i) the annual report for the year ended 30 June 2008 (the "Annual Report") and interim report for the six months ended 31 December 2008 (the "Interim Report") of the Company, (ii) the Sale and Purchase Agreement, (iii) the Supplemental Agreement, (iv) the BVI Acquisition Agreement, (v) the Share Charge, (vi) the accountants report of the Target Company and BVI Company for the period from the date of its incorporation to 31 December 2008 and the six months ended 30 June 2009 and the Project Company for each of the three years ended 31 December 2008 and the six months ended 30 June 2009, (vii) the valuation report on the property interest held by the Project Company conducted by the Valuer as at 30 June 2009, and (viii) the PRC legal opinion on the legality of the Company's indirect interest in the Project Company upon Completion. We have also discussed with the Valuer regarding their valuation methodology, bases and assumptions for the valuation of the Project and reviewed the statistics related to the real estate industry and the trading performance of the Shares on the Stock Exchange. We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our recommendation which are in compliance with Rule 13.80 of the Listing Rules.

We have assumed that the information and representations contained or referred to in the Circular and the information and representations that have been provided by the Company and/or the Directors and/or the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete at the time they were made and continue to be true up to and including the date of the EGM.

We consider that we have been provided with sufficient information to form a reasonable basis of our opinion. We have no reason to suspect that any material fact or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Having made all reasonable enquiries, the Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and further confirmed that, having made all reasonable enquiries, that to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We have not, however, carried out any independent verification on the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company, the Vendor, the Target Company, the Target Group, the BVI Company, the Project Company, Other Shareholders, Mr. Chen, their respective associates and subsidiaries, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent. We have no obligation to update this letter after the date of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, we have taken the following principal factors and reasons into consideration:

(A) Background of the Group

The principal activities of the Group are (i) the design, supply and integration of automation and control system; (ii) trading of automation products and electronic components; (iii) property investment; (iv) investment in listed securities and (v) trading of mobile phones.

Set out below is a summary of the audited consolidated income statement of the Group for each of the two years ended 30 June 2008 and the unaudited consolidated income statement of the Group for the six months ended 31 December 2007 and 2008:

	Year ended 30 June		Six months ended 31 December	Six months ended 31 December
	2007	**2008**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000* *(restated)*	*RMB'000*
Revenue	145,059	152,826	111,253	188,429
Profit/(Loss) before taxation	7,866	(112,355)	(74,596)	(17,279)
Profit/(Loss) for the period	7,864	(112,622)	(74,596)	(17,279)

According to the Annual Report, the revenue of the Group was approximately RMB152.83 million for the year ended 30 June 2008. The revenue was mainly generated from the sales of automation products and electronic components amounting to approximately RMB102.29 million, represents approximately 66.9% of the total revenue of the Group. The gross profit and the loss attributable to equity shareholders of the Company were approximately RMB23.71 million and RMB112.62 million respectively for the year ended 30 June 2008. As noted from the Annual Report, the impairment losses in respect of trade receivables of approximately RMB21.59 million and a provision for claims of approximately RMB60.7 million guaranteed loan in respect of a claim by the bank creditor (the "Bank Creditor") against Techwayson Industrial Limited ("TIL") (a major subsidiary of the Company) under a corporate guarantee allegedly provided by the subsidiary to the Bank Creditor in respect of a third party were recorded in the consolidated financial statements of the Group for the year ended 30 June 2008. According to the management of the Company, the Group is now negotiating the terms of the debt-restructuring proposal on the loan of the Shenzhen subsidiary and the alleged guaranteed loan.

For the six months ended 31 December 2008, the unaudited revenue of the Group increased by approximately 69.4% from approximately HK$111.25 million to HK$188.43 million in 2008. It was mainly attributed to the increase in the sales of electronic components. However, the competitive markets in the electronic industry seriously eroded the gross profit of the Group. The net loss of the Group was approximately HK$17.28 million which was mainly due to the effect of the fair-value changes on investment properties of approximately HK$11.97 million. As stated in the Interim Report, the Board considered that the business segment of natural resources trading, trading in mobile phones and machines of vertical impregnating line has become difficult during the volatile market situations. The Board should grasp the opportunities which may arise from the financial tsunami and will continue to look for any projects including the property investment for expansion in Asia, in particular, the PRC.

(B) Background of and reasons for the Acquisition

Background of the Acquisition

As stated in the Letter from the Board, the Target Company acquired the entire issued share capital of the BVI Company from the Original Vendor on 26 June 2009 and the transfer of shares of the BVI Company was completed on 11 August 2009. However, certain part of the consideration will only be paid to the Original Vendor by the Target Company within 90 days after the completion date of the BVI Company Acquisition according to the BVI Acquisition Agreement. In this respect, the Target Company entered into the Share Charge on 11 August 2009 to charge all of the issued shares of the BVI Company in favour of the Original Vendor as security for the payment of the remaining consideration by the Target Company. As stated in the BVI Acquisition Agreement, the Share Charge will be released upon payment of the remaining consideration by the Target Company to the Original Vendor no later than the date as agreed in the BVI Acquisition Agreement and the Sale and Purchase Agreement. The release of the Share Charge is one of the conditions precedent to the Completion.

In view of the improved sentiment of the property market in the PRC, the Group has entered into the property investment sector in the PRC. In May 2009, the Group acquired the entire issued capital of Ocean Vast Corporation Limited ("Ocean Vast"). The subsidiary of Ocean Vast is holding a parcel of land situated at south of Yuehai West Road, Gongbei, Zhuhai City, Guangdong Province, the PRC. According to the management of the Company, this parcel of land will be developed into a residential and commercial complex with car parking spaces. The transaction was completed in August 2009. In view of the economic prospect of Zhuhai City and to enhance the foothold in the property industry in the PRC, the Directors consider that the Acquisition provides a good opportunity to broaden the revenue base of the Group and therefore will be in the interests of Company and the Shareholders as a whole.

Reasons for the Acquisition

According to the Company, the Board is confident of the economic prospects of the Zhuhai City. To form part of our analysis, we have studied the websites of The State Council Information Office of the PRC, China's National Development and Reform Commission, National Bureau of Statistics of China and Zhuhai Statistics Bureau in order to evaluate the view of the Board and our findings are as follows:

Trends of real estate industry

According to the National Bureau of Statistics of China, the total investment in real estate development of China amounted to RMB1,772 billion, up by 11.6% year-on-year from January to July of 2009. From January to July 2009, the floor spaces of commercial buildings sold accounted for 417.55 million square meters, surging up 37.1% year-on-year. Of the total, the floor spaces of residential buildings sold increased 38.8%; that of office buildings boomed 13.3%; that of buildings for commercials uses went up 21.7%. We have also studied the sales price indices of buildings in 70 medium-large sized cities (including Beijing, Tianjin, Shijiazhuang, Taiyuan, etc) released from the website of National Bureau of Statistics of China and noted an increase of 1.0% year-on-year, expanded 0.8% month-on-month, in July 2009. The sales price indices of newly constructed residential buildings boomed 0.3% year-on-year.

Apart from the positive trend of the real estate industry in China, we have also reviewed the "Framework for Development and Reform Planning for Pearl River Delta Region" announced by China's National Development and Reform Commission on 8 January 2009 and noted that the coming of supportive policies for the overall economy of Zhuhai City including massive infrastructure projects like the Hong Kong-Zhuhai-Macao Bridge and the development on Hengqin Island. It is expected that the construction of the Hong Kong-Zhuhai-Macao Bridge will commence no later than year 2010. The Directors consider that such infrastructure will bring the economies of Zhuhai, Hong Kong and Macau closer and so far as the economy outlook is concerned, we believe that the infrastructure projects will boost the economy in Zhuhai in the long run.

We have also studied an announcement from the National Bureau of Statistics of China in July 2009 that China's gross domestic product grew 7.9% year-on-year in the second quarter of the year 2009 as the nation became the first of the major economies to rebound from the global recession. In addition, according to the statistics from Zhuhai Statistics Bureau, the retail sales volume of consumer goods of Zhuhai City totaled RMB19.251 billion for the first half year of 2009, which represented an increase of 13.4% over the same period of the previous year. The future growth of Zhuhai City's economy will lead to continuous growth in retail sales of consumer goods as a result of the increase in real income level. Accordingly, we consider the bases of the positive view of the Board in the Zhuhai's economy fair.

Taking into consideration the continuing economic growth of China and the positive economic prospects of Zhuhai City, we consider that the Acquisition is beneficial for the Group to strengthen its foothold into the property investment in Zhuhai City and we concur with the Directors' view that the entering into the Sale and Purchase Agreement is in the interests of the Company and the Independent Shareholders as a whole.

(C) Principal terms of the Sale and Purchase Agreement and the Supplemental Agreement

Major terms of the Sale and Purchase Agreement

i. Asset to be acquired

The Acquisition involves the entire issued share capital of the Target Company. Upon Completion, the Company will become the sole shareholder of the Target Company and therefore be effectively interested in the (i) 100% equity interest in the Target Company and the BVI Company respectively and (ii) 50% equity interest in the Project Company.

As stated in the Letter from the Board, the only major asset of the Project Company is the Project which is consisted of 2 development properties, namely Property A and Property B. Property A and Property B have a total site area of approximately 106,145.62 square meters. The Project Company has been granted land use rights for terms expiring on 5 July 2076 and 5 July 2046 for residential and commercial uses respectively. Property A is situated at West of Santaishi Road, North of Xiaguang Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市前山三臺石路西、霞光路北側) and occupies a gross floor area of approximately 140,816.93 square meters. The construction of Property A was completed on 30 March 2009. Property A has been developed into a residential and commercial complex with 872 residential and 60 commercial units with 562 car parking spaces. According to the representation of the Directors, there were approximately 60% of the residential units under Property A have been sold and delivered to the buyers as at the Latest Practicable Date. Property B is situated at South of Renmin West Road, West of Santaishi Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市香洲人民西路南、三臺石路西側) and occupies a planned gross floor area of approximately 171,336.68 square meters. As at the Latest Practicable Date, Property B is currently under construction and will be developed into a residential and commercial complex with car parking spaces.

As stated in the Letter from the Board, approximately 60% of the residential units, i.e. around 525 units, under Property A had been sold and delivered to buyers A as at the Latest Practicable Date, and the gross proceeds from such sale were approximately RMB400.97 million (equivalent to approximately HK$455.64 million). As informed by the Company, the banking facility of RMB200 million has been granted by the Bank of China to finance the Property B. The Company will also consider applying the proceeds from the sale of property units of Property A and conducting pre-sale of the property units under Property B in order to fulfill the working capital requirements of the Target Group.

As informed by the Company, the estimated total construction costs of Property B is approximately RMB450 million (equivalent to approximately HK$511.36 million) and the construction is preliminarily scheduled to be commenced in October 2009. Taking into consideration that (i) the unused sales proceeds from Property A after obtaining the sale permit, (ii) the banking facility of RMB200 million to finance Property B and (iii) the future income from the pre-sale of the property units under Property B, we concur with the Directors' view that the development of Property B may be able to be self-financed.

ii. Financial information on the Target Group

Set out below is a summary of the consolidated financial information on the Target Group for the period from 7 December 2007 (date of its incorporation) to 31 December 2008 and the six months ended 30 June 2008 and 2009 prepared in accordance with the Hong Kong Financial Reporting Standards("HKFRS"):

	For the period from 7 December 2007 (date of incorporation) to 31 December 2008	**For the six months ended 30 June**	
		2008	**2009**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(unaudited)	(audited)
Consolidated Statements of Comprehensive Income			
Revenue	—	—	—
Profit/(Loss) before tax	(31)	(21)	14
Profit/(Loss) and total comprehensive income for the period	(31)	(21)	14

	As at 31 December 2008	**As at 30 June 2009**
	RMB'000	*RMB'000*
	(audited)	(audited)
Consolidated Statements of Financial Position		
Total assets	—	—
Total liabilities	(24)	(10)
Net liabilities	(24)	(10)

The Target Company is an investment holding company and its principal asset is the 100% equity interest in the BVI Company and in turn the 50% equity interest in the Project Company. Since the Original Vendor acquired the entire issued share capital of the BVI Company on 26 June 2009 pursuant to the BVI Acquisition Agreement, the BVI Company did not record any revenue since its incorporation until 30 June 2009. In accordance with the latest development plan of the Company, Property A has already been completed and the proceeds of the pre-sale property units will be applied for the development of Property B.

According to the accountants' report on the Target Company in Appendix IIIA to the Circular, the reporting accountant of the Target Company has issued a qualified opinion on Target Company's accounts for the six months ended 30 June 2009 since each of the Target Group and the Target Company had net current liabilities of approximately RMB10,000 (equivalent to approximately HK$11,367) as at 30 June 2009. As stated in the note 2 under the "Basis of Preparation" in the financial statement of Target Company for the period from 7 December 2007 (date of incorporation) to 31 December 2008 and the six months ended 30 June 2009, the net current liabilities position indicates the existence of a material uncertainty which may cast significant doubt on the Target Group's and the Target Company's ability to continue as a going concern. The amount of net current liabilities without sufficient supporting documents is insignificant for both the Target Company and the Target Group, thus we are of the view that the impact on the Enlarged Group immediately after the Acquisition is minimal.

Financial information on the Project Company

Set out below is a summary of the financial information on the Project Company (on company level) for the three years ended 31 December 2008 and the six months ended 30 June 2009 as extracted in the Appendix IIIC to the Circular and prepared in accordance with the HKFRSs:

	Year ended 31 December			**Six months ended 30 June**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	—	—	—	363,845
(Loss)/Profit before tax	(1,901)	(21,412)	(13,920)	143,182
(Loss)/Profit and total comprehensive (loss)/ income for the year/ period	(1,901)	(21,412)	(13,920)	129,256

	As at 31 December			**As at 30 June**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	469,826	831,331	1,048,189	767,928
Total liabilities	(209,257)	(580,925)	(811,703)	(402,186)
Total equity	260,569	250,406	236,486	365,742

The only major asset of the Project Company is the Project and the Project is consisted of two development properties, being Property A and Property B. As stated from the Letter from the Board, Property A was completed and approximately 60% of the residential units under Property A have been sold and delivered to the buyers. As at 30 June 2009, the net assets of the Project Company were approximately RMB365.74 million (equivalent to approximately HK$415.61 million). As a result of the satisfactory property sales of Property A, the Project Company recorded the revenue of approximately RMB363.85 million (equivalent to approximately HK$413.47 million) and the net profit of approximately RMB129.26 million (equivalent to approximately HK$146.89 million) for the six months ended 30 June 2009.

iii. Basis of consideration for the Acquisition

As stated in the Letter from the Board, the Consideration of HK$590 million was arrived at after arm's length negotiations between the Company and the Vendor on normal commercial terms, taking into account of (i) the valuation on the Project of RMB1,076,200,000 (equivalent to approximately HK$1,223 million) as at 30 June 2009 by an independent Valuer, 50% of which is approximately HK$611.5 million and (ii) the future prospect of the real estate market in Zhuhai City, the PRC.

We have reviewed the valuation report and enquired with the Valuer regarding the methodology and the assumptions used in arriving at the market value of the Properties. Based on our discussions with the Valuer, we have not identified any major factors which cause us to doubt the fairness of the principal bases and assumptions used when arriving at the valuation of the Properties.

We understand that the valuation of the Properties has been made on the direct comparison approach for the Properties where comparable sales evidences of the Properties as available in the relevant market have been analyzed and also the expended construction costs that will be expended to complete the development to reflect to quality of the completed development has been considered. The Valuer has valued the Properties on the basis that the Properties will be developed and completed in accordance with the latest development proposal of the Properties as provided by the Company. Based on our discussions with the Valuer, we are of the view that the methodology adopted by the Valuer is a reasonable approach in deriving the appraised value of the Properties. However, Independent Shareholders should note that the assumptions made in the property valuation report are subject to future uncertainties.

Given the Consideration carries a discount of approximately 3.52% to the 50% of the valuation of RMB1,076,200,000 (equivalent to approximately HK$1,223 million) and that the Consideration was based on arm's length negotiations between the Vendor and the Company, the Directors are of the view that the consideration of HK$590 million for the Sale Shares is fair and reasonable. Based on our analysis above, we concur with the Directors' view that the consideration for the Sale Shares under the Sale and Purchase Agreement is fair and reasonable.

We note that the original cost for the Target Group was only HK$310 million pursuant to the BVI Acquisition Agreement which was determined based on the arm's length negotiation between the Vendor and the Original Vendor with reference to the then unstable market condition in the property market which was unfavourable to property investment. As stated in the Letter from the Board, the difference between the

Consideration and the Original Cost was due to the following factors: (i) no valuation was conducted on the Project for the BVI Company Acquisition; (ii) the terms (including but not limited to the payment term) of the BVI Company Acquisition and the Acquisition are different; and (iii) the economic environment and the outlook of the property market in the PRC had rapidly turned to be much more optimistic and favourable from the time of negotiation for the BVI Company Acquisition to the date of the Sale and Purchase Agreement.

As advised by the management of the Company, the Vendor informed that the time of negotiation for the BVI Company Acquisition commenced from around 2008 to beginning of 2009, and the consideration of the BVI Company Acquisition was fixed at around the time when the global financial tsunami had just occurred. The global financial tsunami has affected the whole economic environment across all industries, including the property market and the PRC government has introduced an array of policies to stimulate the demand of the property market in the PRC. Since then, the economic environment and the outlook of the property market in the PRC have turned to be much more optimistic and favourable from the time of negotiation for the BVI Company Acquisition to the date of the Sale and Purchase Agreement. Taking into consideration that (i) the Consideration represents discount of approximately 3.52% to the 50% of the valuation of RMB1,076,200,000 (equivalent to approximately HK$1,223 million), (iii) the valuation conducted by the Valuer reflected the market value of the Project and (iii) the positive property market sentiment in Zhuhai as mentioned under the section headed "Trends of real estate industry" above, we consider that the basis of determination of consideration of RMB590 million which is with reference to the Valuation carried out by the independent Valuer (as compared to the consideration of the BVI Company Acquisition) is fair and in the interests of the Independent Shareholders as a whole.

iv. Mode of settlement of Consideration

The Consideration amounts to HK$590,000,000 and shall be satisfied and settled by the Company: (i) as to HK$246,800,000 by the issuance and allotment of 246,800,000 Consideration Shares to the Vendor or his nominee(s) at the Issue Price of HK$1.00 per Consideration Share on the Completion Date; and (ii) as to the remaining consideration of HK$343,200,000 by cash payable by the Company after 24 months from the Completion Date.

The Consideration Shares will be issued at HK$1.00 each, which represents:

- a discount of approximately 6.54% to the closing price of HK$1.070 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a discount of approximately 13.79% to the closing price of HK$1.160 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 11.03% to the average of the closing price of approximately HK$1.124 per Share for the last five consecutive trading days up to and including the Last Trading Day;

- a discount of approximately 9.67% to the average of the closing price of approximately HK$1.107 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and

- a premium of approximately 2,678% over the unaudited consolidated net asset value per Share of approximately HK$0.036 as at 31 December 2008 (based on the unaudited consolidated net asset value of the Group of approximately RMB13,507,000 (equivalent to approximately HK$15.35 million) as at 31 December 2008 and 429,180,000 issued Shares as at the date of the Sale and Purchase Agreement).

To assess the fairness and reasonableness of the Issue Price, we have reviewed and identified several transactions based on the following criteria: (a) main board listed companies; (b) issue of consideration shares to satisfy the consideration of acquisition; and (c) the relevant transactions were announced in the preceding 3 months prior to the Last Trading Day (the "Comparables"). To the best of our knowledge and as far as we are aware of, we have studied 20 transactions which involved the issue of consideration shares. However, owing to the fact that the business, operations and prospects of the Company are not the same as the Comparables, Independent Shareholders should note that the Comparables are only used to provide a general reference for the common market practice of companies listed on the Stock Exchange in transactions which involved the issue of consideration shares. Set out below is a summary of our findings:

Date of announcement	Company name (stock code)	Principal activities of the Comparables	Consideration of the acquisition *(HK$)* *(Approximately)*	Principal activities/assets acquired of (whichever is applicable)	Percentage of the consideration shares issued by the respective companies to their existing issued share capital *(%)*	Issue price of the consideration shares *(HK$)*	Premium/(discount) over/(to) the closing price of the Shares on the respective last trading day *(%)*
14-May-09	China Water Industry Group Limited (1129)	Water supply and sewage treatment business in the PRC	660 million	Sewage treatment and water supply business in the PRC	40.45	0.182	(17.65)
15-May-09	SMI Corporation Limited (198)	Entertainment-related business and theme restaurant business	lower of the valuation amount and 84 million	Cinema halls in Beijing, the PRC	268.57	0.1	(71.83)

Date of announcement	Company name (stock code)	Principal activities of the Comparables	Consideration of the acquisition *(HK$)* *(Approximately)*	Principal activities/assets acquired of (whichever is applicable)	Percentage of the consideration shares issued by the respective companies to their existing issued share capital *(%)*	Issue price of the consideration shares *(HK$)*	Premium/ (discount) over/(to) the closing price of the Shares on the respective last trading day *(%)*
21-May-09	The Quaypoint Corporation Limited (2330)	(i) The design, supply and integration of automation and control system; (ii) trading of automation products and electronic components; (iii) property investment; (iv) investment in listed securities; and (v) trading of mobile phones	79 million	A property development project in Zhuhai, the PRC	40.82	0.45	(16.67)
21-May-09	China Timber Resources Group Limited (269)	Forest operation and management, logging, timber processing and trading, and cold storage warehouse management	986 million	Property development, property management, asset management and investment consultation	42.18	0.0435	(48.21)
25-May-09	Long Far Pharmaceutical Holdings Limited (2898)	Trading, manufacture and distribution of pharmaceutical products	160 million	Sale and distribution of tea and tea related products in the PRC	66.33	0.25	(46.80)
1-Jun-09	Town Health International Holdings Company Limited (3886)	Provision of healthcare and dental services and sale of healthcare and pharmaceutical products	32 million	Production of radioactive isotopes used for medical diagnostic purposes	7.4	1.498	2.60
4-Jun-09	Pearl Oriental Innovation Limited (632)	Logistics, energy and recycling business	58 million	Coal gasification and coal mining	24.94	0.4	(11.11)
16-Jun-09	Shenzhen High-Tech Holdings Limited (106)	Property investment and trading	278 million	Commercial properties and residential property in Hong Kong and the property located at Beijing, the PRC	53.43	0.265	(10.17)
22-Jun-09	GCL-Poly Energy Holdings Limited (3800)	Development, management and operation of power cogeneration plants in the PRC	19,913 million (consideration A)	A PRC supplier of polysilicon and wafers to companies operating in the solar industry	885.05(A)	2.2	(12.00)
			6,437 million (consideration B)		96.66(B)	2.2	(12.00)

Date of announcement	Company name (stock code)	Principal activities of the Comparables	Consideration of the acquisition *(HK$)* *(Approximately)*	Principal activities/assets acquired of (whichever is applicable)	Percentage of the consideration shares issued by the respective companies to their existing issued share capital *(%)*	Issue price of the consideration shares *(HK$)*	Premium/ (discount) over/(to) the closing price of the Shares on the respective last trading day *(%)*
3-Jul-09	China Precious Metal Resources Holdings Co., Ltd (1194)	Production and sale of small pack edible oil and trading of edible oil and related products	320 million	The mining license(s) for conducting exploitation activities in certain mines located at Inner Mongolia of the PRC	17.15	0.5635	(19.50)
6-Jul-09	Vongroup Limited (318)	Consumer finance business, smart-card financial services business, securities investment and properties investment, and restaurant business	120 million	Research and development, production and sales and distribution of technologically advanced environmentally-friendly emission-free lithiumion batteries and new energy materials	2.16	0.2266	12.79
7-Jul-09	Emperor Entertainment Hotel Limited (296)	Gaming operations and provision of entertainment and hospitality services in Macau and development of a commercial property in Shanghai	Aggregate of (i) 10% of the unaudited consolidated net asset value of the Luck United Holdings Limited and its subsidiaries as at completion of the acquisition after certain adjustments and (ii) the face value of the outstanding loans due to Worthly Strong Investment Limited	The equity interest of Luck United Holdings Limited and all its outstanding loans due to Worthly Strong Investment Limited	27.82	0.7	2.94

Date of announcement	Company name (stock code)	Principal activities of the Comparables	Consideration of the acquisition *(HK$)* *(Approximately)*	Principal activities/assets acquired of (whichever is applicable)	Percentage of the consideration shares issued by the respective companies to their existing issued share capital *(%)*	Issue price of the consideration shares *(HK$)*	Premium/ (discount) over/(to) the closing price of the Shares on the respective last trading day *(%)*
7-Jul-09	Emperor International Holdings Limited (163)	Property investment and development	Aggregate of (i) 10% of the unaudited consolidated net asset value of the Luck United Holdings Limited and its subsidiaries as at completion of the acquisition after certain adjustments and (ii) the face value of the outstanding loans due to Hidy Investment Limited	The equity interest of Luck United Holdings Limited and all its outstanding loans due to Hidy Investment Limited	10.88	1.02	4.08
8-Jul-09	North Mining Shares Company Limited (433 & 2927)	Securities trading; property investments; property developments; property management and minerals mining	820 million	Exploitation right and exploration right of molybdenum mine located in Shan Xi Province, the PRC	14.10	0.6	(20.00)
8-Jul-09	Green Global Resources Limited (61)	Distribution and the provision of systems integration services to the banking and finance sectors	1,760 million	Geological survey, exploration and development of coal and other mineral deposits and foreign trade and the exploration rights licence of an iron mine located in Mongolia, the PRC	24.85	0.5	(71.10)
8-Jul-09	Shougang Concord International Enterprises Company Limited (697)	Manufacture, sale and trading of steel products, shipping operations and mineral exploration	1,931 million	Coking coal mining and production and sales of coking coal products and side product	5.82	1.29	0.00
24-Jul-09	Prosperity International Holdings (H.K.) Limited (803)	Trading of cement and clinker; investment in granite material production; and operation of public port and other related facilities businesses in the PRC	1,622 million	(i) management and sale of cement and clinker and (ii) a major iron ore trader in the PRC	146.12	0.5	(35.06)

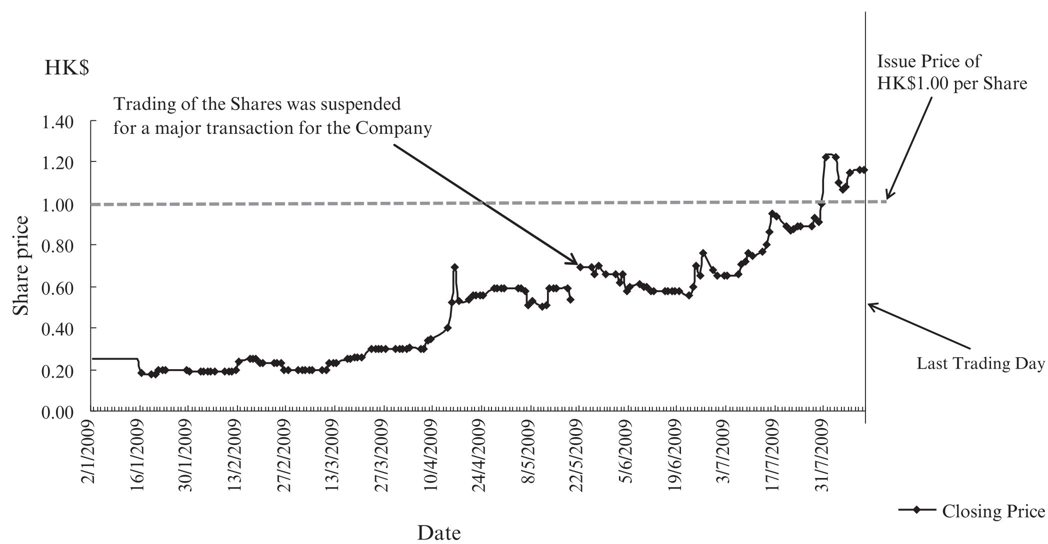
Date of announcement	Company name (stock code)	Principal activities of the Comparables	Consideration of the acquisition *(HK$)* *(Approximately)*	Principal activities/assets acquired of (whichever is applicable)	Percentage of the consideration shares issued by the respective companies to their existing issued share capital *(%)*	Issue price of the consideration shares *(HK$)*	Premium/ (discount) over/(to) the closing price of the Shares on the respective last trading day *(%)*
28-Jul-09	Bel Global Resources Holdings Limited (761)	Design, manufacturing and trading of apparel	498 million	Trading of mineral resources in Indonesia; and coal exploration, production and sale of coal and operation of coal mine business	22.65	0.25	14.68
4-Aug-09	Pearl Oriental Innovation Limited (632)	Logistics, energy and recycling business	50 million	Waste plastic materials business in France	13.16	0.50	4.17
				Maximum	885.05		14.68
				Average	90.53		(17.54)
				Minimum	2.16		(71.83)
	The Company				**40.81**	**1.00**	**(13.79)**

As shown in the above, we note that the premium/(discount) of the issue price over/(to) the closing price of the Comparables as at the last trading day ranged from a discount of approximately 71.83% to a premium of approximately 14.68% with the mean of a discount of approximately 17.54%. The discount of approximately 13.79% represented by the Issue Price to the closing price per Share on the Last Trading Day is within the range and is lower than the average of the premium/(discount) of the Comparables. The percentage of the Consideration Shares to be issued by the Company is approximately 40.81% of the existing issued share capital of the Company, which falls within the range of that of the Comparables. We are of the view that the Issue Price and the Consideration Shares to be issued by the Company under the Acquisition are fair and reasonable.

Historical price and trading volume of the Shares

The following chart shows the closing prices of the Shares traded on the Stock Exchange since January 2009 up to and including the Last Trading Day (the "Review Period"):

Share Price Performance



Source: Website of the Stock Exchange

We observe that there had been an exceptional jump in the price of Shares from HK$0.52 on 15 April 2009 to HK$0.69 on 16 April 2009. Prior to such event, the Share price has been largely stable from January 2009 till 15 April 2009. According to the announcement of the Company dated 16 April 2009, the Directors are not aware of any reasons for such movements in the price and trading volume of the Shares. Subsequent to the exceptional jump on 16 April 2009 in the price of Shares, the price of the Shares has fluctuated within a range between HK$0.50 and HK$0.69 between 15 April 2009 and 19 May 2008. Following an announcement of the Company related to a major acquisition on 21 May 2009, we observe that the Share price has been largely on an increasing trend up to the Last Trading Day with a few exceptional jumps in the price of Shares with closing price of HK$0.70 on 24 June 2009, HK$0.95 on 16 July 2009 and

HK$1.22 on 31 July 2009 and 3 August 2009. Following the resumption of trading of the Shares after the publication of the announcement of the Acquisition, Share price dropped gradually to close at HK$1.07 on the Latest Practicable Date.

The following table sets out the total monthly trading volume of the Shares, the average trading volume of the Shares per trading day, the total monthly trading volume of the Shares and the average trading volume of the Shares per trading day to the total number of Shares in issue during the Review Period:

	Total monthly trading volume of the Shares *(Number of Shares)*	**Average trading volume of the Shares per trading day** *(Number of Shares)*	**% of total monthly trading volume of the Shares to the total number of Shares in issue** *(%)* *(Note)*	**% of average trading volume of the Shares per trading day to the total number of Shares in issue** *(%)* *(Note)*
2008				
August	292,000	15,368	0.07%	0.004%
September	208,000	9,905	0.05%	0.002%
October	1,284,000	61,142	0.30%	0.014%
November	1,476,000	73,800	0.34%	0.017%
December	380,000	18,095	0.09%	0.004%
2009				
January	1,200,000	66,666	0.28%	0.016%
February	652,000	32,600	0.15%	0.008%
March	602,950	27,406	0.14%	0.006%
April	2,728,000	136,400	0.64%	0.032%
May	4,836,000	284,470	1.13%	0.066%
June	5,716,000	259,818	1.33%	0.061%
July	25,436,000	1,156,182	5.93%	0.269%
August (up to and including the Last Trading Day)	33,616,000	4,802,286	7.83%	1.119%

Source: Website of Stock Exchange

Notes:

1. Trading in the Shares was suspended from 20 May 2009 to 21 May 2009 (both days inclusive).

2. Based on a total of 428,680,000 Shares in issue from August 2008 to April 2009, and a total of 429,180,000 Shares in issue from May 2008 to the Last Trading Day.

As shown from the above table, the trading volume of the Shares during most of the months of the Review Period shown above was thin, representing less than 1% of the total issued Shares, except from May to August 2009 where there had been exceptional share volume volatility.

v. Other terms of the Sale and Purchase Agreement and the Supplemental Agreement

The Consideration will be settled by (i) the issue of Consideration Shares on the Completion Date and (ii) cash payment of the remaining Consideration of HK$343.2 million by the Company after 24 months from the Completion Date. We note that there are various methods to settle the considerations of acquisitions by listed companies on the Stock Exchange including by way of debt financing, equity financing and/or a combination of the aforesaid. As for the debt financing, although there will be no dilution effects on the shareholdings of the Company, the Directors consider that it is difficult for the Group to obtain additional loan facilities because of the Group's current high gearing level, existing financial situations and lack of valuable assets to pledge against its bank borrowings. Moreover, the Directors consider that debt financing would have further adverse impact on the Group's balance sheet and gearing ratio.

As for the equity financing, the Directors consider that the Company would take longer time to complete the fund raising activities by means of rights issue or open offer although both allow the Shareholders to maintain their respective shareholdings in the Company. Furthermore, the Directors consider that the lack of liquidity of the Shares would hinder the Company in securing an underwriter for the rights issue or open offer. In this regard, the Directors consider that the issue of Consideration Shares is the most appropriate method to settle the Acquisition.

According to the Interim Report, the Group had cash and bank balances of approximately RMB22.91 million (equivalent to HK$26.03 million) at 31 December 2008 and we consider that the issue of Consideration Shares for settling the first portion of the Consideration will not pressurize the working capital of the Company and, in our opinion which is crucial for the Company, and is in the interests of the Company and the Independent Shareholders. As discussed with the management of the Company, the construction of Property B is preliminarily scheduled to be commenced in October 2009 and is expected to complete in May 2011 which could then generate cash flow for the Company. As such, we concur with management of the Company that the late cash settlement of the remaining Consideration is fair and reasonable for the Company and the Independent Shareholders as a whole.

The Project Company is currently managed by a board of seven directors and five of the existing directors will resign upon Completion. Pursuant to the Sale and Purchase Agreement, the BVI Company shall be entitled to appoint three directors to the board of directors of the Project Company upon Completion which shall comprise a total of five directors. As such, upon Completion, the Company shall have majority control over the board of directors of the Project Company.

Taking into consideration (i) the pros and cons of debt financing and equity financing as described above, (ii) the economic prospects of Zhuhai City, (iii) the issue price of Consideration Shares represents a discount of the closing price of the Shares on the Last Trading Day, the last five and ten average trading days up to and including the Last Trading Day, (iv) the Issue Price represents a discount of approximately 13.79% of the closing price of the Share on the Last Trading Day and is lower than the average of the premium/(discount) of the Comparables, (v) the settlement of the Consideration by combining the issue of Consideration Shares and cash payment (after 24 months from the Completion Date) will not pressurize the working capital of the Company upon Completion, and (vi) the completion of the Acquisition would help further strengthen the Group's foothold into the real estate industry in Zhuhai City, we consider the terms of the Sale and Purchase Agreement and the Supplemental Agreement are fair and reasonable and on normal commercial terms and the Acquisition is in the interests of the Company and the Independent Shareholders as a whole.

Dilution to the existing shareholdings of the Independent Shareholders

For illustrative purpose only, set out below is a summary of the shareholdings in the Company (i) as at the Latest Practicable Date; (ii) immediately after the issue of the Consideration Shares; and (iii) immediately after the issue of the Consideration Shares and upon full conversion of the convertible redeemable preference shares of the Company:

	As at the Latest Practicable Date		**Immediately after the issue of the Consideration Shares and assuming no conversion of the convertible redeemable preference shares of the Company** *(Note 4)*		**Immediately after the issue of the Consideration Shares and upon full conversion of the convertible redeemable preference shares of the Company** *(Notes 1, 2 and 4)*	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Mega Edge International Limited	79,500,000	13.14	79,500,000	9.33	79,500,000	6.06
Chak Joaquim Emilio Kin Man	96,824,000	16.00	96,824,000	11.36	96,824,000	7.38
Wong Sio Leng	135,000,000	22.31	135,000,000	15.85	135,000,000	10.29
The Vendor	—	—	246,800,000	28.97	246,800,000	18.81
Weina (BVI) *(Note 1)*	—	—	—	—	460,000,000	35.06
Public Shareholders	293,856,000	48.55	293,856,000	34.49	293,856,000	22.40
	605,180,000	100.00	851,980,000	100.00	1,311,980,000	100.00

Notes:

1. Weina (BVI) is interested in 350,000,000 convertible redeemable preference shares of the Company and has the right to convert the aforesaid shares into 350,000,000 Shares (based on its initial conversion price) under the subscription and option agreement dated 26 May 2006. Moreover, Weina (BVI) (as designated by Weina Holdings Limited) is interested in 110,000,000 convertible redeemable preference A shares of the Company and has the right to convert the aforesaid preference A shares into 110,000,000 Shares. Weina Group Limited owns the entire issued share capital of Weina (BVI) and is therefore deemed to have interests

in the underlying Shares in which Weina (BVI) is interested. Mr. Tsim Wing Kong is deemed to be interested in the underlying Shares by virtue of his controlling interest in Weina Group Limited.

2. The full conversion of the 460,000,000 convertible redeemable preference shares of the Company (the "Convertible Shares") by Weina (BVI) and its concert parties may result in Weina (BVI) and its concert parties owning more than 30% of the then issued share capital of the Company. Weina (BVI) and its concert parties would have an obligation to make a mandatory general offer under the Takeovers Code for all of the Shares not held by it or parties acting in concert with any of them. In this regard, Weina Group Limited, being the ultimate beneficial owner of the Convertible Shares has given an undertaking that (i) it and its concert parties shall comply with all the relevant requirements under the Takeovers Code in relation to the holding, conversion and exercise of any rights attaching to the Convertible Shares at all times as and when necessary; and (ii) it and its concert parties shall not exercise their right to convert in all or in part, any of the Convertible Shares into the Shares at any time during the period from the date of the undertaking up to the Completion Date.

3. Mega Edge International Limited is legally and beneficially owned as to 100% by Ms. Xia Dan, a non-executive Director.

4. Assuming no share options are exercised pursuant to the share option scheme of the Company.

Upon completion of the Sale and Purchase Agreement and immediately after the allotment and issue of Consideration Shares and assuming no share options are exercised, an aggregate of 246,800,000 new Consideration Shares shall be issued according to the Sale and Purchase Agreement, representing (i) approximately 40.78% of the existing issued share capital of the Company as at the Latest Practicable Date and (ii) approximately 28.97% of the issued share capital of the Company as enlarged by issue of Consideration Shares.

From the table above, we note that the shareholdings of the public Shareholders would be diluted from approximately 48.55% to approximately 34.49% of the enlarged issued share capital of the Company following the issue of Consideration Shares and assuming no conversion of the convertible redeemable preference shares of the Company and no share options are exercised. It is inevitable that there will be a dilution effect on the shareholdings of the public Shareholders if the Consideration Shares are issued. Given that (i) the Issue Price, which represents a discount of approximately 13.79% to the closing price of the Share on the Last Trading Day and such discount is lower than the average of the premium/(discount) of the Comparables; (iii) the Acquisition is beneficial for the Group to further penetrate into the real estate industry in Zhuhai City; (iv) the issue of the Consideration Shares will enable the Company to complete the Acquisition without substantial and immediate cash outlay; and (v) the cash payment shall be made after 24 months from the Completion Date, we are of the view that the dilution of the existing shareholding of the public Shareholders as a result of the proposed issue of Consideration Shares is acceptable.

(D) Financial impact on the Group

Earnings

Upon Completion, the Company will become the sole shareholder of the Target Company and therefore be effectively interested in (i) 100% equity interest in the Target Company; (ii) 100% equity interest in the BVI Company; and (iii) 50% equity interest in the Project Company. As the Company will have the majority control over the board of directors of the Project Company, the Project Company will become an indirect non-wholly owned subsidiary of the Company. Accordingly, the profit/loss of the Target Group will be consolidated into the consolidated financial statements of the Company after Completion.

The Group had the audited consolidated loss attributable to equity holders of the Company for the year ended 30 June 2008 of approximately RMB112.62 million (equivalent to approximately HK$127.98 million). As set out in the unaudited pro forma financial information on the Enlarged Group in Appendix VI to the Circular, assuming the Acquisition and the acquisition of Pine Global Investments Limited ("Pine Global") (the transaction was completed on 11 August 2009) (the "Pine Global Acquisition") have been completed on 1 July 2007, the pro forma unaudited consolidated loss attributable to equity holders of the Company of the Enlarged Group as at 30 June 2008 will be increased to RMB177.71 million (equivalent to approximately HK$201.94 million) mainly due to the finance costs of the total imputed interest of approximately RMB79.95 million, of which approximately RMB39.98 million represented the one year imputed interest to be expensed by the Group for the year ended 30 June 2008.

According to the development plan, the construction of Property B is expected to be completed in May 2011 and the Directors expect that Property B could then contribute to the Group's revenue from year 2012 onwards. In view of the economic prospects of Zhuhai City, we concur with the Directors' view that the Acquisition would provide an opportunity to increase the sales revenue of the Group from the property sales after completion of Property B, which is in the interests of the Company and the Independent Shareholders as a whole.

Gearing

According to the Annual Report, the Group had total borrowings of approximately RMB125.11 million (equivalent to approximately HK$142.0 million) and the gearing ratio of the Group (expressed as a percentage of total borrowings over net asset value) was approximately 4.06 times as at 30 June 2008. According to the unaudited pro forma consolidated balance sheet of the Enlarged Group, assuming the Acquisition and the Pine Global Acquisition had been completed on 30 June 2008, the total borrowings and net asset value of the Enlarged Group would be increased to approximately RMB764.81 million (equivalent to approximately HK$869.10 million) and the net asset value approximately RMB367.84 million (equivalent to approximately HK$418.00 million) respectively. Based on the above, the gearing ratio of the Group would be decreased from 4.06 times to 2.08 times.

Working Capital

The Group had cash and bank balances of approximately RMB14.42 million as at 30 June 2008. As stated in the Letter from the Board, the Consideration of HK$590 million will be settled by issue of Consideration Shares and cash payment (after 24 months from the Completion Date). Accordingly, the Acquisition will have no impact on the working capital upon Completion. Although the Company considers that no further capital is required for the development of Property B and expects that after completion of Property B, the Directors consider that there may be positive contribution to the Group's revenue from year 2012 onwards. Independent Shareholders should be aware of the property market and industry risks including the fluctuation of demand and supply of the property market and the regulatory measures adopted by the PRC government from time to time and overall economic outlook in the PRC.

We have reviewed the comfort letter issued by the auditors of the Company and discussed the cash flow projections of the Group with the management and auditors of the Company. As advised by the Directors, a loan amount of RMB200 million has been granted by Bank of China to the Project Company for the development of the Property B and the pre-sale permit regarding the pre-sale of the property development project in Zhuhai City (the "Previous Project") in which the Company has 60% interest was issued to the Company by Zhuhai City Construction Bureau. As such, the Directors expected that there will be sufficient working capital for the completion of the Previous Project and any surplus cash flow can be used for the development of Property B, if necessary. Also, as advised by the Directors, the Company was in the process of negotiation for the restructuring of the guarantee provision of RMB60.7 million and short-term bank loan of approximately RMB77.7 million with a bank creditor. However, the terms and repayment schedules have not yet been finalized. It is expected that both the Company and the bank creditor target to finalise the restructure proposal (the "Restructuring Proposal") before the end of December 2009. The liquidity position of the Group may be improved after the bank creditor approves the Restructuring Proposal.

The liquidity position of the Enlarged Group depends on the successful negotiation of the Restructuring Proposal and/or the successful of the pre-sales of the Previous Project. In addition, should the pre-sale of Property B and/or the financial restructuring under the Restructuring Proposal fails, the Group would propose to raise additional working capital through various fund raising activities. As advised by the Directors, the Directors will monitor the liquidity position of the Enlarged Group and the expenditures of the Project after the Completion.

Nevertheless, as mentioned, (i) the Acquisition does not require immediate cash outflow from the Group; (ii) the Acquisition may broaden the revenue base to the Group; and (iii) the relevant bank creditor of the Restructuring Proposal is aware of the Acquisition and as represented by the Directors, the bank creditor is positive towards the future prospect of the Project and thus the Acquisition may favour the successful negotiation of the Restructuring Proposal. Given the above, we are of the view that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole even though it may further tighten the Group's liquidity position.

As advised by the Company, the Company will update the Shareholders relating to the financial position of the Enlarged Group from time to time and will continue to monitor the liquidity position of the Enlarged Group after the Acquisition. Therefore, Independent Shareholders should pay careful attention to the negotiation outcome of the Restructuring Proposal, the financial position and working capital of the Enlarged Group after the Acquisition.

Net Assets Value

Based on the unaudited pro forma balance sheet of the Enlarged Group set out in Appendix VI to the Circular, the Enlarged Group will have net assets of approximately RMB367.84 million assuming the Acquisition and the Pine Global Acquisition took place on 30 June 2008.

Despite the fact that (i) the auditors issued the qualified opinion relating to the fundamental uncertainties relating to the going concern basis in the Annual Report and (ii) the liquidity position of the Enlarged Group is largely depend on the successful negotiation of the Restructuring Proposal and the pre-sale of Property B, we consider that the Company may have sufficient financial resources to satisfy the remaining balance of HK$343.2 million since the development of Property B can be self-financed and no capital contribution is required for the development of Property B.

The Independent Shareholders should note that the aforementioned analysis is for illustrative purpose only and does not purport to represent how the financial position of the Company will be upon Completion.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Sale and Purchase Agreement and the Supplemental Agreement are on normal commercial terms and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, the Acquisition conducted by the Group is in the ordinary and usual course of business and the entering into of the Sale and Purchase Agreement and the Supplemental Agreement are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the upcoming EGM to approve the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Bridge Partners Capital Limited
Monica Lin
Managing Director

A. SUMMARY OF FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 AND THE LAST THREE FINANCIAL YEARS

Set out below is a summary of the financial results and assets and liabilities of the Group as extracted from the interim report of the Company for the six months ended 31 December 2008 and the annual reports of the Company for the three years ended 30 June 2008:

Consolidated Income Statement

For the six months ended 31 December 2008 and the three years ended 30 June 2008

	For the six months ended 31 December	For the three years ended 30 June		
	2008	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(audited)	(audited)	(audited)
Turnover	188,429	152,826	145,059	115,581
Cost of sales	(181,258)	(129,115)	(132,344)	(107,172)
Gross profit	7,171	23,711	12,715	8,409
Other revenue	1,547	11,444	47,308	1,989
Distribution costs	—	(4,096)	(12,236)	(316)
Administrative expenses	(19,718)	(32,563)	(29,656)	(247,906)
Provision for claims	—	(60,700)	—	—
Impairment loss on trade receivables	—	(21,588)	—	—
Loss on disposal of a subsidiary and associates	—	(9,349)	—	—
Bas written off	—	(4,871)	—	—
Allowance for inventories	—	(2,124)	—	—
Finance costs	(6,279)	(12,219)	(10,161)	(9,690)
Share of losses of associates	—	—	(104)	—
(Loss) Profit before tax	(17,279)	(112,355)	7,866	(247,514)
Income tax	—	(267)	(2)	(6)
(Loss) Profit for the period/year	(17,279)	(112,622)	7,864	(247,520)
Attributable to:				
Equity holders of the Company	(17,888)	(112,622)	7,864	(247,520)
Minority interests	609	—	—	—
	(17,279)	(112,622)	7,864	(247,520)
(Loss) profit per share				
Basic	(RMB0.0420)	(RMB0.2641)	RMB0.0225	(RMB0.7072)
Diluted	N/A	N/A	RMB0.0225	N/A

Consolidated Balance Sheet

As at 31 December 2008, 30 June 2008, 2007 and 2006

	As at 31 December 2008 *RMB'000* (unaudited)	As at 30 June 2008 *RMB'000* (audited)	As at 30 June 2007 *RMB'000* (audited)	As at 30 June 2006 *RMB'000* (audited)
Non-current assets				
Property, plant and equipment	18,640	19,270	16,868	2,796
Property under development	—	—	—	72,285
Investment properties	164,025	175,768	166,693	—
Prepaid lease payments	17,755	17,986	267	1,987
Interest in associates	—	—	10,726	—
Available-for-sale securities	—	—	4,000	—
	200,420	213,024	198,554	77,068
Current assets				
Inventories	—	—	2,923	2,459
Trade receivables	17,778	24,139	58,168	1,679
Bills receivable	—	—	—	—
Prepayments, deposits and other receivables	14,615	15,106	10,996	5,939
Held-to-maturity securities	—	—	—	—
Financial assets at fair value through profit or loss	96	420	1,210	—
Pledged bank deposits	12,406	12,289	12,099	—
Cash and bank balances	22,913	14,422	45,452	96,765
	67,808	66,376	130,848	106,842
Current liabilities				
Trade payables	4,333	5,763	11,829	2,642
Secured bills payables	2,720	12,253	21,622	—
Provision for claims	60,700	65,941	10,441	—
Other accruals	17,950	5,035	12,828	34,423
Accrued interest	30,863	25,692	15,561	4,798
Receipts in advance	12,793	8,149	482	612
Due to a director	—	—	—	1,025
Bank overdraft	—	155	—	—
Bank borrowings — repayable within one year	112,895	112,397	139,520	97,912
Taxation payable	593	620	—	8,534
	242,847	236,005	212,283	149,946
Net current liabilities	(175,039)	(169,629)	(81,435)	(43,104)
Total assets less current liabilities	25,381	43,395	117,119	33,964

	As at 31 December 2008 *RMB'000* (unaudited)	As at 30 June 2008 *RMB'000* (audited)	As at 30 June 2007 *RMB'000* (audited)	As at 30 June 2006 *RMB'000* (audited)
Capital and reserves				
Ordinary share capital	43,987	43,987	37,100	37,100
Convertible redeemable preference shares	184,653	184,653	184,653	104,000
Reserves	(215,133)	(197,805)	(104,634)	(111,816)
Total equity	13,507	30,835	117,119	29,284
Non-current liabilities				
Bank borrowings				
— due after one year	11,874	12,560	—	—
Interest-bearing borrowings	—	—	—	4,680
	25,381	43,395	117,119	33,964

Note: A qualified opinion has been issued by the Company's auditors in respect of the financial statements of the Group for the year ended 30 June 2008.

B. ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2008

Set out below are the audited financial statements of the Group together with the accompanying notes as extracted from the annual report of the Company for the year ended 30 June 2008:

Consolidated Income Statement
For the year ended 30 June 2008

	Notes	2008 RMB'000	2007 RMB'000
Turnover	7	152,826	145,059
Cost of sales		(129,115)	(132,344)
Gross profit		23,711	12,715
Other revenue	9	11,444	47,308
Distribution costs		(4,096)	(12,236)
Administrative expenses		(32,563)	(29,656)
Provision for claims	28	(60,700)	—
Impairment loss on trade receivables	22	(21,588)	—
Loss on disposal of a subsidiary and associates	34	(9,349)	—
Bad debts written off		(4,871)	—
Allowance for inventories		(2,124)	—
Finance costs	10	(12,219)	(10,161)
Share of losses of associates		—	(104)
(Loss) profit before tax	11	(112,355)	7,866
Income tax	14	(267)	(2)
(Loss) profit for the year, attributable to the equity holders of the Company		(112,622)	7,864
(Loss) earnings per share			
— basic	15	RMB(26.41) cents	RMB2.25 cents
— diluted	15	N/A	RMB2.22 cents

Consolidated Balance Sheet
At 30 June 2008

	Notes	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	16	19,270	16,868
Investment properties	17	175,768	166,693
Prepaid lease payments	18	17,986	267
Interests in associates	19	—	10,726
Available-for-sale securities	20	—	4,000
		213,024	198,554
Current assets			
Inventories	21	—	2,923
Trade receivables	22	24,139	58,168
Prepayments, deposits and other receivables	23	15,106	10,996
Held-to-maturity securities	24	—	—
Financial assets at fair value through profit or loss	25	420	1,210
Pledged bank deposits	26	12,289	12,099
Cash and bank balances	26	14,422	45,452
		66,376	130,848
Current liabilities			
Trade payables	27	5,763	11,829
Secured bills payables	27	12,253	21,622
Provision for claims	28	65,941	10,441
Other accruals		5,035	12,828
Accrued interest	29	25,692	15,561
Receipts in advance		8,149	482
Bank overdraft	29	155	—
Bank borrowings — repayable within one year	29	112,397	139,520
Taxation payable		620	—
		236,005	212,283
Net current liabilities		(169,629)	(81,435)
Total assets less current liabilities		43,395	117,119

	Notes	2008 RMB'000	2007 RMB'000
Capital and reserves			
Ordinary share capital	30	43,987	37,100
Convertible redeemable preference shares	31	184,653	184,653
Reserves		(197,805)	(104,634)
Total equity		30,835	117,119
Non-current liabilities			
Bank borrowings			
— due after one year	29	12,560	—
		43,395	117,119

Consolidated Statement of Changes in Equity

For the year ended 30 June 2008

	Attributable to equity holders of the Company										
	Ordinary share capital	Share premium	Convertible redeemable preference shares	Capital reserve	Share option reserve	Translation reserve	General reserve	Accumulated losses	Total	Minority interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(note (a))*	*RMB'000*	*RMB'000*	*RMB'000* *(note (b))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 July 2006	37,100	7,160	104,000	13,841	—	(864)	5,309	(137,262)	29,284	—	29,284
Reserves realised upon disposal of subsidiaries	—	—	—	—	—	1,838	—	—	1,838	—	1,838
Profit for the year	—	—	—	—	—	—	—	7,864	7,864	—	7,864
Total recognised income and expenses for the year	—	—	—	—	—	1,838	—	7,864	9,702	—	9,702
Issue of convertible redeemable preference shares	—	—	80,653	—	—	—	—	—	80,653	—	80,653
Exchange difference arising from translation of financial statements of foreign operations	—	—	—	—	—	(2,520)	—	—	(2,520)	—	(2,520)
At 30 June 2007 and 1 July 2007	37,100	7,160	184,653	13,841	—	(1,546)	5,309	(129,398)	117,119	—	117,119
Reserves realised upon disposal of a subsidiary and associates	—	—	—	—	—	(67)	—	—	(67)	—	(67)
Loss for the year	—	—	—	—	—	—	—	(112,622)	(112,622)	—	(112,622)
Total recognised expenses for the year	—	—	—	—	—	(67)	—	(112,622)	(112,689)	—	(112,689)
Recognition of equity-settled share based payments *(note 35)*	—	—	—	—	2,913	—	—	—	2,913	—	2,913
Issue of shares	6,127	12,254	—	—	—	—	—	—	18,381	—	18,381
Share issued expenses	—	(183)	—	—	—	—	—	—	(183)	—	(183)
Exercise of share options	760	9,721	—	—	(1,819)	—	—	—	8,662	—	8,662
Exchange difference arising from translation of financial statements of foreign operations	—	—	—	—	—	(3,368)	—	—	(3,368)	—	(3,368)
At 30 June 2008	43,987	28,952	184,653	13,841	1,094	(4,981)	5,309	(242,020)	30,835	—	30,835

Notes:

(a) Capital reserve represents effect of the reorganisation of the Group through which the Company become the holding company of all group companies comprising the Group and capitalisation of shareholders' loans by a subsidiary.

(b) As stipulated by regulations in the People's Republic of China (the "PRC"), two PRC subsidiaries are required to appropriate 10% of after-tax profit (after offsetting prior year losses) to a general reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The general reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the general reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.

Consolidated Cash Flow Statement
For the year ended 30 June 2008

	Notes	2008 RMB'000	2007 RMB'000
OPERATING ACTIVITIES			
(Loss) profit before tax		(112,355)	7,866
Adjustments for:			
Amortisation of prepaid lease payments		109	41
Depreciation of property, plant and equipment		1,355	1,389
Bad debts written off		4,871	—
Written off of property, plant and equipment		130	—
Dividend income		—	(8)
Bank interest income		(671)	(1,202)
Excess of fair value of identified net assets acquired over cost		—	(1,338)
Loss (gain) on disposal of subsidiaries and associates	34	9,349	(3,801)
Share-based payment expenses		2,913	—
Impairment loss on amount due from an associate		—	530
Impairment loss on trade receivables		21,588	—
Impairment loss on prepayments, deposits and other receivables		1,108	—
Allowance for inventories		2,124	—
Net realised gain on disposal of listed securities (financial assets at fair value through profit and loss)		—	(1,881)
Unrealised loss on listed securities (financial assets at fair value through profit or loss)		765	831
Interest expenses		12,219	10,161
Gain on disposal of property, plant and equipment		(56)	(59)
Provision for claims		60,700	—
Increase in fair value of investment properties		(10,467)	(37,964)
Share of losses of associates		—	104
Waiver of loan		—	(905)

	Notes	2008 RMB'000	2007 RMB'000
Operating cash flows before movements in working capital		(6,318)	(26,236)
Decrease (increase) in inventories		799	(468)
Decrease (increase) in trade receivables		7,570	(58,110)
Increase in prepayments, deposits and other receivables		(13,883)	(7,145)
(Decrease) increase in trade payables		(6,066)	9,258
(Decrease) increase in secured bills payables		(9,369)	21,622
(Decrease) increase in provision for claims and other accruals		(2,633)	11,752
Decrease in amount due to a director		—	(1,025)
Increase in receipts in advance		7,667	684
Cash used in operations		(22,233)	(49,668)
Tax paid		(2)	(5,692)
Tax refunded		355	—
NET CASH USED IN OPERATING ACTIVITIES		(21,880)	(55,360)
INVESTING ACTIVITIES			
Payment for acquisition of investment properties		(23,756)	(1,510)
Proceeds from disposal of available-for-sale securities		4,000	—
Payments for acquisition of property, plant and equipment		(1,135)	(2,176)
Bank interest received		671	1,202
Increase in pledged bank deposits		(190)	(12,099)
Proceeds from disposal of property, plant and equipment		80	137
Net cash acquired from purchase of a subsidiary	33	—	525
Additional cost to properties under development		—	(23,506)
Advances to associates		—	(11,256)
Net cash outflow from disposal of subsidiaries	34	—	(219)
Dividend received		—	8
Payments for acquisition of associates		—	(94)
Purchase of listed securities (financial assets at fair value through profit or loss)		—	(22,660)

	Notes	2008 RMB'000	2007 RMB'000
Proceeds from disposal of listed securities (financial assets at fair value through profit or loss)		—	22,526
Purchase of available-for-sale securities		—	(4,000)
NET CASH USED IN INVESTING ACTIVITIES		(20,330)	(53,122)
FINANCING ACTIVITIES			
Repayment of bank borrowings		(44,843)	(17,550)
New bank borrowings raised		33,751	41,684
Proceeds from issue of ordinary shares		18,381	—
Proceeds from exercise of share options		8,662	—
Interest paid		(2,088)	(537)
Payment of share issue expenses		(183)	—
Proceeds from issue of convertible redeemable preference shares		—	38,406
NET CASH FROM FINANCING ACTIVITIES		13,680	62,003
NET DECREASE IN CASH AND CASH EQUIVALENTS		(28,530)	(46,479)
EFFECT ON FOREIGN EXCHANGE RATE CHANGES		(2,655)	(4,834)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		45,452	96,765
CASH AND CASH EQUIVALENTS AT END OF YEAR		14,267	45,452
ANALYSIS OF CASH AND CASH EQUIVALENTS, represented by Cash at bank and on hand	26	14,422	7,024
Bank overdraft		(155)	—
Time deposits, unpledged	26	—	38,428
		14,267	45,452

Notes to the Consolidated Financial Statements

For the year ended 30 June 2008

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (The "Stock Exchange"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business as at 30 June 2008 is situated at Unit 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The activities of the subsidiaries (together with the Company, referred to as the "Group") are set out in note 43.

The functional currency of the Company and its subsidiaries established in Hong Kong is Hong Kong dollars ("HK$"). The functional currency of the subsidiaries established in the People's Republic of China (the "PRC") is Renminbi ("RMB"). For the presentation of the consolidated financial statements, the Group adopted RMB as its presentation currency.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

At the balance sheet date, the Group's current liabilities exceeded its current assets by approximately RMB169,629,000. The sustainability of the Group as a going concern is dependent on its ability to successfully obtain adequate medium to long-term financing to fund its operations before sufficient cash flows are generated from profitable operations and to favourably resolve the claim. After evaluating all the relevant facts available to them, the directors are of the opinion that the Group should be able to maintain itself as a going concern by raising adequate additional finance and by debt restructuring. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Details of which are set out below:

(a) To meet the Group's funding requirements, the directors will consider to raise funds by issuing additional debts and/or equity securities, if necessary; and

(b) As set out in note 28, the Group is in the process of negotiation for the restructuring of the guarantee provisions of RMB5,241,000 and RMB60,700,000 respectively and a short-term bank loan of approximately RMB80,734,000 with the respective bank creditors. The directors are of the opinion that the negotiation can be concluded successfully and no immediate full repayment is required in short to medium-term.

However, if the above measures were not to be successful or insufficient, or if the going concern basis were not be appropriate, adjustments would have to be made to the consolidated financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and Interpretations ("INTs") (herein collectively referred to as "New HKFRSs"), which are effective for the accounting periods beginning on or after 1 July 2007. The Group has adopted all of these New HKFRSs throughout the year ended 30 June 2008. The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following HKASs, HKFRSs and interpretations ("HK(IFIC)-INTs") that have been issued but are not yet effective for accounting period beginning on 1 July 2007:

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 1 and HKAS 32 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKAS 23 (Revised)	Borrowing Cost[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations — Comprehensive revision on applying the acquisition method[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — INT 12	Service Concession Arrangements[3]
HK(IFRIC) — INT 13	Customer Loyalty Programmes[4]
HK(IFRIC) — INT 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]
HK(IFRIC) — INT 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) — INT 16	Hedges of a Net Investment in a Foreign Operation[5]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 January 2008.
4 Effective for annual periods beginning on or after 1 July 2008.
5 Effective for annual periods beginning on or after 1 October 2008.

Except for the following HKASs, HKFRSs and HK(IFIC)-INTs, these HKASs, HKFRSs and HK(IFIC)-INTs are not relevant to the Group.

HKAS 1 (Revised), "Presentation of Financial Statements"

HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKFRS 3 (Revised), Business Combinations — Comprehensive revision on applying the acquisition method

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 27 (Revised), "Consolidated and Separate Financial Statements"

The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

4. PRINCIPAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. In addition, these consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared on the historical cost basis, except for the investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of subsidiaries, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

A subsidiary is an entity that is controlled by the Company, where the Company has the power to govern the financial and operating policies of such entity so as to obtain benefits from its activities.

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

Investments in associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the

Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in consolidated income statement.

Property, plant and equipment

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

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the year in which they are incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives from the date on which they are available for use as follows:

Leasehold buildings	2%
Leasehold improvements	20% or over the lease term, if shorter
Equipment	18% to 20%
Furniture	18%
Motor vehicles	18%

Gains or losses arising from the retirement or disposal of an item or property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the consolidated income statement on the date of retirement or disposal.

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 year in which they arise.

Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use.

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. A reversal of an impairment loss is limited to the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately.

Operating lease charges

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to consolidated income statement in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Contingent rentals are charged to consolidated income statement in the accounting period in which they are incurred.

The cost of acquiring prepaid lease payments held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet 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 Group's financial assets are classified into one of the four categories, including held-to-maturity investments, available-for-sale financial assets, financial assets at fair value through profit or loss 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.

Held-to-maturity securities

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities. They are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition. Any gains and losses are recognised in consolidated income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale securities

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial assets is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured as cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. Subsequent to initial recognition, financial assets at fair value through profit or loss are re-measured at fair value at each balance sheet date, with changes in fair value recognised directly in the consolidated income statement in the year in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, pledged bank deposits and bank balances) are measured at amortised cost using the effective interest method, less any impairment loss. Where loans and receivables are interest-free and without any fixed repayment term or the effect of discounting would be immaterial, they are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition. Any gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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 on points 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.

Income is recognised on an effective interest basis for debt instruments.

Impairment loss on financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. 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 assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other 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 and other receivables, 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 the Group's past experience of collecting payments as well as observable changes in national or local economic conditions that correlate with default on trade and other receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, 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 receivable or deposit and other receivable 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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and 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. The Group's financial liabilities are generally classified as other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

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.

Other financial liabilities

Other financial liabilities, including trade payables, secured bills payables and bank overdraft and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS18 Revenue.

Convertible redeemable preference shares

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the share holders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings and accordingly dividends thereon are recognised on an accruals basis in the consolidated income statement as part of finance costs.

For convertible preference shares which have a cumulative, non-discretionary fixed dividend payable to the holders, the fair value of the obligation to distribute the dividend is recognised as liability.

Equity instruments

Equity instruments issued by the Company 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 the 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 directly in equity is recognised in consolidated income statement. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Defined contribution retirement plan

Contributions to Mandatory Provident Fund Scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and a state-sponsored retirement plan organised by municipal government as stipulated by the regulations of the PRC are charged as an expense in the consolidated income statement when employees have rendered services entitling to the contribution.

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. Taxable profit differs from profit as reported in the consolidated income statement 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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 (other than in a business combination) 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 arising on investments in subsidiaries and associates, except where the 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of return and discounts and sales related taxes. Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow into the Group. Revenue is recognised on the following bases:

Sales of goods

Revenue is recognised when goods are delivered to the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

Provision of project and technical services

Revenue from the provision of project and technical services is recognised by reference to the stage of completion of the system integration work at the balance sheet date. Stage of completion is generally determined by reference to the services performed to date as a proportion of total services to be performed. In instances where the stage of completion is not identifiable, revenue from the provision of system integration services is recognised on a straight-line basis over the period in which the system integration work is performed.

Rental income from investment properties

Rental income from investment properties received and receivable under operating leases is recognised in consolidated income statement in equal instalments over the periods covered by the relevant lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

Interest income

Interest income is recognised as the interest accrues (using the effective interest method by applying the rate that exactly discounts estimated future cash receipts through the expected useful life of the financial assets) to the net carrying amount of the financial asset.

Dividend income

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

Borrowing costs

All borrowing costs are recognised as expenses in the year in which they are incurred.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity ("Share Option Reserve").

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to Share Option Reserve.

At the time when the share options are exercised, the amount previously recognised in Share Option Reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in Share Option Reserve will be transferred to accumulated losses.

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 rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 translation of monetary items, are recognised in profit or loss in the year in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 4, management has made the following judgements that have significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Allowances for inventories

The Group reviews an aging analysis of inventories at each balance sheet date, and make allowance for obsolete and slow-moving inventory items identified that are no longer recoverable. The Group estimates the net realisable value for merchandises based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowances for obsolete items.

Impairment of trade and other receivables

The Group makes impairment of trade and other receivables based on an assessment of the recoverability of receivables. Impairment loss is applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible or when the net present value of the receivable is less than the carrying amount of the receivable. The identification of impairment loss requires the use of judgement and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and the impairment in the years in which such estimate has been changed.

Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

As at 30 June 2008, the Group has unused tax losses of approximately RMB57,591,000 (2007: RMB52,878,000) available for offset against future profits. No deferred tax asset in relation to unused tax losses has been recognised in the Group's consolidated balance sheet due to unpredictability of future profit streams. In cases where there are future profits generated to utilise the tax losses, a material deferred tax assets may arise, which would be recognised in the consolidated income statement for the year in which such future profits are recorded.

Share-based payment expenses

The share-based payment expenses are subject to the limitations of the Binomial model and the uncertainty in estimates used by the directors in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option models.

Provision for claims and alleged guarantees

During the current and prior years, the Group had been involved in certain litigations and claims in respect of overdue bank borrowings and certain alleged corporate guarantees given by the Group (see notes 28 and 39). The directors determine the provision for claims and guarantees based on their best estimates according to their understanding of legal advice. Where the final outcome of the claim and negotiation with the respective bank creditors is different from the estimation made by the directors, such difference will impact the provision for claims in the year in which such determination is finalised.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Capital management

The primary objective of the Group's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital by maintaining an adequate capital structure. The Group will balance its overall capital structure through new share issues as well as raise of new borrowings and repayment of existing borrowings. Capital of the Group comprises all components of equity, including share capital and reserves, cash and bank balances and bank borrowings. The Group's approach to capital management remains unchanged throughout both the current and prior years.

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale securities, trade receivables, deposits and other receivables, held-to-maturity securities, financial assets at fair value through profit or loss, bank overdraft, bank borrowings, trade payables, secured bills payables, pledged bank deposits and bank balances. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include currency risk, interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group's exposure to currency risk is attributable to the trade receivables, cash and bank balances and secured bills payables of the Group which are denominated in foreign currencies of United State dollars ("US$") (see notes 22, 26 and 27 respectively for details). The functional currencies of the relevant group entities are RMB and HK$. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure since HK$ is pegged to the US$ and majority transactions are conducted in functional currency of relevant group entities, the directors consider the Group's exposure to currency risk is minimal. However, the directors monitor the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

If RMB had strengthened/weakened 5% against US$, with all other variables held constant, (loss) profit for the year would have been lower/higher as following table, mainly as a result of foreign exchange losses (gains) on translation of US$ denominated monetary assets and liabilities based on their carrying amounts at the balance sheet date.

	2008 Decrease (increase) in loss *RMB'000*	2007 Decrease (increase) in profit *RMB'000*
United States dollars	646	443

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank deposits and variable-rate borrowings (see note 29 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity analysis

As of 30 June 2008, it is estimated that a general 50 basis point increase or decrease in interest rates, with all other variables held constant, would increase or decrease the Group's loss/profit for the year and accumulated losses by approximately RMB563,000 (2007: RMB431,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents directors' assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for year ended 30 June 2007.

Credit risk

The Group's maximum exposure to credit risk in the event of the counter parties failure to perform their obligations as at 30 June 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group's trade receivables balances are monitored on an ongoing basis.

As at 30 June 2008, the Group has certain concentration of credit risk as 20% (2007: 11.71%) of the total trade receivables were due from the Group's largest customer.

It is the Group's policy that all guarantees given by the Group be approved by the directors of the Company and all borrowers of the relevant guarantees are subject to credit verification procedures.

With respect to credit risk arising from other financial assets of the Group which comprise cash and cash equivalents, the Group's exposure to credit risk arising from default of the counter parties is limited as the counter parties have good credit standing and the Group does not expect to incur significant loss for uncollected advances/deposits from these entities.

Liquidity risk

To manage the liquidity risk, the Group reviews the level of cash and cash equivalents to ensure their adequacy to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The Group also reviews the utilisation of borrowings. The Group relies on bank borrowings as a significant source of liquidity.

The Group is exposed to liquidity risk as its financial assets due within one year is less than its financial liabilities due within one year. The Group had net current liabilities of approximately RMB169,629,000 as at 30 June 2008. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations and to obtain continuing financial supports from its bankers and the successful restructuring of the guarantee provisions and the short-term bank loans with the banks.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Within one year	Within the second year	Within the third year	Within the fourth year	Within or after the fifth year	Total undiscounted cash flow	Carrying amounts
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 June 2008							
Financial liabilities							
Trade payables	5,763	—	—	—	—	5,763	5,763
Secured bills payables	12,253	—	—	—	—	12,253	12,253
Provision for claims	65,941	—	—	—	—	65,941	65,941
Bank overdraft	155	—	—	—	—	155	155
Bank borrowings	112,397	1,358	1,442	1,530	9,662	126,389	124,957
	196,509	1,358	1,442	1,530	9,662	210,501	209,069
At 30 June 2007							
Financial liabilities							
Trade payables	11,829	—	—	—	—	11,829	11,829
Secured bills payables	21,622	—	—	—	—	21,622	21,622
Provision for claims	10,441	—	—	—	—	10,441	10,441
Bank borrowings	139,520	—	—	—	—	139,520	139,520
	183,412	—	—	—	—	183,412	183,412

Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are set out as follows:

	2008	2007
	RMB'000	*RMB'000*
Financial assets		
Available-for-sale securities	—	4,000
Financial assets at fair value through profit or loss	420	1,210
Loans and receivables (including cash and cash equivalents)	57,715	121,556
	58,135	126,766
Financial liabilities		
Financial liabilities stated at amortised cost	209,069	183,412

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

— The fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions; and

— The fair value of non-optional derivative instrument is calculated using quoted prices or where quoted prices are not available, the fair value is estimated using discounted cash flow analysis and the applicable curve for the duration of the instruments. For option based derivative, the fair value is estimated using option pricing model (for example, the Binomial model).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated balance sheet approximate their fair values due to short-term maturities.

7. TURNOVER

Turnover represents the net amounts received and receivable for goods sold and services provided by the Group to outside customers, less returns and discounts and sales related taxes.

An analysis of the Group's turnover is as follows:

	2008	2007
	RMB'000	*RMB'000*
Turnover		
— Sales of automation products and electronic components	102,289	94,404
— Fees for project and technical services	—	32,647
— Sales of natural resources	39,588	16,722
— Gross rental income from investment properties *(note)*	10,949	1,286
	152,826	145,059

Note:

An analysis of the Group's net rental income is as follows:

	2008	2007
	RMB'000	*RMB'000*
Gross rental income from investment properties	10,949	1,286
Less: Outgoings	(1,821)	(137)
Net rental income from investment properties	9,128	1,149

8. SEGMENT INFORMATION

The Group classified its businesses into three segments based on their nature of operations and economic characteristics: technology, trading and property investment. Technology segment comprises provision of technical and consultancy services including the provision of automation products on project base. Trading segment comprises the trading of natural resources, automation products as well as electronic components. Property investment segment comprises rental income arising from the Research and Development Centre in Shenzhen (the "R&D Centre") and the investment properties in Hong Kong.

Primary reporting format — Business segments

	For the year ended 30 June 2008				
	Technology	**Trading**	**Property investment**	**Unallocated**	**Consolidated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	—	141,877	10,949	—	152,826
Segment results	(14,847)	(81,275)	19,006	(23,020)	(100,136)
Finance costs					(12,219)
Loss before tax					(112,355)
Income tax					(267)
Loss for the year					(112,622)
Other information:					
Increase in fair value of investment properties	—	—	10,467	—	10,467
Gain on disposal of property, plant and equipment	—	56	—	—	56
Loss on disposal of a subsidiary and associates	—	—	—	9,349	9,349
Bad debts written off	4,847	24	—	—	4,871
Impairment loss on trade receivables	10,000	11,588	—	—	21,588
Impairment loss on prepayments, deposits and other receivables	—	1,103	—	5	1,108
Allowance for inventories	—	2,124	—	—	2,124
Depreciation of property, plant and equipment	—	1,110	131	114	1,355
Amortisation of prepaid lease payments	—	—	109	—	109
Provision for claims	—	60,700	—	—	60,700
Share-based payment expenses	—	—	—	2,913	2,913
Capital expenditure	—	739	24,152	—	24,891

	For the year ended 30 June 2007				
	Technology	Trading	Property investment	Unallocated	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	32,647	111,126	1,286	—	145,059
Segment results	699	(17,274)	39,035	(4,329)	18,131
Finance costs					(10,161)
Share of losses of associates					(104)
Profit before tax					7,866
Income tax					(2)
Profit for the year					7,864
Other information:					
Increase in fair value of investment properties	—	—	37,964	—	37,964
Gain (loss) on disposal of property, plant and equipment	18	54	—	(13)	59
Gain on disposal of subsidiaries	—	—	—	3,801	3,801
Depreciation of property, plant and equipment	510	769	—	110	1,389
Amortisation of prepaid lease payments	—	—	41	—	41
Capital expenditure	15,027	184	11,605	376	27,192

As at 30 June	**Total assets**		**Total liabilities**	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Technology	8,000	44,195	—	40,356
Trading	68,400	64,508	122,061	30,798
Property investment	197,321	166,988	517	519
	273,721	275,691	122,578	71,673
Interests in associates	—	10,726	—	—
Unallocated	5,679	42,985	125,987	140,610
Total	279,400	329,402	248,565	212,283

Secondary reporting format — Geographical segments

No geographical segments information of the Group is shown as the Group's operations, sales by geographical market and assets are substantially located in the PRC including Hong Kong.

9. OTHER REVENUE

	2008	2007
	RMB'000	*RMB'000*
Bank interest income	671	1,202
Dividend income from listed securities (financial assets at fair value through profit or loss)	—	8
Excess of fair value of identified net assets acquired over cost *(note 33)*	—	1,338
Gain on disposal of property, plant and equipment	56	59
Increase in fair value of investment properties	10,467	37,964
Net realised gain on disposal of listed securities (financial assets at fair value through profit or loss)	—	1,881
Net gain on disposal of subsidiaries *(note 34)*	—	3,801
Waiver of loan	—	905
Others	250	150
	11,444	47,308

10. FINANCE COSTS

	2008	2007
	RMB'000	*RMB'000*
Interests on:		
Bank overdraft	9	—
Bank borrowings wholly repayable within 5 years	12,023	10,161
Bank borrowings not wholly repayable within 5 years	187	—
	12,219	10,161

11. (LOSS) PROFIT BEFORE TAX

	2008	2007
	RMB'000	*RMB'000*
(Loss) profit before tax is stated after charging:		
Staff cost (including directors' emoluments):		
Salaries, wages and other benefits	13,864	10,706
Contributions to defined contribution plans	261	409
Share-based payment expenses *(note 35)*	2,913	—
	17,038	11,115
Included in research and development expenditures	—	(820)
	17,038	10,295
Auditors' remuneration	702	660
Amortisation of prepaid lease payments	109	41
Cost of inventories	129,115	132,344
Depreciation of property, plant and equipment	1,355	1,389
Impairment loss on amount due from an associate	—	530
Written off of property, plant and equipment	130	—
Operating lease rentals of premises	1,053	1,915
Impairment loss on prepayments, deposits and other receivables	1,108	—
Net foreign exchange losses	369	153
Research and development expenditures	—	1,792
Unrealised loss on listed securities (financial assets at fair value through profit or loss)	765	831

12. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the Listing Rules is as follows:

For the year ended 30 June 2008

	Directors' fees *RMB'000*	Salaries, allowances and in kind *RMB'000*	Contributions to defined payment *RMB'000*	Share-based plan *RMB'000*	Contribution Total *RMB'000*
Executive directors					
Ms. Chan Siu Chu, Debby *(note (a))*	—	952	368	5	1,325
Mr. Siek Fui *(note (a))*	—	549	361	—	585
Dr. Sze Kwan *(note (b))*	—	46	36	—	82
Mr. Tsim Sze Hon *(note (c))*	—	126	368	5	499
Mr. Lau Sai Chung *(note (d))*	—	319	36	5	360
Mr. Chen Xian *(note (e))*	—	320	—	—	320
Ms. Xia Dan *(note (f))*	—	191	—	—	191
Non-executive directors					
Mr. Gerard J. McMahon	316	87	945	—	1,348
Ms. Xia Dan *(note (f))*	—	—	—	—	—
Independent non-executive directors					
Mr. Lau Sai Chung *(note (a))*	60	—	—	—	60
Mr. Ng Kwok Chu, Winfield	158	—	36	—	194
Mr. Poon Lai Yin, Michael	158	—	36	—	194
Mr. Chong Yiu Chik *(note (g))*	56	—	—	—	56
	748	2,590	1,861	15	5,214

Notes:

(a) Retired on 30 November 2007

(b) Resigned on 1 September 2007

(c) Appointed on 1 December 2007

(d) Retired as independent non-executive director and re-designated as executive director on 30 November 2007

(e) Appointed on 12 October 2007

(f) Appointed on 21 August 2007 as non-executive director and re-designated as executive director on 12 October 2007

(g) Appointed on 1 March 2008

For the year ended 30 June 2007

	Directors' fees *RMB'000*	Salaries, allowances and in kind *RMB'000*	Contributions to defined payment *RMB'000*	Share-based plan *RMB'000*	Contribution Total *RMB'000*
Executive directors					
Ms. Chan Siu Chu, Debby	12	626	—	12	650
Mr. Siek Fui	12	621	—	12	645
Dr. Sze Kwan *(note (a))*	297	236	—	11	544
Mr. Liu Ping *(note (b))*	9	150	—	6	165
Non-executive directors					
Mr. Gerard J. McMahon	238	93	—	—	331
Mr. Lin Gongshi *(note (c))*	—	—	—	—	—
Independent non-executive directors					
Mr. Wee Soon Chiang, Henny *(note (d))*	48	—	—	—	48
Mr. Wong Kam Kau, Eddie *(note (d))*	48	—	—	—	48
Mr. Hui Hung, Stephen *(note (d))*	48	—	—	—	48
Mr. Lau Sai Chung *(note (e))*	94	—	—	—	94
Mr. Ng Kwok Chu, Winfield *(note (e))*	94	—	—	—	94
Mr. Poon Lai Yin, Michael *(note (f))*	70	—	—	—	70
	970	1,726	—	41	2,737

Notes:

(a) Resigned on 1 September 2007

(b) Resigned on 1 April 2007

(c) Resigned on 7 July 2006

(d) Retired on 24 November 2006

(e) Appointed on 15 September 2006

(f) Appointed on 29 November 2006

During the year ended 30 June 2008, no emolument or incentive payments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2007: nil). There was no arrangement under which directors waived or agreed to waive any emoluments in each of the years ended 30 June 2007 and 2008.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, three (2007: three) are directors whose emoluments are disclosed in note 12. The aggregate of the emoluments in respect of the other two (2007: two) individuals are as follows:

	2008	2007
	RMB'000	*RMB'000*
Salaries and other emoluments	1,269	1,562
Contributions to defined contribution plan	7	11
	1,276	1,573

Their emoluments were within the following bands:

	No. of employees	
	2008	2007
Nil to HK$1,000,000	2	1
HK$1,000,001 to HK$1,500,000	—	1

During the two years ended 30 June 2007 and 2008, no emolument was paid to the five highest paid individuals (including both directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

14. INCOME TAX

(a) Income tax charge in the consolidated income statement

	2008	2007
	RMB'000	*RMB'000*
Current taxation		
— Hong Kong Profits Tax	—	2
— PRC enterprise income tax	267	—
	267	2

(i) Overseas income tax

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2020. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income taxes.

(ii) Hong Kong Profits Tax

No Hong Kong Profits Tax had been provided for the year ended 30 June 2008 as the assessable profits of the Company and its subsidiaries operating in Hong Kong were wholly absorbed by the tax losses brought forward. Hong Kong Profits Tax has been provided for at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the year ended 30 June 2008.

(iii) PRC enterprise income tax

Pursuant to the laws and regulations in the PRC, the wholly-owned subsidiaries of the Company, Techwayson Industrial Limited and Techwayson Technology (Shenzhen) Limited, are High-Tech enterprise which were established and are operating in a special economic zone of the PRC, and are normally subject to the PRC enterprise income tax at a rate of 15%. However, they are entitled to exemption from PRC enterprise income tax for two years commencing from their first year of profit-making year of operation after offsetting prior year losses and thereafter, they will be entitled to a 50% relief from PRC enterprise income tax for the following six years.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "New Tax Law") which has taken effect since 1 January 2008. In December 2007, the Implementation Rules of the Corporate Income Tax Law of the PRC and Guo Fa [2007] No. 39 were promulgated to specify certain implementation details and grandfathering arrangements of the New Tax Law. As a result of the New Tax Law, the Company's subsidiaries in the PRC which previously enjoying the tax benefit as mentioned above are subject to a unified tax rate of 25% starting from 1 January 2008.

The deferred tax balance had been calculated using the applicable rates to reflect the change in tax rate.

(b) Reconciliation between income tax charge and (loss) profit before tax at applicable tax rates:

	2008	**2007**
	RMB'000	*RMB'000*
(Loss) profit before tax	(112,355)	7,866
Notional tax on (loss) profit before tax, calculated at the rates applicable to (loss) profit in the countries concerned	(23,809)	721
Tax effect of non-deductible expenses	25,100	5,581
Tax effect of non-taxable income	(2,410)	(5,652)
Tax effect of unused tax losses not recognised	2,062	5,109
Utilisation of previously unrecognised tax losses	(676)	(5,757)
Income tax charge	267	2

15. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share for the year ended 30 June 2008 is based on the consolidated loss attributable to equity holders of the Company of approximately RMB112,622,000 (2007: consolidated profit attributable to equity holders of the Company of approximately RMB7,864,000) and the weighted average number of 426,494,590 shares (2007: 350,000,000 shares) in issue during the year.

No diluted loss per share is presented for the year ended 30 June 2008 as the effect of the exercise of the Company's outstanding share options and convertible redeemable preference shares was anti-dilutive.

The calculation of diluted earnings per share for the year ended 30 June 2007 is based on the consolidated profit attributable to equity holders of the Company of approximately RMB7,864,000 and the weighted average number of ordinary shares of 354,235,347 shares, which is calculated based on the weighted average number of ordinary shares for the purpose of basic earnings per share of 350,000,000 shares adjusted by the effect of deemed conversion of convertible redeemable preference shares of 4,235,347 shares. Since the Company's shares were suspended for trading since 16 March 2006 and only resumed for trading with effect from 25 June 2007, the effect of conversion of convertible redeemable preference shares only takes into the account the period of resumption of trading of the Company's shares during the year ended 30 June 2007.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings in Hong Kong under medium-term leases *RMB'000*	Buildings in the PRC under medium-term leases *RMB'000*	Leasehold improvements *RMB'000*	Equipment *RMB'000*	Furniture *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
COST							
At 1 July 2006	—	—	228	4,501	565	1,473	6,767
Additions	—	—	1,363	22	310	481	2,176
Transfer from property under development	—	13,411	—	—	—	—	13,411
Disposals	—	—	—	(922)	—	(408)	(1,330)
Exchange difference	—	—	(17)	(19)	(19)	(18)	(73)
At 30 June 2007 and 1 July 2007	—	13,411	1,574	3,582	856	1,528	20,951
Additions	—	379	398	46	—	312	1,135
Transfer from investment properties* *(note 17)*	2,866	—	—	—	—	—	2,866
Disposals	—	—	(193)	—	(44)	(38)	(275)
Exchange difference	(65)	—	(7)	(20)	(19)	(33)	(144)
At 30 June 2008	2,801	13,790	1,772	3,608	793	1,769	24,533
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
At 1 July 2006	—	—	13	2,576	217	1,165	3,971
Provision for the year	—	447	97	547	120	178	1,389
Disposals	—	—	—	(922)	—	(330)	(1,252)
Exchange difference	—	—	(2)	(4)	(1)	(18)	(25)
At 30 June 2007 and 1 July 2007	—	447	108	2,197	336	995	4,083
Provision for the year	15	306	84	551	209	190	1,355
Disposals	—	—	(88)	—	(19)	(14)	(121)
Exchange difference	(1)	—	(2)	(10)	(27)	(14)	(54)
At 30 June 2008	14	753	102	2,738	499	1,157	5,263
CARRYING VALUES							
At 30 June 2008	2,787	13,037	1,670	870	294	612	19,270
At 30 June 2007	—	12,964	1,466	1,385	520	533	16,868

* *During the year ended 30 June 2008, the Group changed certain of its investment properties as office premises for the Group. The relevant portion relating to these investment properties have been transferred and included in prepaid leases payments and property, plant and equipment from the date of change in use.*

As of the date of approval of these consolidated financial statements, the Group has not obtained the building ownership certificates of certain buildings in the PRC as these buildings were seizured as a result of certain litigations against a subsidiary of the Group in relation to certain alleged guarantees and overdue bank borrowings. Such litigations were concluded and the Group is in the process of negotiation for the restructuring of the guarantee provisions and a short-term bank loan with the respective bank creditors. Details of which are set out in note 28.

Accordingly, the application of obtaining the building ownership certificates of these buildings was deferred. A legal opinion provided by the Company's PRC legal advisors on 21 October 2008 confirmed that although the subsidiary has not yet obtained the building ownership certificates of the relevant buildings, the ownership of the relevant buildings vested with the subsidiary.

17. INVESTMENT PROPERTIES

	2008	2007
	RMB'000	*RMB'000*
At valuation		
At the beginning of the year	166,693	—
Additions	23,756	1,510
Acquisition of a subsidiary *(note 33)*	—	43,207
Transfer from property under development	—	82,380
Transfer to property, plant and equipment* *(note 16)*	(2,866)	—
Transfer (to) from prepaid lease payment* *(note 18)*	(18,207)	1,673
Increase in fair value	10,467	37,964
Exchange difference	(4,075)	(41)
At end of the year	175,768	166,693

* *During the year ended 30 June 2008, the Group changed certain of its investment properties as office premises for the Group. The relevant portion relating to these investment properties have been transferred and included in prepaid leases payments and property, plant and equipment from the date of change in use.*

The Group's interests in investment properties at their carrying values are analysed as follows:

	2008	2007
	RMB'000	*RMB'000*
In Hong Kong:		
Medium-term leases	44,468	44,493
In the PRC:		
Medium-term leases	131,300	122,200
	175,768	166,693

All the Group's investment properties were held for the purpose of earning rental income or for capital appreciation and are measured using the fair value model. The fair values of the Group's investment properties in Hong Kong as at 30 June 2008 were valued on a market value basis by Norton Appraisals Limited, independent qualified professional valuers. The fair values of the Group's investment properties in the PRC as at 30 June 2008 were valued on a market value basis by DTZ Debenham Tie Leung Limited, independent qualified professional valuers.

As of the date of approval of these consolidated financial statements, the Group has not obtained the building ownership certificates of certain investment properties in the PRC as these investment properties were seizured as a result of certain litigations against a subsidiary of the Group in relation to certain alleged guarantees and overdue bank borrowings. Such litigations were concluded and the Group is in the process of negotiation for the restructuring of the guarantee provisions and a short-term bank loan with the respective bank creditors. Details of which are set out in note 28.

Accordingly, the application of obtaining the building ownership certificates of these investment properties was deferred. A legal opinion provided by the Company's PRC legal advisors on 21 October 2008 confirmed that although the subsidiary has not yet obtained the building ownership certificates of the relevant investment properties, the ownership of the relevant investment properties vested with the subsidiary.

18. PREPAID LEASE PAYMENTS

	Prepaid lease payments in Hong Kong	Land use right in the PRC	Total
	RMB'000	*RMB'000*	*RMB'000*
COST			
At 1 July 2006	—	2,028	2,028
Transfer to investment properties *(note 17)*	—	(1,743)	(1,743)
At 30 June 2007 and 1 July 2007	—	285	285
Transfer from investment properties *(note 17)*	18,207	—	18,207
At 30 June 2008	18,207	285	18,492
ACCUMULATED AMORTISATION			
At 1 July 2006	—	41	41
Amortisation for the year	—	41	41
Transfer to investment properties *(note 17)*	—	(70)	(70)
At 30 June 2007 and 1 July 2007	—	12	12
Amortisation for the year	103	6	109
Exchange difference	(6)	—	(6)
At 30 June 2008	97	18	115
NET CARRYING VALUES			
At 30 June 2008	18,110	267	18,377
At 30 June 2007	—	273	273

Land use rights in the PRC were acquired for the development of properties in respect of investment properties and property, plant and equipment.

During the year ended 30 June 2008, the Group changed certain of its investment properties as office premises for the Group. The relevant portion relating to these investment properties have been transferred and included in prepaid leases payments and property, plant and equipment from the date of change in use.

During the year ended 30 June 2007, the development of the properties have been completed and the relevant portion relating to the investment properties have been transferred and included in the carrying amount of investment properties.

The Group's prepaid lease payments are under medium-term leases in Hong Kong and the PRC, and analysed for reporting purposes as:

	2008	2007
	RMB'000	*RMB'000*
Current assets	391	6
Non-current assets	17,986	267
	18,377	273

19. INTERESTS IN ASSOCIATES

	2008	2007
	RMB'000	*RMB'000*
Share of net assets	—	—
Amount due from an associate	—	10,726
	—	10,726

The amount due from an associate was unsecured, non-interest bearing and had no fixed repayment term.

As set out in note 34, the Company disposed of its entire interests in associates through disposal of a subsidiary on 30 June 2008.

As at 30 June 2007 and up to the date of disposal, the particulars of associates, all of which are unlisted corporate entities held indirectly by the Company, are as follows:

Name	Percentage of issued shares	Country of incorporation and operations	Particulars of equity interests attributable to the Company	Principal activities
Orient Metro Limited	50,000 ordinary shares of US$1 each	British Virgin Islands	25%	Investment holding
PT Orient Metro Utama	2,521,800 ordinary shares of US$1 each	Indonesia	25%	Provision of mining technical services
Now Gain Limited	1 ordinary share of US$1	British Virgin Islands	25%	Provision of export services

Summary of financial information on associates up to the date of disposal on 30 June 2008:

	Assets	Liabilities	Deficit on equity	Revenues	Loss
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 30 June 2008					
100 per cent	36,213	(49,927)	(13,714)	—	(12,138)
Group's attributable share	9,053	(12,482)	—	—	—

Summary of financial information on associates as at 30 June 2007:

	Assets	Liabilities	Deficit on equity	Revenues	Loss
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 30 June 2007					
100 per cent	44,877	(46,998)	(2,121)	—	(2,537)
Group's attributable share	11,219	(11,749)	—	—	(104)

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant management accounts of associates, both for the year and cumulatively, are as follows:

	2008	2007
	RMB'000	*RMB'000*
Unrecognised share of losses of associates for the year	3,035	530
Accumulated unrecognised share of losses of associates up to the date of disposal on 30 June 2008/30 June 2007	3,565	530

20. AVAILABLE-FOR-SALE SECURITIES

	2008	2007
	RMB'000	*RMB'000*
Unlisted equity securities, at cost		
At beginning of year	55,338	51,338
Additions	—	4,000
Disposal	(4,000)	—
At end of the year	51,338	55,338
Impairment losses		
At beginning and at end of the year	(51,338)	(51,338)
Carrying value at end of the year	—	4,000

The available-for-sale securities are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so wide that the directors are of the opinion that their fair values cannot be measured reliably.

Available-for-sale securities amounting to approximately RMB51,338,000 (2007: RMB51,338,000) represents the Group's 18.52% unlisted equity interest in the registered capital of Goldwiz Huarui (Tongling) Electronic Material Company Limited* (科維華瑞(銅陵)電子材料有限公司), a company incorporated in the PRC, the operation of which has been suspended since December 2005 due to critical liquidity problem. Accordingly, the investment cost had been fully impaired in prior years.

Available-for-sale securities amounting to approximately RMB4,000,000 (2007: RMB4,000,000) represents the Group's 10% equity investment in an unlisted company incorporated in the PRC, Shanghai Pro EnerTech Limited* (上海普羅新能源有限公司) ("EnerTech"). On 28 January 2008, the Company disposed of its entired interests in EnerTech at a consideration of RMB4,000,000 and no gain or loss on disposal was resulted.

* *The English names are for identification purpose only.*

21. INVENTORIES

	2008	2007
	RMB'000	*RMB'000*
Merchandises	—	2,923

22. TRADE RECEIVABLES

Trade receivables consisted of:

	2008	2007
	RMB'000	*RMB'000*
Trade receivables	45,727	58,168
Less: Allowance for doubtful debts	(21,588)	—
	24,139	58,168

Customers are normally required to settle the debts within one to two months upon issue of invoices, except for certain well established customers where the terms are extended to two to three months. However, for provision of project and technical service, the customers are required to pay by instalments in accordance with the relevant contracts with the last instalment being made within 9 months upon generation of electricity.

In the review of the recoverability of trade receivables at each balance sheet date, the directors made their judgement based on factors such as the age of the amount due and the extent of settlements received subsequent to the balance sheet date.

Ageing analysis of trade receivables, net of allowance for doubtful debts, at the year end date is as follows:

	2008	2007
	RMB'000	*RMB'000*
Trade receivables		
0–60 days	7,939	36,922
61–90 days	—	10,178
91–365 days	7,200	10,026
Over 365 days *(note)*	9,000	1,042
	24,139	58,168

Note:

As at 30 June 2008, included in the balance with age over 365 days was an amount overdue from a debtor of RMB18,000,000. On 20 June 2008, a PRC subsidiary of the Group entered into a settlement agreement with the debtor. Pursuant to the settlement agreement, the overdue amount would be fully settled on or before 20 October 2008. Up to the date of approval of these consolidated financial statements, a total of RMB8,000,000 was received. The unpaid balance of RMB10,000,000 was fully provided for the year ended 30 June 2008 due to the expiry of the respective terms stated in the settlement agreement.

As at 30 June 2008, included in the balance with age over 365 days was also an amount due from a debtor of RMB1,000,000. The amount was fully settled subsequent to the year ended 30 June 2008.

Ageing analysis of trade receivables based on payment due date at the year end date which are not impaired based on payment due date:

	2008	2007
	RMB'000	*RMB'000*
Trade receivables		
Neither past due nor impaired	7,939	6,195
Less than 60 days past due	—	37,426
61–90 days	—	3,553
91–365 days	7,200	9,952
Over 365 days	9,000	1,042
	24,139	58,168

Trade receivables that were past due but not impaired related to customers that have a good repayment record with the Group. Based on past experience, the directors believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for bad and doubtful debts is as follows:

	2008	2007
	RMB'000	*RMB'000*
Balance at beginning of the year	—	—
Impairment loss recognised in profit or loss for the year	21,588	—
Balance at end of the year	21,588	—

At each of the balance sheet dates, the Group's trade debtors were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over these balances.

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Included in trade receivables in the consolidated balance sheet are mainly the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	2008	2007
	'000	*'000*
United States dollars	2,215	3,767

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2008	2007
	RMB'000	*RMB'000*
Prepayments, deposits and other receivables	16,214	10,996
Less: Allowance for doubtful debts	(1,108)	—
	15,106	10,996
Consisted of:		
Purchase deposits	7,657	4,313
Prepayments	4	185
Utilities and rental deposits	189	655
Prepaid lease payments	391	6
Other receivables *(note)*	6,865	5,837
	15,106	10,996

Note:

Included in other receivables is consideration receivable of approximately RMB5,463,000 in relation to disposal of a subsidiary, details of which has been set out in note 34.

Impairment losses in respect of prepayments, deposits and other receivables are recorded using an allowance account unless the Group is recognised that recovery of the amount is remote, in which case the impairment loss is written off against prepayments, deposits and other receivables directly. The movement in the allowance for doubtful debts is as follows:

	2008	2007
	RMB'000	*RMB'000*
Balance at beginning of the year	—	—
Impairment loss recognised in profit or loss for the year	1,108	—
Balance at end of the year	1,108	—

24. HELD-TO-MATURITY SECURITIES

At 30 June 2008, the Group had the following held-to-maturity securities:

	2008	2007
	RMB'000	*RMB'000*
Trust fund investments		
At cost	150,704	150,704
Less: Accumulated impairment loss recognised	(150,704)	(150,704)
At end of the year	—	—

Trust fund investments represent funds placed by two PRC subsidiaries with Kinghing Trust & Investment Co., Ltd.* (金信信託及投資有限公司) (the "Trust Company"), an independent trust investment company in the PRC. Pursuant to the relevant contracts, the funds were for a fixed term up to May 2006 and the Group's return on the trust funds is limited to an annual rate of return of 4%.

In early 2006, the Company was informed that the Trust Company has been ordered by the relevant authority to suspend its operation. The assets of the Trust Company are now being managed by the China Construction Bank. The two PRC subsidiaries have registered with the China Construction Bank its entitlement to the fund. Despite the Group's repeated attempts for confirmation of the repayment schedule, neither the China Construction Bank nor the local government has provided any information. In view of the absence of information to substantiate the recoverability of the trust fund, as at 30 June 2006, the directors consider to recognise an impairment loss of RMB150,704,000 on trust fund investment.

* *The English name is for identification purpose only.*

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

At 30 June 2008, the Group had the following financial assets at fair value through profit or loss:

	2008	**2007**
	RMB'000	*RMB'000*
Equity securities listed in Hong Kong at fair value	420	1,210

The fair value of listed investments is determined based on the latest quoted market bid prices on The Stock Exchange. The trading of the investee's shares were suspended on 21 May 2008 pending for the release of announcement relating to a placing of new shares and were resumed trading on 22 September 2008.

26. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	2008	**2007**
	RMB'000	*RMB'000*
Pledged bank deposits		
Bank deposits, pledged *(note (a))*	1,017	—
Time deposits, pledged *(note (a))*	11,272	12,099
	12,289	12,099

	2008	**2007**
	RMB'000	*RMB'000*
Cash and bank balances		
Time deposits, unpledged *(note (b))*	—	38,428
Cash at bank and on hand *(note (c))*	14,422	7,024
	14,422	45,452

Notes:

(a) The amounts represent short-term deposits with maturity of three months or less and were pledged to banks for bank facilities granted to the Group. The pledged deposits carried interest rate ranging from 0.31% to 4.1% per annum (2007: 0.01% to 4.1% per annum).

(b) The amounts as at 30 June 2007 represented time deposits placed at bank with maturity of three months or less which carried fixed interest rate of 4.1% per annum.

(c) Cash at bank and on hand comprises bank balances and cash held by the Group and short-term bank deposits with maturity of three months or less which are interest-bearing at prevailing market rates. At the balance sheet date, the effective interest rate of bank balances is approximately 0.01%–0.72% per annum (2007: 0.01%–0.72% per annum).

Included in pledged bank deposits and cash and bank balances in the consolidated balance sheet are mainly the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	2008	**2007**
	'000	*'000*
United States dollars	US$1,566	US$934
Hong Kong dollars	HK$12	HK$3
Rupiah Indonesian Rupiah	IDR20,320	Nil

27. TRADE PAYABLES AND SECURED BILLS PAYABLES

Ageing analysis of trade payables and secured bills payables at the year end date is as follows:

	2008	**2007**
	RMB'000	*RMB'000*
Trade payables		
0–60 days	—	5,983
61–90 days	312	3,883
91–365 days	—	1,012
Over 365 days	5,451	951
	5,763	11,829
Secured bills payables		
0–60 days	12,253	21,622

The bills payables were secured by the Group's investment properties.

Included in secured bills payables in the consolidated balance sheet are mainly the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	2008	**2007**
	'000	*'000*
United States dollars	US$1,795	US$2,887

28. PROVISION FOR CLAIMS

	2008	**2007**
	RMB'000	*RMB'000*
Balance at beginning of the year	10,441	15,000
Additional provision during the year	60,700	—
Settlement during the year	(5,200)	(4,559)
Balance at end of year	65,941	10,441

As at 30 June 2008, provision for claims included an amount of approximately RMB5,241,000 (2007: 10,441,000) set aside in respect of alleged guarantees which are said to be issued by a PRC subsidiary of the Company. Under the preliminary settlement agreement with the bank creditor (the "Bank"), the Group has agreed to settle the amount and to pledge its leasehold buildings and investment properties in the PRC as a security. The Group has settled approximately RMB5,200,000 during the year. However, up to the date of approval of these consolidated financial statements, the formal execution of the security has not yet been completed.

In addition, the Group has set aside a provision of approximately RMB60.7 million (2007: Nil) included in provision for claims during the year in respect of a claim by another branch office of the Bank against a PRC subsidiary of the Company under a corporate guarantee allegedly provided by the subsidiary to the Bank in respect of a third party. A judgement was made by the relevant court on the litigation regarding the alleged corporate guarantee in favour of the Bank and the Group has made an appeal against the judgement. The Group has reached a preliminary settlement agreement with the Bank regarding the alleged guarantee of approximately RMB60.7 million and restructuring of bank loan of approximately RMB80.7 million with the Bank (note 29). On 23 October 2007, the PRC subsidiary and the Bank entered into a non-binding memorandum of understanding ("MOU") under which both parties agreed that, among other things, subject to the withdrawal of appeal by the PRC subsidiary, the aggregate principal and interests of the amount of approximately RMB60.7 million would be restructured into a term of not less than 1 year and not more than 3 years against the pledge of the Group's leasehold buildings and investment properties in the PRC (to be secured under the above guarantee provisions of approximately RMB5,241,000 and approximately RMB60.7 million and the bank loan of approximately RMB80.7 million (note 29) and certain amount of accrued interest would be waived. Accordingly, the PRC subsidiary has applied to the relevant court to withdraw the appeal and a provision of approximately RMB60.7 million was made during the year ended 30 June 2008. As the formal execution of the security has not yet been completed, formal settlement and restructuring agreement has not yet been finalised with the Bank.

Although the formal execution of the security and final settlement agreements for both guarantee provisions of approximately RMB5,241,000 and approximately RMB60.7 million respectively have not been finalised, the Bank has not demanded immediate repayment up to the date of approval of these consolidated financial statements. The Group is continuing to negotiate with the Bank to finalise the terms of the settlements and considers there is no immediate liquidity difficulty.

29. BANK OVERDRAFT AND BANK BORROWINGS

	2008	**2007**
	RMB'000	*RMB'000*
Bank loans, secured	44,223	51,286
Overdue bank loan, unsecured	80,734	88,234
	124,957	139,520

The unsecured bank loan is borrowed from the Bank by a PRC subsidiary of the Company which was overdue as at 30 June 2007 and 30 June 2008. The interest rate of this unsecured bank loan has been increased to 9.558% as an overdue penalty imposed by the Bank. In December 2006, the Shenzhen Arbitration Committee made a decision in favour of the Bank which has however subsequently agreed not to enforce its right to demand immediate repayment from the Group in order to allow the bank to restructure the outstanding debt into a loan secured against the Group's leasehold buildings and investment properties in the PRC with carrying value as at 30 June 2008 of approximately RMB13,037,000 and RMB131,300,000 respectively (2007: RMB12,964,000 and RMB122,200,000 respectively). Up to the date of approval of these consolidated financial statements, the restructure of debt and the formal execution of the security have not yet been finalised. The accrued interest as at 30 June 2008 of approximately RMB25,692,000 (2007: RMB15,561,000) was recorded under current liabilities.

The secured bank loans represent short-term loans borrowed from other banks by other subsidiaries of the Company which bear interest at the prevailing market interest rate and will become due within one year. The effective interest rates of the secured bank loans as at 30 June 2008 were ranging from 2.75% to 5.91% (2007: 5.26% to 6.18%) per annum.

The above bank loans are repayable as follows:

	2008	**2007**
	RMB'000	*RMB'000*
On demand or within one year	112,397	139,520
More than one year but not exceeding two years	1,316	—
More than two years but not more than five years	4,170	—
More than five years	7,074	—
	124,957	139,520
Less: Amount due within one year shown under current liabilities	(112,397)	(139,520)
Amount due after one year	12,560	—

At 30 June 2008, the Group's bank overdraft carries interest rates ranging from 5.25% to 7% (2007: Nil) per annum.

Included in bank borrowings in the consolidated balance sheet are mainly the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	2008	**2007**
	'000	*'000*
Hong Kong dollars	36,812	40,926

30. ORDINARY SHARE CAPITAL

	No. of shares		**Equivalent to**
	'000	*HK$'000*	*RMB'000*
Authorised:			
Ordinary shares of HK$0.1 each at 1 July 2006, 30 June 2007 and 1 July 2007	1,000,000	100,000	106,000
Increase of share capital *(note (a))*	2,000,000	200,000	175,070
At 30 June 2008	3,000,000	300,000	281,070
Issued and fully paid:			
Ordinary shares of HK$0.1 each at 1 July 2006, 30 June 2007 and 1 July 2007	350,000	35,000	37,100
Issue of shares upon private placing *(note (b))*	70,000	7,000	6,127
Issue of shares upon exercise of share options *(note (c))*	8,680	868	760
At 30 June 2008	428,680	42,868	43,987

Notes:

(a) Pursuant to an ordinary resolution passed in the annual general meeting on 30 November 2007, the authorised share capital of the Company is increased from HK$100,000,000 to HK$300,000,000 (equivalent to RMB281,070,000) by the creation of 2,000,000,000 additional shares of HK$0.1 each ranking pari passu in all respects with the then existing shares of the Company.

(b) On 9 July 2007, the Company issued 70,000,000 new ordinary shares by private placing at an issue price of HK$0.3 each. The shares issued rank pari passu in all respects with the then existing shares of the Company.

(c) During the year ended 30 June 2008, 8,680,000 share options were exercised. Details of which have been set out in note 35. The shares issued rank pari passu in all respects with the then existing shares of the Company.

31. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

Convertible redeemable preference shares, issued and fully paid:

	2008		2007	
	Number of shares	**Amount**	**Number of shares**	**Amount**
	'000	*RMB'000*	*'000*	*RMB'000*
At beginning of the year	460,000	184,653	250,000	104,000
Shares issued	—	—	210,000	80,653
At end of the year	460,000	184,653	460,000	184,653
Represented by:				
Convertible redeemable preference shares *(note (a))*	350,000	142,406	350,000	142,406
Convertible redeemable preference A shares *(note (b))*	110,000	42,247	110,000	42,247
	460,000	184,653	460,000	184,653

(a) On 29 June 2006, the Company issued 250,000,000 convertible redeemable preference shares of par value of HK$0.10 at a subscription price of HK$0.40 each for cash. In April 2007, the Company exercised the option to require the subscriber to further subscribe for an additional 100,000,000 convertible redeemable preference shares at HK$0.40 each pursuant to the relevant agreement. On 22 June 2007, the Company issued these 100,000,000 convertible redeemable preference shares of par value of HK$0.10 at a subscription price of HK$0.40 each for cash.

(b) On 29 December 2006, the Company issued 110,000,000 convertible redeemable preference A shares of par value of HK$0.10 at a subscription price of HK$0.40 each in respect of the acquisition of a subsidiary (note 33).

All the above convertible redeemable preference shares can be converted into ordinary shares at HK$0.40 per share. The major terms of the above-mentioned preference shares are set out below:

(i) For the convertible redeemable preference shares issued on 29 June 2006 and 22 June 2007, the preference share holders has the right, exercisable at any time from the date of issue to 15 June 2009 and 7 June 2010 respectively (the dates being the 10 business days before the third anniversary of the respective dates of initial issue of the convertible redeemable preference shares) ("conversion period"), to convert the preference shares into fully paid ordinary shares. The Company has the right, exercisable following the end of the conversion period and up to the third anniversary of the date of the initial issue of the preference shares, to redeem all or part of the preference shares or to request the subscriber to convert all or part of preference shares into fully paid ordinary shares.

(ii) For the convertible redeemable preference A shares issued on 29 December 2006, the preference share holder has the right, exercisable at any time from the date of issue to 19 December 2008 (the date being the 10 business days before the second anniversary of the date of initial issue of the convertible redeemable preference shares) ("preference A shares conversion period"), to convert the preference shares into fully paid ordinary shares. The Company has the right, exercisable during the preference A shares conversion period, to redeem all or part of the preference A shares. The Company also has the right, exercisable following the end of the preference A shares conversion period and up to the second anniversary of the date of the initial issue of the preference shares, to request the subscriber to convert all or part of preference A shares into fully paid ordinary shares.

(iii) The convertible redeemable preference shares and convertible redeemable preference A shares are not transferable and do not carry the right to vote. Each share is entitled to be paid a fixed cumulative preferential dividend in priority to any payment to the holders of any other class of shares at the rate of 3.5% per annum on the amount paid up or credited as paid up. No payment of dividends on the convertible redeemable preference shares and convertible redeemable preference A shares unless at the relevant dividend payment due date, the Company has sufficient distributable reserves to cover the payment of such dividends.

32. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the taxation rate applicable to profits in the countries concerned.

Deferred income tax assets are recognised for tax loss carried forwards and other deductible temporary differences to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax loss of approximately RMB57,591,000 (2007: RMB52,878,000) to carry forward against future taxable income. Of the total amount of unrecognised tax losses, approximately RMB23,906,000 (2007: RMB16,914,000) can be carried forward for 5 years from the year of loss making and the remaining unrecognised tax losses have no expiry date.

The movement in net deferred tax assets (liabilities) during the year is as follows:

	Revaluation of properties	Allowance for trade receivables	Allowance for inventories	Bad debts written off	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 July 2006	—	—	—	—	—	—
Acquisition of a subsidiary	(1,207)	—	—	—	1,207	—
(Charged) credited to consolidated income statement	(5,611)	—	—	—	5,611	—
At 30 June 2007 and 1 July 2007	(6,818)	—	—	—	6,818	—
(Charged) credited to consolidated income statement	(2,323)	4,661	598	1,211	(4,147)	—
Effect of change in tax rate	(3,482)	—	—	—	3,482	—
Exchange difference	39	(50)	—	—	11	—
At 30 June 2008	(12,584)	4,611	598	1,211	6,164	—

33. ACQUISITION OF A SUBSIDIARY

On 29 December 2006, the Company acquired 100% equity interest of Weina Land Limited together with its shareholder's loan of HK$42,823,000 (equivalent to approximately RMB41,117,000) at a consideration of HK$44,000,000 (equivalent to approximately RMB42,247,000) which was satisfied by the issue of 110,000,000 convertible redeemable preference A shares of par value of HK$0.10 at a subscription price of HK$0.40 each by the Company to the vendor.

The fair value of the aggregate assets and liabilities acquired are as follows:

	RMB'000
Investment properties	43,207
Trade receivables, prepayments, deposits and other receivables	9,886
Cash and cash equivalents	525
Trade payables and other accruals	(431)
Shareholder's loan	(41,117)
Bank borrowings — repayable within one year	(9,602)
Net assets acquired	2,468
Total purchase consideration, net of shareholder's loan acquired	1,130
Excess of fair value of identified net assets acquired over purchase consideration recognised in consolidated income statement *(note 9)*	1,338
Cash and cash equivalents of the subsidiary acquired	525
Net cash inflow from acquisition of the subsidiary	525

The revenue and profit of the acquired subsidiary are as follows:

	For the year ended 30 June 2007 *RMB'000*	**Post acquisition** *RMB'000*
Total revenue	1,473	796
Profit	3,239	1,731

34. DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

Year ended 30 June 2008

During the year ended 30 June 2008, the Group disposed of a wholly-owned subsidiary, Magic Gain Investments Limited, and three indirectly held associates, Orient Metro Limited, PT Orient Metro Utama and Now Gain Limited ("Magic Gain Group") to an independent third party. The net liabilities of Magic Gain Group disposed of are as follows:

	RMB'000
Interests in associates	—
Other receivables	9,779
Other payables	(10,360)
	(581)
Release of translation reserve	(67)
Amounts due from Magic Gain Group *(note)*	15,460
Loss on disposal	(9,349)
Total consideration	5,463
To be satisfied by:	
Other receivables *(note 40)*	5,463
Net cash inflow from disposal *(note)*	Nil

Note:

Pursuant to a purchase and sales agreement entered into on 30 June 2008, the Group agreed to transfer its entire equity interests in Magic Gain Investments Limited together with the amounts due from Magic Gain Group of approximately RMB15,460,000 at the date of disposal at a consideration of HK$6,240,000 (equivalent to approximately RMB5,463,000), which has not yet been settled as at 30 June 2008. Such consideration has been included in prepayments, deposits and other receivables as at 30 June 2008 and was fully settled subsequent to 30 June 2008.

The subsidiary and associates disposed of did not contribute any significant results or cash flows in the current and prior years.

Year ended 30 June 2007

During the year ended 30 June 2007, the Group disposed of two wholly-owned subsidiaries, Citex China Limited and Techwayson Enterprises Limited. The net assets disposed of are as follows:

	RMB'000
Trade receivables, prepayments, deposits and other receivables	4,232
Cash and cash equivalents	229
Trade payables and other accruals	(10,090)
	(5,629)
Release of translation reserve	1,838
	(3,791)
Gain on disposal *(note 9)*	3,801
Total consideration	10
Satisfied by:	
Cash	10
Net cash outflow from disposal:	
Cash consideration	10
Cash and cash equivalents disposed of	(229)
	(219)

The subsidiaries disposed of did not contribute any significant results or cash flows in the current and prior years.

35. SHARE OPTIONS

Pursuant to the Company's share option scheme, the Company may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company as at the adoption date and as at the approval date of refreshment from time to time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the Company's board of directors and will not be less than the highest of (i) the nominal value of the Company's shares, (ii) the average of the closing price of the shares quoted on the Main Board of The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the grant date and (iii) the closing price of the shares on the grant date. During the year, 12,728,000 options (2007: nil) were granted to the eligible participant of the Group.

Category of participant	Date of grant of share options	Number of share options: At 1 July 2006 and 30 June 2007	Granted during the year	Exercise during the year	At 30 June 2008	Exercise period	Exercise price of share option
		'000	*'000*	*'000*	*'000*		*HK$*
Directors	6 July 2007	—	5,240	(3,740)	1,500	6 July 2007 to 5 July 2008	1.14
	31 January 2008	—	1,500	—	1,500	31 January 2008 to 30 January 2011	0.74
Employees	6 July 2007	—	5,988	(4,940)	1,048	6 July 2007 to 5 July 2008	1.14
		—	12,728	(8,680)	4,048		

Note: All of the above share options are exercisable on the granted date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The fair values of the share options granted during the year were calculated using the Binomial model. The inputs into the model were as follows:

	31 January 2008 Director	6 July 2007 Director	6 July 2007 Employee
Weighted average share price	HK$0.74	HK$1.14	HK$1.14
Weighted average exercise price	HK$0.74	HK$1.14	HK$1.14
Expected volatility	87.21%	62%	62%
Expected life	3	1	1
Risk free rate	1.774%	4.13%	4.13%
Expected dividend yield	0%	0%	0%
Valuation model used	Binomial	Binomial	Binomial

Expected volatility was determined by using the historical volatility of the Company's share price over one year and reference to the companies in the similar industry. The expected life used in the model as been adjusted, based on directors' best estimate, for the effect of non transfer ability, exercise restrictions and behavioral considerations.

At 30 June 2008, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 4,048,000 (2007: Nil), representing 1% (2007: Nil) of the ordinary shares in issue at that date.

The estimated fair value of options granted on 6 July 2007 and 31 January 2008 are approximately RMB2,369,000 and RMB544,000 respectively and the Group recognised the total expenses of approximately RMB2,913,000 for the year ended 30 June 2008.

36. EMPLOYEE RETIREMENT BENEFITS

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for its Hong Kong employees. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, each of the Group companies (the "employer") in Hong Kong and its employees makes monthly contributions to the scheme at 5% of the employee's earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a cap of HK$1,000 per month.

As stipulated by rules and regulations in the PRC, the two PRC subsidiaries are required to contribute to a state sponsored retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-sponsored retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

During the year ended 30 June 2008, the aggregate employer's contributions made by the Group amounted to RMB261,000 (2007: RMB409,000).

37. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases which are payable as follows:

	For premises		For equipment	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	1,120	15	17
Between two and five years	—	—	29	49
	—	1,120	44	66

The Group leases office premises and equipment under operating leases, which are negotiated for terms ranging from 2 to 5 years (2007: 2 to 5 years) respectively. None of the leases includes contingent rentals and terms of renewal were established in the leases.

The Group as lessor

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases which are receivables as follows:

	For premises	
	2008	**2007**
	RMB'000	*RMB'000*
Within one year	7,475	8,389
Between two and five years	3,339	6,442
	10,814	14,831

The Group leases out its investment properties under operating leases for terms of 2 to 5 years (2007: 2 to 5 years). None of the leases includes contingent rentals. The properties are expected to generate rental yields of 5% (2007: 0.7%) on an ongoing basis.

38. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure bank borrowings and secured bills payables of the Group (notes 27 and 29):

	2008	**2007**
	RMB'000	*RMB'000*
Property, plant and equipment — buildings:		
In Hong Kong under medium-term leases	2,787	—
Investment properties:		
In Hong Kong under medium-term leases	44,468	44,493
Prepaid lease payments:		
In Hong Kong under medium-term leases	18,110	—
Cash and bank balances:		
Bank deposits	1,017	—
Time deposits	11,272	12,099
	77,654	56,592

39. CONTINGENT LIABILITIES

On 25 April 2008, a PRC subsidiary of the Company had been served with a writ of summons in the PRC and was being claimed for a total amount of approximately RMB22 million under a guarantee being allegedly issued by the PRC subsidiary. The PRC subsidiary has appointed a firm of legal counsel to represent the PRC subsidiary to defend the claim and legal proceedings. First court hearing was held on 20 October 2008 and the legal proceedings is still in progress and no conclusion has been drawn on the legal proceedings up to the date of approval of these consolidated financial statements. Based on the legal advice and the facts of evidences presented to the court during the first court hearing, the directors are of the opinion that the Group would have strong grounds to defend and accordingly, no provision is required to be made in the consolidated financial statements.

40. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2008, the Group disposed of its entire equity interests in a subsidiary, Magic Gain Investments Limited, at a consideration of approximately RMB5,463,000. Such disposal is not reflected in the consolidated cash flow statement for the year ended 30 June 2008 as the Group has not received the consideration as of 30 June 2008, such consideration receivable of approximately RMB5,463,000 was included in other receivables as at 30 June 2008. Details of the disposal of Magic Gain Investments Limited are set out in note 34.

During the year ended 30 June 2007, the Group acquired 100% equity interest in a subsidiary, Weina Land Limited, together with its shareholder's loan at a consideration of approximately RMB42,247,000 from the vendor. The consideration of approximately RMB42,247,000 was satisfied by the issue of 110,000,000 convertible redeemable preference A shares of par value of HK$0.10 at a subscription price of HK$0.40 each by the Company to the vendor. Details of acquisition of Weina Land Limited together with its shareholder's loan are set out in note 33.

41. RELATED PARTY TRANSACTIONS

The directors consider that they are the only key management personnel of the Group. The directors' remuneration paid during the two years ended 30 June 2008 is disclosed in note 12.

42. SUBSEQUENT EVENT

During the year ended 30 June 2008, a main contractor of the R&D Centre, (the "Contractor"), raised a claim of approximately RMB9,500,000 against a PRC subsidiary of the Company. A judgement was made by the relevant court in the PRC on the litigation in favour of the Contractor and the Group has made an appeal against the judgement.

On 28 February 2008, the PRC subsidiary and the Contractor reached a mutual agreement to withdraw from the litigation, pursuant to which the Contractor was obligated to complete the construction works on or before 30 March 2008 and pay a penalty of RMB2,000 per day to the PRC subsidiary for any late completion of works whereas the Group was obligated to settle the aggregate construction cost together with the interest of RMB6,880,000 on or before 30 June 2008 and pay a penalty of RMB1,000,000 to the Contractor for any late payment. As of 30 June 2008, the Group has settled an aggregate amount of approximately RMB6,330,000 to the Contractor, however, the Contractor has not yet completed the works as agreed. As a result, the Group refused to pay the outstanding balance of RMB550,000 before 30 June 2008 and such amount has been included in other accruals as at 30 June 2008.

Subsequent to the balance sheet date, in early September 2008, the Contractor applied through the relevant PRC court to demand the PRC subsidiary to settle the outstanding amount of RMB550,000 together with the penalty. On 10 September 2008, the PRC subsidiary submitted a counterclaim to the relevant PRC court against the Contractor for breach of the said agreement. The PRC subsidiary has appointed a legal counsel to address the claims and the case is at its early stage of the proceedings and pending decision from the relevant PRC court as of the date of approval of these consolidated financial statements. Accordingly, no provision for penalty is made in the consolidated financial statements as at 30 June 2008.

43. SUBSIDIARIES

Details of the subsidiaries as at 30 June 2008 are as follows:

Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Usualink Development Limited	British Virgin Islands	1,250 ordinary shares of US$1 each	100%	—	Investment holding
德維森實業(深圳)有限公司 (Techwayson Industrial Limited)*#	PRC	HK$60,000,000	—	100%	Design, supply and integration of automation and control systems
Techwayson Management Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100%	—	Provision of management services
Techwire Enterprises Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	—	Investment holding
Techwayson Trading Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100%	—	Trading of automation products and electronic components
Realtop Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	—	Investment holding
德維森科技(深圳)有限公司 (Techwayson Technology (Shenzhen) Limited)*#	PRC	RMB100,000,000	—	100%	Design, supply and integration of automation and control systems
Smart Gain Asia Limited	Hong Kong	1 share of HK$1	100%	—	Trading of natural resources and other mineral products
Famous State Investments Limited	Hong Kong	1 share of HK$1	100%	—	Investment in listed securities
Weina Land Limited	Hong Kong	2 shares of HK$1 each	100%	—	Property investment
Fame Electronics Limited	Hong Kong	100 shares of HK$1 each	51%	—	Trading of mobile handsets

* *Techwayson Industrial Limited and Techwayson Technology (Shenzhen) Limited are wholly foreign owned enterprises established in a special economic zone of the PRC to be operated for 15 years up to September 2012 and 20 years up to June 2023 respectively.*

\# *The English names are for identification purpose only.*

44. SUMMARISED BALANCE SHEET OF THE COMPANY

	2008	2007
	RMB'000	*RMB'000*
Non-current asset		
Investments in subsidiaries	1,130	68,769
Current assets		
Amounts due from subsidiaries	5,024	132,848
Prepayments, deposits and other receivables	5,463	2
Cash and bank balances	42	38,515
	10,529	171,365
Current liabilities		
Accruals	273	636
Amounts due to subsidiaries	7,267	17,400
	7,540	18,036
Net current assets	2,989	153,329
Net assets	4,119	222,098
Capital and reserves		
Ordinary share capital	43,987	37,100
Share premium	28,952	7,160
Convertible redeemable preference shares	184,653	184,653
Share option reserve	1,094	—
Contributed surplus	67,614	67,614
Translation reserve	(17,927)	(6,011)
Accumulated losses	(304,254)	(68,418)
Total equity	4,119	222,098

45. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

A. INDEBTEDNESS STATEMENT

Indebtedness

As at the close of business on 31 July 2009, being the latest practicable date for the purpose of the statement of this indebtedness statement prior to the printing of this circular, the Enlarged Group had aggregate bank facilities of approximately RMB246,738,000 comprising bank loans and revolving loan, among which approximately RMB44,788,000 had been utilised by the Enlarged Group at that date.

As at the close of business on 31 July 2009, the Enlarged Group had secured bank loans of approximately RMB16,503,000, secured revolving loans of approximately RMB28,285,000 and unsecured bank loans of approximately RMB74,234,000 (the "**Unsecured Loan**"). In addition, the Enlarged Group had amounts due to the minority shareholders and amounts due to the shareholders of approximately RMB117,312,000 and RMB395,883,000 respectively. The amounts due to the minority shareholders and the amounts due to the shareholders are interest-free, unsecured and repayable on demand.

Security and guarantees

As at the close of business on 31 July 2009, the secured bank loans and revolving loans of the Enlarged Group were (a) guaranteed by corporate guarantee executed by the Company; and (b) secured by the Enlarged Group's property, plant and equipment with a total carrying amounts of approximately RMB2,742,000; investment properties with a total carrying amounts of approximately RMB41,857,000; prepaid lease payments with a total carrying amounts of approximately RMB17,790,000; time deposits of approximately RMB12,320,000 and property under development of approximately RMB282,168,000.

Commitments

As at the close of business on 31 July 2009, the Enlarged Group had commitment contracted but not provided for in respect of properties under development of approximately RMB46,265,000 and acquisition of a subsidiary of amounting RMB274,784,000.

As at the close of business on 31 July 2009, the Enlarged Group, as a lessee, had total future minimum lease payments under non-cancellable operating leases in respect of the office equipments amounting to approximately RMB30,000.

Contingent liabilities

As at the close of business on 31 July 2009, the Enlarged Group had the following contingent liabilities:

(1) On 25 April 2008, a subsidiary of the Enlarged Group established in the PRC (the "**PRC Subsidiary**") had been served with a writ of summons in the PRC and was being claimed for a total amount of approximately RMB22,000,000 under a guarantee being allegedly issued by the PRC Subsidiary. The PRC Subsidiary had made an appeal against the judgment in October 2008. The legal proceedings are still in progress and no conclusion has been drawn on the legal proceedings up to the date of this statement. Based on the legal advice, the Directors are of the opinion that the Enlarged Group would have strong grounds to defend and accordingly, no provision is considered necessary.

(2) As at the close of business on 31 July 2009, the Enlarged Group had set aside a provision of claims of approximately RMB60,700,000 in respect of a claim by another branch office of a bank (the "**Bank**") against the PRC Subsidiary under a corporate guarantee allegedly provided by the PRC Subsidiary to the Bank in respect of a third party. A judgment was made by the relevant court on the litigation regarding the alleged corporate guarantee in favour of the Bank and the Enlarged Group has made an appeal against the judgment. The Enlarged Group has reached a preliminary settlement agreement with the Bank regarding the alleged guarantee of approximately RMB60,700,000 and the restructuring of the Unsecured Loan with the Bank. On 23 October 2007, the PRC subsidiary and the Bank entered into a non-binding memorandum of understanding under which both parties agreed that, among other things, subject to the withdrawal of appeal by the PRC Subsidiary, the aggregate principal and interests in the amount of approximately RMB60,700,000 would be restructured into a term of not less than one year and not more than three years against the pledge of the Enlarged Group's leasehold buildings and investment properties in the PRC and the Unsecured Loan and certain amount of accrued interest thereon would be waived. Accordingly, the PRC Subsidiary has applied to the relevant court to withdraw the appeal and a provision of approximately RMB60,700,000 was made during the year ended 30 June 2008. As the formal execution of the security has not yet been completed, formal settlement and restructuring agreement has not yet been finalised with the Bank. Although the formal execution of the security and final settlement agreements have not been finalised, the Bank has not demanded immediate repayment up to the date of this statement. The Enlarged Group is continuing to negotiate with the Bank to finalise the terms of settlements.

(3) In December 2007, a main contractor of the Enlarged Group has raised a claim of approximately RMB9,500,000 against a PRC subsidiary. The relevant court has made a judgment in favour of the main contractor and the Enlarged Group has made an appeal against the judgement. In May 2008, that PRC subsidiary and the main contractor reached a mutual agreement to withdraw from the litigation by settling a reasonable amount. However, the main contractor applied through the relevant court to demand that PRC subsidiary to settle the retainer fee due being RMB550,000 together with penalty. On 10 September 2008, that PRC subsidiary submitted a counter claim for the settlement of the retainer fee of RMB550,000 to the relevant court. The legal proceedings are still in progress and no conclusion has been drawn on the legal proceedings up to the date of this statement. Based on the legal advice, the Directors are of the opinion that the Enlarged Group would have strong grounds to defend and accordingly, no provision is considered necessary.

(4) In November 2008, a PRC subsidiary brought a claim against the contractors for the breach of contracts in respect of settlement of service fees for certain construction works performed by that PRC subsidiary. A judgment was made on 21 April 2009 by the relevant court in favor of that PRC subsidiary and the contractors have made an appeal against the judgment on 14 May 2009. The legal proceeding are still in progress and no conclusion has been drawn on the legal proceedings up to the date of this statement.

(5) The Enlarged Group had arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. The outstanding guarantees were amounted to approximately RMB326,440,000 as at 31 July 2009.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Renminbi at the rate of exchange prevailing the close of business on 31 July 2009.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have outstanding at the close of business on 31 July 2009 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.

B. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial and trading position of the Group since 30 June 2008 (being the date to which the latest published audited financial statements of the Group have been made up) and up to the Latest Practicable Date.

C. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, taking into account its internal resources and the presently available credit facilities of the Enlarged Group and after the Completion, the Enlarged Group will not have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

In view of the foregoing, a loan facility of RMB200 million has been granted by Bank of China to the Project Company for the development of Property B. In addition, the Company will also consider (i) applying the proceeds from the sale of the property units under Property A; and (ii) conducting pre-sale of the property units under Property B, in order to fulfill the future working capital requirement of the Target Group. The abovementioned measures are limited to fulfill the future working capital requirement of the Target Group and the Directors are of the opinion that the Target Group would be able to fulfill its future working capital requirement.

On 8 September 2009, Zhuhai City Construction Bureau issued the pre-sale permit regarding the pre-sale of the Previous Project. As such, the Directors expected that there will be sufficient working capital for the completion of the Previous Project and any surplus cash flow can be used for the development of Property B, if necessary.

As for the existing Group, it is stated in the 2008 Interim Report that the Company was in the process of negotiation for the restructuring of the guarantee provisions of approximately RMB60,700,000 and short term-bank loan of approximately RMB77,734,000 with a bank creditor (the "**Restructuring**"). As at the Latest Practicable Date, the Directors confirmed that the negotiation process was still in process.

The said bank creditor is aware of the Acquisition and both the Company and the bank creditor target to finalise the Restructuring before the end of December 2009. Should the Restructuring be approved by the bank creditor, the liquidity position of the existing Group would likely to be improved. If the Restructuring is successful with the term of repayment spread over more than one year, the Group's working capital will be improved. Furthermore, the pre-sale proceeds from the Previous Project can also be used to settle part of the debt liabilities of the Enlarged Group, if necessary. However, if the Restructuring and/or the pre-sale of Property B fails, the Company would propose to raise additional working capital through various fund raising activities, including but not limited to, raising additional bank financing, debt instruments, share placement and rights issue (if necessary and appropriate).

As mentioned in the "Letter from the board" of this circular, the construction of Property B is scheduled to be completed in May 2011. In addition, with reference to the current development plan of Property B, the pre-sale of its property units may start in the second quarter of 2010 and the Enlarged Group shall apply the proceeds being derived to settle part of its then debt liabilities.

The Directors are aware of that the Enlarged Group's liquidity position would depend largely on the successful negotiation of the Restructuring and the development of Property B. The Company shall publish relevant announcement(s) to update the Shareholders as and when necessary.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

23 September 2009

The Directors
The Quaypoint Corporation Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Boom Lotus Holdings Limited (the "Target") and its subsidiary (hereinafter collectively referred to as the "Target Group") for the period from 7 December 2007 (date of incorporation) to 31 December 2008 and the six months ended 30 June 2009 (the "Relevant Periods") for inclusion in the circular dated 23 September 2009 (the "Circular") of The Quaypoint Corporation Limited ("Quaypoint") in connection with the proposed acquisition of the entire issued share capital of the Target, details of which are set out in the Circular.

The Target was incorporated in the British Virgin Islands (the "BVI") with limited liability on 7 December 2007 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each.

The Target is an investment holding company and the particulars of its subsidiary at 31 December 2008 were as follows:

Name of subsidiary	Place and date of incorporation	Share capital	Proportion of interest directly held	Principal activity
Giant Famous Limited ("Giant Famous")	Hong Kong	HK$1,000	100%	Inactive

The Target Group has adopted 31 December as its financial year end date. The financial statements of the Target for the period from 7 December 2007 (date of incorporation) to 31 December 2008 was audited by Proventus & Co., Certified Public Accountants, registered in Hong Kong. No audited financial statements have been prepared for Giant Famous Limited as it was inactive since incorporation.

For the purpose of this report, the sole director of the Target has prepared the consolidated financial statements of the Target Group in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments have been made to the Underlying Financial Statements in the preparation of our report for inclusion in the Circular.

We have examined the Underlying Financial Statements in accordance with the Auditing Guidelines 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The sole director of the Target is responsible for the preparation of the Underlying Financial Statements and the Financial Information. The directors of Quaypoint are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements and to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

However, the scope of our examination which was planned in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by HKICPA was limited as set out below:

BASIS OF QUALIFIED OPINION

As explained in Note 2 below, which indicates that the Target Group and the Target had net current liabilities of approximately RMB10,000 respectively as at 30 June 2009, the Financial Information have been prepared on a going concern basis. In the absence of sufficient documentary evidence, we were unable to ascertain whether the assumptions made by the sole director in preparing the Financial Information on a going concern basis are proper and appropriate.

Should the Target Group and the Target be not able to continue its business as a going concern, adjustments would be necessary to provide for further liabilities which may arise. The Financial Information has not incorporated any of these adjustments.

QUALIFIED OPINION ARISING FROM THE MATERIAL UNCERTAINTIES RELATING TO THE GOING CONCERN

In our opinion, except for any adjustments that might have been found necessary had we been able to satisfy ourselves regarding the matter as set out in the basis of qualified opinion paragraph, the Financial Information, together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Group and the Target as at 31 December 2008 and 30 June 2009 and of its results of the Target Group for each of the Relevant Periods.

The comparative consolidated statements of comprehensive income and consolidated statement of changes in equity of the Target Group for the six months ended 30 June 2008 together with the notes thereto have been extracted from the Target Group's financial information for the same period (the "30 June 2008 Financial Information") which was prepared by the sole director of the Target solely for the purpose of this report. It is our responsibility to form an independent conclusion, based on our review, and to report our conclusion to you.

For the purpose of this report, we have reviewed the 30 June 2008 Financial Information in accordance with Hong Kong Standards on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. Our review consisted principally of making enquiries of the Target's management and applying analytical procedures to the 30 June 2008 Financial Information and bases thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 June 2008 Financial Information.

Except for the effect of the going concern described in the basis of qualified opinion paragraph, based on our review for the purpose of this report, we are not aware of any material modification that should be made to the 30 June 2008 Financial Information.

I. FINANCIAL INFORMATION

Consolidated Statement of Comprehensive Income

	Notes	Period from 7 December 2007 (date of incorporation) to 31 December 2008 *RMB'000*	Six months ended 30 June 2008 *RMB'000* (Unaudited)	Six months ended 30 June 2009 *RMB'000*
Turnover	7	—	—	—
Gain on disposal of a subsidiary	15	—	—	19
Administrative expenses		(31)	(21)	(5)
(Loss) profit before tax	8	(31)	(21)	14
Income tax expense	9	—	—	—
(Loss) profit and total comprehensive income for the period		(31)	(21)	14

Consolidated Statement of Financial Position

	Notes	As at 31 December 2008 RMB'000	As at 30 June 2009 RMB'000
CURRENT LIABILITIES			
Other payables		(4)	(4)
Amount due to a director	12	(13)	—
Amount due to a shareholder	13	(7)	(6)
		(24)	(10)
CAPITAL AND RESERVES			
Share capital	14	7	7
Accumulated losses		(31)	(17)
		(24)	(10)

Statement of Financial Position

	Notes	As at 31 December 2008 RMB'000	As at 30 June 2009 RMB'000
NON-CURRENT ASSET			
Investment in a subsidiary	11	1	—
CURRENT LIABILITIES			
Other payables		(4)	(4)
Amount due to a shareholder	13	(7)	(6)
Net current liabilities		(11)	(10)
		(10)	(10)
CAPITAL AND RESERVES			
Share capital	14	7	7
Accumulated losses		(17)	(17)
		(10)	(10)

Consolidated Statement of Changes in Equity

	Share capital	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At date of incorporation	—	—	—
Share issued to the subscriber on 27 December 2007	7	—	7
Total comprehensive loss for the period	—	(31)	(31)
At 31 December 2008	7	(31)	(24)
Total comprehensive income for the period	—	14	14
At 30 June 2009	7	(17)	(10)

For the six months ended 30 June 2008 (Unaudited):

	Share capital	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Share issued upon incorporation	7	—	7
Total comprehensive loss for the period	—	(21)	(21)
At 30 June 2008	7	(21)	(14)

Notes to the Financial Information

1. GENERAL INFORMATION

The Target is a company incorporated under the British Virgin Islands Business Act 2004 with limited liability on 7 December 2007. The addresses of the registered office and the principal place of business of the Target is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The Financial Information is presented in Renminbi ("RMB"), which is different from the functional currency of the Target Group, United States dollar ("US$"), as the sole director of the Target considers that RMB is the most appropriate presentation currency for the Target Group in view of the Target Group's principal activity is to hold investments in the PRC.

The principal activity of the Target is investment holding while the principal activity of its subsidiary is set out in note 11.

The Target Group has no cash transaction during the Relevant Periods and the six months ended 30 June 2008. Accordingly, no consolidated statement of cash flows has been prepared.

2. BASIS OF PREPARATION

As at 30 June 2009, the Target Group and the Target had net current liabilities of approximately RMB10,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Target Group's and the Target's ability to continue as a going concern and therefore that it may be unable to discharge its liabilities in the normal course of business. Nevertheless, the sole director is of the opinion that the Target Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 30 June 2009 given that the director of the Target anticipates that the Target Group and the Target will generate positive cash flows from its operations.

Accordingly, the sole director is of the opinion that it is appropriate to prepare the Financial Information on a going concern basis. Should the Target Group and the Target be unable to continue to operate as a going concern, adjustments would have to be made to provide for further liabilities which might arise. The effect of these adjustments has not been reflected in the Financial Information.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Target Group has applied all the revised HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA which are effective for the Target Group's financial year beginning on 1 January 2009 throughout the Relevant Periods.

The Target Group has not early applied the following new and revised standards, amendments or INTs that have been issued but are not yet effective as at the date of this report.

HKFRSs (Amendments)	Improvement of HKFRSs May 2008[1]
HKFRSs (Amendments)	Improvement of HKFRSs April 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendment)	Eligible hedged item[3]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[3]
HK(IFRIC) — INT 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) — INT 18	Transfers of Assets from Customers[5]

1 Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009.

2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 July 2009.

4 Effective for annual periods beginning on or after 1 January 2010.

5 Effective for transfer of assets from customers received on or after 1 July 2009.

The sole director of the Target anticipates that the adoption of new and revised standards, amendments and INTs will have no material impact on the results and the financial position of the Target Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis These accounting policies have been consistently applied throughout the Relevant Periods and are materially consistent with the accounting policies adopted by Quaypoint, unless otherwise stated.

The Financial Information has been prepared in accordance with HKFRSs 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.

Basis of consolidation

The Financial Information incorporates the financial statements of the Target and entities controlled by the Target (its subsidiaries). Control is achieved where the Target has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The result of subsidiaries acquired or disposed during the Relevant Periods are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Target Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investment in a subsidiary

In the Target's statement of financial position, the investment in a subsidiary is stated at cost less any impairment loss identified. The results of the subsidiary are accounted for by the Target on the basis of dividends received and receivable.

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 period. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the Target Group becomes a party to the contractual provisions of the instruments. 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.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and as 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. The Target Group's financial liabilities are generally classified as other financial 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 expenses are recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including other payables and amounts due to a shareholder/a director are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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.

5. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to registered owners through the optimisation of the debt and equity balance.

The capital structure of the Target Group consists of equity attributable to registered owners of the Target, represented by the share capital.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Target Group will balance its overall capital structure through the payment of dividends and new capital. The Target Group's approach to capital management remains unchanged throughout the Relevant Periods.

6. FINANCIAL INSTRUMENTS

The Target Group's major financial instruments include other payables and amounts due to a shareholder and a director. Details of the financial instruments are disclosed in respective notes. The risks associated with the financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors the exposure to ensure appropriate measures are implemented on a timely and effective manner.

Liquidity risk

The Target Group's contractual maturity for its financial liability, which represents the other payables, amounts due to a director and a shareholder, are repayable on demand and non-interest bearing. The carrying amount of these financial liabilities are the same as the undiscounted cash flows of financial liabilities based on the earliest date in which the Target Group required to pay.

Fair values of financial liabilities

The fair values of financial liabilities reported at the end of the reporting period approximate to their carrying amounts due to their immediate or short-term maturities.

7. TURNOVER

The Target Group did not generate any turnover during the Relevant Periods and the six months ended 30 June 2008. Therefore, no segment information is represented.

8. (LOSS) PROFIT BEFORE TAX

	Period from 7 December 2007 (date of incorporation) to 31 December 2008	**Six months ended 30 June 2008**	**Six months ended 30 June 2009**
	RMB'000	*RMB'000* (Unaudited)	*RMB'000*
(Loss) profit before tax has been arrived at after charging:			
Auditors' remuneration	3	—	—
Directors' emoluments *(note 10)*	—	—	—

9. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Target Group did not generate any assessable profits in Hong Kong during the Relevant Periods and the six months ended 30 June 2008.

The tax charge for the period can be reconciled to the (loss) profit before tax per the consolidated statement of comprehensive income as follows:

	Period from 7 December 2007 (date of incorporation) to 31 December 2008	**Six months ended 30 June 2008**	**Six months ended 30 June 2009**
	RMB'000	*RMB'000* (Unaudited)	*RMB'000*
(Loss) profit before tax	(31)	(21)	14
Domestic tax rates	17.5%	17.5%	16.5%
Tax at the domestic income tax rate	(5)	(4)	2
Tax effect of income not taxable for tax purposes	—	—	(3)
Tax effect of expenses not deductible for tax purposes	5	4	1
Tax charge for the period	—	—	—

There are no material deferred taxation as at each of the end of reporting period.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Director's emoluments

During the Relevant Periods and the six months ended 30 June 2008, no emoluments and no retirement benefit scheme contributions were paid or payable to the sole director of the Target. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and the six months ended 30 June 2008.

(b) Employee's emolument

No staff was employed by the Target Group during the Relevant Periods and the six months ended 30 June 2008.

(c) During the Relevant Periods and the six months ended 30 June 2008, no emoluments were paid by the Target Group to the sole director or employee as an inducement to join or upon joining the Target Group or as compensation for loss of office.

11. INVESTMENT IN A SUBSIDIARY

	As at 31 December 2008 *RMB'000*	**As at 30 June 2009** *RMB'000*
Unlisted investment, at cost	1	—

The details of the subsidiary as at 31 December 2008 were set out as follow:

Name of subsidiary	**Place and date of establishment**	**Share capital**	**Proportion of interest directly held**	**Principal activity**
Giant Famous Limited	Hong Kong	HK$1,000	100%	Inactive

None of the subsidiary had any debt securities outstanding at the end of the Relevant periods or at any time during the Relevant periods.

12. AMOUNT DUE TO A DIRECTOR

The Target Group

The amount due to a director is unsecured, interest-free and repayable on demand.

13. AMOUNT DUE TO A SHAREHOLDER

The Target Group and the Target

The amount due to a shareholder is unsecured, interest-free and repayable on demand.

14. SHARE CAPITAL

	Number of shares	Amount *US$*
Ordinary shares of US$1 each		
Authorised:		
50,000 ordinary shares of US$1 each on 7 December 2007 (date of incorporation), at 31 December 2008 and 30 June 2009	50,000	50,000
Issued and fully paid		
At date of incorporation	—	—
1,000 ordinary share of US$1 each on 27 December 2007, at 31 December 2008 and 30 June 2009	1,000	1,000
Shown in the Financial Information		RMB7,000

The Target was incorporated on 7 December 2007 with an authorised share capital of US$50,000. On 27 December 2007, 1,000 ordinary share of US$1 each was issued at par to the subscriber to provide the initial share capital of the Target.

15. DISPOSAL OF A SUBSIDIARY

On 30 June 2009, the Target Group disposed of its 100% equity interests in Giant Famous Limited to an independent third party at a consideration of HK$1,000 (equivalent to RMB991). The net liability of Giant Famous Limited at the date of disposal were as follows:

	30 June 2009 *RMB'000*
Net liability disposed of:	
Amount due to a director	18
Gain on disposal	19
Total consideration	1
Satisfied by:	
Amount due to a shareholder	1

The subsidiary disposed of during the six months ended 30 June 2009 had no significant impact on the turnover, results or cash flow to the Target Group.

16. RELATED PARTY TRANSACTIONS

Apart from the balances with related parties at the end of each reporting period are disclosed elsewhere in the consolidated Financial Information, the Target Group had not entered into any other significant related party transactions for the Relevant Periods and the six months ended 30 June 2008.

Compensation of key management personnel

The sole director considers he is the only key management personnel of the Target Group and no remuneration has been paid to him during the Relevant Periods and the six months ended 30 June 2008.

17. CAPITAL COMMITMENT

	As at 31 December 2008 *RMB'000*	As at 30 June 2009 *RMB'000*
Capital commitments contracted but not provided for, in respect of acquisition of a subsidiary	—	274,784

II. SUBSEQUENT EVENTS

On 26 June 2009, the Target entered into a sale and purchase agreement with a vendor (the "Vendor") to acquire the entire issued share capital of Pine Global Investments Limited ("Pine Global") (the "Acquisition"), at a total consideration of approximately RMB274,784,000 (equivalent to HK$310,000,000). The Acquisition is completed on 11 August 2009. On the same date, the Target entered into a share charge agreement with the Vendor to charge all of the issued share capital of Pine Global in favour of the Vendor in respect of the unpaid consideration amounting RMB47,068,000 (equivalent to HK$53,100,000) (the "Remaining Consideration"). According to the share charge agreement, the Remaining Consideration will be paid within 90 days from the completion date of the Acquisition, and after that the share charge will be released by the Vendor.

Details of which are set out in the Quaypoint's announcement dated 20 August 2009.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target and the Target Group have been prepared by the Target Group in respect of any period subsequent to 30 June 2009.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798
Hong Kong

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

23 September 2009

The Directors
The Quaypoint Corporation Limited

Dear Sirs,

We set out below our report on the financial information of Pine Global Investments Limited (the "Company") for the period from 19 May 2006 (date of incorporation) to 31 December 2006, the two years ended 31 December 2007 and 2008 and the six months ended 30 June 2009 (the "Relevant Periods") (the "Financial Information") for inclusion in the circular of The Quaypoint Corporation Limited ("Quaypoint") dated 23 September 2009 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Boom Lotus Holdings Limited ("Boom Lotus"), details of which are set out in the Circular.

The Company was incorporated in the British Virgin Islands (the "BVI") with limited liability on 19 May 2006 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each.

The Company is an investment holding company and at the date of this report, the Company holds 50% equity interests in an associate, Zhuhai Zhongzhu Real Estate Development Co., Ltd.* (珠海中珠房地產開發有限公司) ("Zhuhai Zhongzhu"), which is a private limited company established in the People's Republic of China (the "PRC") on 8 November 2005, Zhuhai Zhongzhu engages in the real estate development in the PRC.

The Company has adopted 31 December as its financial year end date. The financial statements of the Company for the period from 19 May 2006 (date of incorporation) to 31 December 2006, the two years ended 31 December 2007 and 2008 were audited by Proventus & Co., Certified Public Accountants, registered in Hong Kong.

For the purpose of this report, the sole director of the Company prepared financial statements of the Company for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the Relevant Periods (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments have been made to the Underlying Financial Statements in the preparation of our report for inclusion in the Circular.

* *The English name is for identification purpose only.*

We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The sole director of the Company is responsible for the preparation of the Underlying Financial Statements and the Financial Information. The directors of Quaypoint are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements and to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2006, 2007 and 2008 and 30 June 2009 and of the results and cash flows of the Company for the Relevant Periods.

The comparative statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the six months ended 30 June 2008 together with the notes thereon have been extracted from the Company's unaudited financial information for the same period (the "30 June 2008 Financial Information") which was prepared by the director of the Company solely for the purpose of this report. It is our responsibility to form an independent conclusion, based on our review, and to report our conclusion to you.

For the purpose of this report, we have reviewed the 30 June 2008 Financial Information in accordance with Hong Kong Standards on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. Our review consisted principally of making enquiries of the Company's management and applying analytical procedures to the 30 June 2008 Financial Information and bases thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 June 2008 Financial Information.

Base on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the 30 June 2008 Financial Information is not prepared, in all material aspects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Statement of Comprehensive Income

	Notes	Period from 19 May 2006 (date of incorporation) to 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008	Six months ended 30 June 2008	Six months ended 30 June 2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Turnover	7	—	—	—	—	—
Bank interest income		386	136	1	1	—
Administrative expenses		(20)	(110)	(70)	(43)	(32)
Imputed interest income on loans to an associate		691	4,256	4,610	2,248	2,414
Share of results of an associate		(679)	(10,706)	(6,960)	(3,364)	64,628
Finance costs	8	(4,036)	(16,475)	(15,703)	(7,648)	(8,254)
(Loss) profit before tax	9	(3,658)	(22,899)	(18,122)	(8,806)	58,756
Income tax expense	10	—	—	—	—	(6,462)
(Loss) profit and total comprehensive income for the year/period		(3,658)	(22,899)	(18,122)	(8,806)	52,294

Statement of Financial Position

		As at 31 December			As at 30 June
		2006	2007	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Investment in an associate	13	181,466	176,385	169,425	234,053
Loans to an associate	14	53,201	57,457	62,067	64,481
		234,667	233,842	231,492	298,534
Current assets					
Amount due from an associate	15	903	903	903	903
Bank balances and cash		7,980	112	59	46
		8,883	1,015	962	949
Current liabilities					
Other payables		—	3	19	38
Loan from holding company — due within one year	16	5,855	—	—	—
		5,855	3	19	38
Net current assets		3,028	1,012	943	911
		237,695	234,854	232,435	299,445
Capital and reserves					
Share capital	17	—	—	—	—
Reserves		67,902	50,628	32,506	84,800
Total equity		67,902	50,628	32,506	84,800
Non-current liabilities					
Loan from holding company — due after one year	16	169,793	184,226	199,929	208,183
Deferred tax liability	18	—	—	—	6,462
		169,793	184,226	199,929	214,645
		237,695	234,854	232,435	299,445

Statement of Changes in Equity

	Share capital *RMB'000*	**Shareholders' contribution reserve** *RMB'000* *(Note)*	**Accumulated (losses) profit** *RMB'000*	**Total equity** *RMB'000*
Issue of shares at the date of incorporation *(Note 17)*	—	—	—	—
Deemed shareholders' contribution	—	65,315	—	65,315
Share of shareholder's contribution reserve from an associate	—	6,245	—	6,245
Total comprehensive loss for the period	—	—	(3,658)	(3,658)
At 31 December 2006	—	71,560	(3,658)	67,902
Share of shareholders' contribution reserve from an associate	—	5,625	—	5,625
Total comprehensive loss for the year	—	—	(22,899)	(22,899)
At 31 December 2007	—	77,185	(26,557)	50,628
Total comprehensive loss for the year	—	—	(18,122)	(18,122)
At 31 December 2008		77,185	(44,679)	32,506
Total comprehensive income for the period	—	—	52,294	52,294
At 30 June 2009	—	77,185	7,615	84,800

For the six months ended 30 June 2008 (Unaudited):

	Share Capital *RMB'000*	**Shareholders' contribution reserve** *RMB'000* *(Note)*	**Accumulated losses** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2008	—	77,185	(26,557)	50,628
Total comprehensive loss for the period	—	—	(8,806)	(8,806)
At 30 June 2008	—	77,185	(35,363)	41,822

Note: The shareholders' contribution represents the imputed interest expenses on interest-free loans from shareholders.

Statement of Cash Flows

	Period from 19 May 2006 (date of incorporation) to 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008	Six months ended 30 June 2008	Six months ended 30 June 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
OPERATING ACTIVITIES					
(Loss) profit before tax	(3,658)	(22,899)	(18,122)	(8,806)	58,756
Adjustments for:					
Interest income	(386)	(136)	(1)	(1)	—
Imputed interest income on loans to an associate	(691)	(4,256)	(4,610)	(2,248)	(2,414)
Finance costs	4,036	16,475	15,703	7,648	8,254
Share of results of an associate	679	10,706	6,960	3,364	(64,628)
Operating cashflows before movements in working capital	(20)	(110)	(70)	(43)	(32)
Increase in other payables	—	3	16	—	19
NET CASH USED IN OPERATING ACTIVITIES	(20)	(107)	(54)	(43)	(13)
INVESTING ACTIVITIES					
Acquisition of an associate	(163,410)	—	—	—	—
Advance to an associate	(903)	—	—	—	—
Loan to an associate	(65,000)	—	—	—	—
Bank interest received	386	136	1	1	—
NET CASH (USED IN) FROM INVESTING ACTIVITY	(228,927)	136	1	1	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES					
Advance from (repayment to) holding company	236,927	(7,897)	—	—	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,980	(7,868)	(53)	(42)	(13)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	—	7,980	112	112	59
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR, represented by bank balances and cash	7,980	112	59	70	46

Notes to the Financial Information

1. GENERAL INFORMATION

The Company was incorporated under the British Virgin Islands Business Act 2004 with limited liability on 19 May 2006. The addresses of the registered office and the principal place of business of the company is at Wickhams Cay 1, P.O. Box 662, Road Town, Tortola, BVI. Its holding company is RREEF Global Opportunities Fund II, LLC which was incorporated in State of Delaware.

The Financial Information is presented in Renminbi ("RMB"), which is different from the functional currency of the Company, United States dollar ("US$"), as the sole director of the Company considers that RMB is the most appropriate presentation currency in view of the Company's principal asset is the 50% equity interests in an associate, Zhuhai Zhongzhu which was established and engaged business in the PRC.

The Company is an investment holding company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Company has consistently applied all the revised HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA which are effective for the Company's financial year beginning on 1 January 2009 throughout the Relevant Periods.

The Company has not early applied the following new and revised standards, amendments or INTs that have been issued but are not yet effective as at the date of this report.

HKFRSs (Amendments)	Improvement of HKFRSs May 2008[1]
HKFRSs (Amendments)	Improvement of HKFRSs April 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendment)	Eligible hedged item[3]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[3]
HK(IFRIC) — INT 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) — INT 18	Transfers of Assets from Customers[5]

1 Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods beginning on or after 1 January 2010.
5 Effective for transfer of assets from customers received on or after 1 July 2009.

The sole director of the Company anticipates that the adoption of new and revised standards, amendments and INTs will have no material impact on the results and the financial position of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. These accounting policies have been consistently applied throughout the Relevant Periods and are materially consistent with the accounting policies adopted by Quaypoint, unless otherwise stated.

The Financial Information has been prepared in accordance with HKFRSs 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.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest 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 these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associates, less any identified impairment loss. When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where the Company transacts with an associate of the Company, profits and losses are eliminated to the extent of the Company's interest in the relevant associate.

Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when a company 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.

Financial assets

The Company's financial assets are all classified as 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 and points 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including amount due from an associate, loans to an associate and bank balances and cash) 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 loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each 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 assets have been impacted.

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 loans to an associate and amount due from an associate, 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 the Company's past experience of collecting payments and observable changes in national or local economic conditions that correlate default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or 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 amounts of loan to an associate and amount due from an associate are reduced for impairment loss through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When loan to an associate 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 the 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 the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and as equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company's financial liabilities are generally classified as other financial 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 expenses is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including other payables and loan from holding company are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company 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 the Company 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 directly in equity is recognised in profit or loss. If the Company retains substantially all the risks and rewards of ownership of a transferred asset, the Company continues to recognize the financial asset and recognize a collateralised borrowing for proceeds received.

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 statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in an associate, except where the Company 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Impairment losses on tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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. Impairment losses are recognised as an expense immediately.

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.

4. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities in the Company 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 Company consists of debts, which includes loan from holding company as disclosed in Note 16, bank balances and cash and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profit.

The sole director of the Company reviews the capital structure regularly. The Company considers the cost of capital and risks associated with the capital and will balance its overall capital structure through the new share issues of the Company as well as the raise of new debts. The Company's overall strategy remains unchanged over the Relevant Periods.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the sole director of the Company is required to make judgements, 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.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of 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.

Estimated impairment of amount due from an associate/loans to an associate

The Company makes impairment loss on doubtful debts based on an assessment of the recoverability of amount due from an associate and loans to an associate. Impairment is applied to amount due from an associate and loans to an associate where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate such difference will impact carrying values of amount due from an associate and loans to an associate and doubtful debt expenses in the period in which such estimate has been changed. No impairment was made during the Relevant Periods and the six months ended 30 June 2008.

6. FINANCIAL INSTRUMENT

6a. Categories of financial instruments

Financial assets

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans and receivables (including cash and cash equivalents)	62,084	58,472	63,029	65,430

Financial liabilities

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities measured at amortised cost	175,648	184,229	199,948	208,221

6b. Financial risk management objectives and policies

The Company's major financial instruments include amount due from an associate, loans to an associate and bank balances and cash, other payables and loans from holding company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

(i) Currency risk

As most of the Company's monetary assets and liabilities are denominated in RMB, the exchange rate risk of the Company is not significant and the Company does not employ any financial instruments for hedging purposes.

(ii) Credit risk

At the end of each reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position. In order to minimise the credit risk, management of the Company reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that follow-up action is taken timely and adequate impairment losses are made for irrecoverable amounts. In this regard, the sole director considers that the Company's credit risk is significantly reduced.

Other than concentration of credit risk on the loans to an associate, the Company does not have any other significant concentration of credit risk.

The credit risk on liquid funds is limited because the counterparties are banks and financial institutions with high credit ratings assigned by international credit-rating agencies.

(iii) Interest rate risk

The Company is exposed to fair value interest rate risk in relation to loans to an associate and loan from holding company as set out in Notes 14 and 16, respectively. The Company currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

(iv) Liquidity risk

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of loan from holding company and other source of fundings and considers the risk is minimal.

The following table details the Company's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

Liquidity risk tables

	Within one year *RMB'000*	1–2 years *RMB'000*	2–5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying Amounts *RMB'000*
As at 31 December 2006					
Non-derivative financial liabilities					
Other payables	—	—	—	—	—
Loan from holding company	7,897	—	229,030	236,927	175,648
	7,897	—	229,030	236,927	175,648
As at 31 December 2007					
Non-derivative financial liabilities					
Other payables	3	—	—	3	3
Loan from holding company	—	—	229,030	229,030	184,226
	3	—	229,030	229,033	184,229
As at 31 December 2008					
Non-derivative financial liabilities					
Other payables	19	—	—	19	19
Loan from holding company	—	229,030	—	229,030	199,929
	19	229,030	—	229,049	199,948
As at 30 June 2009					
Non-derivative financial liabilities					
Other payables	38	—	—	38	38
Loan from holding company	—	229,030	—	229,030	208,183
	38	229,030	—	229,068	208,221

6c. Fair value

The fair values of financial assets and financial liabilities of the Company are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The sole director of the Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the statement of financial position approximate their fair values due to their short-term maturities.

The sole director of the Company also considers that the fair value of the long-term portion of liabilities approximates to their carrying amount as it is carried at amortised cost by using an effective interest rate method.

7. TURNOVER

The Company did not generate any turnover during the Relevant Periods and the six months ended 30 June 2008. Therefore, no segment information is presented.

8. FINANCE COSTS

	Period from 19 May 2006 (date of incorporation) to 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008	Six months ended 30 June 2008	Six months ended 30 June 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Imputed interest expense on loan from holding company	(4,036)	(16,475)	(15,703)	(7,648)	(8,254)

9. (LOSS) PROFIT BEFORE TAX

	Period from 19 May 2006 (date of incorporation) to 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008	Six months ended 30 June 2008	Six months ended 30 June 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss) profit before tax has been arrived at after charging:					
Directors' emoluments *(Note 11)*	—	—	—	—	—
Auditors' remuneration	—	4	3	—	—
Share of taxation of an associate (included in share of result of an associate)	—	—	—	—	6,963

10. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Company did not generate any assessable profits in Hong Kong during the Relevant Periods and the six months ended 30 June 2008.

The income tax expense for the Relevant Periods and the six months ended 30 June 2008 can be reconciled to the (loss) profit before tax per the statement of comprehensive income as follows:

	Period from 19 May 2006 (date of incorporation) to 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008	Six months ended 30 June 2008	Six months ended 30 June 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss) profit before tax	(3,658)	(22,899)	(18,122)	(8,806)	58,756
Domestic tax rates	17.5%	17.5%	17.5%	17.5%	16.5%
Tax at the applicable income tax rate	(640)	(4,007)	(3,172)	(1,541)	9,695
Tax effect of share of result of an associate	118	1,873	1,218	589	(10,664)
Tax effect of expenses not deductible for tax purpose	710	2,903	2,760	1,346	1,367
Tax effect of income not taxable for the tax purpose	(188)	(769)	(806)	(394)	(398)
Deferred tax liability arising on undistributed profit of PRC associate from 1 January 2008 onwards	—	—	—	—	(6,462)
Income tax expense for the year/period	—	—	—	—	(6,462)

Details of deferred taxation are set out in Note 18.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emolument

Details of emoluments paid and payable to the directors of the Company for the Relevant Periods and the six months ended 30 June 2008 are as follows:

	Fees	Salaries and other allowance	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the period from 19 May 2006 (date of incorporation) to 31 December 2006				
Executive director:				
Tortola Corporation Company Limited[1]	—	—	—	—
For the year ended 31 December 2007				
Executive director:				
Tortola Corporation Company Limited[1]	—	—	—	—
For the year ended 31 December 2008				
Executive director:				
Tortola Corporation Company Limited[1]	—	—	—	—
For the six months ended 30 June 2008 (unaudited)				
Executive director:				
Tortola Corporation Company Limited[1]	—	—	—	—
For the six months ended 30 June 2009				
Executive directors:				
Tortola Corporation Company Limited[1]	—	—	—	—
Ho Man Hung[2]	—	—	—	—
Total	—	—	—	—

Notes:

1. Appointed on 5 July 2006 and resigned on 11 August 2009

2. Appointed on 11 August 2009

(b) Employees' emolument

No staff was employed by the Company during the Relevant Periods and the six months ended 30 June 2008.

(c) During the Relevant Periods and the six months ended 30 June 2008, no emoluments were paid by the Company to the sole director or employee as an inducement to join or upon joining the Company or as compensation for loss of office.

12. DIVIDENDS

No dividends was paid or proposed during the Relevant Periods and the six months ended 30 June 2008.

13. INVESTMENT IN AN ASSOCIATE

	At 31 December 2006	2007	2008	At 30 June 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment, at cost	175,900	175,900	175,900	175,900
Share of post-acquisition (loss) profit and reserve	5,566	485	(6,475)	58,153
	181,466	176,385	169,425	234,053

The summarised financial information in respect of the Company's interest in its associate which is accounted for using the equity method is set out below:

	At 31 December 2006	2007	2008	At 30 June 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	469,826	831,331	1,048,189	767,928
Total liabilities	(209,257)	(580,925)	(811,703)	(402,186)
Net assets	260,569	250,406	236,486	365,742
Company's share of net assets of an associate	130,284	125,203	118,243	182,871
Goodwill on acquisition of an associate	38,692	38,692	38,692	38,692
Deemed capital contribution	12,490	12,490	12,490	12,490
	181,466	176,385	169,425	234,053

Name of associate	Period from 19 May 2006 (date of incorporation) to 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008	Six months ended 30 June 2008	Six months ended 30 June 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	—	—	—	—	363,845
(Loss) profit for the period/year	(1,358)	(21,412)	(13,920)	(6,728)	129,256
Company's share of (loss) profit of associate for the period/year	(679)	(10,706)	(6,960)	(3,364)	64,628

As at the end of each of reporting period, the details of the associate are set out as follow:

Name of subsidiary	Place and date of establishment	Registered capital	Proportion of interest held	Principal activities
Zhuhai Zhongzhu	The PRC 8 November 2005	RMB250,000,000	50%	Development of real estates in the PRC

Included in the cost of investment in an associate is goodwill of RMB38,692,000 arising on acquisition of an associate on 12 August 2006. The movement of goodwill is set out below.

	RMB'000
COST	
At the date of incorporation	—
Arising on acquisition of an associate	38,692
At 31 December 2006, 2007 and 2008 and 30 June 2009	38,692

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of cash generating unit ("CGU") is determined based on the dividend income received from Zhuhai Zhongzhu which all the distributable profits will be fully paid to shareholders as dividend. That calculation uses cash flow projections based on financial budgets approved by the management of Zhuhai Zhongzhu covering a 5-year period (the "Forecast"), and discount rate of 11.7%, 13.2%, 12.4% and 12.9% as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively.

The directors of the associate are of the opinion that, based on the Forecast the recoverable amount of this CGU exceeds its carrying amount in the statement of financial position and no impairment loss of goodwill is necessary during the Relevant Periods.

14. LOANS TO AN ASSOCIATE

The amount was unsecured, interest-free and will be settled in August 2009. The imputed interest rate on the loans to an associate was carried at 8% throughout the Relevant Periods. The loan to an associate is denominated in US$.

15. AMOUNT DUE FROM AN ASSOCIATE

Amount due from an associate is unsecured, interest-free and repayable on demand.

16. LOAN FROM HOLDING COMPANY

The amount was unsecured, interest-free and repayable on 31 August 2010. The principal amount of RMB7,897,000 was early settled in July 2007. The imputed interest rate carried at 8.5% throughout the Relevant Periods. Loan from holding company is denominated in US$.

17. SHARE CAPITAL

	Number of shares	Amount
		US$
Authorised:		
50,000 ordinary shares of US$1 each on 19 May 2006 (date of incorporation), at 31 December 2006, 2007 and 2008 and 30 June 2009	50,000	50,000
Issued and fully paid:		
1 ordinary share of US$1 each on 5 July 2006, at 31 December 2006, 2007 and 2008 and 30 June 2009	1	1
Shown in the Financial Information		RMB8

The Company was incorporated on 19 May 2006 with an authorised share capital of US$50,000. On 5 July 2006, 1 ordinary share of US$1 each was issued at par to the subscriber to provide the initial share capital of the Company.

18. DEFERRED TAX LIABILITIES

The following is the major deferred tax liability recognised and movements thereon during the Relevant Periods:

	Dividend withholding tax
	RMB'000
At 19 May 2006 (date incorporation), 31 December 2006, 2007 and 2008	—
Charge to statement of comprehensive income for the period	6,462
At the ended 30 June 2009	6,462

On 16 March 2007, the PRC promulgated the law of the PRC on EIT (the "New Law") by Order No.63 of the President of the PRC. According to the New Law, starting from 1 January 2008, 10% withholding income tax will be imposed on dividends relating to profits earned by the companies established in the PRC in calendar year 2008 onwards to their foreign shareholders. For investors incorporated in the BVI which hold at least 25% of equity interests of those PRC companies, a preferential rate of 10% will be applied. Deferred tax has been provided for in respect of the temporary difference attributable to such profits amounting to approximately RMB64,628,000.

19. RELATED PARTY TRANSACTIONS

Apart from the balances with an associate and holding company at the end of each reporting period are disclosed elsewhere in the Financial Information, the Company had not entered into any other significant related party transactions for the Relevant Periods and the six months ended 30 June 2008.

Compensation of key management personnel

The sole director considers that he is the only key management personnel of the Company and no remuneration has been paid to him during the Relevant Periods and the six months ended 30 June 2008.

II. SUBSEQUENT EVENTS

No material subsequent events took place after the end of the reporting period.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company have been prepared in respect of any period subsequent to 30 June 2009.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798
Hong Kong

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

23 September 2009

The Directors
The Quaypoint Corporation Limited

Dear Sirs,

We set out below our report on the financial information of Zhuhai Zhongzhu Real Estate Development Co., Ltd.* (珠海中珠房地產開發有限公司) (the "Company") for the three years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 (the "Relevant Periods") (the "Financial Information") for inclusion in the circular of The Quaypoint Corporation Limited ("Quaypoint") dated 23 September 2009 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Boom Lotus Holdings Limited ("Boom Lotus"), details of which are set out in the Circular.

The Company was established in the People's Republic of China (the "PRC") with limited liability on 8 November 2005 with a registered capital of HK$80,000,000. The Company engages in the development of real estate in the PRC.

The Company has adopted 31 December as its financial year end date. The statutory financial statements of the Company for the three years ended 31 December 2006, 2007 and 2008, which were prepared in accordance with the relevant accounting principles and regulations applicable to the enterprises established in the PRC and were audited by Deloitte Touche Tohmatsu CPA Limited (德勤華永會計師事務所有限公司), a certified public accountants registered in the PRC.

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

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments have been made to the Underlying Financial Statements in the preparation of our report for inclusion in the Circular.

We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

* *The English name is for identification purpose only.*

The director of the Company is responsible for the preparation of the Underlying Financial Statements and the Financial Information. The directors of Quaypoint are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements and to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2006, 2007 and 2008 and 30 June 2009 and of the results and cash flows of the Company each of the Relevant Periods.

The comparative statement of comprehensive income, statement of changes in equity and statement of cash flow of the Company for the six months ended 30 June 2008 together with the notes thereon have been extracted from the Company's unaudited financial information for the same period (the "30 June 2008 Financial Information") which was prepared by the director of the Company solely for the purpose of this report. It is our responsibility to form an independent conclusion, based on our review, and to report our conclusion to you.

For the purpose of this report, we have reviewed the 30 June 2008 Financial Information in accordance with Hong Kong Standards on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. Our review consisted principally of making enquiries of the Company's management and applying analytical procedures to the 30 June 2008 Financial Information and bases thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 June 2008 Financial Information.

Base on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the 30 June 2008 Financial Information is not prepared, in all material aspects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Statement of Comprehensive Income

		Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	7	—	—	—	—	363,845
Cost of sales		—	—	—	—	(219,395)
Gross profit		—	—	—	—	144,450
Other operating income	8	45	825	3,826	2,004	1,215
Administrative expenses		(680)	(3,109)	(2,667)	(1,342)	(1,149)
Selling expenses		(575)	(9,953)	(5,201)	(2,537)	(2,305)
Other operating expenses		—	(45)	(191)	(154)	(118)
Fair value of the financial guarantee contract	23	—	(1,186)	(469)	(204)	(548)
Change in fair value of investment properties	15	—	—	—	—	7,776
Finance costs	9	(691)	(7,944)	(9,218)	(4,495)	(6,139)
(Loss) profit before tax	10	(1,901)	(21,412)	(13,920)	(6,728)	143,182
Income tax expense	11	—	—	—	—	(13,926)
(Loss) profit and total comprehensive income for the year/period		(1,901)	(21,412)	(13,920)	(6,728)	129,256

Statement of Financial Position

		As at 31 December			As at 30 June
		2006	2007	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Plant and equipment	14	76	459	371	324
Investment properties	15	22,301	38,071	53,224	61,000
Properties under development	16	446,442	588,419	282,168	282,168
		468,819	626,949	335,763	343,492
Current assets					
Properties under development	16	—	—	460,260	—
Properties held for sale	17	—	—	—	241,413
Other receivables		156	13,585	25,875	5,385
Amount due from a shareholder	18	—	7,813	16,280	14,306
Tax recoverable		—	5,092	10,901	1,939
Restricted bank deposits	19	—	3,000	3,000	—
Bank balances and cash	20	851	174,892	196,110	161,393
		1,007	204,382	712,426	424,436
Current liabilities					
Trade and other payables	21	71,186	83,079	94,638	86,081
Advances from customers	22	—	227,053	441,166	153,823
Amounts due to shareholders	18	84,870	14,792	906	906
Financial guarantee liabilities	23	—	1,105	879	879
Loans from shareholders — due within one year	24	—	—	124,114	128,942
Bank borrowings — due within one year	25	—	—	150,000	30,000
		156,056	326,029	811,703	400,631
Net current (liabilities) assets		(155,049)	(121,647)	(99,277)	23,805
		313,770	505,302	236,486	367,297
Capital and reserves					
Paid-up capital	26	250,000	250,000	250,000	250,000
Reserves		10,569	406	(13,514)	115,742
Total equity		260,569	250,406	236,486	365,742
Non-current liabilities					
Loans from shareholders — due after one year	24	53,201	114,896	—	—
Bank borrowings — due after one year	25	—	140,000	—	—
Deferred tax liabilities	27	—	—	—	1,555
		53,201	254,896	—	1,555
		313,770	505,302	236,486	367,297

Statements of Changes in Equity

	Paid-up capital *RMB'000*	Shareholders' contribution reserve *RMB'000* *(Note)*	Accumulated (losses) profit *RMB'000*	Total equity *RMB'000*
At 1 January 2006	83,180	—	(20)	83,160
Capital injection	166,820	—	—	166,820
Deemed shareholders' contribution	—	12,490	—	12,490
Total comprehensive loss for the year	—	—	(1,901)	(1,901)
At 31 December 2006	250,000	12,490	(1,921)	260,569
Deemed shareholders' contribution	—	11,249	—	11,249
Total comprehensive loss for the year	—	—	(21,412)	(21,412)
At 31 December 2007	250,000	23,739	(23,333)	250,406
Total comprehensive loss for the year	—	—	(13,920)	(13,920)
At 31 December 2008	250,000	23,739	(37,253)	236,486
Total comprehensive income for the period	—	—	129,256	129,256
At 30 June 2009	250,000	23,739	92,003	365,742

For the six months ended 30 June 2008 (unaudited):

	Paid-up capital *RMB'000*	Shareholders' contribution reserve *RMB'000* *(Note)*	Accumulated loss *RMB'000*	Total equity *RMB'000*
At 1 January 2008	250,000	23,739	(23,333)	250,406
Total comprehensive loss for the period	—	—	(6,728)	(6,728)
At 30 June 2008	250,000	23,739	(30,061)	243,678

Note: The shareholders' contribution represented the imputed interest expenses on interest-free loans from shareholders.

Statement of Cash Flow

	Year ended 31 December 2008			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
OPERATING ACTIVITIES					
(Loss) profit before tax	(1,901)	(21,412)	(13,920)	(6,728)	143,182
Adjustments for:					
Bad debts written off	—	1,636	39	—	—
Change in fair value of investment properties	—	—	—	—	(7,776)
Depreciation of plant and equipment	11	42	95	47	47
Finance costs	691	7,944	9,218	4,495	6,139
Amortisation of financial guarantee liabilities	—	(81)	(695)	(290)	(548)
Fair value of the financial guarantee contract	—	1,186	469	204	548
Interest income	(45)	(388)	(2,986)	(1,659)	(580)
Operating cashflows before movements in working capital	(1,244)	(11,073)	(7,780)	(3,931)	141,012
Increase in property under development	(78,945)	(136,966)	(142,929)	(69,581)	—
Decrease in property held for sale	—	—	—	—	220,228
(Increase) decrease in other receivables	(156)	(7,867)	(10,796)	(7,468)	25,694
(Increase) decrease in amount due from a shareholder	—	(7,813)	1,233	(2,715)	1,974
Increase (decrease) in amounts due to shareholders	1,974	(1,974)	—	—	—
Increase (decrease) in trade and other payables	71,186	(397)	10,026	12,829	(13,761)
Increase (decrease) in advances from customers	—	227,053	214,113	148,829	(287,343)
Cash (used in) generated from operations	(7,185)	60,963	63,867	77,963	87,804
Income tax paid	—	—	(5,809)	(2,044)	(3,409)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(7,185)	60,963	58,058	75,919	84,395
INVESTING ACTIVITIES					
(Increase) decrease in restricted bank deposits	—	(3,000)	—	—	3,000
Purchase of investment properties	(8,365)	(15,770)	(15,153)	(7,096)	—
Interest received	45	388	2,986	1,659	580
Purchase of plant and equipment	(87)	(425)	(7)	(5)	—
Advance to a shareholder	—	—	(9,700)	(9,700)	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(8,407)	(18,807)	(21,874)	(15,142)	3,580

	Year ended 31 December 2008			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
FINANCING ACTIVITIES					
Repayment of bank borrowings	—	—	(20,000)	(20,000)	(120,000)
Interest paid	—	(5,011)	(11,080)	(5,398)	(2,692)
Repayment of amounts due to shareholders	(217,495)	(68,104)	(13,886)	(13,886)	—
Advance from shareholders	65,000	65,000	—	—	—
Capital contribution	166,820	—	—	—	—
New bank borrowings raised	—	140,000	30,000	30,000	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	14,325	131,885	(14,966)	(9,284)	(122,692)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,267)	174,041	21,218	51,493	(34,717)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	2,118	851	174,892	174,892	196,110
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD, represented by bank balances and cash	851	174,892	196,110	226,385	161,393

Notes to the Financial Information

1. GENERAL INFORMATION

The Company was established in the PRC on 8 November 2005 and the registered office and principal place of business of the Company is at Room 1701, Zhongzhu Building, 1081 South Yingbin Road, Gongbei, Zhuhai, the PRC.

The Financial Information is presented in RMB, which is the same as the functional currency of the Company.

The Company engages in development of real estate in the PRC.

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

For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Company has consistently applied all the revised HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and Interpretations (“INTs”) (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are effective for the Company’s financial year beginning on 1 January 2009 throughout the Relevant Periods.

The Company has not early applied the following new and revised standards, amendments or INTs that have been issued but are not yet effective as at the date of this report.

HKFRSs (Amendments)	Improvement of HKFRSs May 2008[1]
HKFRSs (Amendments)	Improvement of HKFRSs April 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendment)	Eligible hedged item[3]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[3]
HK(IFRIC) — INT 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) — INT 18	Transfers of Assets from Customers[5]

1 Amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods beginning on or after 1 January 2010.
5 Effective for transfer of assets from customers received on or after 1 July 2009.

The directors of the Company anticipate that the adoption of new and revised standards, amendments and INTs will have no material impact on the results and the financial position of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis except for certain financial instruments and investment properties, which are measured at fair values, as explained in the accounting policies set out below. These accounting policies have been consistently applied throughout the Relevant Periods and are materially consistent with the accounting policies adopted by Quaypoint, unless otherwise stated.

The Financial Information has been prepared in accordance with HKFRSs 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 represents amounts receivable for goods in the normal course of business, net of business tax, discounts and land appreciation tax.

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statements of financial position under current liabilities.

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

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of 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 the statements of comprehensive income in the year/period in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. These include property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

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 statements of comprehensive income in the year in which the item is derecognised.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, land costs, professional fees, interest capitalised and other costs directly attributable to such properties incurred during the construction period. Net realisable value is determined by reference to management estimates based on prevailing market conditions. On completion, the properties are transferred to properties held for sale.

Properties under development expected to be completed within 12 months from the end of reporting period are classified as current assets.

Properties under development expected to be completed beyond 12 months from the end of reporting period are classified as non-current assets.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Company 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.

Financial assets

The Company's financial assets are all classified as 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 on points 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including other receivables, amount due from a shareholder, restricted bank deposits and bank balances and cash) 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 loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each 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 assets have been impacted.

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 financial assets carried at amortised cost, an impairment loss is recognised in profit or 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 other receivables, 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 an other receivable 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 the 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 a company entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and as equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company's financial liabilities are generally classified as other financial 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 expenses is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to shareholders, loans from shareholders and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company 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 directly in equity 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statements of comprehensive income in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

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 statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Impairment losses on tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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. Impairment losses are recognised as an expense immediately.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the directors of the Company 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 going basis.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of 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.

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Company assesses annually the residual value and the useful life of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Estimated impairment of plant and equipment

The management of the Company determines whether the plant and equipment is impaired, at least on an annual basis. The impairment loss for plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Company's accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. No impairment was provided during the Relevant Periods.

PRC land appreciation tax

The Company is subject to land appreciation tax in the PRC. The provision of the land appreciation tax is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual land appreciation tax liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Company has not finalised its land appreciation tax calculation and payments with the tax authorities for its property development projects. The final outcome could be different from the amounts that were initially recorded.

Estimated net realisable value on properties under development

The Company's properties under development and properties held for sale are stated at the lower of cost and net realisable value. Based on the Company's historical experience and the nature of the subject properties, the Company makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and properties held for sale. Such provision requires the use of judgements and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the period in which such estimate is changed will be adjusted accordingly.

Estimate of fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Company's investment properties and the corresponding adjustments to the amount of gain or loss reported in the income statement.

Provision for guarantees

The Company follows the guidance of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" on determining the provision for guarantees. Provisions have been made based on management's best estimates and judgements if it is probable that an outflow of resources will be required to settle the defaulted guarantees and the amount of such provision cab be measured reliably.

5. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities in the Company 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 Company consists of debts, which includes the bank borrowings disclosed in Note 25, bank balances and cash and equity attributable to equity holders of the Company, comprising paid-up capital, reserves and accumulated profit.

The directors of the Company review the capital structure regularly. The Company considers the cost of capital and risks associated with the capital and will balance its overall capital structure through the raise of bank borrowings. The Company's overall strategy remains unchanged over the Relevant Periods.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

Financial assets

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans and receivables (including cash and cash equivalents)	1,007	186,331	216,091	179,332

Financial liabilities

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial guarantee liabilities	—	1,105	879	879
Financial liabilities measured at amortised cost	209,257	345,569	368,124	230,502
	209,257	346,674	369,003	231,381

6b. Financial risk management objectives and policies

The Company's major financial instruments include other receivables, amount due from a shareholder, restricted bank deposits, bank balances and cash, trade and other payables, amounts due to shareholders, loans from shareholders and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Interest rate risk

The Company is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 25 for details of these borrowings). It is the Company's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Company's cash flow interest rate risk is mainly concentrated on the fluctuation of base rate published by People's Bank of China arising from the Company's RMB borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's loss for the year ended 31 December 2006, 2007 and 2008 would increase/decrease by nil, RMB700,000 and RMB750,000 respectively; the Company's profit for the six months ended 30 June 2009 would decrease/increase by and RMB150,000. This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings.

(ii) Credit risk

At the end of each reporting periods, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties provided by the Company is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

The credit risk on liquid funds is limited because the Company's restricted bank deposits and bank balances are deposited with banks of high credit ratings in the PRC.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Company does not have significant concentration of credit risk on other receivables as the exposure spread over a number of counterparties and customers.

(iii) Liquidity risk

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and other source of fundings and considers the risk is minimal.

The following table details the Company's remaining contractual maturity for its financial liabilities. For non-derivative financial instruments, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company will be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Carrying amounts at 31 December	Within one year	1–2 years	2–5 years	Total Undiscounted cash flows
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2006					
Non-derivative financial liabilities					
Trade and other payables	71,186	71,186	—	—	71,186
Amounts due to shareholders	84,870	84,870	—	—	84,870
Loans from shareholders	53,201	—	—	65,000	65,000
Bank borrowings	—	—	—	—	—
	209,257	156,056	—	65,000	221,056
As at 31 December 2007					
Non-derivative financial liabilities					
Trade and other payables	75,881	75,881	—	—	75,881
Amounts due to shareholders	14,792	14,792	—	—	14,792
Loans from shareholders	114,896	—	130,000	—	130,000
Bank borrowings	140,000	11,132	144,030	—	155,162
	345,569	101,805	274,030	—	375,835
As at 31 December 2008					
Non-derivative financial liabilities					
Trade and other payables	93,104	93,104	—	—	93,104
Amounts due to shareholders	906	906	—	—	906
Loans from shareholders	124,114	130,000	—	—	130,000
Bank borrowings	150,000	154,030	—	—	154,030
	368,124	378,040	—	—	378,040
As at 30 June 2009					
Non-derivative financial liabilities					
Trade and other payables	70,654	70,654	—	—	70,654
Amounts due to shareholders	906	906	—	—	906
Loans from shareholders	128,942	130,000	—	—	130,000
Bank borrowings	30,000	30,068	—	—	30,068
	230,502	231,628	—	—	231,628

6c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values due to their short-term maturities.

The directors of the Company also consider that the fair value of the long-term portion of liabilities approximates to their carrying amount as they are carried at amortised cost by using an effective interest rate method.

7. REVENUE AND SEGMENT INFORMATION

Turnover represents income from the sale of properties, net of business tax, discounts and land appreciation tax for the Relevant Periods and the six months ended 30 June 2008.

For management purpose, the Company has one operating division, which is the development of real estates and operates within one geographical segment. Substantially all of the Company's assets and liabilities are located in the PRC and therefore no geographical segment information has been disclosed for the Relevant Periods and the six months ended 30 June 2008.

8. OTHER OPERATING INCOME

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	45	388	2,986	1,659	580
Amortisation of financial guarantee liabilities	—	81	695	290	548
Others	—	356	145	55	87
	45	825	3,826	2,004	1,215

9. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on bank borrowings wholly repayable within five years	—	5,011	11,080	5,398	2,692
Imputed interest expenses on interest-free shareholders loan	691	7,944	9,218	4,495	4,828
	691	12,955	20,298	9,893	7,520
Less: amount capitalised in properties under development	—	(5,011)	(11,080)	(5,398)	(1,381)
	691	7,944	9,218	4,495	6,139

All the above capitalised interests were arisen from the borrowings made specifically for the purpose of obtaining the qualifying assets.

10. (LOSS) PROFIT BEFORE TAX

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss) profit before tax has been arrived at after charging:					
Directors' emoluments *(Note 12)*	—	—	—	—	—
Salaries and other allowance	16	526	864	414	657
Retirement benefits scheme contributions (excluding directors)	2	9	22	9	14
Total staff costs	18	535	886	423	671
Auditors' remuneration	142	170	220	—	—
Cost of inventories recognised as an expense	—	—	—	—	214,429
Bad debts written off for the year/period	—	1,636	39	—	—
Depreciation of plant and equipment	11	42	95	47	47

11. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax:					
— PRC Enterprise Income Tax ("EIT")	—	—	—	—	12,371
Deferred tax *(Note 27)*	—	—	—	—	1,555
	—	—	—	—	13,926

No provision for Hong Kong Profits Tax has been made as the Company did not generate any assessable profits in Hong Kong during the Relevant Periods and the six months ended 30 June 2008.

EIT charged to the statement of comprehensive income was calculated based on the assessable profits of the Company located in the PRC of the year at a applicable progressive rate of 15%, 15%, 18%, 18% and 20% for the year ended 31 December 2006, 2007, 2008, the six months ended 30 June 2008 and 2009 respectively.

In accordance with the tax legislations applicable to foreign investment enterprises, the Company is entitled to exemptions from the PRC EIT for the first year commencing from the first profit-making year of operation and thereafter, entitled to a 50% relief from the PRC EIT for the following two years.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the EIT tax rate of the Company will be gradually increased to 25% over a five-year period from 2008 to 2012.

According to the New Law, the first year income tax exemption commenced for the year ended 31 December 2008.

The income tax expense for the Relevant Periods and the six months ended 30 June 2008 can be reconciled to the profit before tax per the statement of comprehensive income as follows:

	Year ended 31 December			Six Months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
(Loss) profit before tax	(1,901)	(21,412)	(13,920)	(6,728)	143,182
Domestic tax rates	15%	15%	18%	18%	20%
Tax at the applicable income tax rate	(285)	(3,212)	(2,506)	(1,211)	28,636
Tax effect of expenses not deductible for tax purpose	157	1,504	1,850	883	1,103
Tax effect of income not taxable for tax purpose	—	(12)	(125)	(52)	(110)
Tax effect of tax losses not recognised	128	1,720	781	380	—
Utilisation of tax losses previously not recognised	—	—	—	—	(3,332)
Income tax on concessionary rate	—	—	—	—	(12,371)
Income tax expense for the year/period	—	—	—	—	13,926

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emolument

Details of emoluments paid and payable to the directors of the Company for the Relevant Periods and the six months ended 30 June 2008 are as follows:

	Fees *RMB'000*	Salaries and other allowance *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
For the year ended 31 December 2006				
Executive directors:				
盧根光 Lu Genguang[1]	—	—	—	—
黃漢權 Huang Hanquan[1]	—	—	—	—
梁碩鴻 Leong Siak Hung[3]	—	—	—	—
李麗雪 Li Lixue[1]	—	—	—	—
許德來 Xu Delai[2]	—	—	—	—
陳賢 Chen Xian[4]	—	—	—	—
陳旭 Chen Xu[2]	—	—	—	—
劉恩全 Liu Enquan[2]	—	—	—	—
彭偉杰 Pang Weijie[2]	—	—	—	—
Michael Eugene Buquoi[2]	—	—	—	—
Brian David Chinappi[2]	—	—	—	—
Total	—	—	—	—
For the year ended 31 December 2007				
Executive directors:				
許德來 Xu Delai	—	—	—	—
陳旭 Chen Xu	—	—	—	—
劉恩全 Liu Enquan	—	—	—	—
彭偉杰 Pang Weijie	—	—	—	—
梁碩鴻 Leong Siak Hung	—	—	—	—
Michael Eugene Buquoi	—	—	—	—
Brian David Chinappi	—	—	—	—
Total	—	—	—	—
For the year ended 31 December 2008				
Executive directors:				
許德來 Xu Delai	—	—	—	—
陳賢 Chen Xian[4]	—	—	—	—
陳旭 Chen Xu[6]	—	—	—	—
劉恩全 Liu Enquan[6]	—	—	—	—
彭偉杰 Pang Weijie	—	—	—	—
劉東漢 Liu Donghan[5]	—	—	—	—
梁碩鴻 Leong Siak Hung	—	—	—	—
Michael Eugene Buquoi	—	—	—	—
Brian David Chinappi	—	—	—	—
Total	—	—	—	—

	Fees	Salaries and other allowance	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2008 (unaudited)				
Executive directors:				
許德來 Xu Delai	—	—	—	—
陳賢 Chen Xian[4]	—	—	—	—
陳旭 Chen Xu[6]	—	—	—	—
劉恩全 Liu Enquan[6]	—	—	—	—
彭偉杰 Pang Weijie	—	—	—	—
劉東漢 Liu Donghan[5]	—	—	—	—
梁碩鴻 Leong Siak Hung	—	—	—	—
Michael Eugene Buquoi	—	—	—	—
Brian David Chinappi	—	—	—	—
Total	—	—	—	—
For the six months ended 30 June 2009				
Executive directors:				
許德來 Xu Delai	—	—	—	—
陳賢 Chen Xian	—	—	—	—
陳旭 Chen Xu	—	—	—	—
劉恩全 Liu Enquan	—	—	—	—
彭偉杰 Pang Weijie	—	—	—	—
劉東漢 Liu Donghan	—	—	—	—
梁碩鴻 Leong Siak Hung	—	—	—	—
Michael Eugene Buquoi	—	—	—	—
Brian David Chinappi	—	—	—	—
Total	—	—	—	—

Note:

1. Resigned on 12 August 2006
2. Appointed on 12 August 2006
3. Resigned on 12 August 2006 and reappointed on 18 October 2006
4. Appointed on 12 August 2006, resigned on 18 October 2006 and reappointed on 12 June 2008.
5. Appointed on 12 June 2008
6. Resigned on 12 June 2008

(b) Employees' emolument

The five highest paid individuals of the Company for the Relevant Periods and six months ended 30 June 2008 were all employees of the Company and did not include directors. The emoluments of the five highest paid individuals for the respective periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances and benefits-in-kind	16	526	864	414	657
Retirement benefits scheme contributions	2	9	22	9	14
	18	535	886	423	671

Their emoluments were within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2006 *(Note)*	**2007**	**2008**	**2008** (Unaudited)	**2009**
Nil to RMB1,000,000	2	5	5	5	5

Note: There were only two staff for the year ended 31 December 2006.

During the Relevant Periods and six months ended 30 June 2008, no emoluments was paid by the Company to the directors, or the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office. None of the director waived any emoluments during the Relevant Periods and the six months ended 30 June 2008.

13. DIVIDENDS

No dividends was paid or proposed during the Relevant Periods and the six months ended 30 June 2008.

14. PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*
COST			
At 1 January 2006	—	—	—
Additions	87	—	87
At 31 December 2006	87	—	87
Additions	175	250	425
At 31 December 2007	262	250	512
Additions	7	—	7
At 31 December 2008	269	250	519
Additions	—	—	—
At 30 June 2009	269	250	519
DEPRECIATION			
At 1 January 2006	—	—	—
Provided for the year	11	—	11
At 31 December 2006	11	—	11
Provided for the year	27	15	42
At 31 December 2007	38	15	53
Provided for the year	50	45	95
At 31 December 2008	88	60	148
Provided for the period	25	22	47
At 30 June 2009	113	82	195
CARRYING VALUES			
At 31 December 2006	76	—	76
At 31 December 2007	224	235	459
At 31 December 2008	181	190	371
At 30 June 2009	156	168	324

The above items of plant and equipment are depreciated on a straight-line basis. The estimated useful lives of the plant and equipment are as follows:

Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

15. INVESTMENT PROPERTIES

	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
FAIR VALUES				
At beginning of year/period	13,936	22,301	38,071	53,224
Additions	8,365	15,770	15,153	—
Increase in fair value recognised in the statement of comprehensive income	—	—	—	7,776
	22,301	38,071	53,224	61,000

The carrying amounts of investment properties shown above comprise medium-term leasehold land and buildings situated in the PRC.

The fair values at each end of reporting period have been arrived at on the basis of valuations carried out by Vigers Appraisal & Consulting Limited, an independent qualified valuer not connected with the Company. The valuations were based on open market basis.

16. PROPERTIES UNDER DEVELOPMENT

	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning year/period	367,497	446,442	588,419	742,428
Additions	78,945	141,977	154,009	1,381
Transfer to properties held for sale	—	—	—	(461,641)
At end of year/period	446,442	588,419	742,428	282,168
Analysed for reporting purposes as:				
Current assets	—	—	460,260	—
Non-current assets	446,442	588,419	282,168	282,168
	446,442	588,419	742,428	282,168

The carrying amounts of the properties under development situated on the leasehold land in the PRC are as follows:

	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Medium-term lease	85,465	111,160	139,159	56,428
Long-term lease	360,977	477,259	603,269	225,740
	446,442	588,419	742,428	282,168

17. PROPERTIES HELD FOR SALE

The Company's properties held for sale are situated in the PRC. All the properties held for sale are stated at cost.

18. AMOUNTS DUE FROM (TO) SHAREHOLDERS

Amounts due from (to) shareholders are unsecured, interest-free and repayable on demand.

Included in the amounts due from (to) shareholders, the following balances are trading in nature:

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from a shareholder	—	7,813	6,580	4,606
Amounts due to shareholders	1,974	—	—	—

19. RESTRICTED BANK DEPOSITS

Restricted bank deposits represent guaranteed deposits for the facilities granted by the banks to the Company.

20. BANK BALANCES AND CASH

The bank balances and cash of the Company are all denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The bank balances carry interest at the prevailing market interest rate at 0.72% per annum for the year ended 31 December 2006, 31 December 2007 and the six months ended 30 June 2009, and range from 0.72% to 1.53% per annum for the year ended 31 December 2008.

21. TRADE AND OTHER PAYABLES

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	—	—	1,435
Other payables	71,186	83,079	94,638	84,646
	71,186	83,079	94,638	86,081

An aged analysis of the trade payables at the end of reporting period are as follows:

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	—	—	—	1,435

22. ADVANCES FROM CUSTOMERS

Advances from customers represent sales proceeds received from buyers in connection with the Company's pre-sale of properties during the Relevant Periods.

23. FINANCIAL GUARANTEE LIABILITIES

	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning year/period	—	—	1,105	879
Change in fair value of financial guarantee for the year/period	—	1,186	469	548
Amortisation of financial guarantee liabilities	—	(81)	(695)	(548)
At end of year/period	—	1,105	879	879

The Company had arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments during the two years ended 31 December 2007 and 2008 and six months ended 30 June 2009. The above balances represented the fair values of the financial guarantees granted.

24. LOANS FROM SHAREHOLDERS

Loans from shareholders are unsecured, interest-free and repayable in August 2009. The imputed interest rate was carried at 8% throughout the Relevant Periods.

25. BANK BORROWINGS

	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured	—	120,000	120,000	30,000
Unsecured	—	20,000	30,000	—
Total	—	140,000	150,000	30,000

	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings:				
Within one year	—	—	150,000	30,000
More than one year but not exceeding two years	—	140,000	—	—
	—	140,000	150,000	30,000
Less: Amount due within one year shown under current liabilities	—	—	150,000	—
Amount due after one year	—	140,000	—	—

Note:

(a) Included in the bank loans of amounting RMB120,000,000, RMB120,000,000 and RMB30,000,000 as at 31 December 2007, 31 December 2008 and 30 June 2009 respectively carried floating-rate interest at 6.3% per annum for the first year since the date of withdrawal, and carried interest rate based on the base rate published by the People's Bank of China afterwards. The amounts are secured by certain properties under development, investment properties and properties held for sale as disclosed in Note 30 to the financial statements.

Included in the bank loans of amounting RMB20,000,000 and RMB30,000,000 as at 31 December 2007 and 31 December 2008 respectively carried floating-rate interest at 7.0965% per annum for the first year since the date of withdrawal, and carried interest rate based on the base rate published by the People's Bank of China less 5% afterwards. The amounts are unsecured.

(b) All the bank borrowings were denominated in RMB.

26. PAID-UP CAPITAL

	Amount
	RMB'000
At 1 January 2006	83,180
Capital injection	166,820
At 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009	250,000

On 23 November 2006, approval was obtained from the relevant government authority to increase the Company's registered and paid-up capital from HK$80,000,000 to RMB250,000,000.

27. DEFERRED TAX LIABILITIES

The following is the major deferred tax liability recognised and movements thereon during the Relevant Periods:

	Investment properties revaluation
	RMB'000
At 1 January 2006, 31 December 2006, 31 December 2007 and 31 December 2008	—
Charge to statement of comprehensive income for the period	1,555
At 30 June 2009	1,555

At each of the reporting period, the Company has unused tax losses of RMB856,000, RMB12,323,000, RMB16,661,000 and nil for the three years ended 31 December 2006, 2007 and 2008 and the periods ended 30 June 2009, respectively.

28. COMMITMENTS

The Company had the following commitments for property development expenditure at each end of reporting period:

	At 31 December			**At 30 June**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Properties under development	70,521	112,167	45,247	46,265

29. RETIREMENT BENEFIT SCHEME

Pursuant to the relevant labour rules and regulations in the PRC, the Company participates in a defined contribution retirement benefit scheme (the "Scheme") organised by the PRC municipal government authority in the Guangdong province whereby the Company is required to make contributions to the Scheme at the rate of 18% of the eligible employees' salaries. The local government authority is responsible for the entire pension obligations payable to retired employees.

The Company has no other material obligation for the payment of pension benefits associated with the Scheme beyond the annual contributions described above.

30. PLEDGED OF ASSETS

The Company had pledged certain of its properties under development, property held for sale and investment properties to secure bank borrowings and banking facilities granted to the Company at the end of reporting periods. The carrying amounts of the assets pledged are as follows:

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development	190,609	325,400	742,428	282,168
Properties held for sale	—	—	—	241,413
Investment properties	22,301	38,071	53,224	61,000
	212,910	363,471	795,652	584,581

31. RELATED PARTY TRANSACTIONS

(a) Except as disclosed elsewhere in the Financial Information, the significant related party transactions, which were carried out in the normal course of the Company's business are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Paid project management fee to a shareholder *(Note)*	1,974	7,896	7,896	3,948	1,974
Paid property management fee to a subsidiary of a shareholder	—	248	715	386	1,213

Note: The project management fee had been capitalised in property under development during the Relevant Periods and the six months ended 30 June 2008.

(b) Compensation of key management personnel

No remuneration was paid to other key management personnel during the Relevant Periods and the six months ended 30 June 2008.

32. CONTINGENT LIABILITIES

The Company had arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments during the two years ended 31 December 2007 and 2008 and the six months ended 30 June 2009. The outstanding guarantees amounted to RMB60,930,000, RMB215,944,000 and RMB283,090,000 as at 31 December 2007 and 2008 and 30 June 2009, respectively.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 30 June 2009.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798
Hong Kong

*The following text is extracted from Appendix III to the circular of the Company dated 30 June 2009 (the "***June Circular***"). Terms used below shall have the same meanings as those defined in the June Circular. Furthermore, all pages/sections/appendices mentioned in the below text are referred to those of the June Circular.*

A. FINANCIAL INFORMATION ON OCEAN VAST GROUP

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

30 June 2009

The Directors
The Quaypoint Corporation Limited

Dear Sirs,

We set out below our report on the financial information of Ocean Vast Corporation Limited ("Ocean Vast") and its subsidiaries (hereinafter collectively referred to as the "Ocean Vast Group") for the period from 28 September 2007 (date of incorporation) to 31 December 2007 and the year ended 31 December 2008 and for the three months ended 31 March 2009 (the "Relevant Periods") (the "Financial Information") for inclusion in the circular of The Quaypoint Corporation Limited (the "Company") dated 30 June 2009 (the "Circular") in connection with the proposed acquisition of the entire equity interest of Ocean Vast (the "Proposed Acquisition").

Ocean Vast was incorporated in Hong Kong on 28 September 2007 with limited liability with authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1 each. The registered office and the principal place of business is situated at Room 1–3, 10/F, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong.

Ocean Vast is an investment holding company. The financial statements of Ocean Vast for the period from 28 September 2007 (date of incorporation) to 31 December 2007 and the year ended 31 December 2008 were audited by Proventus & Co. certified public accountants, registered in Hong Kong. The principal activities and other particulars of its subsidiaries are set out below.

As at the date of this report, Ocean Vast has beneficial interests in the following subsidiaries.

Name of subsidiary	Place and date of establishment	Registered capital	Proportion of equity interest held Direct	Indirect	Principal activities
珠海廣海信息科技有限公司 Zhuhai Guanghai Information Technology Company Limited* ("Zhuhai Guanghai")	The People's Republic of China (the "PRC") 23 November 2007	HK$2,000,000	100%	—	Provision for telecommunication service, software development and investment consultancy
珠海經濟特區合強實業有限公司 Zhuhai Special Economic Zone Heqiang Industrial Company Limited* ("Zhuhai Heqiang")	The PRC 5 October 1992	RMB 3,000,000	—	60%	Development of real estates and property management

Zhuhai Guanghai is a sino-foreign equity joint venture and Zhuhai Heqiang is a domestic company established in the PRC. The Ocean Vast Group has adopted 31 December as its financial year end date.

The statutory financial statements of Zhuhai Guanghai and Zhuhai Heqiang for the year ended 31 December 2007 and 2008 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by Zhuhai GuoRui CPA Limited* 珠海國睿會計師事務所, a certified public accountants registered in the PRC.

For the purpose of this report, the director of Ocean Vast has prepared the consolidated financial statements of the Ocean Vast Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and on the basis set out in Note 1 of Section II below (the "Underlying Financial Statements").

For the purpose of this report, we have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. However, because of the matters described in the basis of disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion.

We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommend by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments have been made to the Underlying Financial Statements in the preparation of our report for the inclusion in the Circular.

* *These English names are for identification purpose only.*

The director of Ocean Vast is responsible for the preparation of the Underlying Financial Statements and the Financial Information. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements and to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

However, the scope of our examination which was planned in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by HKICPA was limited as set out below:

BASIS OF DISCLAIMER OF OPINION

On 30 November 2007, the Ocean Vast Group acquired 60% equity interest of Zhuhai Heqiang. Details of the acquisition are set out in Note 25.

Zhuhai Heqiang undertook a reorganisation on 24 May 2007. The books and records of Zhuhai Heqiang prior to its reorganisation were kept and maintained by the former management of Zhuhai Heqiang ("Former Management"). The Former Management had left Zhuhai Heqiang following the reorganisation of Zhuhai Heqiang on 24 May 2007. For the Relevant Periods, the books and records (including any bank records) of Zhuhai Heqiang on or before 24 May 2007 ("Incomplete books and records") as made available to us by Zhuhai Heqiang's current management were incomplete for our purposes.

In summary, the scope of limitations included the following:

a) Under circumstances as explained above and since the current management is unable to satisfy whether the completeness of recording of transactions entered into by Zhuhai Heqiang and of the completeness of disclosures of contingent liabilities, capital commitment and pledged of assets as at 30 November 2007, the date of acquisition of Zhuhai Heqiang, in the Financial Information, we were not able to carry out procedures which we considered necessary on the books and records of Zhuhai Heqiang, to satisfy ourselves as to whether the fair value of net assets and liabilities and contingent liabilities acquired of approximately RMB33,802,000; (ii) the minority interest as at the date of acquisition of approximately RMB13,521,000; (iii) the goodwill of approximately RMB16,931,000 generated from the acquisition; and (iv) the net cash inflow arising on acquisition of approximately RMB1,183,000 included in the Financial Information were free from material misstatement.

b) The incomplete books and records of Zhuhai Heqiang remained unresolved for the period from 30 November 2007 to 31 December 2007, the year ended 31 December 2008 and three months ended 31 March 2009. Zhuhai Heqiang's assets and liabilities acquired and minority interests on 30 November 2007 have been included in the Ocean Vast Group's Financial Information for the year ended 31 December 2007, 2008 and the three months ended 31 March 2009. The assets have been included in the Financial Information as at 31 December 2007, 2008 and 31

March 2009 at the amount of RMB28,833,000, RMB21,029,000 and RMB21,029,000 respectively; the liabilities have been included in the Financial Information as at 31 December 2007, 2008 and 31 March 2009 at the amounts of RMB20,873,000 respectively; and the minority interests have been included in the Financial Information as at 31 December 2007, 2008 and 31 March 2009 at the amounts of RMB13,521,000.

There were no other alternative procedures which we could adopt to satisfy ourselves as to the matters set out in the above paragraphs.

Any adjustments to the above figures may have consequential significant effects on the assets, liabilities, loss, cash flows and related disclosures in the notes to the Financial Information of the Ocean Vast Group as at 31 December 2007 and 2008 and 31 March 2009 and for the Relevant Periods respectively.

Fundamental uncertainty relating to going concern basis

As explained in Note 1 of Section II, which indicates that the Ocean Vast Group and Ocean Vast had net current liabilities of approximately RMB102,646,000 and RMB1,794,000 respectively as at 31 March 2009, the Financial Information have been prepared on a going concern basis. In the absence of sufficient documentary evidence, we were unable to ascertain whether the assumptions made by the director in preparing the Financial Information on a going concern basis are proper and appropriate.

Should the Ocean Vast Group and Ocean Vast be not able to continue its business as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down of the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The Financial Information has not incorporated any of these adjustments.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW OF GIVEN BY FINANCIAL INFORMATION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we were unable to form an opinion on the Financial Information, for the purpose of this report, as to whether they give a true and fair view of the state of affairs of the Ocean Vast Group and Ocean Vast as at 31 December 2007, 2008 and 31 March 2009 and of the consolidated results and consolidated cash flows for the Relevant Periods.

REVIEW CONCLUSION

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow of the Ocean Vast Group for the three months ended 31 March 2008 together with the notes thereon (the "31 March 2008 Financial Information") have been extracted from the Ocean Vast Group's unaudited financial information for the same period which was prepared by the director of Ocean Vast solely for the purpose of this report. It is our responsibility to form an independent conclusion, based on our review, and to report our conclusion to you.

For the purpose of this report, we have reviewed the 31 March 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. Our review consisted principally of making enquiries of the Ocean Vast Group's management and applying analytical procedures to the 31 March 2008 Financial Information and bases thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31 March 2008 Financial Information.

Because of the significance of the possible effect of the limitation in evidence available to us as set out above, we were unable to reach a review conclusion as to whether material modifications should be made to the 31 March 2008 Financial Information.

I. FINANCIAL INFORMATION

Consolidated Statement of Comprehensive Income

	Notes	Period from 28 September 2007 (date of incorporation) to 31 December 2007	Year ended 31 December 2008	Three months ended 31 March 2008	Three months ended 31 March 2009
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	7	—	—	—	—
Other operating income	8	45	107	103	—
Administrative expenses		(349)	(546)	(170)	(142)
Finance costs	9	(275)	(2,677)	(691)	(656)
Loss before taxation	10	(579)	(3,116)	(758)	(798)
Taxation	12	—	(3,208)	—	—
Loss and the total comprehensive income for the period/year		(579)	(6,324)	(758)	(798)
Loss and the total comprehensive income attributable to:					
Owners of Ocean Vast		(453)	(4,846)	(694)	(742)
Minority interests		(126)	(1,478)	(64)	(56)
		(579)	(6,324)	(758)	(798)

Consolidated Statement of Financial Position

		As at 31 December		As at 31 March
		2007	**2008**	**2009**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Plant and equipment	14	29	54	51
Properties under development	15	112,641	113,694	113,734
Goodwill	17	16,931	16,931	16,931
		129,601	130,679	130,716
Current assets				
Other receivables		7,884	80	80
Bank balances and cash	18	2,244	137	104
		10,128	217	184
Current liabilities				
Other payables		218	315	459
Provision for claims	19	20,873	—	—
Tax payable		19,279	22,487	22,487
Amount due to a shareholder	20	1,885	1,790	1,795
Amount due to the minority shareholder	21	69,411	77,436	78,089
		111,666	102,028	102,830
Net current liabilities		(101,538)	(101,811)	(102,646)
Total assets less current liabilities		28,063	28,868	28,070
Non-current liabilities				
Deferred tax liabilities	22	(15,120)	(15,120)	(15,120)
		12,943	13,748	12,950
Capital and reserves				
Share capital	23	1	1	1
Reserves	24	(453)	(5,299)	(6,041)
Equity attributable to owners of Ocean Vast		(452)	(5,298)	(6,040)
Minority interests		13,395	19,046	18,990
		12,943	13,748	12,950

Statement of Financial Position

		As at 31 December		As at 31 March
		2007	**2008**	**2009**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current asset				
Investments in subsidiaries	16	1,895	1,895	1,895
Current asset				
Bank balances and cash	18	1	1	1
Current liability				
Amount due to a shareholder	20	(1,885)	(1,790)	(1,795)
Net current liabilities		(1,884)	(1,789)	(1,794)
		11	106	101
Capital and reserve				
Share capital	23	1	1	1
Retained profits		10	105	100
		11	106	101

Consolidated Statement of Changes in Equity

	Attributable to owners of the Ocean Vast Group				
	Paid-in capital	Accumulated losses	Total	Minority interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Issue of shares at the date of incorporation	—	—	—	—	—
Loss and total comprehensive income for the period	—	(453)	(453)	(126)	(579)
Allotment of new shares	1	—	1	—	1
Acquisition of a subsidiary *(Note 25)*	—	—	—	13,521	13,521
At 31 December 2007 and 1 January 2008	1	(453)	(452)	13,395	12,943
Loss and total comprehensive income for the year	—	(4,846)	(4,846)	(1,478)	(6,324)
Contribution from the minority shareholders *(Note 24)*	—	—	—	7,129	7,129
At 31 December 2008 and 1 January 2009	1	(5,299)	(5,298)	19,046	13,748
Loss and total comprehensive income for the period	—	(742)	(742)	(56)	(798)
At 31 March 2009	1	(6,041)	(6,040)	18,990	12,950
For the three months ended 31 March 2008 (unaudited)					
At 1 January 2008	1	(453)	(452)	13,395	12,943
Loss and total comprehensive income for the period	—	(694)	(694)	(64)	(758)
At 31 March 2008	1	(1,147)	(1,146)	13,331	12,185

Consolidated Statement of Cash Flows

	Period from 28 September 2007 (date of incorporation) to 31 December 2007	Year ended 31 December 2008	Three months ended 31 March 2008	Three months ended 31 March 2009
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
OPERATING ACTIVITIES				
Loss before taxation	(579)	(3,116)	(758)	(798)
Adjustments for:				
Bank interest income	(16)	(3)	(1)	—
Depreciation on plant and equipment	—	13	3	3
Operating cash flows before movements in working capital	(595)	(3,106)	(756)	(795)
Increase in properties under development	(22,884)	(1,053)	(445)	(40)
Decrease/(increase) in other receivables	280	7,804	(1,893)	—
Increase in other payables	218	97	52	144
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(22,981)	3,742	(3,042)	(691)
INVESTING ACTIVITIES				
Purchase of plant and equipment	(29)	(38)	(37)	—
Interest received	16	3	1	—
Net cash inflow arising on the acquisition of a subsidiary *(Note 25)*	1,183	—	—	—
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	1,170	(35)	(36)	—
FINANCING ACTIVITIES				
Increase/(decrease) in amount due to a shareholder	1,885	(95)	(99)	5
Allotment of new shares	1	—	—	—
Increase/(decrease) in amount due to the minority shareholder	22,169	(5,719)	1,091	653
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	24,055	(5,814)	992	658
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,244	(2,107)	(2,086)	(33)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD/YEAR	—	2,244	2,244	137
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD/YEAR, represented by bank balances and cash	2,244	137	158	104

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATION INFORMATION AND BASIS OF PREPARATION

Corporation information

Ocean Vast was incorporated in Hong Kong on 28 September 2007 with limited liability with authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1 each. The registered office and the principal place of business is situated at Room 1–3, 10/F, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong.

Ocean Vast is an investment holding company and the principal activities of its subsidiaries are set out in Note 16.

The Financial Information are presented in Renminbi ("RMB"), which is the same as the functional currency of Ocean Vast.

Basis of preparation

As at 31 March 2009, the Ocean Vast Group and Ocean Vast had net current liabilities of approximately RMB102,646,000 and RMB1,794,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Ocean Vast Group's and Ocean Vast's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the director is of the opinion that the Ocean Vast Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 March 2009 given that:

(i) ZhengMaoYuan Investment Consultant Co., Limited ("ZhengMaoYuan") 珠海市正懋源投資顧問有限公司, the minority shareholder of the Ocean Vast Group, will continue to provide financial support to the Ocean Vast Group and Ocean Vast to meet the Ocean Vast Group's and Ocean Vast's liabilities and commitments as and when it falls due; and

(ii) the director of Ocean Vast anticipates that the Ocean Vast Group and Ocean Vast will generate positive cash flows from its operations.

Accordingly, the director is of the opinion that it is appropriate to prepare the Financial Information on a going concern basis. Should the Ocean Vast Group and Ocean Vast be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the Financial Information.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the Ocean Vast Group has consistently applied all of the new or revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and Interpretations ("INT") (herein collectively referred to as "New HKFRSs") issued by the HKICPA, which are effective for the accounting period beginning on 1 January 2009.

The Ocean Vast Group has not early applied the following new and revised standards, amendments or INTs that have been issued but are not yet effective as at the date of this report.

HKFRSs (Amendments)	Improvement to HKFRSs[1]
HKFRSs (Amendments)	Improvement to HKFRSs 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendments)	Eligible Hedged Item[3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 3 (Revised)	Business Combinations[3]
HK(IFRIC) — INT 9 & HKAS 39 (Amendment)	Embedded Derivatives[4]
HK(IFRIC) — INT 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) — INT 18	Transfers of Assets from Customers[5]

1. Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009.
2. Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
3. Effective for annual periods beginning on or after 1 July 2009.
4. Effective for annual periods ending on or after 30 June 2009.
5. Effective for transfers of assets from customers received on or after 1 July 2009.

The director of Ocean Vast anticipates that the adoption of such standards, amendments and INTs will have no material impact on the results and the financial position of the Ocean Vast Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. These accounting policies have been consistently applied throughout the Relevant Periods.

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA and the accounting policies have been consistently applied to the Relevant Periods and are materially consistent with the accounting policies adopted by the Company. 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 and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of Ocean Vast and entities controlled by Ocean Vast (its subsidiaries). Control is achieved where Ocean Vast has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The result of subsidiaries acquired or disposed during the Relevant Periods are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring its accounting policies into line with those used by other members of the Ocean Vast Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Ocean Vast Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiaries' equity are allocated against the interests of the Ocean Vast Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investment in subsidiaries

In the Ocean Vast's balance sheet, the investment in subsidiaries is stated at cost less impairment loss. The results of the subsidiaries are accounted for by Ocean Vast on the basis of dividends received and receivable.

Business combination

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Ocean Vast Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Ocean Vast Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Ocean Vast Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Ocean Vast Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial period. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of plant and equipment over their estimate useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of 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 the consolidated statement of comprehensive income in the period/year in which the item is derecognised.

Property under development

Properties under development in respect of development activities are stated at the lower of cost and net realisable value. The cost of properties under development comprises specifically identified costs, including aggregate cost of development, acquisition cost of land, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised. On completion, the properties are transferred to completed properties held for sales. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the properties.

Properties under development are classified as non-current assets unless those will be realised in one normal operating cycle.

Impairment losses on assets (other than goodwill)

At the end of each reporting period, the Ocean Vast Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. 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.

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 be recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of the 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 Ocean Vast Group's financial assets are mainly classified into 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 periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points 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 debts instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Impairment loss on financial assets

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

For all other 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 reorganisation.

For certain categories of financial asset, such as other receivables, 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 the Ocean Vast Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on the other receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, 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 an other receivable 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 a group 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 Ocean Vast Group after deducting all of its liabilities. The Ocean Vast Group's financial liabilities are generally classified into other financial 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 periods. 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.

Other financial liabilities

Other financial liabilities (including other payables, amount due to a shareholder and amount due to the minority shareholder) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Ocean Vast 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 the Ocean Vast 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 directly in equity 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.

Revenue recognition

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

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 Relevant Periods. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in the Relevant Periods and it further excludes items that are never taxable or deductible. The Ocean Vast Group's 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 differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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 (other than in a business combination) 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 arising on investments in subsidiaries, except where the Ocean Vast 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 is calculated at the tax rates that are expected to apply in the Relevant Periods when the liability is settled or the asset realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the Financial Information 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 rates 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 on the date of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 translation of monetary items, are recognised in profit or loss in the period in which they arise. 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 differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

Provision and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Transactions with minority interests

The Ocean Vast Group applies a policy of treating transactions with minority interests as transactions with equity owners of Ocean Vast.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Ocean Vast Group's accounting policies which are described in Note 3, the director of Ocean Vast is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates of 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 reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Going concern consideration

The assessment of the going concern assumption involves making a judgement by the director of Ocean Vast, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The director of Ocean Vast considers that the Ocean Vast Group has the ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumption are set out in Note 1.

PRC enterprise income taxes and deferred taxation

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Ocean Vast Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the year/period in which such determination is made.

Estimated net realisable value on properties under development

As explained in note 3, the Ocean Vast Group's properties under development are stated at the lower of cost and net realisable value. Based on Ocean Vast's recent experience and the nature of the subject properties, Ocean Vast makes estimates of the selling prices, the costs of completion in case for properties under development, and the cost to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or decrease in net sales value, the net realisable value will decrease and this may result in impairment loss on properties under development. Such impairment assessment required the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and impairment loss on properties under development in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of each reporting periods. Any increase or decrease in impairment loss would affect the results in future years.

Provision for claims

As explained in Note 3, provision for claims is recognised when the Ocean Vast Group has a present obligation as a result of a past event, and it is probable that the Ocean Vast Group will be required to settle that obligation. Provision for claims is measured at the director's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and is discounted to present value where the effect is material.

In determining whether a provision for claims is required, the director of Ocean Vast will take into consideration for the probability of the payment of the obligations. Specific provision is only made for the amount that is probable. In this regard, the director of Ocean Vast believed that all provision for claims has been properly made.

Estimated impairment of goodwill

The Ocean Vast Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value-in-use of the cash-generating unit to which the goodwill is allocated. Estimating the value-in-use requires the Ocean Vast Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are disclosed in Note 17.

5. CAPITAL RISK MANAGEMENT

The Ocean Vast Group manages its capital to ensure that the Ocean Vast Group will be able to continue as a going concern while maximising the return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Ocean Vast Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Ocean Vast Group consists of cash and cash equivalents and equity attributable to owners of Ocean Vast, comprising issued share capital and reserves.

The Ocean Vast Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Ocean Vast Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December		As at 31 March
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
The Ocean Vast Group			
Financial assets			
Loans and receivables			
(including bank balances and cash)	10,128	217	184
Financial liabilities			
At amortised cost	71,514	79,541	80,343

	As at 31 December		As at 31 March
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Ocean Vast			
Financial assets			
Loans and receivables			
(including bank balances and cash)	1	1	1
Financial liabilities			
At amortised cost	1,885	1,790	1,795

(b) Financial risk management objective and policies

The Ocean Vast Group's and Ocean Vast's major financial instruments include other receivables, bank balances and cash, other payables, amount due to a shareholder and amount due to the minority shareholder. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include currency risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Ocean Vast Group's and Ocean Vast's exposure to currency risk is attributable to amount due to a shareholder which are denominated in foreign currencies of Hong Kong Dollars ("HK$"). The functional currency of the Ocean Vast Group is RMB. The Ocean Vast Group currently does not have any HK$ hedging policy but the management monitors HK$ exchange exposure and will consider hedging significant HK$ exposure should the need arise.

The director does not expect any significant movement in RMB/HK$ exchange rates. Given the foreign currency exposure is only to HK$, sensitivity analysis to changes in exchange rates is not presented thereof.

Credit risk

At the end of each reporting period, the Ocean Vast Group's and Ocean Vast's maximum exposure to credit risk, which will cause a financial loss to the Ocean Vast Group and Ocean Vast due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position. In order to minimise the credit risk, the Ocean Vast Group and Ocean Vast have determined the credit limits, credit approvals and other monitoring procedures to ensure that follow-up action taken to recover overdue debts. In additions, the Ocean Vast Group and Ocean Vast review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the director of the Ocean Vast Group and Ocean Vast consider its credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit rating. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Ocean Vast Group and Ocean Vast do not have any other significant concentration of credit risk.

Liquidity risk

The director of Ocean Vast has built an appropriate liquidity risk management framework for the management of the Ocean Vast Group's short, medium and long-term funding and liquidity management requirements. The Ocean Vast Group manages liquidity risk by maintaining sufficient bank balances and obtaining continuing financial support from ZhengMaoYuan, the minority shareholder of Zhuhai Heqiang. The Ocean Vast Group continuously monitors the forecast and actual cash flows and the maturity profiles of financial liabilities.

The maturity dates of Ocean Vast Group's other financial liabilities including other payables, amount due to a shareholder and amount due to the minority shareholder, are all within one year as at the respectively reporting period ended date.

Although the Ocean Vast Group and Ocean Vast has a considerable amount of financial liabilities which have to be settled within the next 12 months from the end of the reporting period, the director of Ocean Vast believes that both Ocean Vast and the Ocean Vast Group can manage the associated liquidity risk based on the factors as set out in Note 1.

(c) Fair value

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

The director of the Ocean Vast considers that the carrying amount of financial assets and financial liabilities of the Ocean Vast Group and Ocean Vast recorded at amortised cost in the Financial Information approximate their fair values due to their short-term maturities.

7. REVENUE AND SEGMENTAL INFORMATION

The Ocean Vast Group did not generate any turnover during the Relevant Periods and the three months ended 31 March 2008.

No segment information is presented as the Ocean Vast Group operates in one single industry, the development of real estates and property management and operates within one geographic segment. Substantially all of the Ocean Vast Group's assets and liabilities are located in the PRC and therefore no geographical segment information has been disclosed for the Relevant Periods and the three months ended 31 March 2008.

8. OTHER OPERATING INCOME

	Period from 28 September 2007 (date of incorporation) to 31 December 2007	**Year ended 31 December 2008**	**Three months ended 31 March 2008**	**Three months ended 31 March 2009**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	16	3	1	—
Exchange gain	29	104	102	—
	45	107	103	—

9. FINANCE COSTS

	Period from 28 September 2007 (date of incorporation) to 31 December 2007	**Year ended 31 December 2008**	**Three months ended 31 March 2008**	**Three months ended 31 March 2009**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on amount due to the minority shareholder wholly repayable within five years	275	2,677	691	656

10. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Period from 28 September 2007 (date of incorporation) to 31 December 2007	Year ended 31 December 2008	Three months ended 31 March 2008	Three months ended 31 March 2009
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Director's remuneration *(Note 11)*	—	—	—	—
Other staff costs	146	353	111	110
Retirement benefits scheme contributions *(note)*	34	83	26	26
Total staff costs	180	436	137	136
Auditors' remuneration	15	22	20	—
Depreciation of plant and equipment	—	13	3	3

Note: The employees of the Ocean Vast Group are members of a state-managed retirement benefits scheme in the PRC. The Ocean Vast Group is required to contribute a specific percentage of its payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Ocean Vast Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme. No forfeited contributions are available during the Relevant Periods and the three months ended 31 March 2008 to reduce the contribution payable in the future years.

11. DIRECTOR'S REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

During the Relevant Periods and the three months ended 31 March 2008, no emoluments were paid by Ocean Vast to the director.

The five highest paid employees

The five highest paid individuals for the Relevant Periods and the three months ended 31 March 2008 include only one director. Details of whose emoluments are included in the disclosure above. The emoluments of the remaining four individuals, which are individually below RMB880,000 (approximately HK$1,000,000) for the Relevant Periods and the three months ended 31 March 2008 are as follows:

	Period from 28 September 2007 (date of incorporation) to 31 December 2007	Year ended 31 December 2008	Three months ended 31 March 2008	Three months ended 31 March 2009
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other benefits	146	353	111	110
Retirement benefit scheme contributions	34	83	26	26
	180	436	137	136

During the Relevant Periods and the three months ended 31 March 2008, no remuneration has been paid by the Ocean Vast Group to the director or the five highest paid individuals as an inducement to join or upon joining the Ocean Vast Group or as a compensation for loss of office. There was no arrangement under which the directors waived or agreed to waive any remuneration during the Relevant Periods and the three months ended 31 March 2008.

12. TAXATION

	Period from 28 September 2007 (date of incorporation) to 31 December 2007	Year ended 31 December 2008	Three months ended 31 March 2008	Three months ended 31 March 2009
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax				
PRC Corporate Income Tax ("CIT")	—	3,208	—	—

No provision for Hong Kong Profits Tax has been made as the Ocean Vast Group did not generate any assessable profits in Hong Kong during the Relevant Periods and the three months ended 31 March 2008.

CIT charged to the consolidated statement of comprehensive income was calculated based on the assessable profits of Ocean Vast's subsidiaries located in the PRC of the year at a applicable progressive rate of 15%, 18%, 18% and 20% for the period from 28 September 2007 (date of incorporation) to 31 December 2007, the year ended 31 December 2008, the three months ended 31 March 2008 and 2009 respectively.

The CIT Law of the PRC (the "new CIT Law") is effective from 1 January 2008. According to the new CIT Law and the relevant regulations, the income tax rate applicable to Ocean Vast's subsidiaries established in Zhuhai Special Economic Zone, the PRC will be gradually increased to 25% over a five-year period from 2008 to 2012.

In additions, starting from 1 January 2008, 10% withholding income tax will be imposed on dividends relating to profits earned by the subsidiaries established in the PRC in the calendar year 2008 onwards to their foreign shareholders. No deferred tax has been provided as the subsidiaries established in the PRC were loss making during the Relevant Periods and the three months ended 31 March 2008.

The taxation for the Relevant Periods can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	Period from 28 September 2007 (date of incorporation) to 31 December 2007	**Year ended 31 December 2008**	**Three months ended 31 March 2008**	**Three months ended 31 March 2009**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loss before taxation	(579)	(3,116)	(758)	(798)
Domestic income tax rates	15%	18%	18%	20%
Tax at domestic income tax rates of	(87)	(561)	(137)	(159)
Tax effect of non-taxable income	(7)	(18)	(17)	—
Tax effect of non-deductible expense	94	578	154	159
Effect of different tax rates of subsidiaries operating in other jurisdictions	—	1	—	—
Others *(Note)*	—	3,208	—	—
Taxation for the Relevant Periods	—	3,208	—	—

Note: Zhuhai Guanghai and ZhengMaoYuan, the shareholders of the Ocean Vast Group, has waived the amount due from Zhuhai Heqiang of approximately RMB17,823,000 for the year ended 31 December 2008. In accordance to relevant PRC tax rules and legislations, the shareholder's contribution were deemed as taxable income and subject to CIT at the applicable rate for the year ended 31 December 2008.

13. DIVIDENDS

No dividends was paid or proposed during the Relevant Periods and the three months period ended 31 March 2008.

14. PLANT AND EQUIPMENT

The Ocean Vast Group

	Office equipment *RMB'000*
COST	
At 28 September 2007 (date of incorporation)	—
Additions	29
At 31 December 2007 and 1 January 2008	29
Additions	38
A t 31 December 2008, 1 January 2009 and 31 March 2009	67
ACCUMULATED DEPRECIATION	
At 28 September 2007 (date of incorporation) and 1 January 2008	—
Provided for the year	13
At 31 December 2008 and 1 January 2009	13
Provided for the period	3
At 31 March 2009	16
CARRYING VALUES	
At 31 December 2007	29
At 31 December 2008	54
At 31 March 2009	51

The rate of depreciation of office equipment ranged from 15% to 20% for the Relevant Periods.

15. PROPERTIES UNDER DEVELOPMENT

The Ocean Vast Group

An analysis of the amount of properties under development expected to be recovered is as follows:

	As at 31 December		As at 31 March
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of period/year	—	112,641	113,694
Additions	22,884	1,053	40
Acquisition of a subsidiary *(Note 25)*	89,757	—	—
At the end of period/year	112,641	113,694	113,734
Represented by:			
Land use rights	91,481	91,481	91,481
Construction costs and capitalised expenditure	21,160	22,213	22,253
	112,641	113,694	113,734

Land use rights represent prepaid operating lease payments, which are analysed as follows:

	As at 31 December		As at 31 March
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
In the PRC held on:			
Medium-term lease	91,481	91,481	91,481

According to the accounting policy of Ocean Vast Group, properties under development are classified as non-current asset as the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

16. INVESTMENTS IN SUBSIDIARIES

	As at 31 December		As at 31 March
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments, at cost	1,895	1,895	1,895

The details of the subsidiaries are set out as follows:

Name of subsidiary	Place and date of establishment	Registered capital	Proportion of equity interest held	Principal activities
Zhuhai Guanghai	The PRC 23 November 2007	HK$2,000,000	100% directly	Provision for telecommunication service, software development and investment consultancy
Zhuhai Heqiang	The PRC 5 October 1992	RMB3,000,000	60% indirectly	Development of real estates and property management

The subsidiaries had not issued any debt securities during the Relevant Periods and at the end of each of the Relevant Periods.

17. GOODWILL

The Ocean Vast Group

	As at 31 December		As at 31 March
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Cost and carrying values			
At beginning of period/year	—	16,931	16,931
Acquisition of a subsidiary *(Note 25)*	16,931	—	—
At the end of period/year	16,931	16,931	16,931

Goodwill arose on acquisition of Zhuhai Heqiang and will be tested for impairment at least annually.

The management considers the primary segment as the cash-generating unit ("CGU") for the purpose of goodwill impairment testing. As at the end of each reporting period, the carrying amount of goodwill of approximately RMB16,931,000 is allocated to the development of real estates and property management segment.

During the Relevant Periods, the Ocean Vast Group performed the goodwill impairment testing with reference to a valuation carried out by Vigers Appraisal & Consulting Limited, a qualified valuer not connected with the Ocean Vast Group, for the purpose of assessing the recoverable amount. Such valuation has been carried out using cash flow projections based on financial budgets approved by management of Zhuhai Heqiang and Ocean Vast and applying the discounted cash flow technique. The management prepares cash flow forecasts derived from the most recent financial budgets for the next 2 years and a discount rate of 14.93%, 13.03% and 13.03% as at the end of each reporting period. The director of Ocean Vast is of the opinion, based on the valuation, that the recoverable amount exceeds its carrying values in the consolidated statement of financial position and no impairment is needed.

18. BANK BALANCES AND CASH

The Ocean Vast Group and Ocean Vast

All the bank balances are held in banks with high credit standing.

Cash at bank and short-term bank deposits with an original maturity of three months or less carry interest at prevailing market rate from 0.36% to 0.81% per annum as at the respective end of the reporting periods.

19. PROVISION FOR CLAIMS

The Ocean Vast Group

	As at 31 December		As at 31 March
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Provision for claims in respect of:			
The loan	20,873	—	—

As at 31 December 2007, the Ocean Vast Group has recognised a provision for claims of approximately HK$20,873,000 in respect of claims by an independent third party (the "Creditor") for a long outstanding loans (the "Loan") granted to Zhuhai Heqiang Industrial, the predecessor company of the subsidiary, prior to the Relevant Periods.

Zhuhai Heqiang Industrial had been served with writs of summons in the PRC and was being demanded for repayment for the amounts due and the overdue interests thereon of approximately RMB15,047,000 and RMB5,826,000 respectively. On 24 May 2007, Zhuhai Heqiang Industrial was transformed into a limited liability company and changed its name into Zhuhai Heqiang (the "Reorganisation"). Such claims would be settled by the Ocean Vast Group subsequent to the Reorganisation and the acquisition of Zhuhai Heqiang by the Ocean Vast Group.

During the year ended 31 December 2007, ZhengMaoYuan assumed the full outstanding provision of Zhuhai Heqiang.

On 5 November 2008, Zhuhai Guanghai, Zhuhai Heqiang and ZhengMaoYuan have entered into a debt restructuring agreement (the "Agreement"). Pursuant to the Agreement, Zhuhai Guanghai and ZhengMaoYuan have agreed to waive partial of the provision of claims regarding the Loan of approximately RMB10,694,000 and RMB7,129,000 respectively according to their respective shareholdings in Zhuhai Heqiang. The remaining balances of approximately RMB3,050,000 was included in the amount due to the minority shareholder.

20. AMOUNT DUE TO A SHAREHOLDER

The Ocean Vast Group and Ocean Vast

The amount is unsecured, non-interest bearing and repayable on demand. The amount due to a shareholder is denominated in HK$.

21. AMOUNT DUE TO THE MINORITY SHAREHOLDER

The Ocean Vast Group

	As at 31 December 2007	As at 31 December 2008	As at 31 March 2009
	RMB'000	*RMB'000*	*RMB'000*
Interest-free *(note 1)*	32,199	29,530	30,183
Interest-bearing *(note 2)*	37,212	47,906	47,906
	69,411	77,436	78,089

Note 1: The amount is interest free, unsecured and repayable on demand.

Note 2: The above mentioned interest-bearing portion are unsecured, repayable on demand and interest bearing are at prevailing market interest rate of The People's Bank of China during the Relevant Periods.

22. DEFERRED TAX LIABILITIES

The Ocean Vast Group

The components of deferred tax liability recognised in the consolidated statement of financial position and the movements during the Relevant Periods are as follows:

	Fair value adjustment on properties under development at acquisition		
	As at 31 December 2007	As at 31 December 2008	As at 31 March 2009
	RMB'000	*RMB'000*	*RMB'000*
At beginning of period/year	—	15,120	15,120
Acquisition of a subsidiary *(Note 25)*	15,120	—	—
At the end of period/year	15,120	15,120	15,120

23. SHARE CAPITAL

	No. of shares	Amount
		HK$'000
Authorised:		
Ordinary share of HK$1 each as at 28 September 2007 (date of incorporation), 31 December 2007, 31 December 2008 and 31 March 2009	10,000	10
Issued and fully paid:		
Ordinary shares of HK$1 each		
At 28 September 2007 (date of incorporation)	1	—
Allotment of new shares	999	1
At 31 December 2007, 31 December 2008 and 31 March 2009	1,000	1
		RMB'000
Shown in the Financial Information		1

Ocean Vast was incorporated as a limited liability company in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1 each on 28 September 2007. 1 ordinary share of HK$1 each was allotted and issued for cash at par, as initial working capital.

Pursuant to a resolution passed on 18 October 2007, the issued share capital of Ocean Vast increased from HK$1 to HK$1,000 by allotting 999 ordinary shares of HK$1 each at par for cash for the purpose of increasing the working capital of Ocean Vast. All the shares rank pari passu in all respect with the existing capital of Ocean Vast.

24. RESERVES

The Ocean Vast Group

Capital contribution reserve

Pursuant to the Agreement as set out in Note 19, Zhuhai Guanghai and ZhengMaoYuan have agreed to waive the amount of approximately RMB10,694,000 and RMB7,129,000 respectively. The wavier is deemed as capital contribution from the shareholder and recorded in the capital contribution reserve of which is non-distributable.

The waiver from Zhuhai Guanghai of approximately RMB10,694,000 is considered as a deemed investment cost in Zhuhai Heqiang.

25. ACQUISITION OF A SUBSIDIARY

On 30 November 2007, Zhuhai Guanghai, a wholly owned subsidiary of Ocean Vast, acquired 60% equity interest of Zhuhai Heqiang for a consideration of approximately RMB37,212,000. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of acquisition was approximately RMB16,931,000.

The net assets acquired in the transaction and the goodwill arising is as follows:

	Acquiree's carrying value before combination	Fair value adjustments	Fair value
	RMB'000	*RMB'000*	*RMB'000*
Properties under development	21,029	68,728	89,757
Other receivables	8,164	—	8,164
Bank balances and cash	1,183	—	1,183
Provision for claims	(20,873)	—	(20,873)
Amount due to the minority shareholder	(10,030)	—	(10,030)
Tax payable	(19,279)	—	(19,279)
Deferred tax liabilities	—	(15,120)	(15,120)
	(19,806)	53,608	33,802
Minority interests			(13,521)
Goodwill			16,931
Total consideration			37,212
Total consideration satisfied by:			
Amount due to the minority shareholder			37,212
Net cash inflow arising on acquisition:			
Cash and cash equivalents acquired			1,183

Zhuhai Heqiang contributed loss of approximately RMB314,000 to the Ocean Vast Group's loss for the period between the date of acquisition and 31 December 2007.

If the acquisition had been completed on 1 January 2007, the Ocean Vast Group's turnover for the year ended 31 December 2007 would remain unchanged and loss for the year ended 31 December 2007 would have been increased by approximately RMB19,593,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Ocean Vast Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

26. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

The Ocean Vast Group and Ocean Vast

Capital expenditures contracted for at the end of each reporting periods are as follows:

	As at 31 December		As at March
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Properties under development	309	159	119

Contingent liabilities

On 30 November 2007, the Ocean Vast Group acquired 60% equity interest of Zhuhai Heqiang. Saved for the provision of claims of approximately RMB20,873,000, amount due to the minority shareholder of approximately RMB10,030,000 and tax payable of approximately RMB19,279,000 disclosed in the statement of financial position of Zhuhai Heqiang as at 30 November 2007, the vendor, ZhengMaoYuan, has agreed to indemnify the Ocean Vast Group at all times in respect of, among other matters, any losses or expenses incurred by the Ocean Vast Group in respect of any other liabilities, tax provision, contingent liabilities and commitments, if any, not reflected in the statement of financial position of Zhuhai Heqiang as at 30 November 2007, the date of completion of this acquisition.

27. RELATED PARTY TRANSACTIONS

The balances with the shareholder and the minority shareholder are set out in Notes 20 and 21 respectively.

During the Relevant Periods, Ocean Vast Group entered into the following related party transactions:

a) As set out in Note 19, ZhengMaoYuan has assumed provision for claims of approximately RMB20,873,000 for the year ended 31 December 2008.

   Zhuhai Guanghai and ZhengMaoYuan have agreed to waive an amount of approximately RMB17,823,000 according to their respective shareholdings in Zhuhai Heqiang for the year ended 31 December 2008.

   The remaining balances of provision of claims of approximately RMB3,050,000 for the year ended 31 December 2008 was included in the amount due to the minority shareholder, which was the non-cash transaction.

b) The transaction costs of the acquisition of Zhuhai Heqiang was borne by ZhengMaoYuan, the minority shareholder of the Ocean Vast Group.

Compensation of key management personnel

Save as disclosed in Note 11, no remuneration was paid to other key management personnel.

28. SUBSEQUENT EVENTS

On 19 May 2009, Hill Light Investments Limited ("Hill Light"), the wholly owned subsidiary of the Company, has entered into the sales and purchase agreement (the "Sales and Purchase Agreement") with Ms. Wong Sio Leng (the "Vendor") pursuant to which Hill Light has conditionally agreed to acquire for and the Vendor has conditionally agreed to sell the entire issued share capital of Ocean Vast, at a consideration of RMB69,300,000.

Details of which are set out in the Company's announcement dated 21 May 2009.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Ocean Vast in respect of any period subsequent to 31 March 2009.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798
Hong Kong

B. FINANCIAL INFORMATION ON ZHUHAI HEQIANG

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

30 June 2009

The Directors
The Quaypoint Corporation Limited

Dear Sirs,

We set out below our report on the financial information of Zhuhai Special Economic Zone Heqiang Industrial Company Limited* 珠海經濟特區合強實業有限公司 ("Zhuhai Heqiang") for each of the three years ended 31 December 2006, 2007 and 2008 and the three months ended 31 March 2009 (the "Relevant Periods") (the "Financial Information") for inclusion in the circular of The Quaypoint Corporation Limited (the "Company") dated 30 June 2009 (the "Circular") in connection with the proposed acquisition of the entire equity interest of Ocean Vast Corporation Limited ("Ocean Vast") (the "Proposed Acquisition").

Zhuhai Heqiang is principally engaged in the development of real estates and property management in Zhuhai City, Guangdong Province, the People's Republic of China (the "PRC").

Zhuhai Special Economic Zone Heqiang Industrial (Group) Limited* 珠海經濟特區合強實業(集團)公司 ("Zhuhai Heqiang Industrial"), the predecessor company, was established as a collectively owned enterprise with registered capital of RMB21,600,000 in the PRC on 5 October 1992. Pursuant to the approval of relevant PRC government authorities, Zhuhai Heqiang Industrial (i) transformed its legal form into a limited liability company and (ii) changed its name to Zhuhai Heqiang (the "Reorganisation"). The Reorganisation was completed on 24 May 2007. The registered office and principal place of business of Zhuhai Heqiang are at South of Yuehai West Road, Gongbei, Zhuhai City, Guangdong Province, the PRC.

On 30 November 2007, Zhuhai Guanghai Xin Xi Technology Co., Limited* ("Zhuhai Guanghai") 珠海廣海信息科技有限公司, the wholly owned subsidiary of Ocean Vast, acquired 60% equity interest in Zhuhai Heqiang.

As at 31 December 2007, 2008 and 31 March 2009, the director of Zhuhai Heqiang considers the ultimate holding company and the immediately holding company of Zhuhai Heqiang are Ocean Vast and Zhuhai Guanghai respectively.

Zhuhai Heqiang adopted 31 December as financial year ended date.

* *These English names are for identification purpose only.*

Before the completion of Reorganisation, there is no statutory requirement for Zhuhai Heiqiang Industrial, accordingly, no statutory financial statements of Zhuhai Heqiang Industrial have been prepared for the year ended 31 December 2006. The statutory financial statements of Zhuhai Heqiang for the two years ended 31 December 2007 and 2008 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by Zhuhai GuoRui CPA Limited* 珠海國睿會計師事務所, a certified public accountants registered in the PRC.

For the purpose of this report, the director of Zhuhai Heqiang has prepared the financial statements of Zhuhai Heqiang for the Relevant Periods based on the respective audited financial statements and unaudited management accounts in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and on the basis set out in Note 1 of Section II below (the "Underlying Financial Statements").

For the purpose of this report, we have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. However, because of the matters described in the basis of disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion.

We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommend by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments have been made to the Underlying Financial Statements in the preparation of our report for the inclusion in the Circular.

The director of Zhuhai Heqiang is responsible for the preparation of the Underlying Financial Statements and the Financial Information. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

* *This English name is for identification purpose only.*

However, the scope of our examination which was planned in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by HKICPA was limited as set out below:

BASIS OF DISCLAIMER OF OPINION

The books and records of Zhuhai Heqiang prior to its reorganisation were kept and maintained by the former management of Zhuhai Heqiang ("Former Management"). The Former Management had left Zhuhai Heqiang following the Reorganisation of Zhuhai Heqiang on 24 May 2007. For the Relevant Periods, the books and records (including any bank records) of Zhuhai Heqiang on or before 24 May 2007 ("Incomplete books and records") as made available to us by Zhuhai Heqiang's current management were incomplete for our purposes.

In summary, the scope of limitations included the following:

a) Under circumstances as explained above, we were not able to carry out procedures which we considered necessary on the books and records of Zhuhai Heqiang, to satisfy ourselves as to whether its assets (including any cash and bank balances) of approximately RMB27,376,000 and liabilities of approximately RMB159,429,000 as at 31 December 2006 and its loss and cash flows and related disclosures in the notes to the Financial Information for the year ended 31 December 2006 were fairly stated.

   The incomplete books and records of Zhuhai Heqiang remained unresolved for the year ended 31 December 2007, 2008 and three months ended 31 March 2009. Zhuhai Heqiang's assets and liabilities brought forward from 31 December 2006 have been included in the Zhuhai Heqiang's Financial Information for the year ended 31 December 2007, 2008 and the three months ended 31 March 2009. The assets have been included in the Financial Information as at 31 December 2007, 2008 and 31 March 2009 at the amount of approximately RMB28,833,000, RMB21,029,000 and RMB21,029,000 respectively and the liabilities have been included in the Financial Information as at 31 December 2007 at the amounts of approximately RMB20,873,000.

b) The current management is unable to satisfy as to the completeness of recording of transactions entered into by Zhuhai Heqiang and the completeness of disclosures of contingent liabilities, capital commitment and pledged of assets for the period from 1 January 2006 to 24 May 2007 in the Financial Information. Furthermore, the current management is unable to determine the completeness of related party transactions, employee benefits and emoluments incurred for the period from 1 January 2006 to 24 May 2007.

c) The current management is unable to obtain sufficient documentary evidence to satisfy whether the nil paid-in capital in the statement of financial position as at 31 December 2006 was fairly stated.

There were no other alternative procedures which we could adopt to satisfy ourselves as to the matters set out in the above paragraphs.

Any adjustments to the above figures may have consequential significant effects on the assets, liabilities, loss, cash flows and related disclosures in the notes to the Financial Information of Zhuhai Heqiang as at 31 December 2006, 2007 and 2008 and 31 March 2009 and for the Relevant Periods respectively.

Fundamental uncertainty relating to going concern basis

As explained in Note 1 of Section II, which indicates that Zhuhai Heqiang had net current liabilities and net liabilities of approximately RMB51,188,000 and RMB6,131,000 respectively as at 31 March 2009, the Financial Information have been prepared on a going concern basis. In the absence of sufficient documentary evidence, we were unable to ascertain whether the assumptions made by the director in preparing the Financial Information on a going concern basis are proper and appropriate.

Should Zhuhai Heqiang be not able to continue its business as a going concern, adjustments would be necessary to reclassify all non-current assets as current assets, write down of the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The Financial Information has not incorporated any of these adjustments.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW OF GIVEN BY FINANCIAL INFORMATION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we were unable to form an opinion on the Financial Information, for the purpose of this report, as to whether they give a true and fair view of the state of affairs of Zhuhi Heqiang as at 31 December 2006, 2007 and 2008 and 31 March 2009 and of its results and cash flows for the Relevant Periods.

REVIEW CONCLUSION

The comparative statement of comprehensive income, statement of changes in equity and statement of cash flow of Zhuhai Heqiang for the three months ended 31 March 2008 together with the notes thereon (the "31 March 2008 Financial Information") have been extracted from the Zhuhai Heqiang's unaudited financial information for the same period which was prepared by the director of Zhuhai Heqiang solely for the purpose of this report. It is our responsibility to form an independent conclusion, based on our review, and to report our conclusion to you.

For the purpose of this report, we have reviewed the 31 March 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. Our review consisted principally of making enquiries of Zhuhai Heqiang's management and applying analytical procedures to the 31 March 2008 Financial Information and bases thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31 March 2008 Financial Information.

Because of the significance of the possible effect of the limitation in evidence available to us as set out above, we were unable to reach a review conclusion as to whether material modifications should be made to the 31 March 2008 Financial Information.

I. FINANCIAL INFORMATION

Statement of Comprehensive Income

		Year ended 31 December			Three months ended 31 March	
		2006	**2007**	**2008**	**2008**	**2009**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	7	—	—	—	—	—
Other operating income	8	—	14	—	—	—
Administrative expenses		—	(328)	(486)	(161)	(140)
Loss before taxation	9	—	(314)	(486)	(161)	(140)
Taxation	11	—	(19,279)	(3,208)	—	—
Loss and the total comprehensive income for the year/period		—	(19,593)	(3,694)	(161)	(140)

Statement of Financial Position

		As at 31 December			As at 31 March
		2006	2007	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Plant and equipment	13	—	29	54	51
Properties under development	14	21,029	43,913	44,966	45,006
		21,029	43,942	45,020	45,057
Current assets					
Other receivables		5,164	7,884	80	80
Bank balances and cash	15	1,183	348	105	72
		6,347	8,232	185	152
Current liabilities					
Other payables		—	218	315	459
Provisions for claims	16	159,429	20,873	—	—
Tax payable		—	19,279	22,487	22,487
Amount due to the minority shareholder	17	—	31,924	28,394	28,394
		159,429	72,294	51,196	51,340
Net current liabilities		(153,082)	(64,062)	(51,011)	(51,188)
		(132,053)	(20,120)	(5,991)	(6,131)
Capital and reserves					
Paid-in capital	18	—	3,000	3,000	3,000
Reserves		(132,053)	(23,120)	(8,991)	(9,131)
		(132,053)	(20,120)	(5,991)	(6,131)

Statement of Changes in Equity

	Paid-in capital *RMB'000*	Capital contribution reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2006	—	—	(132,053)	(132,053)
Loss and total comprehensive income for the year	—	—	—	—
At 31 December 2006 and 1 January 2007	—	—	(132,053)	(132,053)
Capital injection *(Note 18)*	3,000	—	—	3,000
Loss and total comprehensive income for the year	—	—	(19,593)	(19,593)
Shareholder's contribution *(Note i)*	—	128,526	—	128,526
At 31 December 2007 and 1 January 2008	3,000	128,526	(151,646)	(20,120)
Loss and total comprehensive income for the year	—	—	(3,694)	(3,694)
Shareholder's contribution *(Note ii)*	—	17,823	—	17,823
At 31 December 2008 and 1 January 2009	3,000	146,349	(155,340)	(5,991)
Loss and total comprehensive income for the period	—	—	(140)	(140)
At 31 March 2009	3,000	146,349	(155,480)	(6,131)
For the three months ended 31 March 2008 (unaudited)				
At 1 January 2008	3,000	128,526	(151,646)	(20,120)
Loss and total comprehensive income for the period	—	—	(161)	(161)
At 31 March 2008	3,000	128,526	(151,807)	(20,281)

Notes

i: Zhuhai Heqiang has set aside a provision of claims of approximately RMB159,429,000 and RMB20,873,000 as at 31 December 2006 and 2007 respectively in respect of claims (a) against certain guarantees issued to the bank creditor (the "Bank") for its former associate and related companies; (b) for the settlement of long outstanding loans borrowed by the predecessor company, Zhuhai Heqiang Industrial; and (c) the unsettled construction costs of the properties under development. During the two years ended 31 December 2007 and 2008, ZhengMaoYuan Investment Consultant Co., Limited ("ZhengMaoYuan") 珠海市正懋源投資顧問有限公司, the minority shareholder of Zhuhai Heqiang, assumed and settled these provision on behalf of Zhuhai Heqiang.

On 10 September 2007, Zhuhai Heqiang and ZhengMaoYuan have entered into certain debt restructuring agreements (the "First Agreement"). Pursuant to the First Agreement, ZhengMaoYuan has agreed to waived the amount of approximately RMB128,526,000.

ii: On 5 November 2008, Zhuhai Guanghai, Zhuhai Heqiang and ZhengMaoYuan have entered into another debt restructuring agreement (the "Second Agreement"). Pursuant to the Second Agreement, Zhuhai Guanghai and ZhengMaoYuan has agreed to waive a further amount of approximately RMB17,823,000 according to their respective shareholdings in Zhuhai Heqiang.

iii: The waivers were deemed as capital contribution from the shareholders and recorded in the capital contribution reserve of which was non-distributable.

Statement of Cash Flows

	Year ended 31 December			Three months ended 31 March	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
OPERATING ACTIVITIES					
Loss before taxation	—	(314)	(486)	(161)	(140)
Adjustments for:					
Bank interest income	—	(14)	—	—	—
Depreciation on plant and equipment	—	—	13	3	3
Operating cash flows before movements in working capital	—	(328)	(473)	(158)	(137)
Increase in properties under development	—	(22,884)	(1,053)	(445)	(40)
Decrease/(increase) in other receivables	—	(2,720)	7,804	(123)	—
Increase in other payables	—	218	97	53	144
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	—	(25,714)	6,375	(673)	(33)
INVESTING ACTIVITIES					
Purchase of plant and equipment	—	(29)	(38)	(37)	—
Interest received	—	14	—	—	—
NET CASH USED IN INVESTING ACTIVITIES	—	(15)	(38)	(37)	—
FINANCING ACTIVITIES					
Increase/(decrease) in amount due to the minority shareholder	—	21,894	(6,580)	395	—
Capital injection	—	3,000	—	—	—
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	—	24,894	(6,580)	395	—
NET DECREASE IN CASH AND CASH EQUIVALENTS	—	(835)	(243)	(315)	(33)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR/PERIOD	1,183	1,183	348	348	105
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD represented by bank balances and cash	1,183	348	105	33	72

II NOTES TO THE FINANCIAL INFORMATION

1. CORPORATION INFORMATION AND BASIS OF PREPARATION

Corporation information

Zhuhai Heqiang is principally engaged in the development of real estates and property management in Zhuhai City, Guangdong Province, the PRC.

Zhuhai Heqiang Industrial, the predecessor company, was established as a collectively owned enterprise with registered capital of RMB21,600,000 in the PRC on 5 October 1992. Pursuant to the approval of relevant PRC government authorities, Zhuhai Heqiang Industrial (i) transformed its legal form into a limited liability company; and (ii) changed its name to Zhuhai Heqiang (the "Reorganisation"). The Reorganisation was completed on 24 May 2007. The registered office and principal place of business of Zhuhai Heqiang are at South of Yuehai West Road, Gongbei, Zhuhai City, Guangdong Province, the PRC.

As at 31 December 2007, 2008 and 31 March 2009, the director of Zhuhai Heqiang considers the ultimate holding company and the immediately holding company of the Zhuhai Heqiang are Ocean Vast and Zhuhai Guanghai, respectively.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of Zhuhai Heqiang.

Basis of preparation

As at 31 March 2009, Zhuhai Heqiang had net current liabilities and net liabilities of approximately RMB51,188,000 and RMB6,131,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Zhuhai Heqiang's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the director is of the opinion that Zhuhai Heqiang will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 March 2009 given that:

(i) ZhengMaoYuan, the minority shareholder of Zhuhai Heqiang, will continue to provide financial support to Zhuhai Heqiang to meet Zhuhai Heqiang's liabilities and commitments as and when it falls due; and

(ii) The director of Zhuhai Heqiang anticipates that Zhuhai Heqiang will generate positive cash flows from its operations.

Accordingly, the director is of the opinion that it is appropriate to prepare the Financial Information on a going concern basis. Should Zhuhai Heqiang be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the Financial Information.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, Zhuhai Heqiang has consistently applied all of the new or revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and Interpretations ("INT") (herein collectively referred to as "New HKFRSs") issued by the HKICPA, which are effective for the accounting period beginning on 1 January 2009.

Zhuhai Heqiang has not early applied the following new and revised standards, amendments or INTs that have been issued but are not yet effective as at the date of this report.

HKFRSs (Amendments)	Improvement to HKFRSs[1]
HKFRSs (Amendments)	Improvement to HKFRSs 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendments)	Eligible Hedged Item[3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 3 (Revised)	Business Combinations[3]
HK(IFRIC) — INT 9 & HKAS 39 (Amendment)	Embedded Derivatives[4]
HK(IFRIC) — INT 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) — INT 18	Transfers of Assets from Customers[5]

1 Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods ending on or after 30 June 2009.
5 Effective for transfers of assets from customers received on or after 1 July 2009.

The director of Zhuhai Heqiang anticipates that the adoption of such standards, amendments and INTs will have no material impact on the results and the financial position of Zhuhai Heqiang.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain 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 HKFRSs issued by the HKICPA and the accounting policies have been consistently applied throughout the Relevant Periods and are materially consistent with the accounting policies adopted by the Company. 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 and by the Hong Kong Companies Ordinance.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of plant and equipment over their estimate useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of 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 the consolidated statement of comprehensive income in the year/period in which the item is derecognised.

Property under development

Properties under development in respect of development activities are stated at the lower of cost and net realisable value. The cost of properties under development comprises specifically identified costs, including aggregate cost of development, acquisition cost of land, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised. On completion, the properties are transferred to completed properties held for sales. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the properties.

Properties under development are classified as non-current assets unless those will be realised in one normal operating cycle.

Impairment losses on assets

At the end of each reporting period, Zhuhai Heqiang reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. 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.

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.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of the financial position when the 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

Zhuhai Heqiang's financial assets are mainly 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 periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points 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 debts instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Impairment loss on financial assets

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

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 reorganisation.

For certain categories of financial asset, such as other receivables, 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 Zhuhai Heqiang's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on the other receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, 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 an other receivable 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 Zhuhai Heqiang 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 Zhuhai Heqiang after deducting all of its liabilities. Zhuhai Heqiang's financial liabilities are generally classified into other financial 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 periods. 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.

Other financial liabilities

Other financial liabilities (including other payables and amount due to the minority shareholder) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Zhuhai Heqiang 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 Zhuhai Heqiang 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 directly in equity 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.

Revenue recognition

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

Retirement benefit schemes

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

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 year/period, and it further excludes items that are never taxable or deductible. Zhuhai Heqiang's 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 differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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 (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the year/period when the liability is settled or the asset realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Provision and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Transactions with minority interests

Zhuhai Heqiang applies a policy of treating transactions with minority interests as transactions with equity owners of Zhuhai Heqiang.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Zhuhai Heqiang's accounting policies which are described in Note 3, the director of Zhuhai Heqiang is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates of 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 reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Going concern consideration

The assessment of the going concern assumption involves making a judgement by the director of Zhuhai Heqiang, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The director of Zhuhai Heqiang considers that Zhuhai Heqiang has the ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumption are set out in Note 1.

PRC enterprise income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. Zhuhai Heqiang carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such differences will affect the income tax in the year/period in which such determination is made.

Estimated net realisable value on properties under development

As explained in Note 3, Zhuhai Heqiang's properties under development are stated at the lower of cost and net realisable value. Based on Zhuhai Heqiang's recent experience and the nature of the subject properties, Zhuhai Heqiang makes estimates of the selling prices, the costs of completion in case for properties under development, and the cost to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or decrease in net sales value, the net realisable value will decrease and this may result in impairment loss on properties under development. Such impairment assessment required the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and impairment loss on properties under development in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of each reporting periods. Any increase or decrease in the impairment loss would affect the results in future years.

Provision for claims

As explained in Note 3, provisions for claims are recognised when Zhuhai Heqiang has a present obligation as a result of a past event, and it is probable that Zhuhai Heqiang will be required to settle that obligation. Provisions for claims are measured at the director's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

In determining whether provisions for claims are required, the director of Zhuhai Heqiang will take into consideration for the probability of the payment of the obligations. Specific provisions are only made for the amount that is probable. In this regard, the director of Zhuhai Heqiang believed that all provision for claims has been properly made.

5. CAPITAL RISK MANAGEMENT

Zhuhai Heqiang manages its capital to ensure that Zhuhai Heqiang will be able to continue as a going concern while maximising the return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Zhuhai Heqiang's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Zhuhai Heqiang consists of cash and cash equivalents and equity attributable to owners of Zhuhai Heqiang, comprising paid-in capital and reserves.

The director of Zhuhai Heqiang actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of Zhuhai Heqiang and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 31 March
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables				
(including bank balances and cash)	6,347	8,232	185	152
Financial liabilities				
At amortised cost	—	32,142	28,709	28,853

(b) Financial risk management objective and policies

Zhuhai Heqiang's major financial instruments include other receivables, bank balances and cash, other payables and amount due to the minority shareholder. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

At the end of each reporting period, Zhuhai Heqiang's maximum exposure to credit risk, which will cause a financial loss to Zhuhai Heqiang due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position. In order to minimise the credit risk, Zhuhai Heqiang's management has determined the credit limits, credit approvals and other monitoring procedures to ensure that follow-up action taken to recover overdue debts. In additions, Zhuhai Heqiang reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the director of Zhuhai Heqiang considers its credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, Zhuhai Heqiang does not have any other significant concentration of credit risk.

Liquidity risk

The director of Zhuhai Heqiang has built an appropriate liquidity risk management framework for the management of the Zhuhai Heqiang's short, medium and long-term funding and liquidity management requirements. Zhuhai Heqiang manages liquidity risk by maintaining sufficient bank balances and obtaining continuing financial support from ZhengMaoYuan, the minority shareholder of Zhuhai Heqiang. Zhuhai Heqiang continuously monitors the forecast and actual cash flows and the maturity profiles of financial liabilities.

The maturity dates of Zhuhai Heqiang's other financial liabilities are all within one year as at the respective reporting period ended date.

Although Zhuhai Heqiang has a considerable amount of financial liabilities which have to be settled within the next 12 months from the end of the reporting period, the director of Zhuhai Heqiang believes that Zhuhai Heqiang can manage the associated liquidity risk based on the factors as set out in Note 1.

(c) Fair value

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

The director of Zhuhai Heqiang considers that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values due to their short-term maturities.

7. REVENUE AND SEGMENTAL INFORMATION

Zhuhai Heqiang did not generate any turnover during the Relevant Periods and the three months ended 31 March 2008.

No segment information is presented as Zhuhai Heqiang operates in one single industry, the development of real estates and property management and operates within one geographic segment. Substantially all of Zhuhai Heqiang's assets and liabilities are located in the PRC and therefore no geographical segment information has been disclosed for the Relevant Periods and the three months ended 31 March 2008.

8. OTHER OPERATING INCOME

	Year ended 31 December			Three months ended 31 March	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	—	14	—	—	—

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Year ended 31 December			Three months ended 31 March	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Director remuneration *(Note 10)*	—	73	126	31	31
Other staff costs	—	86	248	85	84
Retirement benefits scheme contributions *(note)*	—	21	62	21	21
Total staff costs	—	180	436	137	136
Auditors' remuneration	—	15	20	20	—
Depreciation of plant and equipment	—	—	13	3	3

Note: The employees of Zhuhai Heqiang are members of a state-managed retirement benefits scheme in the PRC. Zhuhai Heqiang is required to contribute a specific percentage of its payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of Zhuhai Heqiang with respect to the retirement benefits scheme is to make the specified contributions under the scheme. No forfeited contributions are available during the Relevant Periods and the three months ended 31 March 2008 to reduce the contribution payable in the future years.

10. DIRECTOR'S REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Director's remuneration

The details of director's remuneration for the Relevant Periods and the three months ended 31 March 2008 are set out below:

For the year ended 31 December 2006

Name of Director	Salaries and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
Hu Xu 胡旭	—	—	—

For the year ended 31 December 2007

Name of Director		Salaries and other benefits	Retirement benefit scheme contributions	Total
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Hu Xu 胡旭	1	—	—	—
Guo Cheng Jia 郭成佳	2	60	13	73
		60	13	73

Notes:

1. Resigned on 2 July 2007.
2. Appointed on 2 July 2007.

For the year ended 31 December 2008

Name of Director	Salaries and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
Guo Cheng Jia 郭成佳	105	21	126
	105	21	126

For the three months ended 31 March 2008 (Unaudited)

Name of Director	Salaries and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
Guo Cheng Jia 郭成佳	26	5	31

For the three months ended 31 March 2009

Name of Director	Salaries and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
Guo Cheng Jia 郭成佳	26	5	31

The five highest paid employees

The five highest paid individuals for the Relevant Periods and the three months ended 31 March 2008 include only one director. Details of whose emoluments are included in the disclosure above.

During the Relevant Periods and the three months ended 31 March 2008, Zhuhai Heqiang only employed four employees (including the director). The emoluments of the remaining three individuals, whose emoluments are individually below RMB880,000 (approximately HK$1,000,000) for the Relevant Periods and the three months ended 31 March 2008 are as follows:

	Year ended 31 December			Three months ended 31 March	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and allowances	—	86	248	85	84
Retirement benefits scheme contributions	—	21	62	21	21
	—	107	310	106	105

During the Relevant Periods and the three months ended 31 March 2008, no remuneration has been paid by Zhuhai Heqiang to the director or the five highest paid individuals as an inducement to join or upon joining Zhuhai Heqiang or as a compensation for loss of office. There was no arrangement under which the directors waived or agreed to waive any remuneration during the Relevant Periods and the three months ended 31 March 2008.

11. TAXATION

	Year ended 31 December			Three months ended 31 March	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax:					
PRC Corporate Income Tax ("CIT")	—	19,279	3,208	—	—

No provision for Hong Kong Profits Tax has been made as Zhuhai Heqiang did not generate any assessable profits in Hong Kong during the Relevant Periods and the three months ended 31 March 2008.

CIT charged to the statement of comprehensive income was calculated based on the assessable profits of Zhuhai Heqiang located in the PRC of the year at a applicable progressive rate of 15%, 15%, 18%, 18% and 20% for the year ended 31 December 2006, 2007, 2008, the three months ended 31 March 2008 and 2009 respectively.

The CIT Law of the PRC (the "new CIT Law") is effective from 1 January 2008. According to the new CIT Law and the relevant regulations, the income tax rate applicable to Zhuhai Heqiang established in Zhuhai Special Economic Zone, the PRC will be gradually increased to 25% over a five-year period from 2008 to 2012.

The taxation for the Relevant Periods and the three months ended 31 March 2008 can be reconciled to the loss before taxation per the statement of comprehensive income as follow:

	Year ended 31 December			Three months ended 31 March	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loss before taxation	—	(314)	(486)	(161)	(140)
Domestic income tax rates	15%	15%	18%	18%	20%
Tax at domestic income tax rates	—	(47)	(87)	(29)	(28)
Tax effect of non-taxable income	—	(2)	—	—	—
Tax effect of non-deductible expense	—	49	87	29	28
Others *(note)*	—	19,279	3,208	—	—
Taxation for the Relevant Periods	—	19,279	3,208	—	—

Note: Zhuhai Guanghai and ZhengMaoYuan, the shareholders of Zhuhai Heqiang, have waived certain amounts due from Zhuhai Heqiang for the two years ended 31 December 2007 and 2008. In accordance to relevant PRC tax rules and legislations, the shareholder's contribution were deemed as taxable income and subject to CIT at the applicable rate for the two years ended 31 December 2007 and 2008.

12. DIVIDENDS

No dividends was paid or proposed during the Relevant Periods and the three months period ended 31 March 2008.

13. PLANT AND EQUIPMENT

	Office equipment *RMB'000*
COST	
At 1 January 2006, 31 December 2006 and 1 January 2007	—
Additions	29
At 31 December 2007 and 1 January 2008	29
Additions	38
At 31 December 2008, 1 January 2009 and 31 March 2009	67
ACCUMULATED DEPRECIATION	
At 1 January 2006, 2007 and 2008	—
Provided for the year	13
At 31 December 2008 and 1 January 2009	13
Provided for the period	3
At 31 March 2009	16
CARRYING VALUES	
At 31 December 2006	—
At 31 December 2007	29
At 31 December 2008	54
At 31 March 2009	51

The rates of depreciation of office equipment ranged from 15% to 20% for the Relevant Periods.

14. PROPERTIES UNDER DEVELOPMENT

An analysis of the amount of properties under development expected to be recovered is as follows:

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	21,029	21,029	43,913	44,966
Additions	—	22,884	1,053	40
At the end of year/period	21,029	43,913	44,966	45,006
Represented by:				
Land use rights	—	22,753	22,753	22,753
Construction costs and capitalised expenditure	21,029	21,160	22,213	22,253
	21,029	43,913	44,966	45,006

Land use rights represented prepaid operating lease payments, which are analysed as follows:

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
In the PRC held on:				
Medium-term lease	—	22,753	22,753	22,753

According to the accounting policy of Zhuhai Heqiang, properties under development are classified as non-current asset as the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

15. BANK BALANCES AND CASH

All the bank balances are held in stated-owned banks with high credit standing.

Cash at bank and short-term bank deposits with an original maturity of three months or less carry interest at prevailing market rate from 0.36% to 0.81% per annum as at the respective end of the reporting periods.

16. PROVISIONS FOR CLAIMS

	As at 31 December			As at 31 March
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision for claims in respect of:				
Guarantees issued to the bank *(Note i)*	135,731	—	—	—
The loan *(Note ii)*	20,873	20,873	—	—
Unsettled construction cost *(Note iii)*	2,825	—	—	—
	159,429	20,873	—	—

Notes:

(i) Zhuhai Heqiang Industrial, the predecessor company, has granted certain guarantees to the Bank in respect of banking facilities granted to its former associate and related companies which remained in force so long as the former associate and related companies had utilised the banking facilities. These former associate and related companies had been defaulted in repayment on the due date and have been struck off in 2002. Zhuhai Heqiang Industrial had been served with certain writs of summons in the PRC and was being demanded for repayment for the amounts due of approximately RMB61,889,000 and the overdue interest thereon of approximately RMB73,842,000. Such claims would be settled by Zhuhai Heqiang subsequent to the Reorganisation.

Accordingly, Zhuhai Heqiang provided for the respective guarantees which was amounted to approximately RMB135,731,000 as at 31 December 2006.

During the year ended 31 December 2007, ZhengMaoYuan assumed the full outstanding provision of Zhuhai Heqiang.

Pursuant to the First Agreement entered into between Zhuhai Heqiang and ZhengMaoYuan on 10 September 2007, ZhengMaoYuan has agreed to waive partial of the provision of such guarantees of approximately RMB127,351,000. The remaining balances of approximately RMB8,380,000 was included in the amount due to the minority shareholder.

(ii) As at 31 December 2006 and 2007, Zhuhai Heqiang has recognised a provision for claims of approximately RMB20,873,000 in respect of claims by an independent third party (the "Creditor") for a long outstanding loan (the "Loan") granted to Zhuhai Heqiang Industrial prior to the Relevant Periods.

Zhuhai Heqiang Industrial had been served with writs of summons in the PRC and was being demanded for repayment for the amounts due and the overdue interests thereon, of approximately RMB15,047,000 and RMB5,826,000 respectively. Such claims would be settled by Zhuhai Heqiang subsequent to the Reorganisation.

During the year ended 31 December 2008, ZhengMaoYuan assumed the full outstanding provision of Zhuhai Heqiang.

Pursuant to the Second Agreement entered into between Zhuhai Guanghai, Zhuhai Heqiang and ZhengMaoYuan on 5 November 2008, Zhuhai Guanghai and ZhengMaoYuan have agreed to waive partial of the provision of claims regarding the Loan of approximately RMB10,694,000 and RMB7,129,000 respectively. The remaining balances of approximately RMB3,050,000 was included in the amount due to the minority shareholder.

(iii) As at 31 December 2006, Zhuhai Heqiang has recognised a provision for claims of approximately RMB2,825,000 in respect of claims by the main contractor of the properties under development. Due to the unsatisfactory quality, Zhuhai Heqiang Industrial had not fully settled the amounts due to the main contractor. Zhuhai Heqiang Industrial had been served with writs of summons in the PRC and was being demanded for repayment for the amounts due and the overdue interests thereon, of approximately RMB1,650,000 and RMB 1,175,000 respectively. Such claims would be settled by Zhuhai Heqiang subsequent to the Reorganisation.

During the year ended 31 December 2007, ZhengMaoYuan assumed the full outstanding provision of Zhuhai Heqiang.

Pursuant to the First Agreement entered into between Zhuhai Heqiang and ZhengMaoYuan on 10 September 2007, ZhengMaoYuan has agreed to waive partial of the provision of claims regarding the unsettled construction costs of approximately RMB1,175,000. The remaining balances of approximately RMB1,650,000 was included in the amount due to the minority shareholder.

17. AMOUNT DUE TO THE MINORITY SHAREHOLDER

The amount is unsecured, non-interest bearing and repayable on demand.

18. PAID-IN CAPITAL

	As at 31 December			As at 31 March
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered capital	21,600	3,000	3,000	3,000
Paid-in capital	—	3,000	3,000	3,000

Upon the completion of the Reorganisation on 24 May 2007, Zhuhai Heqiang's registered capital was reduced from RMB21,600,000 to RMB3,000,000.

On 24 May 2007, the shareholder contributed RMB3,000,000 in cash to Zhuhai Heqiang. Zhuhai Heqiang's paid-up capital was therefore increased from nil to RMB3,000,000. The capital contribution was verified by the PRC registered accountant and approved by the relevant PRC government authority.

19. COMMITMENTS

Capital expenditures contracted for at the end of each reporting periods are as follows:

	As at 31 December			As at 31 March
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development	—	309	159	119

20. RELATED PARTY TRANSACTIONS

The transaction and balance with the minority shareholder are set out in Note 17.

During the Relevant Periods, Zhuhai Heqiang entered into the following related party transactions:

As set out in Note 16, ZhengMaoYuan has assumed provision for claims of approximately RMB138,556,000 and RMB20,873,000 for the year ended 31 December 2007 and 2008 respectively.

ZhengMaoYuan has agreed to waive the provisions of claims of approximately RMB128,526,000 for the year ended 31 December 2007. Zhuhai Guanghai and ZhengMaoYuan have agreed to waive a further amount of approximately RMB17,823,000 according to their respective shareholdings in Zhuhai Heqiang for the year ended 31 December 2008.

The remaining balances of provision of claims of approximately RMB10,030,000 and RMB3,050,000 for the year ended 31 December 2007 and 2008 respectively were included in the amount due to the minority shareholder, which constituted to the non-cash transactions of Zhuhai Heqiang.

Compensation of key management personnel

Save as disclosed in Note 10, no remuneration was paid to other key management personnel.

21. SUBSEQUENT EVENTS

On 19 May 2009, Hill Light Investments Limited ("Hill Light"), the wholly owned subsidiary of the Company, has entered into the sales and purchase agreement (the "Sales and Purchase Agreement") with Ms. Wong Sio Leng (the "Vendor") pursuant to which Hill Light has conditionally agreed to acquire for and the Vendor has conditionally agreed to sell the entire issued share capital of Ocean Vast, at a consideration of RMB69,300,000 ("Proposed Acquisition"). Upon the completion of the Proposed Acquisition, the Company would become the ultimate holding company of Zhuhai Heqiang.

Details of which are set out in the Company's announcement dated 21 May 2009.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Zhuhai Heqiang in respect of any period subsequent to 31 March 2009.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798
Hong Kong

C. PROPERTY INTEREST OF OCEAN VAST GROUP

Vigers Appraisal & Consulting Limited, an independent valuer, has valued the property interest held by the Ocean Vast Group as at 31 March 2009 and is of the opinion that the market value of the property interest is amounted to RMB115,500,000 as at 31 March 2009.

Set forth below is the reconciliation of the valuation figure of the Target Group's property with the figures included in the Combined Financial Statements:

	RMB'000
Net book value of the property as set out in the Financial Information on the Target Group included in part A of Appendix IV	113,734
Movement for the period from 31 December 2008 to 31 March 2009 (unaudited)	
Depreciation provided during the period	—
Amortization provided during the period	—
Net book value as at 31 March 2009	113,734
Valuation surplus	1,766
Valuation of the property as at 31 March 2009	115,500

A. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

Set out below are the unaudited pro forma consolidated balance sheet of the Group (together with Ocean Vast Corporation Limited) as extracted from Appendix IV to the June Circular.

Terms used below shall have the same meanings as those defined in the June Circular. Furthermore, all pages/sections/appendices mentioned in the below text are referred to those of the June Circular.

	Unaudited consolidated balance sheet of the Group as at 31 December 2008	Audited consolidated statement of financial position of the Ocean Vast Group as at 31 March 2009	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 December 2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			Note 2	*Note 4*	*Note 4*	
Non-current assets						
Plant and equipment	18,640	51				18,691
Investment properties	164,025	—				164,025
Properties under development	—	113,734				113,734
Prepaid lease payments	17,755	—				17,755
Investments in subsidiaries	—	—	69,300		(69,300)	—
Goodwill	—	16,931			10,471	27,402
	200,420	130,716				341,607
Current assets						
Trade receivables	17,778	—				17,778
Prepayments, deposits and other receivables	14,615	80				14,695
Financial assets at fair value through profit or loss	96	—				96
Pledged bank deposits	12,406	—				12,406
Bank balances and cash	22,913	104				23,017
	67,808	184				67,992

	Unaudited consolidated balance sheet of the Group as at 31 December 2008 *RMB'000*	Audited consolidated statement of financial position of the Ocean Vast Group as at 31 March 2009 *RMB'000*	Pro forma adjustment *RMB'000* *Note 2*	Pro forma adjustment *RMB'000* *Note 4*	Pro forma adjustment *RMB'000* *Note 4*	Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 December 2008 *RMB'000*
Current liabilities						
Trade payables	4,333	—				4,333
Other payables	—	459				459
Secured bills payables	2,720	—				2,720
Provision for claims	60,700	—				60,700
Other accruals	17,950	—				17,950
Accrued interest	30,863	—				30,863
Receipts in advance	12,793	—				12,793
Amount due to a shareholder	—	1,795				1,795
Amount due to the minority shareholder	—	78,089		(52,597)		25,492
Bank borrowings — repayable within one year	112,895	—				112,895
Taxation payable	593	22,487		(22,487)		593
	242,847	102,830				270,593
Net current liabilities	(175,039)	(102,646)				(202,601)
Total assets less current liabilities	25,381	28,070				139,006
Non-current liabilities						
Bank borrowings — repayable within one year	11,874	—				11,874
Deferred tax liabilities	—	15,120				15,120
	11,874	15,120				26,994
Net assets	13,507	12,950				112,012
Capital and reserves						
Share capital	43,987	1	15,400		(1)	59,387
Share premium	28,952	—	53,900			82,852
Convertible redeemable preference shares	184,653	—				184,653
Reserves	(244,085)	(6,041)		64,869	(58,828)	(244,085)
	13,507	(6,040)				82,807
Minority interests	—	18,990		10,215		29,205
	13,507	12,950				112,012

Notes:

(1) On 19 May 2009, Hill Light has entered into the sales and purchase agreement (the "Sales and Purchase Agreement") with Ms. Wong Sio Leng (the "Vendor") to acquire the entire equity interest of Ocean Vast ("Proposed Acquisition").

(2) The adjustment represents the consideration for the Proposed Acquisition.

The total consideration for the acquisition is RMB69,300,000 (equivalent to approximately HK$78,750,000) which is to be satisfied by the issuance and allotment of 175,000,000 ordinary shares of HK$0.1 each to the Vendor credited as fully paid at the price of HK$0.45 each. The fair value of each Consideration Share is assumed to be HK$0.45 each based on the price stated in the conditional sale and purchase agreement dated 19 May 2009 in relation to the Proposed Acquisition. Upon completion of the Proposed Acquisition, the fair value of the Consideration Shares issued as at that date will be used to determine the cost of the Proposed Acquisition.

Upon completion of the Proposed Acquisition, the share capital and share premium of the Company will increase by approximately RMB15,400,000 and RMB53,900,000 respectively.

(3) Under Hong Kong Financial Reporting Standard No. 3 "Business Combinations", the Group will apply the purchase method to account for the acquisition of the Ocean Vast Group as subsidiaries if the Group has the power, directly or indirectly, to govern the financial and operating policies of the Ocean Vast Group, so as to obtain benefits from its activities after the completion of the Proposed Acquisition. As at the date of this report, the directors of the Company consider that the Group will have control over the Ocean Vast Group after the completion of the Proposed Acquisition.

In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of the Ocean Vast Group will be recorded on the consolidated statement of financial position of the Group at their fair values at the date of the completion of the Proposed Acquisition. Goodwill arising on the Proposed Acquisition will be determined as the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the Ocean Vast Group at the date of completion of the Proposed Acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Since the fair value of the identifiable assets, liabilities and contingent liabilities of the Ocean Vast Group and the fair value of the Consideration Shares as at the date of the actual completion of the Proposed Acquisition may be different and will have to be assessed. Accordingly the actual goodwill at date of actual completion may be different from that presented below.

(4) The adjustment represents goodwill arising from the Proposed Acquisition.

For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, it is assumed that the carrying value of the net assets of the Ocean Vast Group as at 31 March 2009 as per the Accountants' Report as set out in Appendix III–A of this Circular are approximate to the fair values.

The goodwill arising from the acquisition of the Ocean Vast Group is derived from the calculation as follows:

	RMB'000
Fair values of net assets of the Ocean Vast Group as at 31 March 2009	12,950
Add: Wavier of the amount due to the minority shareholder and tax payable *(note a)*	75,084
Less: Minority interest (after the waiver adjustment in note a)	(29,205)
Less: Goodwill	(16,931)
Adjusted fair value of the identifiable assets, liabilities and contingent liabilities of the Ocean Vast Group prior to the Proposed Acquisition	41,898
Goodwill *(note b)*	27,402
Purchase consideration	69,300

(a) Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to indemnify the Group in respect of the amount due to the minority shareholder and taxation payable of the Ocean Vast Group of approximately RMB52,597,000 and RMB22,487,000 respectively before the completion of Proposed Acquisition.

Accordingly, the shareholder's contribution reserve and minority interests would increase approximately RMB64,869,000 and RMB10,215,000 respectively.

(b) The goodwill of approximately RMB27,402,000 represents goodwill of approximately RMB16,931,000 acquired through the Ocean Vast Group and goodwill of approximately RMB10,471,000 arising from the acquisition of the Ocean Vast Group, as if the Proposed Acquisition was completed on 31 December 2008.

(5) No adjustments have been made to reflect the transaction cost of the Proposed Acquisition as the directors consider that such direct expenses are not material.

(6) No adjustment has been made to reflect any other transactions of the Group and the Ocean Vast Group entered into subsequent to 31 December 2008.

(7) Basis of translation

Transaction of RMB into HK$ is made in the Unaudited Pro Forma Financial Information of the Enlarged Group at the closing rate of HK$1 = RMB0.88 for the preparation of unaudited pro forma consolidated statement of financial position.

B. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT

23 September 2009

The Directors
The Quaypoint Corporation Limited
Suite 1501, 15/F
Tower 1, Silvercord, 30 Canton Road
Tsimshatsui, Kowloon
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of The Quaypoint Corporation Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") set out in Appendix V of the circular dated 23 September 2009 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Ocean Vast Corporation Limited ("Ocean Vast") by Hill Light Investments Limited ("Hill Light") (the "Ocean Vast Acquisition"), the Company's wholly-owned subsidiary, which has been prepared by the directors of the Company (the "Directors"), for illustrative purpose only, to provide information about how the Ocean Vast Acquisition might have affected the financial information presented. The basis of preparation of the unaudited pro forma financial information is set out on page 253 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

It is the responsibility solely of the Directors to prepare the unaudited pro forma financial information in accordance with paragraph 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 ("HKICPA").

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 work 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 HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group 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 judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the results of the Enlarged Group for the year ended 30 June 2008 or any future period.

OPINION

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;

b) such basis is consistent with the accounting policies of the 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.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The accompanying unaudited pro forma consolidated income statement of the Group (the "Unaudited Pro Forma Financial Information") have been prepared to illustrate the effect of the proposed acquisition of the entire issued share capital of Ocean Vast Corporation Limited ("Ocean Vast") by Hill Light Investments Limited ("Hill Light") (the "Ocean Vast Acquisition"), the Company's wholly-owned subsidiary, might have affected the financial information of the Company.

For the purpose of the Unaudited Pro Forma Financial Information, Ocean Vast and its subsidiaries are referred to as the "Ocean Vast Group". The Group immediately after the completion of the Ocean Vast Acquisition is referred to as the "Enlarged Group".

The unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 30 June 2008 are prepared based on (i) the audited consolidated income statement of the Group for the year ended 30 June 2008 which had been extracted from the published annual report of the Company as set out in Appendix I to this Circular; and (ii) the audited consolidated statement of comprehensive income of the Ocean Vast Group for the year ended 31 December 2008, as extracted from the accountants' report of the Ocean Vast Group as set out in Appendix IV to this Circular, and adjusted in accordance with the pro forma adjustments described in the notes thereto as if the Ocean Vast Acquisition has been completed on 1 July 2007.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results of operations of the Enlarged Group had the Ocean Vast Acquisition been completed as at the respective dates to which it is made up to or at any future dates.

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT

	Audited consolidated income statement of the Group for the year ended 30 June 2008	Audited consolidated statement of comprehensive income of the Ocean Vast Group for the year ended 31 December 2008	Unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 30 June 2008
	RMB'000	*RMB'000*	*RMB'000*
Turnover	152,826	—	152,826
Cost of sales	(129,115)	—	(129,115)
Gross profit	23,711	—	23,711
Other revenue	11,444	107	11,551
Distribution costs	(4,096)	—	(4,096)
Administrative expenses	(32,563)	(546)	(33,109)
Provision for claims	(60,700)	—	(60,700)
Impairment loss on trade receivables	(21,588)	—	(21,588)
Loss on disposal of a subsidiary and associates	(9,349)	—	(9,349)
Bad debts written off	(4,871)	—	(4,871)
Allowance for inventories	(2,124)	—	(2,124)
Finance costs	(12,219)	(2,677)	(14,896)
Loss before tax	(112,355)	(3,116)	(115,471)
Income tax	(267)	(3,208)	(3,475)
Loss for the year	(112,622)	(6,324)	(118,946)
Attributable to:			
Equity shareholders	(112,622)	(4,846)	(117,468)
Minority shareholders	—	(1,478)	(1,478)
	(112,622)	(6,324)	(118,946)

Notes:

1. On 19 May 2009, Hill Light, the Company's wholly-owned subsidiary, has entered into the sales and purchase agreement with Ms. Wong Sio Leng to acquire the entire issued share capital of Ocean Vast.

2. There was no impact on the unaudited pro forma consolidated income statement as if the Ocean Vast Acquisition had been completed on 1 July 2007.

3. In the opinion of the directors of the Company, no adjustments have been made to reflect the transaction costs in connection with the Ocean Vast Acquisition as such costs are not considered to be materials.

4. No adjustment has been made to reflect any other transactions and trading results of the Group and the Ocean Vast Group entered into subsequent to 30 June 2008.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

23 September 2009

The Directors
The Quaypoint Corporation Limited
Suite 1501, 15/F
Tower 1, Silvercord, 30 Canton Road
Tsimshatsui, Kowloon
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of The Quaypoint Corporation Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") and Boom Lotus Holdings Limited ("Boom Lotus") (together with the Group, hereafter collectively referred to as the "Enlarged Group") set out in Appendix VI of the circular dated 23 September 2009 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Boom Lotus (the "Proposed Acquisition"), which has been prepared by the directors of the Company (the "Directors"), for illustrative purpose only, to provide information about how the Proposed Acquisition might have affected the financial information presented. The basis of preparation of the unaudited pro forma financial information is set out on page 259 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

It is the responsibility solely of the Directors to prepare the unaudited pro forma financial information in accordance with paragraph 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 ("HKICPA").

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 work 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 HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group 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 judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of

- the financial position of the Enlarged Group as at 30 June 2008 or any future date; and
- the results and cash flows of the Enlarged Group for the year ended 30 June 2008 or any future period.

OPINION

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;

b) such basis is consistent with the accounting policies of the 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.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION

On 11 August 2009 and 20 August 2009, The Quaypoint Corporation Limited (the "Company") entered into a sale and purchase agreement and a supplement agreement, (the " Boom Sale and Purchase Agreements") with an independent third party (the "Vendors"), respectively pursuant to which the Company has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the entire issued share capital of Boom Lotus Holdings Limited ("Boom Lotus"), at a total consideration of HK$590,000,000 (the "Proposed Acquisition").

On 26 June 2009, Boom Lotus entered into a sale and purchase agreement with an independent third party to acquire for the entire issued share capital of Pine Global Investments Limited ("Pine Global") (the "Pine Global Acquisition"). Pine Global is an investment holding company and its principal asset is the holding of 50% equity interests in Zhongzhu Real Estate Development Co., Limited ("Zhuhai Zhongzhu"). The Pine Global Acquisition was completed on 11 August 2009.

The accompanying unaudited pro forma consolidated balance sheet, unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") (the "Unaudited Pro Forma Financial Information") have been prepared to illustrate the effect of the Proposed Acquisition and the Pine Global Acquisition might have affected the financial information of the Group. The Group immediately after the completion of the Proposed Acquisition and the Pine Global Acquisition is referred to as the "Enlarged Group".

The unaudited pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2008, is prepared based on (i) the audited consolidated balance sheet of the Group as at 30 June 2008, which has been extracted from the published annual report of the Company as set out in Appendix I to this Circular, (ii) the audited consolidated statement of financial position of Boom Lotus as at 31 December 2008 as extracted from the accountants' report of Boom Lotus as set out in Appendix III A to this Circular, (iii) the audited statement of financial position of Pine Global as at 31 December 2008 as extracted from the accountants' report of Pine Global as set out in Appendix III B to this Circular, and (iv) the audited statement of financial position of Zhuhai Zhongzhu as at 31 December 2008 as extracted from the accountants' report of Zhuhai Zhongzhu as set out in Appendix III C to this Circular, and adjusted in accordance with the pro forma adjustments described in the notes thereon as if the Proposed Acquisition and the Pine Global Acquisition had been completed on 30 June 2008.

The unaudited pro forma consolidated income statement and the unaudited pro forma cash flow statement of the Enlarged Group for the year ended 30 June 2008 are prepared based on (i) the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 30 June 2008 which had been extracted from the published annual report of the Company as set out in Appendix I to this Circular; (ii) the audited consolidated statement of comprehensive income and audited consolidated statement of cash flows of Boom Lotus for the period from 7 December 2007 (date of incorporation) to 31 December 2008, as extracted from the accountants' report of Boom Lotus as set out in Appendix III A to this Circular, and (iii) the audited statement of comprehensive income and audited statement of cash flows of Pine Global for year ended 31 December 2008 as extracted from the accountants' report of Pine Global as set out in Appendix III B to this Circular, and (iv) the audited statement of comprehensive income and audited statement of cash flows of Zhuhai Zhongzhu for the year ended 31 December 2008 as extracted from the accountants' report of Zhuhai Zhongzhu as set out in Appendix III C to this Circular, and adjusted in accordance with the pro forma adjustments described in the notes thereto as if the Proposed Acquisition and the Pine Global Acquisition have been completed on 1 July 2007.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, results of operations or cash flow of the Enlarged Group had the Proposed Acquisition and the Pine Global Acquisition been completed as at the respective dates to which it is made up to or at any future dates.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

				The Pine Global Acquisition			The Proposed Acquisition				The deemed acquisition		
	Audited consolidated balance sheet of the Group as at 30 June 2008	Audited consolidated statement of financial position of Boom Lotus as at 31 December 2008	Audited statement of financial position of Pine Global as at 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma consolidated balance sheet of Boom Lotus after Pine Global Acquisition as at 30 June 2008	Pro forma adjustments	Notes	Unaudited pro forma consolidated balance sheet of the Enlarged Group before deemed acquisition as at 30 June 2008	Audited statement of financial position of Zhuhai Zhongzhu as at 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
	a	b	c	d		e=b+c+d	f		g=a+e+f	h	i		j=g+h+i
Non-current assets													
Property, plant and equipment	19,270	—	—			—			19,270	371			19,641
Properties under development	—	—	—			—			—	282,168			282,168
Investment properties	175,768	—	—			—			175,768	53,224			228,992
Prepaid lease payments	17,986	—	—			—			17,986	—			17,986
Investment in an associate	—	—	169,425			169,425			169,425	—	(169,425)	3a	—
Loans to an associate	—	—	62,067			62,067			62,067	—	(62,067)	9	—
Goodwill	—	—	—	242,278	1b	242,278	443,045	2b	685,323	—	51,182	3b	736,505
	213,024	—	231,492			473,770			1,129,839	335,763			1,285,292
Current assets													
Properties under development	—	—	—			—			—	460,260			460,260
Trade receivables	24,139	—	—			—			24,139	—			24,139
Prepayments, deposits and other receivables	15,106	—	—			—			15,106	25,875			40,981
Financial assets at fair value through profit or loss	420	—	—			—			420	—			420
Amount due from an associate	—	—	903			903			903	—	(903)	9	—
Amount due from a shareholder	—	—	—			—			—	16,280			16,280
Tax recoverable	—	—	—			—			—	10,901			10,901
Pledged bank deposits	12,289	—	—			—			12,289	3,000			15,289
Cash and bank balances	14,422	—	59			59			14,481	196,110			210,591
	66,376	—	962			962			67,338	712,426			778,861

				The Pine Global Acquisition			The Proposed Acquisition				The deemed acquisition		
	Audited consolidated balance sheet of the Group as at 30 June 2008	Audited consolidated statement of financial position of Boom Lotus as at 31 December 2008	Audited statement of financial position of Pine Global as at 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma consolidated balance sheet of Boom Lotus after Pine Global Acquisition as at 30 June 2008	Pro forma adjustments	Notes	Unaudited pro forma consolidated balance sheet of the Enlarged Group before deemed acquisition as at 30 June 2008	Audited statement of financial position of Zhuhai Zhongzhu as at 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
	a	b	c	d		e=b+c+d	f		g=a+e+f	h	i		j=g+h+i
Current liabilities													
Trade payables	5,763	—	—			—			5,763	—			5,763
Secured bills payables	12,253	—	—			—			12,253	—			12,253
Provision for claims	65,941	—	—			—			65,941	—			65,941
Other accruals and payables	5,035	4	19	47,068	1a	47,091			52,126	94,638	13	10	146,777
Accrued interest	25,692	—	—			—			25,692	—			25,692
Receipts in advance	8,149	—	—			—			8,149	441,166			449,315
Bank overdraft	155	—	—			—			155	—			155
Bank borrowings — repayable within one year	112,397	—	—			—			112,397	150,000			262,397
Amount due to a director	—	13	—			13			13	—	(13)	10	—
Amount due to a shareholder	—	7	—	227,716	1a	227,723			227,723	906	(903)	9	—
											(3)	10	
											(227,723)	10	
Loan from shareholders — due within one year	—	—	—			—			—	124,114	(62,067)	9	—
											(62,047)	10	
Loan from a former shareholder	—	—	—			—			—	—	227,723	10	227,723
Amount due to the minority shareholder	—	—	—			—			—	—	62,050	10	62,050
Financial guarantee liabilities	—	—	—			—			—	879			879
Taxation payable	620	—	—			—			620	—			620
	236,005	24	19			274,827			510,832	811,703			1,259,565
Net current (liabilities) assets	(169,629)	(24)	943			(273,865)			(443,494)	(99,277)			(480,704)
Total assets less current liabilities	43,395	(24)	232,435			199,905			686,345	236,486			804,588
Capital and reserves													
Ordinary share capital	43,987	7	—			7	21,876	2a	65,863	250,000	(250,000)	3c	65,863
							(7)	2f					
Share premium	28,952	—	—			—	196,887	2a	225,839	—			225,839
Convertible redeemable preference shares	184,653	—	—			—			184,653				184,653
Reserves	(226,757)	(31)	32,506	(32,506)	1c	(31)	31	2e	(226,757)	(13,514)	13,514	3c	(226,757)
Total equity	30,835	(24)	32,506			(24)			249,598	236,486			249,598
Minority interests	—	—	—			—			—	—	118,243	3b	118,243
Non current liabilities													
Loan from holding company — due after one year	—	—	199,929			199,929			199,929	—	(199,929)	10	—
Loan from former holding company	—	—	—			—			—	—	199,929	10	199,929
Bank borrowings — due after one year	12,560	—	—			—			12,560	—			12,560
Deferred payment	—	—	—			—	224,258	2b	224,258				224,258
	12,560	—	199,929			199,929			436,747	—			436,747
	43,395	(24)	232,435			199,905			686,345	236,486			804,588

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT

				The Pine Global Acquisition			The Proposed Acquisition				The deemed acquisition		
	Audited consolidated income statement of the Group for the year ended 30 June 2008	Audited consolidated statement of comprehensive income of Boom Lotus for the period from 7 December 2007 (date of incorporation) to 31 December 2008	Audited statement of comprehensive income of Pine Global for the year ended 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma consolidated income statement of Boom Lotus after Pine Global Acquisition for the year ended 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma consolidated income statement of Enlarged Group before deemed acquisition for the year ended 30 June 2008	Audited statement of comprehensive income of Zhuhai Zhongzhu for the year ended 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma consolidated income statement of the Enlarged Group for the year ended 30 June 2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
	a	b	c	d		e = b + c + d	f		g = a + e + f	h	i		j = g + h + i
Turnover	152,826	—	—			—			152,826	—			152,826
Cost of sales	(129,115)	—	—			—			(129,115)	—			(129,115)
Gross profit	23,711	—	—			—			23,711	—			23,711
Other revenue	11,444	—	1			1			11,445	3,826			15,271
Distribution costs	(4,096)	—	—			—			(4,096)	(5,201)			(9,297)
Administrative expenses	(32,563)	(31)	(70)			(101)			(32,664)	(2,667)			(35,331)
Other operating expenses	—	—	—			—			—	(191)			(191)
Fair value of the financial guarantee contract	—	—	—			—			—	(469)			(469)
Provision for claims	(60,700)	—	—			—			(60,700)	—			(60,700)
Impairment loss on trade receivables	(21,588)	—	—			—			(21,588)	—			(21,588)
Imputed interest income on loans to an associate	—	—	4,610			4,610			4,610	—	(4,610)	5	—
Loss on disposal of a subsidiary and associates	(9,349)	—	—			—			(9,349)	—			(9,349)
Bad debts written off	(4,871)	—	—			—			(4,871)	—			(4,871)
Allowance for inventories	(2,124)	—	—			—			(2,124)	—			(2,124)
Finance costs	(12,219)	—	(15,703)			(15,703)	(39,977)	2c	(67,899)	(9,218)	4,610	5	(72,507)
Share of results of an associate	—	—	(6,960)			(6,960)			(6,960)	—	6,960	6	—
Loss before tax	(112,355)	(31)	(18,122)			(18,153)			(170,485)	(13,920)			(177,445)
Income tax	(267)	—	—			—			(267)	—			(267)
Loss for the year	(112,622)	(31)	(18,122)			(18,153)			(170,752)	(13,920)			(177,712)
Attributable to:													
Equity shareholders	(112,622)	(31)	(18,122)			(18,153)	(39,977)	2c	(170,752)	(13,920)	6,960	6	
											6,960	6	(170,752)
Minority shareholders	—	—	—			—			—	—	(6,960)	6	(6,960)
	(112,622)	(31)	(18,122)			(18,153)			(170,752)	(13,920)			(177,712)

UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT

				The Pine Global Acquisition			The Proposed Acquisition				The deemed acquisition		
	Audited consolidated cash flow statement of the Group for the year ended 30 June 2008	Audited consolidated statement of cash flows of Boom Lotus for the period from 7 December 2007 (date of incorporation) to 31 December 2008	Audited statement of cash flows of Pine Global for the year ended 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma cash flow statement of Boom Lotus after Pine Global Acquisition for the year ended 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma consolidated cash flow statement of Enlarged Group before deemed acquisition for the year ended 30 June 2008	Audited statement of cash flows of Zhuhai Zhongzhu for the year ended 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 30 June 2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
	a	b	c	d		e=b+c+d	f		g=a+e+f	h	i		j=g+h+i
OPERATING ACTIVITIES													
Loss before tax	(112,355)	—	(18,122)			(18,122)	(39,977)	2c	(170,454)	(13,920)	6,960	6	(177,414)
Adjustments for:													
Amortisation of prepaid lease payments	109	—	—			—			109	—			109
Depreciation of property, plant and equipment	1,355	—	—			—			1,355	95			1,450
Bad debts written off	4,871	—	—			—			4,871	39			4,910
Written off of property, plant and equipment	130	—	—			—			130	—			130
Bank interest income	(671)	—	(1)			(1)			(672)	(2,986)			(3,658)
Imputed interest income on loans to an associate	—	—	(4,610)			(4,610)			(4,610)	—	4,610	5	—
Loss on disposal of subsidiaries and associates	9,349	—	—			—			9,349	—			9,349
Share-based payment expenses	2,913	—	—			—			2,913	—			2,913
Impairment loss on trade receivables	21,588	—	—			—			21,588	—			21,588
Impairment loss on prepayments, deposits and other receivables	1,108	—	—			—			1,108	—			1,108
Allowance for inventories	2,124	—	—			—			2,124	—			2,124
Unrealised loss on listed securities (financial assets at fair value through profit and loss)	765	—	—			—			765	—			765
Finance costs	12,219	—	15,703			15,703	39,977	2c	67,899	9,218	(4,610)	5	72,507
Gain on disposal of property, plant and equipment	(56)	—	—			—			(56)	—			(56)
Provision for claims	60,700	—	—			—			60,700	—			60,700
Increase in fair value of investment properties	(10,467)	—	—			—			(10,467)	—			(10,467)
Share of results of an associate	—	—	6,960			6,960			6,960	—	(6,960)	6	—
Amortisation of financial guarantee liabilities	—	—	—			—			—	(695)			(695)
Fair value of financial guarantee contract	—	—	—			—			—	469			469

				The Pine Global Acquisition			The Proposed Acquisition				The deemed acquisition		
	Audited consolidated cash flow statement of the Group for the year ended 30 June 2008	Audited consolidated statement of cash flows of Boom Lotus for the period from 7 December 2007 (date of incorporation) to 31 December 2008	Audited statement of cash flows of Pine Global for the year ended 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma cash flow statement of Boom Lotus after Pine Global Acquisition for the year ended 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma consolidated cash flow statement of Enlarged Group before deemed acquisition for the year ended 30 June 2008	Audited statement of cash flows of Zhuhai Zhongzhu for the year ended 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 30 June 2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
	a	b	c	d		e=b+c+d	f		g=a+e+f	h	i		j=g+h+i
Operating cash flows before movements in working capital	(6,318)	—	(70)			(70)			(6,388)	(7,780)			(14,168)
Decrease in inventories	799	—	—			—			799	—			799
Decrease in trade receivables	7,570	—	—			—			7,570	—			7,570
Decrease (increase) in prepayments, deposits and other receivables	(13,883)	—	—			—			(13,883)	(10,796)			(24,679)
Decrease in trade payables	(6,066)	—	—			—			(6,066)				(6,066)
Decrease in secured bills payables	(9,369)	—	—			—			(9,369)	—			(9,369)
Decrease in provision for claims and other accruals	(2,633)	—	—			—			(2,633)	10,026			7,393
Increase in receipts in advance	7,667	—	—			—			7,667	214,113			221,780
Increase in properties under development	—	—	—			—			—	(142,929)			(142,929)
Increase in other payables	—	—	16			16			16	—			16
Decrease in amount due from a shareholder	—	—	—			—			—	1,233			1,233
Cash (used in) from operations	(22,233)		(54)			(54)			(22,287)	63,867			41,580
Tax paid	(2)	—	—			—			(2)	(5,809)			(5,811)
Tax refunded	355	—	—			—			355	—			355
Net cash (used in) from operating activities	(21,880)	—	(54)			(54)			(21,934)	58,058			36,124
INVESTING ACTIVITIES													
Acquisition of subsidiaries	—	—	—	112 (227,716)	7 1a	(227,604)			(227,604)	—	174,892	8	(52,712)
Payment for acquisition of investment properties	(23,756)	—	—			—			(23,756)	(15,153)			(38,909)
Proceeds from disposal of available-for-sale securities	4,000	—	—			—			4,000	—			4,000
Payments for acquisition of property, plant and equipment	(1,135)	—	—			—			(1,135)	(7)			(1,142)
Bank interest received	671	—	1			1			672	2,986			3,658
Increase in pledged bank deposits	(190)	—	—			—			(190)	—			(190)
Advance to a shareholder	—	—	—			—			—	(9,700)			(9,700)
Proceeds form disposal of property, plant and equipment	80	—	—			—			80	—			80
Net cash (used in) from investing activities	(20,330)	—	1			(227,603)			(247,933)	(21,874)			(94,915)

				The Pine Global Acquisition			The Proposed Acquisition				The deemed acquisition		
	Audited consolidated cash flow statement of the Group for the year ended 30 June 2008	Audited consolidated statement of cash flows of Boom Lotus for the period from 7 December 2007 (date of incorporation) to 31 December 2008	Audited statement of cash flows of Pine Global for the year ended 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma cash flow statement of Boom Lotus after Pine Global Acquisition for the year ended 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma consolidated cash flow statement of Enlarged Group before deemed acquisition for the year ended 30 June 2008	Audited statement of cash flows of Zhuhai Zhongzhu for the year ended 31 December 2008	Pro forma adjustments	Notes	Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 30 June 2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
	a	b	c	d		e = b + c + d	f		g = a + e + f	h	i		j = g + h + i
FINANCING ACTIVITIES													
Repayment of bank borrowings	(44,843)	—	—			—			(44,843)	(20,000)			(64,843)
New bank borrowings raised	33,751	—	—			—			33,751	30,000			63,751
Proceeds from issue of ordinary shares	18,381	—	—			—			18,381	—			18,381
Proceeds from exercise of share options	8,662	—	—			—			8,662	—			8,662
Interest paid	(2,088)	—	—			—			(2,088)	(11,080)			(13,168)
Payment of share issue expenses	(183)	—	—			—			(183)	—			(183)
(Repayment to) advance from a shareholder	—	—	—	227,716	1a	227,716			227,716	(13,886)			213,830
Net cash from (used in) financing activities	13,680	—	—			227,716			241,396	(14,966)			226,430
Net (decrease) increase in cash and cash equivalents	(28,530)	—	(53)			59			(28,471)	21,218			167,639
Effect on foreign exchange rate changes	(2,655)	—	—			—			(2,655)	—			(2,655)
Cash and cash equivalents at beginning of year	45,452	—	112	(112)	7	—			45,452	174,892	(174,892)	8	45,452
Cash and cash equivalents at the end of year	14,267	—	59			59			14,326	196,110			210,436
Analysis of cash and cash equivalents Represented by													
Cash and bank balances	14,422	—	59			59			14,481	196,110			210,591
Bank overdraft	(155)	—	—			—			(155)	—			(155)
	14,267	—	59			59			14,326	196,110			210,436

Notes:

1 a. The consideration for Pine Global Acquisition is settled by cash amounting approximately RMB274,784,000 (equivalent to HK$310,000,000). Subsequent to 31 December 2008, a total consideration of approximately RMB227,716,000 (equivalent to HK$256,900,000) was already paid by Boom Lotus, which is financed by a loan from shareholder. The remaining balance of approximately RMB47,068,000 (equivalent to HK$53,100,000) will be paid within 90 days from the completion date of Pine Global Acquisition.

b. The recognition of the goodwill arising from the Pine Global Acquisition amounted to approximately RMB242,278,000.

Details of the goodwill arising from the Pine Global Acquisition are as follows:

	RMB'000
Total consideration	274,784
Less: Fair value of net assets acquired extracted from accountants' report of Pine Global as set out in Appendix III B to this Circular	32,506
Goodwill	242,278

For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, it is assumed that the carrying values of the net assets of Pine Global as at 31 December 2008 as per the accountants' report as set out in Appendix III B of this Circular are approximate to the fair values.

c. This represented the elimination of pre-acquisition reserves amounting approximately RMB32,506,000 upon the consolidation as if the Pine Global Acquisition had been completed on 30 June 2008.

2. The consideration with a total amount of approximately RMB522,976,000 (equivalent to HK$590,000,000) for the Proposed Acquisition will be satisfied by (i) the issuance and allotment of 246,800,000 ordinary shares of HK$0.1 each credited as fully paid at the price of HK$1 each ("Consideration Shares"), and (ii) cash amounting approximately RMB304,212,000 (equivalent to HK$343,200,000) payable after 24 months from the completion date ("Deferred Payment"). The fair value of each Consideration Share on 30 June 2008 is assumed to be HK$1 each based on the price stated in the Boom Sale and Purchase Agreements in relation to the Proposed Acquisition. Upon completion of the Proposed Acquisition, the fair value of the Consideration Shares issued as at that date will be used to determine the cost of the Proposed Acquisition.

a. This represents the recognition of the share capital and share premium of the Company to be issued amounted to approximately RMB218,764,000 (equivalent to HK$246,800,000), comprising of the par value of ordinary shares amounted to approximately RMB21,876,000 (equivalent to approximately HK$24,680,000) and share premium amounted to approximately RMB196,887,000 (equivalent to approximately HK$222,120,000) respectively.

b. The recognition of goodwill arising from the Proposed Acquisition amounting approximately RMB443,045,000, assumed the Pine Global Acquisition had been completed on 30 June 2008.

The calculation of goodwill is as follows:

	Note	*RMB'000*
Fair value of the consideration on 30 June 2008:		
Consideration settled by Consideration Shares		218,763
Consideration settled by Deferred Payment	2c	224,258
Total		443,021
Less: Fair value of net identified liabilities acquired as disclosed in the above pro forma		(24)
Goodwill		443,045

c. The fair value of the Deferred Payment is amounting approximately RMB224,258,000 which is calculated using the effective interest rate method by applying the effective interest rate of 11.6% per annum which was provided by Vigers Appraisal & Consulting Limited, an independent qualified valuer not connected with the Group. As the Deferred Payment to be payable after 24 months upon the completion, therefore it is classified as non-current liability.

Assuming the Proposed Acquisition was completed on 1 July 2007, the total imputed interest of approximately RMB79,954,000, of which RMB39,977,000 represented the one year imputed interest to be expensed by the Group for the year ended 30 June 2008. This unaudited pro forma adjustment will have continuing income statement effect to the Enlarged Group.

d. For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, it is assumed that the carrying values of the net assets of Boom Lotus and Pine Global (the "Boom Lotus Group") are approximate to their fair values on 30 June 2008.

e. This represented the elimination of pre-acquisition reserves amounting approximately RMB31,000 upon the consolidation as if the Proposed Acquisition had been completed on 30 June 2008.

f. This represents the elimination of share capital of Boom Lotus amounted to approximately RMB7,000.

3 a. Pine Global held 50% equity interests in Zhuhai Zhongzhu, which is managed by a board of seven directors (the "Board") and currently Pine Global has appointed four directors of the Board, according to the shareholders agreement of Zhuhai Zhongzhu (the "Shareholders Agreement"), all the financial and operating policies of Zhuhai Zhongzhu must be approved by at least five directors of the Board. Therefore, Pine Global can only exercise significant influence on the Board and as a result, the investment in Zhuhai Zhongzhu was classified as an associate of Pine Global. Pursuant to the Boom Sale and Purchase Agreements, five of the existing directors of the Board will resign upon completion of the Proposed Acquisition and Pine Global is entitled to appoint three directors in the Board and all the financial and operating policies can be passed by three directors after the amendment on the Shareholders Agreement. Zhuhai Zhongzhu is therefore, considered by the directors of the Company as a subsidiary of the Company because the Company will have majority control over the Board of Zhuhai Zhongzhu. Hence, the carrying amounts of the interests in Zhuhai Zhongzhu in the balance sheet of Pine Global totalling RMB169,425,000 are eliminated.

b. This represents the share of net assets shared by minority shareholders of approximately RMB118,243,000 and goodwill of approximately RMB51,182,000 resulted from the deemed acquisition (the "Deemed Acquisition") of Zhuhai Zhongzhu as if the Deemed Acquisition had been completed on 30 June 2008.

The calculation of goodwill is as follows:

	RMB'000
Carrying amount extracted from the accountants' report of Zhuhai Zhongzhu as set out in Appendix III C in this Circular	236,486
Minority interest: 50% of equity interest	(118,243)
	118,243
Goodwill	51,182
Consideration satisfied by interest in an associate	169,425

c. This represents the elimination of registered capital and pre-acquisition reserves of Zhuhai Zhongzhu amounted to approximately RMB250,000,000 and RMB13,514,000 upon the consolidation as if the Deemed Acquisition had been completed on 30 June 2008, respectively.

4. Under Hong Kong Financial Reporting Standard No.3 "Business Combinations", the Group applied the purchase method to account for the acquisitions of Pine Global, Boom Lotus and Zhuhai Zhongzhu as subsidiaries if the Group has the power, directly or indirectly, to govern the financial and operating policies of Pine Global, Boom Lotus and Zhuhai Zhongzhu, so as to obtain benefits from its activities after the completion of the Pine Global Acquisition, the Proposed Acquisition and the Deemed Acquisition. As at the date of this report, the directors of the Company consider that the Group will have control over Pine Global, Boom Lotus and Zhuhai Zhongzhu after the completion of the Pine Global Acquisition, the Proposed Acquisition and the Deemed Acquisition.

   In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Pine Global, Boom Lotus and Zhuhai Zhongzhu will be recorded on the consolidated statement of financial position of the Group at their fair values at the date of the completion of the Pine Global Acquisition, the Proposed Acquisition and the Deemed Acquisition. Goodwill arising on the Pine Global Acquisition, the Proposed Acquisition and the Deemed Acquisition will be determined as the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Pine Global, Boom Lotus and Zhuhai Zhongzhu at the date of completion of the Pine Global Acquisition, the Proposed Acquisition and the Deemed Acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. On completion of the Pine Global Acquisition, the Proposed Acquisition and the Deemed Acquisition, the fair values of net identified assets, liabilities and contingent liabilities of Pine Global, Boom Lotus and Zhuhai Zhongzhu will have to be reassessed. As a result of the assessment, the goodwill may be different from that estimates as stated above for the purpose of preparation of the unaudited pro forma financial information. Accordingly, the actual goodwill at the completion date of the transaction may be different from that presented above.

5. This represented the elimination of imputed interest income and expenses derived from the interest-free shareholder's loan granted by Pine Global to Zhuhai Zhongzhu as if the Deemed Acquisition was completed on 1 July 2007.

6. This represented the reversal of the share of results of an associate by Pine Global and the recognition of share of results of Zhuhai Zhongzhu by minority shareholders amounting approximately RMB6,960,000 and RMB6,960,000, respectively as if the Deemed Acquisition had been completed on 1 July 2007.

7. This represented the cash inflow resulting from the Pine Global Acquisition in aggregate amounting approximately RMB112,000 which was the cash and cash equivalents of Pine Global as at 1 January 2008.

8. This represented the cash inflow resulting from the Deemed Acquisition in aggregate amounting approximately RMB174,892,000 which was the cash and cash equivalents of Zhuhai Zhongzhu as at 1 January 2008.

9. This represents the intra group balances eliminations.

10. This represents the reclassification of accounts under the Enlarged Group.

11. In the opinion of the directors of the Company, no adjustments have been made to reflect the transaction costs in connection with the Pine Global Acquisition and the Deemed Acquisition as such costs are not considered to be materials.

12. No adjustment has been made to reflect any other transactions and trading results of the Group and the Boom Lotus Group and Zhuhai Zhongzhu entered into subsequent to 30 June 2008.

13. Transaction of RMB into HK$ is made in the unaudited pro forma financial information of the Enlarged Group at the average rate of HK$1 = RMB0.8929 for the preparation of the unaudited pro forma consolidated income statement and consolidated cash flow statement and the closing rate of HK$1 = RMB0.8864 for the preparation of unaudited pro forma consolidated balance sheet.

A. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Set out below are the management discussion and analysis on the Group as extracted from the interim report of the Company for the six months ended 31 December 2008 and the annual reports of the Company for the three years ended 30 June 2008 (the "**Financial Information**"). Terms used below shall have the same meanings as those defined in the Financial Information. Furthermore, all pages/sections/appendices mentioned in the below text are referred to those of the Financial Information:

For the six months ended 31 December 2008

Business Review

For the six months ended 31 December 2008, the Group achieved unaudited turnover of approximately RMB188,429,000 (six months ended 31 December 2007: approximately RMB111,253,000) which represented an approximately 69% increase as compared to the last corresponding period. The increase in turnover is mainly attributable to the trading business of electronic components by one of the Group's Hong Kong subsidiaries.

The unaudited loss attributable to equity holders of the Company was approximately RMB17,888,000 (six months ended 31 December 2007: approximately RMB74,783,000 which included an amount of approximately RMB60,000,000 set aside in respect of the alleged guarantee which are said to be issued by a PRC subsidiary of the Company), which is mainly due to revaluation of investment properties.

For the debt-restructuring proposal on approximately RMB138,700,000, we are continuing our negotiations with the Bank of China, Shenzhen branch.

The second half of 2008 posed numerous challenges for many companies in the market, technology business of the Group has gradually slowed down due to competitive market and the recent financial tsunami. The Group is still optimistic about the technology business in China and will redeploy resources to the business when the opportunities rise again. In the meantime, the Group continues its strategy to enhance technological innovation ability, the integration of research and development.

During the six months ended 31 December 2008, the consumer electronics and automation products market in Asia was booming which lead to a significant growth in our electronic components and automation products trading business. Despite an increase in turnover of the Group for the six months ended 31 December 2008, the Group's gross profit margin has decreased as trading in electronic components is very competitive with a relatively high cost of sales, thus resulting in lower profit margin compared to the same period last year. As compared to the same period last year, 56.5% of the Group's turnover was generated by trading in mobile phones, machines of vertical impregnating line and the natural resources and industrial equipments which commanded a higher gross margin.

As for the more profitable trading business of natural resources, mobile phones and machines of vertical impregnating line, due to volatile market situations, trading of natural resources, mobile phones and machines of vertical impregnating line became difficult which lead to a significant decline in gross profit. Bearing in mind the possible adverse effect of the financial tsunami, the Group will continue to sustain the growth in the trading of electronic component in a cautious manner.

For the property investment by the Group during the six months ended 31 December 2008, there has been no change in the Group's property portfolio.

Segment Information

(a) Technology (formerly classified under Project and Technical Services segment)

The segment of automation products has experienced a slow down. As a result, turnover during this period came almost to a standstill. However, this segment is now recovering with the support from the committed workforce. The management believes that automation business will revive and offer a better return for the coming financial year. The Group is still optimistic about the technology business in China and will redeploy resources to the business when the opportunities rise again. In the meantime, the Group continues its strategy to enhance technological innovation ability, the integration of research and development.

(b) Trading

The Group's trading business comprises of trading in electronic components with a relatively high cost of sales, thus resulting in lower profit margin compared to the same period last year. As compared to the last year, the Group's turnover was generated by trading in mobile phones, machines of vertical impregnating line and the natural resources and industrial equipments which commanded a higher gross margin. The global mobile handsets market enjoyed a double-digit growth in the past year, especially there was a strong demand for low-priced entry-level handsets from developing countries and emerging markets. In addition, the leading brand handset suppliers continued to introduce new models of handsets with enhanced features which aligned with the increasing demand in mature markets driven by replacement needs, that will bring more opportunity for the Group.

(c) Property investment

The investment properties comprise seven units of office premises in Hong Kong with total saleable areas of approximately 4,582 sq. ft. and the R & D Centre in Shenzhen with total floor area of approximately 17,500 sq. m..

Liquidity and Financial Resources

As at 31 December 2008, the total assets of the Group were approximately RMB268,228,000 (as at 30 June 2008: approximately RMB279,400,000), a decrease by approximately 4%. As at 31 December 2008, the Group has total borrowings of approximately RMB124,769,000 (at 30 June 2008: approximately RMB124,957,000). As at 31 December 2008, the gearing ratio, expressed as a percentage of total borrowings over net assets, was about 4.92 (at 30 June 2008: 2.88).

As at 31 December 2008, the total cash and bank balances of the Group amounted to approximately RMB22,913,000 (as at 30 June 2008: approximately RMB14,422,000). The Group's net current liabilities was approximately RMB175,039,000 (at 30 June 2008: approximately RMB169,629,000) and the current ratio was about 0.28 (at 30 June 2008: 0.28).

Capital Structure

The issued ordinary share capital of the Company as at 31 December 2008 was HK$42,868,000 divided into 428,680,000 shares of HK$0.10 each (as at 30 June 2008: HK$42,868,000 divided into 428,680,000 shares of HK$0.10 each). As at 31 December 2008, the issued convertible redeemable preference share capital was HK$35,000,000 divided into 350,000,000 shares of HK$0.10 each (as at 30 June 2008: HK$35,000,000 divided into 350,000,000 shares of HK$0.10 each) and the convertible redeemable preference A share capital was HK$11,000,000 divided into 110,000,000 shares of HK$0.10 each (as at 30 June 2008: HK$11,000,000 divided into 110,000,000 shares of HK$0.10 each). As at 31 December 2008, none of the convertible redeemable preference shares and convertible redeemable preference A shares were converted into ordinary shares.

As at 31 December 2008, the Group's bank borrowings of approximately RMB112,895,000 on a short-term basis and was mainly in Renminbi. Out of such borrowings, the loan of approximately RMB77,734,000 bears fixed interest rate whilst the loan of approximately RMB35,161,000 bears prevailing market rates. There are no known seasonal factors in our borrowing profiles.

Foreign Currency Exposure

The Group mainly earns revenues and incurs costs in Renminbi, United States dollars and Hong Kong dollars. The Group's monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars. Although the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively unstable during the year under review, since the Group has no financial instrument for hedging purposes, treasury and funding policies, therefore the Group's exposure to fluctuations in exchange rates is considered minimal.

Charge on Assets

As at 31 December 2008, the Group's certain investment properties, property, plant and equipment, prepaid lease payments and time deposits with an aggregate net carrying value of approximately RMB70,067,000 were pledged to banks for securing revolving loans and general banking facilities granted to certain subsidiaries of the Company (at 30 June 2008: approximately RMB77,654,000).

Significant Investment

The Group had no significant investment held for the six months ended 31 December 2008.

Material Acquisitions and Disposals of Subsidiaries and Associates Companies

The Group did not have any material acquisition or disposal of subsidiaries or associates during the six months ended 31 December 2008.

Details of Future Plans for Material Investments or Capital Assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 December 2008. However, the Group will continue to seek new business development opportunities.

Capital Commitments

The Group did not have any significant capital commitments as at 31 December 2008.

Reserves

Details of movements in the reserves of the Group during the period are presented in the condensed consolidated statement of changes in equity on page 28 of the interim report of the Company for the six months ended 31 December 2008.

Distributable Reserves

For the six months ended 31 December 2008, loss attributable to equity holders of the Company then amounted to approximately RMB17,888,000, representing a decrease of approximately 76% as compared to the same period last year.

Employee and Remuneration Policies

As at 31 December 2008, the Group employed a total of approximately 30 full time employees (as at 30 June 2008: 40) in Hong Kong and the PRC. Total remuneration cost for the period under review was approximately RMB2,587,000 (six months ended 31 December 2007: approximately RMB10,117,000). The Group's emolument policies are formulated on the basis of market trends, future plans and the performance of individuals, which will be reviewed periodically. Apart from provident fund scheme and state-managed social welfare scheme, share options will also be awarded to employees according to assessment of individuals' performance.

Contingent Liabilities and Litigation

During the period under review, regarding the litigation as to the claims of approximately RMB9,500,000 raised by the main contractor of the Shenzhen R & D Centre, the relevant PRC court has made a judgement in favour of the plaintiff in December 2007. In January 2008, the Company submitted the appeal application to the relevant PRC court. In May 2008, the Company and the main contractor entered into a mutual agreement to withdraw from the litigation by settling a reasonable amount. But in early September 2008, the main contractor applied through the relevant China court to demand the Company settle the retainer fee due being RMB550,000 together with penalty. On 10 September 2008, the Company submitted a counterclaim to the relevant court counterclaiming the contractor breach of the subject agreement and is pending decision from the court.

In addition, Techwayson Industrial Limited ("TIL"), a major subsidiary (as defined under the Listing Rules) of the Company is in the best efforts to negotiate with the Bank of China, Shenzhen branch to finalize the terms of the debt-restructuring proposal on the RMB77,734,000 loan of the Shenzhen subsidiary and the RMB60,700,000 guaranteed loan.

On 17 July 2008, TIL received a writ of summons issued by the Intermediate People's Court, Shenzhen, the People's Republic of China ("PRC"), in respect of a claim of approximately RMB22 million made by an independent third party ("Party") against TIL, for a guarantee alleged to have been given by TIL in favour of the Party in November 2005 (the "Claim") for investment activities in the listed companies in Hong Kong. TIL has appointed a firm of PRC legal counsel to assist in the gathering of information and the investigation into the circumstances giving rise to the Claim. The said firm of PRC legal counsel has defended the questionable claim during the court hearing late last year and is waiting for the court's judgement.

Prospects

There have been some changes in the composition of the Board after annual general meeting held in November 2008, the new Board will do their best to settle the litigation issue and look forward to improve the performance of the Group.

In view of the recent worldwide financial tsunami, the Board is taking a very cautious approach in broadening the revenue base. Bearing this risk factor in mind, the Board is taking advantage of this downturn and will continue to look for good projects for expansion in Asia, especially in the PRC.

With the anticipated finalization of the debt restructuring proposal, broadening of revenue base and the fund raising activities (if necessary), the Directors are confident that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future.

For the year ended 30 June 2008

Business Review

This year was a pivotal and transitional year for the Group, a year in which we have prudently assessed our existing businesses, commenced the rationalization of some of our Group's activities based on market changes, and establishing the core foundation deemed necessary in transforming the Group into a more focused and economically vibrant investment holding company. This year's initiatives were marked by a number of divestment in existing businesses as well as exploring the new business opportunities in the PRC.

In July 2007, the Company issued 70,000,000 new ordinary shares by private placing at an issue price of HK$0.30 each and the raised funds were used for general working capital of the Group.

In August 2007, the Company entered into a non-binding letter of intent with an independent third party relating to the development of a property located in the PRC. But unfortunately, this letter of intent was mutually agreed to be terminated in December 2007 as both parties were unable to reach a mutual agreement on the detailed terms and conditions.

In December 2007, the Company purchased an office premises in Hong Kong which is now being used as corporate office of the Group.

In late 2007, a joint venture company ("JV company") was formed in which the Company held 51%. The JV company is principally engaged in the provision/trading of electronic products components, including mobile phone modules. During the year, the JV company contributed significantly to our turnover and it is envisaged that the business will continue to grow in future.

In view of the fact that the JV company has experiences in the industry of mobile phone business and through the market surveys, we aligned with the China policy to relax the licence of domestically-made handsets and the increasing demand of the low cost handsets in the Asian country in 2008, we are anticipating to develop and sell our self-brand mobile handsets in PRC, India and the Middle East countries. In the second quarter of 2008, our wholly-owned subsidiary started the research and development of a new series of handsets, in addition, we succeeded in the registration of our self-brand in PRC and the business commenced in July 2008. We targeted to increase our market share by developing and producing numbers of brand series in the market, furthermore, we aimed to set up a mature and stabilized distribution and retail networks.

For the debt-restructuring proposal on approximately RMB140 million, we are continuing our negotiation with the Bank of China, Shenzhen branch on the terms.

Operations Review

(a) Technology (formerly classified under Project and Technical Services segment)

The segment of automation products has experienced a slow down. As a result, turnover during this period came almost to a standstill. However, this segment is now recovering with the support from the committed workforce. The management believes that automation business will revive and offer a better return for the coming financial year.

With the China's policy in relaxing the handset license since 2008, the Group's business has aligned with this policy by having the experienced management in the trading of mobile handset business; reallocating its resources; increasing its service of self-branding; applying for the registration of its patent of self-developed technology. The management planned to expand and become one of the enterprises in the mobile handset industry by its technological innovation ability, the integration of research and development, production and trading of mobile phones accessories. In addition, the Group aimed at increasing technical innovations in the handsets and will continue to enhance its overall cost benefit and its competitive power in the market.

(b) Trading

The Group's trading business comprises distribution of imported automation products, trading of mineral resources such as iron ore, electronic related components and mobile phone modules. The Group noted there was a change of demand in the markets of infrastructural and natural resources, also with reference to the research reports of international markets, the Group will concentrate its resources to the more profitable mobile phone modules business in the short run.

The global mobile handsets market enjoyed a double-digit growth in the past year, especially there was a strong demand for low-priced entry-level handsets from developing countries and emerging markets. In addition, the leading brand handset suppliers continued to introduce new models of handsets with enhanced features which aligned with the increasing demand in mature markets driven by replacement needs, that will bring more opportunity for the Group.

(c) Property investment

The investment properties comprise seven units of office premises in Hong Kong with total saleable areas of approximately 4,582 sq. ft. and the R & D Centre in Shenzhen with total floor area of approximately 17,500 sq. meters.

Financial Review

(a) Liquidity and Financial Resources

As at 30 June 2008, the total assets of the Group were approximately RMB279,400,000, a decrease by approximately 15.18% as compared to 30 June 2007. As at 30 June 2008, the Group had total borrowings of approximately RMB124,957,000 (2007: RMB139,520,000), approximately RMB80,734,000 of which is owed to Bank of China, Shenzhen branch. Although a judgment was made in favour of the bank by the Shenzhen Arbitration Commission, the bank has principally agreed not to demand immediate full repayment from the Group and we have numbers of discussions for the restructuring of the outstanding debts into a loan secured against the R&D Centre. Currently, the Group is making periodic principal repayments to the bank and will continue to make repayment until the debt restructuring proposal is finalized. At 30 June 2008, the gearing ratio, expressed as a percentage of total borrowings over net assets, was approximately 2.88 (2007: 1.19).

Taking into account of the broadening of revenue base, the finalization of the debt restructuring proposal, the ability of the Company to raise additional funds, and the Company's right to defend the questionable claim, the Directors are confident that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future.

(b) Capital Structure, Bank Borrowings and Exposure to Fluctuations in Exchange Rates

During the year, the Company issued 70,000,000 new ordinary shares by private placement at an issued price of HK$0.30 each and the raised funds were used for general working capital of the Group.

As at 30 June 2008, the Group's bank borrowings of approximately RMB112,397,000 on a short-term basis and was mainly in Renminbi. Out of such borrowings, the loan of approximately RMB80,734,000 bears fixed interest rate whilst the loan of approximately RMB31,663,000 bears prevailing market rates. There are no known seasonal factors in our borrowing profiles.

The Group mainly earns revenues and incurs costs in Renminbi, United States dollars and Hong Kong dollars. The Group's monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars. Although the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively unstable during the year under review, since the Group has no financial instrument has been used for hedging purposes, treasury and funding policies, therefore the Group's exposure to fluctuations in exchange rates is considered minimal.

(c) Contingent Liabilities

A guarantee made by the PRC subsidiary for a claim of approximately RMB22 million was alleged by a third party. The PRC subsidiary is now defending the case.

(d) Charge on Assets

As at 30 June 2008, the Group's certain investment properties, property, plant and equipment, prepaid lease payments and time deposits with an aggregate net carrying value of approximately RMB77,654,000 were pledged to banks for securing revolving loans and general banking facilities granted to certain subsidiaries of the Company.

Significant Investment

The Group had no significant investment held for the year ended 30 June 2008.

Material Acquisitions and Disposals of Subsidiaries and Associates Companies

The Group did not have any material acquisition or disposal of subsidiaries or associates during the year ended 30 June 2008.

Details of Future Plans for Material Investments or Capital Assets

There was no specific plan for material investments and acquisition of material capital assets as at 30 June 2008. However, the Group will continue to seek new business development opportunities.

Employee and Remuneration Policies

As at 30 June 2008, the Group employed a total of approximately 40 full time employees (as at 30 June 2007: 74) in Hong Kong and the PRC. Total remuneration cost for the period under review was approximately RMB17.0 million (year ended 30 June 2007: approximately RMB11.1 million). The Group's emolument policies are formulated on the basis of market trends, future plans and the performance of individuals, which will be reviewed periodically. Apart from provident fund scheme and state-managed social welfare scheme, share options will also be awarded to employees according to assessment of individuals' performance.

Litigation

During the year under review, regarding the litigation as to the claims of approximately RMB9,500,000 raised by the main contractor of the Shenzhen R & D Centre, the relevant PRC court has made a judgement in favour of the plaintiff in December 2007. In January 2008, the Company submitted the appeal application to the relevant PRC court. In May 2008, the Company and the main contractor entered into a mutual agreement to withdraw from the litigation by settling a reasonable amount. But in early September 2008, the main contractor applied through the relevant China court to demand the Company settle the retainer fee due being RMB550,000 together with penalty. On 10 September 2008, the Company submitted a counterclaim to the relevant court counterclaiming the contractor breach of the subject agreement and is pending decision from the court.

In addition, Techwayson Industrial Limited ("TIL"), a major subsidiary (as defined under the Listing Rules) of the Company is in the best efforts to negotiate with the Bank of China, Shenzhen branch to finalize the terms of the debt-restructuring proposal on the RMB83,000,000 loan of the Shenzhen subsidiary and the RMB60,700,000 guaranteed loan.

On 17 July 2008, TIL received a writ of summons issued by the Intermediate People's Court, Shenzhen, the People's Republic of China ("PRC"), in respect of a claim of approximately RMB22 million made by an independent third party ("Party") against TIL, for a guarantee alleged to have been given by TIL in favour of the Party in November 2005 (the "Claim"). TIL has appointed a firm of PRC legal counsel to assist in the gathering of information and the investigation into the circumstances giving rise to the Claim. The said firm of PRC legal counsel was examining the relevant documents and gathering information regarding the Claim and TIL will actively defend the questionable Claim.

Prospects

There have been some changes in the composition of the Board after annual general meeting held in November 2007. The new Board will do their best to settle the litigation issues and look forward to improve the performance of the Group.

The Company will continue to focus on the target business areas with an objective to enhance operation performance and profitability of the Group. The Board is confident with the diversified business experience and resources from the new management team; we will strive to contribute ourselves to capture good business opportunities from the fluctuated and complicated market. The Company will look for more new projects for expansion in Asia, especially in the PRC.

For the year ended 30 June 2007

Business Review

For the financial year ended 30 June 2007, the Group's audited turnover increased by about 26% to approximately RMB145 million when compared with the previous year of approximately RMB115 million. It was mainly due to the recognition of turnover upon the completion of the commissioning on the TRT (Top Pressure Recovery Turbine) projects and the contribution of rental income from investment properties.

Having improvement in each business unit of the Group and in view of the appreciation of market value of the R&D Centre in Shenzhen, the Group recorded an audited profit attributable to equity shareholders of approximately RMB7.8 million compared to an audited loss of approximately RMB247.5 million of the previous year.

Currently, the phenomenal growth of China has shaped the global economic landscape and there is no question that this extraordinary growth of China underpins the surging prosperity of Hong Kong. Like many Hong Kong companies, we are also depending heavily on the mainland market and benefiting with China's unprecedented growth. China shall remain the centre of our investment area.

During the year, the Company has successfully accomplished the recovery to solidify its financial position and resolved the major litigation issues involving the alleged guarantees previously given by the Group. Moreover, with the great effort given by the current board, the relevant staff and the professional parties, the Company has resumed its shares trading in June 2007. The management is endeavoring to revamp the business growth of the Company and will continue to focus on three major business fronts, i.e. technology, trading and property investment.

Segmental Information

(a) Technology (formerly classified under Project and Technical Services segment)

In June 2007, the Group completed and successfully commissioned its three TRT contracts in the energy and environmental conservation, and the Group's PLCs (Programmable Logic Controllers) application in the projects had met the stringent standards. TRT is a generating system which utilizes the exhaust pressure and heat from the blast furnace of steel mill as its energy source. The electricity generated by the system will save energy for the steel mills of about 20% of electricity necessary for its operation. The Group is believed to be the first if not the only company in China that has to date undertaken three such projects at one go. With the good results, the Group will continue to engage in the provisions of such services and to provide sophisticated control and monitoring system in the coming year.

(b) Trading

Trading business of the Group comprises distribution of imported automation products, trading of mineral resources such as iron ore, electronic related components and materials such as laminate products and related industries' raw material. In the mining and commodities trading in Indonesia, the Group has suffered an unfortunate setback. Although contracts and arrangements have been reached with the local suppliers, the sudden about turn of policy regarding the export of iron ores by the local authorities have left matter in abeyance. However, on the bright side, our associate company has recently fully installed the equipment and machineries in a mine owned by an Indonesian listed company. The Group has an exclusive sales contract for the products produced in the mine. Production of the iron ore sand are expected to start before end of 2007. With the current facilities in place, monthly production is estimated at 30,000 dry metric tones. Buyer for the product has been identified.

(c) Property investment

In our property portfolio, we own seven commercial units of approximately 4,582 sq. ft. in Hong Kong and the seven-storey R&D Centre with total floor area of approximately 17,500 sq. m. in Shenzhen. The seven-commercial units in Hong Kong have been fully let. During the year, we have completed the construction and renovation of the R&D Centre in Shenzhen, which serves also as our China office. Except of the ground floor and the first floor, which are now in the progress of leasing out, the remaining four floors of the R&D Centre have been fully let.

Significant Investment

(a) Investment properties

With the completion of the acquisition of Weina Land Limited in end of December 2006, the Group has diversified its business to property investment holding which has strengthened the asset and revenue bases of the Group. The investment properties comprise seven units of office premises in Hong Kong with total saleable area of approximately 4,582 sq. ft. and the R&D Centre in Shenzhen with total floor area of approximately 17,500 sq. meters.

As at 30 June 2007, all of the office units of the Hong Kong properties, having total carrying value of approximately HK$46.34 million and certain floors of the R&D Centre were leased out to independent third parties.

(b) Investment in an associate

In July 2006, a wholly-owned subsidiary of the Company and an independent party formed a joint-venture company, namely Orient Metro Limited (the "JV Company"), which is owned as to 25% by the Group and 75% by such independent party. The JV Company together with its subsidiaries will be principally engaged in the provision of technical services (involving provision of equipment, machinery, technical advice and supporting services for excavating mines and the operation and management of mines) and export service (involving marketing, sale and export of the mined products such as iron ore, iron sand, coal and other natural mineral products from Indonesia) for an Indonesian company with local mining license, other Indonesian mining companies and/or mine owners. During the year, the installation of the necessary equipment for the first iron ore sand mine has been completed and the Group will be able to start shipment, as supplied by the JV Company's subsidiary, before end of 2007. In the coming years, we will also be looking for business opportunities in the mining industry in Asia including China.

Prospect

In the coming financial year, the Group shall focus on three basic priorities (i) to increase investment in properties to achieve recurring earnings and improve asset base; (ii) to expand by acquisition of market-orientated projects whether through joint ventures or otherwise; and (iii) to forge and strengthen relationship with strategic venture partners, customers and suppliers.

With the satisfactory results in the performance of our technology services, the Group is confident that it will be able to continue to perform and deliver the services required by the customers. The management is optimistic of establishing its market position in this field of energy saving system. In the production of its proprietary products such as V80s and V60s, the Group will concentrate its products that serve particularly the environmental and energy industries at large.

To strengthen its assets base, the Group will place more emphasis in the coming year on seeking joint-ventures and projects in the property investment area. The China property market has been rapidly growing since the adoption of the open door policy in the late 1980s. With its admission to the WTO in 2001, China has made tremendous progress in reforming its economy and is now experiencing exponential economic growth. However, investments in real estates in China are typically governed by governmental policies. Since 2003, the Chinese government has introduced various measures to prevent the overheating of certain sector of the property market, which, according to National Bureau of Statistics of China, the average selling prices for residential properties have risen from RMB1,948 per sq. m. in 2000 to RMB2,937 per sq. m. in 2005, representing a compound annual growth rate of 8.6%, and the average price of commercial properties have risen from RMB3,260 per sq. m. in 2000 to RMB5,022 per sq. m. in 2005, a compound annual growth rate of about 9%.

Subject to the applicable rules and regulations, the Group will endeavor to expand its investments in the lands and properties by seeking suitable projects. Barring any unforeseeable circumstances, we believe that property ownership and real-estates investments in China will continue to enjoy a sustainable growth in view of its prevalent economic growth, improved urbanisation and the availability of mortgage financing.

After the balance sheet date, in end August 2007, the Group has entered into a Letter of Intent with an independent party regarding the Group's intended investment in the development of a landed property in Zhuhai, China. The parties are in the final stage of negotiation on the detailed terms and conditions and the Company will make the necessary disclosures as soon as the formal contract is entered into. Besides, the Group is also looking at some other landed property projects in Zhuhai. Zhuhai, being one of the five Special Economic Zones in the PRC, is benefiting from growing commerce as well as from direct investment from the adjoining Special Administration Regions of Hong Kong and Macau, and also has one of the highest per capita GDPs in

China. With the strong support of the Zhuhai municipal government to improve the environment and infrastructure in Zhuhai, it is expected that demand for residential/ commercial property in Zhuhai will continue to grow in the coming years.

Material Acquisition of Subsidiaries

At the Company's extraordinary general meeting held on 28 December 2006, the Sale and Purchase Agreement entered into between the Company and Weina Holdings Limited was approved. Pursuant to the agreement, the Company agreed to acquire 100% equity interest in Weina Land Limited at HK$44 million by the issuance of 110,000,000 convertible redeemable preference A shares at HK$0.4 each to Weina Holdings Limited or its nominees. Upon completion of the acquisition which was taken place on 29 December 2006, Weina Land Limited became the wholly-owned subsidiary of the Company.

Material Acquisition of Associates

During the year, the Group entered into an agreement with an independent third party for the establishment of Orient Metro Limited at a maximum commitment of US$1.5 million (equivalent to approximately RMB11.2 million). Since 17 July 2006, Orient Metro Limited which is owned as to 25% by the Group became an associate of the Company.

Liquidity and Financial Resources

As at 30 June 2007, the total assets of the Group were approximately RMB329,402,000, an increase by approximately 79.1% as compared to 30 June 2006. As at 30 June 2007, the Group had total borrowings of approximately RMB139,520,000 (2006: RMB107,390,000), approximately RMB88,200,000 of which is owed to Bank of China, Shenzhen branch. Although a judgment was made in favour of the bank by the Shenzhen Arbitration Commission, the bank has principally agreed not to demand immediate full repayment from the Group pending for the restructuring of the outstanding debt into a loan secured against the R&D Centre. Currently, the Group is making periodic principal repayments to the bank and will continue to make repayment in accordance with the finalized debt restructure proposal. As at 30 June 2007, the gearing ratio, expressed as a percentage of total borrowings over net assets, was approximately 1.19 (2006: 3.16).

As at 30 June 2007, the total cash and bank balances of the Group amounted to approximately RMB57,551,000 (2006: RMB96,765,000). The Group's net current liabilities was approximately RMB81,441,000 (2006: RMB43,104,000) and the current ratio was about 0.61 (2006: 0.71). The decrease of the cash and bank balances was materially due to the injection of capital to a PRC subsidiary for the construction of the R&D Centre and for its general working capital, the repayment of the Group's indebtedness and the Company's investment in two joint-venture companies.

Taking into account of the broadening of the revenue base, the finalization of the debt restructuring proposal, the ability of the Company to raise additional funds, and the Company's right to defend the questionable claim, the Directors are confident that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future.

Capital Structure, Bank Borrowings and Exposure to Fluctuations in Exchange Rates

In December 2006, the Company issued 110,000,000 convertible redeemable preference A shares at HK$0.4 each being payment of consideration for the acquisition of Weina Land Limited. In June 2007, the Company further issued 100,000,000 convertible redeemable preference shares at HK$0.4 each upon the Company's exercise of the option under the Subscription and Option Agreement dated 26 May 2006. As at 30 June 2007, the total convertible redeemable preference shares of the Company in issue were 460,000,000, all of which can be converted into ordinary shares at HK$0.4 per share, subject to adjustment.

During the year, there was no change in the issued ordinary share capital of the Company. Details of the share capital are set out in note 32 to the financial statements.

As at 30 June 2007, the Group's bank borrowings of approximately RMB139.5 million was on a short-term basis and was mainly in Renminbi. Out of such borrowings, the loan of around RMB88.2 million bears fixed interest rate whilst the loan of HK$40.9 million (approximately RMB39.3 million) and of RMB12 million bears prevailing market rates. There are no known seasonal factors in our borrowing profiles. Details of the bank loans are set out in note 31 to the financial statements.

The Group mainly earns revenues and incurs costs in Renminbi, United States dollars and Hong Kong dollars. The Group's monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars. As the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the year under review, the Group's exposure to fluctuations in exchange rates is considered minimal and no financial instrument has been used for hedging purposes, treasury and funding policies.

Contingent Liabilities

As at 30 June 2007, the Company and one of its subsidiaries had given corporate guarantees to two PRC banks for securing the short-term bank loans granted to a PRC subsidiary and the outstanding loan balance as at 30 June 2007 was approximately RMB100.2 million, together with interest. As at 30 June 2007, the Company and one of its subsidiaries had also given corporate guarantees to two banks for securing the bank loans and general banking facilities granted to two Hong Kong subsidiaries and the outstanding balance at 30 June 2007 was approximately HK$63.1 million (RMB60.6 million), together with interest.

Moreover, guarantee for the outstanding loan balance of approximately RMB60.7 million, together with interest, was allegedly provided by the PRC subsidiary for securing the loan borrowed by a third party, Shenzhen Ji Hai Industrial Company. The PRC subsidiary has made an appeal against the judgment and will defend the case.

Details of financial guarantees and contingent liabilities as at 30 June 2007 are set out in notes 42 and 43 to the financial statements.

Charge on Assets

As at 30 June 2007, the Group's certain landed properties in Hong Kong with an aggregate net carrying value of approximately HK$46.3 million (equivalent to RMB44.49 million) were pledged to two local banks for securing revolving loans and general banking facilities granted to certain subsidiaries of the Company.

Employee and Remuneration Policies

For the year ended 30 June 2007, the Group has recorded staff costs of approximately RMB11.1 million (2006: RMB7 million), represented about 59% increase when compared with the previous year. The number of staff has increased from 66 employees (as at 30 June 2006) to 74 employees (as at 30 June 2007). The Group encourages high productivity and remunerates its employees based on their qualifications, work experience, prevailing market prices and his/her contributions to the Group. Incentive schemes comprised discretionary bonus and other merit payments to reward employees based on performance are also offered. Other employee benefits include mandatory provident fund and medical benefits for its employees in Hong Kong and similar benefits for its employees in China.

Litigation

During the year, a PRC subsidiary of the Company received a writ of summon in respect of a claim of approximately RMB9.5 million raised by the main contractor of the Shenzhen R&D Centre in relation to the settlement price on the construction of the R&D Centre, which is in discrepancy with the contracted work. Hearing had been originally scheduled on 18 September 2007 but was postponed to end October. As advised by its PRC lawyer that there existed many irregularities in the relevant construction settlement documents submitted by the main contractor, the PRC subsidiary should have no difficulty in defending the case successfully. However, it is envisaged that in view of the delay in settlement on the construction fee, the obtaining of the title deed of the R&D Centre for the debt restructuring with the bank will be deferred. The bank is aware of the litigation issue and is still negotiating with the Group on finalizing the debt-restructuring proposal.

For the year ended 30 June 2006

Business Review

The Group has undergone a period of difficulties. In early February 2006, the Company had been informed by its wholly-owned subsidiaries in the PRC, Techwayson Industrial Limited and Hiwayson Technology Limited (renamed as Techwayson Technology (Shenzhen) Ltd), that they have been served with writs of summons issued by the Tongling Intermediate People's Court and Shenzhen Intermediate People's Court. These two PRC subsidiaries are being sued for a total amount of approximately RMB155 million under certain guarantees allegedly issued in favour of the creditors of a company, namely Goldwiz Huarui (Tongling) Electronic Materials Company Limited ("Goldwiz Tongling"), in which the Group has an interest of 18.52%, and a third party. As the then and current Board were not aware of the underlying transactions concerning the two subsidiaries that were alleged in the writs of summon, the Company has investigated the relevant facts and is dealing with the issues related to these incidents.

As a result, during the period from December 2005 to August 2006, the Group suffered a setback in its image over certain implicated financial and litigation issues, which also have affected its sales performance of its automation business. Sales during this period came almost to a standstill. For the year ended 30 June 2006, the Group recorded a total revenue of approximately RMB116 million (2005: RMB189 million), representing a decrease of 38.6% over last year. The audited loss attributable to equity shareholders of the Company for the year ended 30 June 2006 increased to approximately RMB247.5 million as compared to a loss of approximately RMB19 million for last year.

Although the Group has undergone a year full of difficulties, it has managed to cross the bridge. With the support of its committed workforce and the raising of additional financial funding, the Group has now recovered most of the lost ground and re-established its morale. It has started to submit tender applications for automation projects again. The management expects its automation business will get back to normal gradually and offer better return for the coming financial year.

In order to strengthen its income base, the Company has expanded its trading business into natural resources and other products. These new sectors were developed late in the financial year and are not expected to contribute to the Company's performance until next financial year.

As disclosed by the major shareholder of Goldwiz Tongling, Goldwiz Tongling has suspended its operation since December 2005 due to critical liquidity problem. It has received writs of summons from banks, suppliers, trust company and former shareholder in respect of the alleged indebtedness of approximately RMB221.7 million. Since then, the management of Goldwiz Tongling has been negotiating with the creditors on any possible settlement agreements. However, in view of the substantial outstanding amount of alleged indebtedness and the litigations being involved by Goldwiz Tongling, the management of the Company is not optimistic regarding the prospect of Goldwiz Tongling. The Company, thus, has made a full provision of impairment on its investment in Goldwiz Tongling. Latest development of the litigations is reported in "Litigation" of this report.

Liquidity and Financial Resources

Apart from the loan payable and short-term bank loan totalling RMB107,390,000 (2005: RMB109,155,000) which were brought forward from the previous year, the Group generally finances its operations with internally generated cash flows. The Group is in negotiation with the bank for restructuring the short term loan to a long term loan. Terms of the restructuring are subject to change depending upon the result of these negotiations.

For the year ended 30 June 2006, 250,000,000 convertible redeemable preference shares at HK$0.4 each were issued and it gave rise to net proceeds of approximately HK$100,000,000. Moreover, the holder of these shares has granted the option to the Company to require the holder to subscribe for an additional 100,000,000 convertible redeemable preference shares at HK$0.4 each during the stipulated period. Upon the subscription of these additional shares by the holder, the Company will receive further proceeds of approximately HK$40,000,000.

The Group had, as at 30 June 2006, a trust fund investment with interest of RMB150,704,000 (2005: RMB150,704,000) (the "Fund") which was placed by two PRC subsidiaries with Kinghing Trust & Investment Co. Ltd. in the PRC (the "Trust Company"). The Trust Company has subsequently been ordered by the relevant PRC authority to suspend its operation and its assets are now being managed by the China Construction Bank. At the maturity date being May 2006, the Fund has not yet been returned by the Trust Company. The two subsidiaries of the Company have registered with the China Construction Bank on its redemption right on the Fund and the fixed return. The Group has issued a demand letter through its PRC lawyer to chase for the return of Fund and no reply has yet been received from the Trust Company. In view of the uncertainty on its recoverability, the Group has, for prudent purpose, made a full provision of RMB150,704,000 on the recoverability of the Fund.

As at 30 June 2006, the Group had total borrowings of RMB107,390,000 (2005: RMB109,155,000). Total cash and bank balances amounted to approximately RMB96,765,000 (2005: approximately RMB14,487,000). The gearing ratio, expressed as a percentage of total borrowings over total assets, was 58.4% (2005: 32.9%).

As at 30 June 2006, the Group's net current liabilities was approximately RMB43,104,000 (2005: net current assets of RMB77,035,000) and the current ratio was 0.71 (2005: approximately 1.51). Taking into account the existing and anticipated banking facilities, the cash balance and new operations of the Group, and the option right granted to the Company regarding the subscription of additional 100,000,000 convertible redeemable preference shares at HK$0.4 each by the holder, the Directors are satisfied that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future.

All borrowings of the Group carried interest at floating rates. The maturity profile of the borrowings as at 30 June 2006 is analysed as follows:

	RMB'000
Repayable within one year	102,710
Repayable after one year but within two years	2,340
Repayable after two years but within five years	2,340
	107,390

Segmental Information

The segment of automation products has experienced a slump during the year ended 30 June 2006. It recorded a decrease in turnover of 38.5% compared with the corresponding period last year. This decrease is mainly due to the fact that the Group suffered a setback in its image over certain implicated financial and litigation issues during the period from December 2005 to August of 2006. As a result, sales during this period came almost to a standstill. However, this segment is now recovering with the support from the committed workforce and additional financial funding. The management believes that automation business will revive entirely and offer a better return for the coming financial year.

Due to the resources reallocation, the turnover from project and technical services segment during the year ended 30 June 2006 maintained immaterial as compared with the total turnover of the Group. However, the management plans to re-develop this segment which was ignored by previous management and expects that it will generate a profitable return in the coming year.

Significant Investment

(a) Investment in Equity Securities

The Group has a long term investment of 18.52% interest in Goldwiz Tongling classified as Available-for-sale Securities in the consolidated balance sheet as at 30 June 2006. The Company has no control of the operation of Goldwiz Tongling. As disclosed by the major shareholder of Goldwiz Tongling, the operation of the factory of Goldwiz Tongling has been suspended since December 2005 due to a critical liquidity problem. It has also received writs of summons from various parties including suppliers, bankers, former shareholders and the Trust Company with a total alleged indebtedness of approximately RMB221.7 million. Due to the suspension of Goldwiz Tongling's operation and the pre-litigation protection orders made by the Tongling court on behalf of the creditors, Goldwiz Tongling was not able to finalize its accounts or calculate its unaudited net asset value as at 30 June 2006.

In view of the above factors, the uncertainty of resumption of Goldwiz Tongling's operation and the various litigations it is involved and the fact that the Group has never received any dividend income from the investment in Goldwiz Tongling, the Group made a full provision of impairment loss of RMB31,314,000, taking into account the exchange difference of RMB602,000 (carrying value at 30 June 2005: RMB31,916,000) for the year under review.

(b) Property Under Development

The construction works for the Group's Research and Development Centre (The "Centre") located in Shenzhen Hi-tech Park, the PRC, has been resumed in the second half of 2006 and the management expects that completion of the building will be finalized in end of 2006. Upon completion, the property will be a 7-storey building with a gross floor area of 17,586 square meters, including a basement car-park for approximately 60 cars. The property will be partly held for leasing purpose and partly for the use of the Group. Based on the existing expanding property leasing market in the PRC, the management believes that the property will contribute rental income of approximately RMB8,000,000 per annum to the Group after its completion, subject to the compliance of the relevant regulations of the Shenzhen Hi-tech Park.

Exposure to Fluctuations in Exchange Rates

The Group mainly earns revenues and incurs costs in Renminbi, United States dollars and Hong Kong dollars. The Group's monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars. As the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the year under review, the Group's exposure to fluctuations in exchange rates is considered minimal and no financial instrument has been used for hedging purposes.

Capital Structure

As at 30 June 2006, the Company issued 250,000,000 Convertible Redeemable Preference Shares at an issue price of HK$0.40 per share. The Convertible Redeemable Preference Shares bear a fixed cumulative preferential dividend at the rate of 3.5% per annum on the amount paid up or credited as paid up. The Company has the right to require, in the stipulated period, the conversion of all or part of the Convertible Redeemable Preference Shares or to redeem, subject to compliance with any legislation applicable to the Company, such Shares at amount (subject to adjustments under relevant events) equal to all amounts paid up or credited as paid up on the Convertible Redeemable Preference Shares. Based on their terms and conditions, the issued Convertible Redeemable Preference Shares have been classified as equity in the consolidated balance sheet.

Moreover, the Company has been granted an option to require the holder of the Convertible Redeemable Preference Shares during the relevant option period to subscribe for an additional 100,000,000 Convertible Redeemable Preference Shares at a subscription price of HK$0.4 per Convertible Redeemable Preference Share.

During the year ended 30 June 2006, there was no change in the Company's ordinary share capital.

Contingent Liabilities

As at 30 June 2006, the Company has executed corporate guarantees to a bank to secure banking facilities granted to its subsidiaries and the banking facilities utilised by subsidiaries totaled approximately RMB98 million (2005: RMB145 million).

In addition, as mentioned in the Business Review, at 30 June 2006, two PRC subsidiaries of the Company have been served with writs of summons and are being claimed for a total amount of approximately RMB155 million under certain guarantees being allegedly issued by these two PRC subsidiaries. The guarantees were allegedly provided by the two PRC subsidiaries without the knowledge of the then and current Boards. Among the alleged guarantees, a total amount of approximately RMB94 million was said to be related to the loans borrowed by Goldwiz Tongling whilst approximately RMB60.7 million was related to the alleged loan borrowed by a third party, Shenzhen Ji Hai Industrial Company.

As informed by the management of Goldwiz Tongling, during the year ended 30 June 2006, Goldwiz Tongling has managed to repay a total amount of approximately RMB12.1 million to the plaintiffs by collecting its trade receivables. Regarding a litigation as to approximately RMB21.6 million, although Goldwiz Tongling has subsequently made certain repayment, it has not yet reached any settlement agreement with the plaintiff and the Company, being the alleged guarantor, has prudently made a provision of corporate guarantee in the amount of approximately RMB15 million. Accordingly, the contingent liability of the Group arising from the alleged guarantees at 30 June 2006 was approximately RMB128 million, after taking into account the aforesaid repayment made during the year and the provision of corporate guarantee made by the Group.

Subsequently and up to the date of this report, Goldwiz Tongling has repaid RMB8.2 million to the plaintiffs. Moreover, Goldwiz Tongling and one of the plaintiffs have reached settlement agreement on the litigation amounting to approximately RMB26.1 million, of which RMB14.6 million was said to be guaranteed by a PRC subsidiary of the Company. Regarding the litigations amounting to approximately RMB57.8 million, Goldwiz Tongling and the plaintiffs are in the final stage of conclusion of settlement agreements. Regarding the litigation amounting to RMB60.7 million, the Company would defend the case as the Company was advised by its legal adviser that the case would be defendable. Accordingly, the contingent liability of the Group arising from the alleged guarantees at the date of this report was further reduced to approximately RMB60.7 million, after taking into account the post-balance repayments, the reaching of settlement agreement and the final stage of conclusion of settlement agreements.

The Company was advised that should the indebtedness due to the plaintiffs be settled by Goldwiz Tongling, the contingent liability of the Group arising from the alleged guarantees will lapse.

Charge on Assets

Some of the plaintiffs under the writs of summons that the Group received have put a protection order on the Group's property under development in Shenzhen. As some of the litigations have been settled while others are under negotiations, the Company believes that such charges will be removed in the near future.

Employee and Remuneration Policies

For the year ended 30 June 2006, the Group has recorded staff costs of approximately RMB7 million (2005: RMB8.5 million). The Group employed, as at 30 June 2006, 66 (2005: 102) employees in the PRC and Hong Kong. Both the number of employee and staff costs has decreased as compared to the corresponding period last year as many staff have left the Group at the end of 2005. The Group has basically frozen its headcount since then due to the standstill of automation business in the second half of the financial year ended 30 June 2006 as mentioned above.

The Group encourages high productivity and remunerates its employees based on their qualifications, work experience, prevailing market prices and his/her contributions to the Group. Incentive schemes comprised of discretionary bonus and other merit payments to reward employees based on performance are also offered. Other employee benefits include mandatory provident fund and medical benefits for its employees in Hong Kong and similar benefits for its employees in the PRC.

Litigation

During the year, the Group has received certain writs of summons in respect of the total alleged claims of RMB155 million raised by following third parties in relation to the alleged guarantees given by two PRC wholly-owned subsidiaries of the Group on the indebtedness owed by Goldwiz Tongling or Shenzhen Ji Hai Industrial Company:

Plaintiff Alleged claim	**Alleged claim**
China Construction Bank, Tongling branch	RMB41.5 million with interest*
The Industrial and Commercial Bank of China, Tongling branch	RMB14.6 million with interest*
The Tongling Economic Technical Development Zone (Group) Company	RMB16.3 million*
The Bank of China, Tongling branch	RMB21.6 million with interest*
The Bank of China, Shenzhen branch	RMB60.7 million with interest#

* indebtedness owed by Goldwiz Tongling

\# indebtedness owed by Shenzhen Ji Hai Industrial Company

Details of the above litigation cases were set out in the Company's interim report for the six months ended 31 December 2005, the Company's announcement dated 25 May 2006 and circular dated 14 August 2006.

As advised by the Company's PRC lawyer, Goldwiz Tongling has been negotiating with its respective creditors. During the year under review, Goldwiz Tongling has managed to repay RMB12.1 million to the creditors. At the date of this report, Goldwiz Tongling and the plaintiff have reached settlement agreements on the litigations amounting to approximately RMB26.1 million, of which RMB14.6 million was said to be guaranteed by a PRC subsidiary of the Company. Moreover, Goldwiz Tongling and the plaintiffs are in the final stage of conclusion of settlement agreement on the litigations amounting to approximately RMB57.8 million, RMB49.6 million of which was outstanding at 30 June 2006. As to the litigation amounting to approximately RMB60.7 million, the Group was advised that the case would be defendable in view of certain irregularities of the alleged guarantee. Regarding a litigation as to approximately RMB21.6 million, Goldwiz Tongling has subsequently made certain repayment but since this company and the plaintiff have not yet reached any settlement agreement and therefore the Company, being the alleged guarantor, has made a provision of guarantee for approximately RMB15 million and the Company will seek legal advice to demand for the said amount in due course. The Company was further advised that should settlement on the loans be reached between Goldwiz Tongling and the plaintiffs, the contingent liability of the Group arising from the alleged guarantee will lapse.

During the year, the Group has also received a writs of summon from its main contractor in respect of the outstanding fee of approximately RMB16 million with interest in relation to construction of its property under development in Shenzhen, the PRC. Details of the case were also set out in the Company's announcement dated 25 May 2006 and circular dated 14 August 2006. Subsequent to the balance sheet date, the claim has been settled and the contractor has resumed work in August 2006 and the development is expected to be completed in end of 2006.

Moreover, subsequent to the balance sheet date, as disclosed in the Company's announcements dated 3 August 2006 and 6 October 2006, the Group has been served a notice of arbitration proceeding by Shenzhen Arbitration Committee in respect of the Group's indebtedness of RMB100 million together with interest due to The Bank of China, Shenzhen branch, the PRC (the "Bank Creditor"). Both parties have agreed preliminarily to make an out-of-court settlement. The Bank Creditor will proceed with internal approval procedures for restructuring the short term loan to a long term loan subject to the pledge of the property-under-development in favour of the Bank Creditor as security for the long term loan. The property was charged by the plaintiffs of the litigations against the Company in respect of the alleged guarantees for the indebtedness of Goldwiz Tongling. The Group is endeavoring to satisfy the pre-condition of the proposed debt restructuring and will continue its negotiation with the Bank Creditor.

Corporate Governance

The Company places great importance in its commitment to upholding a high standard of corporate governance. Good governance is an essential factor in corporate success. The new management commits to keep a good corporate governance practice and has spent considerable time in reviewing its internal control to ensure the efficient use of resources and to enhance both corporate accountability and the creation of value.

Prospects

Going forward, the outlook of the Group for the next financial year is positive. In its automation business, confidence of its customers has improved significantly and more opportunities are being offered to the Group. Adoption of free market policies has fuelled China's economy, which has created many opportunities for application of programmable logic controllers ("PLCs") and other automation systems and solutions. The demand for automation products and systems thrives distinctively in a developing economy that has a strong manufacturing and industrial base like China. Besides being able to offer imported automation products to its customers, the Group can also provide its own proprietary products and solutions of PLCs, which will give the Group a competitive edge.

As part of its diversification and expansion plan, the Group has opened up its trading business in natural resources. The Group has received support from two major suppliers in Indonesia for the supply of regular shipments of iron ores and coal. Also, subsequent to the balance sheet date, the Group has entered into a joint venture agreement with an independent third party for the provision of technical services and export services for an Indonesia company in respect of certain mined products such as iron ore and iron sand. The Group holds 25% equity interest in the joint venture company and the total maximum commitment will be approximately US$1.51 million which will be funded by internal resources of the Group. The management believes that the investment in the JV Company will further strengthen its source of supply of iron ore and iron sand for the Group's trading needs. Due to certain delay in the company registration procedures, production of the iron ore sand is estimated to be ready for trial shipment in early 2007.

Moreover, the Group has settled the dispute over the construction of its Centre in Shenzhen and construction work has been resumed. Completion of the Centre is expected to be finalized in end 2006. The Centre is a 7-storey building and is situated at the central of the Shenzhen Hi-tech Park. On completion, it will have a gross floor area of 17,586 sq meters, including a basement car-park for approximately 60 vehicles. The management believes that the Centre will contribute, upon its completion, a stable return to the Group in term of rental income. It also expects improved earnings from automation business and good returns from its natural resources trading in the coming year.

B. MANAGEMENT DISCUSSION AND ANALYSIS ON OCEAN VAST CORPORATION LIMITED AND ITS SUBSIDIARIES

Set out below are the management discussion and analysis on Ocean Vast Corporation Limited and its subsidiaries as extracted from the June Circular:

Terms used below shall have the same meanings as those defined in the June Circular.

For the three months ended 31 March 2009 and three years ended 31 December 2008, 2007 and 2006

Business Review

The Target Company is an investment holding company incorporated in Hong Kong in 2007 with limited liability and is wholly-owned by the Vendor. The Target Company has not carried out any significant business since the date of its incorporation. As at the Latest Practicable Date, the Target Company held 100% equity interest in the PRC Company. The major investment up to the Latest Practicable Date was its 100% holding in the PRC Company.

Incorporated in December 2007, the PRC Company is a company established in the PRC in December 2007 with limited liability and has not carried out any significant business since the date of its incorporation. At present, the PRC Company's major investment is its 60% equity interest in the Project Company with the remaining equity interest held by Zheng Mao Yuan. In October 2006, the Project Company was established as a private limited company, the only major asset of which is the Project Land.

The Target Group did not generate any turnover during the years/period under review.

Financial review

Set out below is a summary of the audited financial information on the Target Company (of which the accounts of the PRC Company and the Project Company have been consolidated) for the period from 28 September 2007 (date of its incorporation) to 31 December 2007, the year ended 31 December 2008 and for the three months ended 31 March 2009 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the period from 28 September 2007 to 31 December 2007	For the year ended 31 December 2008	For the three months ended 31 March 2009
	RMB'000	*RMB'000*	*RMB'000*
Consolidated Statements of Comprehensive Income			
Revenue	—	—	—
Net loss before taxation	(579)	(3,116)	(798)
Net loss after taxation	(579)	(6,324)	(798)

	As at 31 December 2007	As at 31 December 2008	As at 31 March 2009
	RMB'000	*RMB'000*	*RMB'000*
Consolidated Statements of Financial Position			
Total assets	139,729	130,896	130,900
Total liabilities	(126,786)	(117,148)	(117,950)
Net assets	12,943	13,748	12,950

Set out below is a summary of the audited financial information on the Project Company for the three years ended 31 December 2008 and the three months ended 31 March 2009 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2006	For the year ended 31 December 2007	For the year ended 31 December 2008	For the three months ended 31 March 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated Income Statements of Comprehensive Income				
Revenue	—	—	—	—
Net loss before taxation	—	(314)	(486)	(140)
Net loss after taxation	—	(19,593)	(3,694)	(140)

	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 31 March 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated Statements of Financial Position				
Total assets	27,376	52,174	45,205	45,209
Total liabilities	(159,429)	(72,294)	(51,196)	(51,340)
Net liabilities	(132,053)	(20,120)	(5,991)	(6,131)

Liquidity and Financial Resources

As at 31 March 2009 and 31 December 2008, 2007 and 2006, the Target Group had no bank borrowing, but with (i) other payables of RMB459,000, RMB315,000, RMB218,000 and nil respectively; (ii) amount due to a shareholder of RMB1,795,000, RMB1,790,000, RMB1,885,000 and nil respectively; and (iii) amount due to the minority shareholders of RMB78,089,000, RMB77,436,000, RMB69,411,000 and nil respectively. The gearing ratio, expressed as a percentage of total liabilities over total assets, as at 31 March 2009 and 31 December 2008, 2007 and 2006 were approximately 90.11%, 89.50%, 90.74% and 582.37% respectively. As at 31 March 2009 and 31 December 2008, 2007 and 2006, the total cash and bank balances of the Target Group were amounted to approximately RMB104,000, RMB137,000, RMB2,244,000 and RMB1,183,000 respectively.

As at 31 March 2009 and 31 December 2008, 2007 and 2006, the Target Group's net current liabilities were approximately RMB102,646,000, RMB101,811,000, RMB101,538,000 and RMB153,082,000 respectively and its current ratios were approximately 0.18%, 0.21%, 9.07% and 3.98% respectively.

Capital commitment

The Target Group did not have any capital commitment as at 31 March 2009, 31 December 2008, 2007 and 2006.

Treasury policies

The Target Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the last three financial years and the three months ended 31 March 2009.

Exchange rate exposure

The Target Group had no material exchange rate exposure.

Contingent liabilities

On 30 November 2007, the Target Group acquired 60% equity interest of the Project Company. Save for the provision of claims of approximately RMB20,873,000, amount due to the minority shareholder of approximately RMB10,030,000 and tax payable of approximately RMB19,279,000 disclosed in the statement of financial position of the Project Company as at 30 November 2007, Zheng Mao Yuan (being the vendor) has agreed to indemnify the the Target Group at all times in respect of, among other matters, any losses or expenses incurred by the the Target Group due to any other liabilities, tax provision, contingent liabilities and commitments, if any, not reflected in the statement of financial position of the Project Company as at 30 November 2007 and the date of completion of such acquisition.

Significant investments, material acquisition and disposals

The Target Group did not have any significant investments, material acquisition and disposals for the last three financial years and for three months ended 31 March 2009.

Employees

The Target Group had a work force of 5, 5, 5 and 4 employees as at 31 March 2009 and 31 December 2008, 2007 and 2006 respectively.

C. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

For the six months ended 30 June 2009 and three years ended 31 December 2008, 2007 and 2006

Business Review

The Target Company is an investment holding company incorporated in the British Virgin Islands ("**BVI**") in 2007 with limited liability and is wholly-owned by the Vendor. The Target Company has not carried out any significant business since the date of its incorporation. As at the Latest Practicable Date, the Target Company held 100% equity interest in the BVI Company. The major investment of the Target Group up to the Latest Practicable Date was its 100% holding in the BVI Company.

The BVI Company is a company established in the BVI in May 2006 with limited liability and has not carried out any significant business since the date of its incorporation. At present, the BVI Company's major investment is its 50% equity interest in the Project Company with the remaining equity interest held by the Other Shareholders. In November 2005, the Project Company was established as a private limited company, the only major asset of which is the Project. The Target Group had not been generating any turnover during the years/period under review.

Financial review

Set out below is a summary of the audited consolidated financial information of the Target Company and its subsidiaries for the period from 7 December 2007 (date of its incorporation) to 31 December 2008 and for the six months ended 30 June 2009 prepared in accordance with the Hong Kong Financial Reporting Standards, as extracted from Appendix III A to this circular:

	Period from 7 December 2007 (date of incorporation) to 31 December 2008	**Six months ended 30 June 2009**
	RMB'000	*RMB'000*
Consolidated Statements of Comprehensive Income		
Turnover	—	—
(Loss)/Profit before tax	(31)	14
(Loss)/Profit and total comprehensive income for the period	(31)	14

	As at 31 December 2008	As at 30 June 2009
	RMB'000	*RMB'000*
Consolidated Statements of Financial Position		
Total assets	—	—
Total liabilities	(24)	(10)
Net liabilities	(24)	(10)

Set out below is a summary of the audited financial information of the BVI Company (on company level) for the period from 19 May 2006 (date of its incorporation) to 31 December 2006, for the two years ended 31 December 2008 and for the six months ended 30 June 2009 prepared in accordance with the Hong Kong Financial Reporting Standards, as extracted from Appendix III B to this circular:

	Period from 19 May 2006 (date of incorporation) to 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008	Six months ended 30 June 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Statement of Comprehensive Income				
Turnover	—	—	—	—
(Loss)/Profit before tax	(3,658)	(22,899)	(18,122)	58,756
(Loss)/Profit and total comprehensive income for the period/year	(3,658)	(22,899)	(18,122)	52,294

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Statement of Financial Position				
Total assets	243,550	234,857	232,454	299,483
Total liabilities	(175,648)	(184,229)	(199,948)	(214,683)
Net assets	67,902	50,628	32,506	84,800

Set out below is a summary of the audited financial information of the Project Company (on company level) for the three years ended 31 December 2008 and for the six months ended 30 June 2009 prepared in accordance with the Hong Kong Financial Reporting Standards, as extracted from Appendix III C to this circular:

	Year ended 31 December			Six months ended 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Statement of Comprehensive Income				
Turnover	—	—	—	363,845
(Loss)/Profit before tax	(1,901)	(21,412)	(13,920)	143,182
(Loss)/Profit and total comprehensive income for the year/period	(1,901)	(21,412)	(13,920)	129,256

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Statement of Financial Position				
Total assets	469,826	831,331	1,048,189	767,928
Total liabilities	(209,257)	(580,925)	(811,703)	(402,186)
Net assets	260,569	250,406	236,486	365,742

Liquidity and Financial Resources

As at 30 June 2009 and 31 December 2008, the Target Company had (i) other payables of RMB4,000 and RMB4,000 respectively; (ii) amount due to a shareholder of RMB6,000 and RMB7,000 respectively; and (iii) amount due to a director of nil and RMB13,000 respectively. The gearing ratio, expressed as a percentage of total liabilities over total assets, as at 30 June 2009 and 31 December 2008 were nil. As at 30 June 2009 and 31 December 2008, the total cash and bank balances of the Target Company were nil.

As at 30 June 2009 and 31 December 2008, 2007 and 2006, the BVI Company had (i) other payables of RMB38,000, RMB19,000, RMB3,000 and nil respectively; (ii) loan from holding company due within one year of nil, nil, nil and RMB5,855,000 respectively; and (iii) loan from holding company due after one year of RMB208,183,000, RMB199,929,000, RMB184,226,000 and RMB169,793,000 respectively. The gearing ratio, expressed as a percentage of total liabilities over total assets, as at 30 June 2009 and 31 December 2008, 2007 and 2006 were approximately 71.68%, 86.02%, 78.44% and 72.12% respectively. As at 30 June 2009 and 31 December 2008, 2007 and 2006, the total cash and bank balances of the BVI Company were amounted to approximately RMB46,000, RMB59,000, RMB112,000 and RMB7,980,000 respectively.

As at 30 June 2009 and 31 December 2008, 2007 and 2006, the Project Company had bank borrowings of RMB30,000,000, RMB150,000,000, RMB140,000,000 and nil respectively, with (i) trade and other payables of RMB86,081,000, RMB94,638,000, RMB83,079,000 and RMB71,186,000 respectively; (ii) amount due to shareholders of RMB906,000, RMB906,000, RMB14,792,000 and RMB84,870,000 respectively; (iii) loans from shareholders of RMB128,942,000, RMB124,114,000, RMB114,896,000 and RMB53,201,000 respectively; (iv) advances from customers of RMB153,823,000, RMB441,166,000 and RMB227,053,000 and nil respectively; (v) financial guarantee liabilities of RMB879,000, RMB879,000, RMB1,105,000 and nil respectively; and (vi) deferred tax liabilities of RMB1,555,000, nil, nil and nil respectively. The gearing ratio, expressed as a percentage of total liabilities over total assets, as at 30 June 2009 and 31 December 2008, 2007 and 2006 were approximately 52.37%, 77.44%, 69.88% and 44.54% respectively. As at 30 June 2009 and 31 December 2008, 2007 and 2006, the total cash and bank balances of the Project Company were amounted to approximately RMB161,393,000, RMB196,110,000, RMB174,892,000 and RMB851,000 respectively.

As at 30 June 2009 and 31 December 2008, 2007 and 2006, the Project Company's net current assets (liabilities) were approximately RMB23,805,000, RMB(99,277,000), RMB(121,647,000) and RMB(155,049,000) respectively and its current ratios were approximately 105.94%, 87.77%, 62.69% and 0.65% respectively.

Capital Commitment

As at 30 June 2009, the Target Company had capital commitments contracted but not provided for, in respect of acquisition of a subsidiary, of RMB274,784,000. The Target Company did not have any capital commitment as at 31 December 2008.

The BVI Company did not have any capital commitments as at 30 June 2009, 31 December 2008, 2007 and 2006.

As at 30 June 2009 and 31 December 2008, 2007 and 2006, the Project Company had commitments for property development expenditure of RMB46,265,000, RMB45,247,000, RMB112,167,000 and RMB70,521,000 respectively.

Treasury policies

The Target Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the last three financial years and the six months ended 30 June 2009.

Exchange rate exposure

The Target Group had no material exchange rate exposure.

Contingent liabilities

The Target Company did not have any contingent liabilities as at 30 June 2009 and 31 December 2008.

The BVI Company did not have any contingent liabilities as at 30 June 2009 and 31 December 2008, 2007 and 2006.

The Project Company had arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments during the two years ended 31 December 2007 and 2008 and the six months ended 30 June 2009. The outstanding guarantees were amounted to RMB60,930,000, RMB215,944,000 and RMB283,090,000 as at 31 December 2007 and 2008 and 30 June 2009, respectively.

Significant investments, material acquisition and disposals

Save and except for the acquisition of 50% equity interest in the Project Company at a consideration of RMB80,000,000 by the BVI Company in 2006 and the disposal of the entire equity interest in Giant Famous Limited at a consideration of HK$1,000 by the Target Company in June 2009, the Target Group did not have any significant investments, material acquisition and disposals for the last three financial years and the six months ended 30 June 2009.

Employees

The Target Company did not hire any employees as at 30 June 2009 and 31 December 2008.

The BVI Company did not hire any employees as at 30 June 2009 and 31 December 2008, 2007 and 2006.

The Project Company had a work force of 1, 12, 12 and 12 employees as at 30 June 2009 and 31 December 2008, 2007 and 2006 respectively.

Vigers Appraisal & Consulting Limited
International Property Consultants
10th Floor, The Grande Building,
398 Kwun Tong Road,
Kowloon,
Hong Kong

23 September 2009

The Directors
The Quaypoint Corporation Limited
Suite 1501, Tower 1,
Silvercord,
30 Canton Road,
Tsim Sha Tsui,
Kowloon,
Hong Kong

Dear Sirs,

In accordance with The Quaypoint Corporation Limited (the "Company") instructions for us to value the property interest held by the Project Company in the People's Republic of China ("the PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at 30 June 2009 ("date of valuation") for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value 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".

In valuing the property interest which is held by the Project Company for future development in the PRC, we have valued on the basis that the property will be developed and completed in accordance with the latest development proposal as provided to us by the Company. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposal have been obtained or will be obtained without onerous conditions or undue time delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidences as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interest. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion (the "PRC legal opinion") provided by the Company's PRC legal adviser, Guangdong Zhong Cheng Law Firm.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property interest in the PRC as at 30 June 2009 was HK$1 = RMB0.88. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars (HK$) between that date and the date of this letter.

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc(e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty two years' experiences in undertaking valuations of properties in Hong Kong and has over fifteen years' experiences in valuations of properties in the PRC.

VALUATION CERTIFICATE

Property interest held by the Project Company for development in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009
Phase I of Zhong Zhu Updown (“Property A”), West of Santaishi Road, North of Xiaguang Road and Phase 2 of Zhong Zhu Updown (“Property B”), South of Renmin West Road, West of Santaishi Road, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC	The property comprises 2 parcels of land having a total site area of approximately 106,145.62 sq.m. The property is planned to be developed into a composite residential and commercial development in 2 phases. According to the Company, the gross floor area of the Phase I of the property (“Property A”) is as follows:	Phase I (“Property A”) has been completed and portion of it has been sold whilst Phase II (“Property B”) is vacant.	RMB1,076,200,000 (equivalent to approximately HK$1,223,000,000)

Use	Approximate Gross Floor Area *(sq.m.)*
Residential	103,097.84
Commercial	5,670.41
Public Facilities	7,689.59
Basement	24,359.09
Total:	140,816.93

The planned gross floor area of the Phase II of the property (“Property B”) is as follows:

Use	Approximate Gross Floor Area *(sq.m.)*
Residential	137,072.90
Commercial	10,307.53
Basement	23,956.25
Total:	171,336.68

According to the Company, Phase I (“Property A”) has been completed in 2009 whilst Phase II (“Property B”) is scheduled to be completed in 2011.

The property is held with the land use rights for terms expiring on 5 July 2076 and 5 July 2046 for residential and commercial uses respectively.

Notes:

1. According to 2 Real Estate Ownership Certificates (Document No.: Yue Fang Di Zheng Zi Nos. C4701426 and C4701427), the land use rights of the property having a total site area of approximately 106,145.62 sq.m. have been granted to 珠海中珠房地產開發有限公司 (Zhuhai Zhong Zhu Real Estate Development Company Ltd.) for terms expiring on 5 July 2076 and 5 July 2046 for residential and commercial uses respectively. The details are as follows:

	Real Estate Ownership Certificate *(Document No.)*	**Site Area** *(sq.m.)*	**Use**	**Expiry Date**
Property A	Yue Fang Di Zheng Zi No. C4701426	48,382.70	Residential and commercial	Residential: 5 July 2076 Commercial: July 2046
Property B	Yrue Fang Di Zheng Zi No. C4701427	57,762.92	Residential and commercial	Residential: 5 July 2076 Commercial: 5 July 2046
	Total	**106,145.62**		

2. According to 2 Planning Permits for Construction Land (Document Nos.: 2006 Yong Di Zi Nos. 078 and 079) issued by Zhuhai City Planning Bureau on 4 July 2006, the construction sites of 2 parcels of land with a total area of approximately 106,145.62 sq.m. are in compliance with the urban construction requirements.

3. According to 2 Planning Permits for Construction Works (Document Nos.: 2006 Gui Zi Nos. 0941-1 and 094-2) issued by Zhuhai City Planning Bureau on 31 May 2006, the construction works of portion of the property with a total gross floor area of 143,876.93 sq.m. are in compliance with the urban construction requirements and are approved.

4. According to 3 Permits for Commencement of Construction Works (Document Nos.: 440400200605316101, 440400200605316001 and 440400200809080201) issued by Zhuhai City Construction Bureau, the construction works of portion of the property with a total gross floor area of 125,405.34 sq.m. are in compliance with the requirements for works commencement and are approved.

5. According to 2 Commodity Housing Pre-sale Permits (Document Nos.: S200700036 and S200700036-2) issued by Zhuhai City Construction Bureau, part of Phase I of the property ("Property A") with a total gross floor area of 107,305.72 sq.m. are permitted for pre-sale.

6. According to the Company, a portion of the Phase I of the property ("Property A") comprising a total gross floor area of approximately 91,278.39 sq.m. have been pre-sold for a total consideration of approximately RMB659,600,000, represents the proceeds deriving from the pre-sale of property units under Property A (i.e. those property units have been contracted to be sold to the buyers but partially have not been delivered to the buyers yet). In the course of our valuation, we have included such consideration.

7. According to the Company, the construction cost to complete Phase II of the property ("Property B") is estimated to be approximately RMB446,000,000.

8. As advised by the Company's PRC legal adviser, there is no special conditions imposed on the Project Company on obtaining the Planning Permit for Construction Land, Permit for Commencement of Construction Works and Commodity Housing Pre-sales Permit for Phase II of the property ("Property B") and the aforesaid permits will be applied and obtained before the construction starts and in the course of the construction under the applicable laws.

9. The PRC legal opinion states, inter alia, the following:

   (i) 珠海中珠房地產開發有限公司 (Zhuhai Zhong Zhu Real Estate Development Company Ltd.) has legally obtained the land use rights of the property and has the right to use and transfer the land use rights of the property.

   (ii) The land premium has been duly paid and settled.

   (iii) The property is subject to a mortgage in favour of Bank of China Limited, Zhuhai Branch.

10. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:

(i)	Real Estate Ownership Certificate	Yes
(ii)	Planning Permit for Construction Land	Yes
(iii)	Planning Permit for Construction Works	Yes (Property A)
(iv)	Permit for Commencement of Construction Works	Yes (Property A)
(v)	Commodity Housing Pre-sales Permit	Yes (Property A)

Vigers Appraisal & Consulting Limited
International Property Consultants
10th Floor, The Grande Building,
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Hong Kong

23 September 2009

The Directors
The Quaypoint Corporation Limited
Suite 1501, Tower 1,
Silvercord,
30 Canton Road,
Tsim Sha Tsui,
Kowloon,
Hong Kong

Dear Sirs,

In accordance with The Quaypoint Corporation Limited (the "Company") instructions for us to value the property interests held by the Group in the People's Republic of China ("the PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 30 June 2009 ("date of valuation") for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value 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".

In valuing the property interest in Group I which is owned by the Group under development in the PRC, we have valued on the basis that the property will be developed and completed in accordance with the latest development proposal as provided to us by the Company. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposal have been obtained or will be obtained without onerous conditions or undue time delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidences as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development.

In valuing the property interest in Group II, which is owned by the Group for owner-occupation and investment in the PRC, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales. The approach is subject to adequate potential profitability of the business.

In valuing the property interest in Group III, which is owned by the Group for owner-occupation in Hong Kong, we have valued the property interest by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

In valuing the property interests in Group IV, which is owned by the Group for investment in Hong Kong, we have valued either on the basis of capitalization of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or by reference to comparable market transactions.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interests at the relevant government bureau in the PRC. For the property interests in Hong Kong, we have caused searches to be made at the Land Registry. We have been provided with certain extracts of title documents relating to the property interests in the PRC. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests in the PRC, we have relied on the legal opinion (the "PRC legal opinion") provided by the Company's PRC legal adviser, Guangdong Zhong Cheng Law Firm.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB) and Hong Kong Dollars (HK$). The exchange rate used in valuing the property interest in the PRC as at 30 June 2009 was HK$1 = RMB0.88. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith a summary of valuation and valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc(e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty two years' experiences in undertaking valuations of properties in Hong Kong and has over fifteen years' experiences in valuations of properties in the PRC.

SUMMARY OF VALUATION

Group I — Property interest owned by the Group under development in the PRC

	Property	Market Value in existing state as at 30 June 2009	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30 June 2009
1.	Violet Gold Mansion, South of Yuehai West Road, Gongbei, Zhuhai City, Guangdong Province, the PRC	RMB131,000,000 (equivalent to HK$148,900,000)	60%	RMB78,600,000 (equivalent to HK$89,320,000)
	Sub-total:	**RMB131,000,000 (equivalent to HK$148,900,000)**		**RMB78,600,000 (equivalent to HK$89,320,000)**

Group II — Property interest owned by the Group for owner-occupation and investment in the PRC

	Property	Market Value in existing state as at 30 June 2009	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30 June 2009
2.	Land Parcel No. T205-0035 together with the building erected thereon located at Hi-tech Industrial Park, Nanshan District, Shenzhen City, the PRC	No commercial value	100%	Nil
	Sub-total:	**Nil**		**Nil**

Group III — Property interest owned by the Group for owner-occupation in Hong Kong

	Property	Market Value in existing state as at 30 June 2009	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30 June 2009
3.	Unit 1501 on 15th Floor of Tower 1, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	HK$30,000,000	100%	HK$30,000,000
	Sub-total:	**HK$30,000,000**		**HK$30,000,000**

Group IV — Property interests owned by the Group for investment in Hong Kong

	Property	Market Value in existing state as at 30 June 2009	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30 June 2009
4.	Unit 302 on 3rd Floor, Lippo Sun Plaza, No. 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	HK$8,800,000	100%	HK$8,800,000
5.	Unit 702 on 7th Floor, Lippo Sun Plaza, No. 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	HK$9,240,000	100%	HK$9,240,000
6.	Unit 520 on 5th Floor, East Ocean Centre, No. 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong	HK$5,400,000	100%	HK$5,400,000

	Property		Market Value in existing state as at 30 June 2009	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 30 June 2009
7.	Units 708 and 709 on 7th Floor, East Ocean Centre, No. 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong		HK$11,700,000	100%	HK$11,700,000
8.	Unit 711 on 7th Floor, East Ocean Centre, No. 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong		HK$5,600,000	100%	HK$5,600,000
9.	Unit 713 on 7th Floor, East Ocean Centre, No. 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong		HK$5,600,000	100%	HK$5,600,000
		Sub-total:	**HK$46,340,000**		**HK$46,340,000**
		Grand total:	**HK$225,240,000**		**HK$165,660,000**

VALUATION CERTIFICATES

Group I — Property interest owned by the Group under development in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009
1.	Violet Gold Mansion, South of Yuehai West Road, Gongbei, Zhuhai City, Guangdong Province, the PRC	The property comprises a parcel of land having a site area of approximately 11,878.40 sq.m. The property is planned to be developed into a composite residential and commercial development with car parking spaces. According to the Company, the proposed gross floor area of the property is as follows: **Use** / **Approximate Gross Floor Area** *(sq.m.)* Residential 29,196.43 Commercial 1,430.00 Podium Garden 1,822.00 Basement 3,553.53 Public Facilities 374.00 Total: 36,375.96 According to the Company, the development is scheduled to be completed in the second half of 2010. The property is held with the land use rights for terms expiring on 10 July 2077 and 10 July 2047 for residential and commercial uses respectively.	Part of the basement and the residential portion of the property has been completed whilst the remaining portion of the property is currently under construction.	RMB131,000,000 (equivalent to approximately HK$148,900,000) **Interest attributable to the Group** 60% **Market Value in existing state attributable to the Group as at 30 June 2009** RMB78,600,000 (equivalent to HK$89,320,000)

Notes:

1. According to the Real Estate Ownership Certificate (Document No.: Yue Fang Di Zheng Zi No. C6561410), the land use rights of the property having a site area of approximately 11,878.40 sq.m. have been granted to 珠海經濟特區合強實業有限公司 (Zhuhai Special Economic Zone Heqiang Industrial Company Limited) for terms expiring on 10 July 2077 and 10 July 2047 for residential and commercial uses respectively.

2. According to the Planning Permit for Construction Land (Document No.: Di Zi No. 2008-096) issued by Zhuhai City Planning Bureau on 13 November 2008, the construction site of a parcel of land with an area of approximately 11,878.40 sq.m. is in compliance with the urban construction requirements.

3. According to the Planning Permit for Construction Works (Document No. Jian Zi No. 2009-018) issued by Zhuhai City Planning Bureau on 25 February 2009, the construction works of portion of the property with a total gross floor area of 35,238.20 sq.m. are in compliance with the urban construction requirements and are approved.

4. According to the Permit for Commencement of Construction Works (Document No. 440400200905190101) issued by Zhuhai City Construction Bureau on 20 May 2009, the construction works of portion of the property with a total gross floor area of 35,238.2 sq.m. are in compliance with the requirements for works commencement and are approved.

5. According to the Commodity Housing Pre-sale Permit (Document No.: S200900012) issued by Zhuhai City Construction Bureau, part of the property with a total gross floor area of 30,557.69 sq.m. are permitted for pre-sale.

6. According to the Company, the total construction cost expended in the development as at 30 June 2009 was approximately RMB25,000,000. The outstanding cost to complete the development was estimated to be approximately RMB27,000,000. In the course of our valuation, we have taken such costs into account.

7. The capital value when completed of the development is approximately RMB250,000,000.

8. Zhuhai Special Economic Zone Heqiang Industrial Company Limited is an indirect 60%-owned subsidiary of the Company.

9. The PRC legal opinion states, inter alia, the following:

   (i) 珠海經濟特區合強實業有限公司 (Zhuhai Special Economic Zone Heqiang Industrial Company Limited) is the sole legal land user of the property and has obtained the relevant rights certificate and entity approval from the government.

   (ii) The land premium has been duly paid and settled.

   (iii) The property is free from any mortgages and encumbrances.

10. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:

(i)	Real Estate Ownership Certificate	Yes
(ii)	Planning Permit for Construction Land	Yes
(iii)	Planning Permit for Construction Works	Yes
(iv)	Permit for Commencement of Construction Works	Yes
(v)	Commodity Housing Pre-sale Permit	Yes

Group II — Property interest owned by the Group for owner-occupation and investment in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009
2.	Land Parcel No. T205-0035 together with the building erected thereon located at Hi-tech Industrial Park, Nanshan District, Shenzhen City, the PRC	The property comprises a parcel of land with a site area of approximately 8,159 sq.m. A 7-storey building with a basement of gross floor area of approximately 17,677.47 sq.m. completed in 2007 has been erected thereon. The land use rights of the property have been granted for a term of 50 years from 31 January 2002 to 30 January 2052 for hi-tech industrial park land use.	Portion of the property is currently occupied by the Group for office use. The remaining portion of the property is leased to various tenants.	No commercial value **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30 June 2009** Nil

Notes:

1. According to a Real Estate Ownership Certificate (Document No.: Shen Fang Di Zi No. 4000091535), the land use rights of the property having a site area of approximately 8,159 sq.m. are vested in Techwayson Industrial Ltd. for a term of 50 years from 31 January 2002 to 30 January 2052 for hi-tech industrial park land use.

2. On account of the statement stated on the Real Estate Ownership Certificate that the property is not permitted to be transferred, we have ascribed no commercial value to the property. However, for indicative purpose, the market value of the property as at the date of valuation was RMB150,000,000 (equivalent to approximately HK$170,450,000) assuming the property is entitled to be transferred in the open market.

3. Techwayson Industrial Ltd. is an indirect wholly-owned subsidiary of the Company.

4. The PRC legal opinion states, inter alia, the following:

   (i) Techwayson Industrial Ltd. is the sole legal land user of the property and has obtained the relevant rights certificate and entity approval from the government.

   (ii) The land premium has been duly paid and settled.

   (iii) The property is subject to an order for a term from 18 December 2008 to 17 December 2009.

Group III — Property interest owned by the Group for owner-occupation in Hong Kong

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009
3.	Unit 1501 on 15th Floor of Tower 1, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong 35/13,615th equal and undivided shares of and in Kowloon Inland Lot No. 10656	The property comprises an office unit on the 15th Floor of a 19-storey (including a basement) commercial building completed in 1983. The property has a saleable area of approximately 2,605 sq.ft. (242.01 sq.m.). The property is held under Conditions of Sale No. 11435 for a term of 75 years commencing on 30 September 1980 renewable for a further term of 75 years. The government rent payable for the lot is HK$1,000 per annum.	The property is occupied by the Group for office use.	HK$30,000,000 **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30 June 2009** HK$30,000,000

Notes:

1. According to the record in the Land Registry, the current registered owner of the property is Weina Land Limited.

2. The property is subject to a mortgage in favour of Hang Seng Bank Limited vide Memorial No. 08021502700162 dated 18 January 2008.

3. Weina Land Limited is a direct wholly-owned subsidiary of the Company.

Group IV — Property interests owned by the Group for investment in Hong Kong

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009
4.	Unit 302 on 3rd Floor, Lippo Sun Plaza, No. 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong 119,971/100,000,000th equal and undivided shares of and in Kowloon Inland Lot No. 10722	The property comprises an office unit on the 3rd Floor of a 19-storey (including 2 basements) commercial building completed in 1988. The property has a saleable area of approximately 851 sq.ft. (79.06 sq.m.). The property is held under Conditions of Sale No. 11856 for a term from 24 October 1985 to 30 June 2047. The annual government rent is at 3% of the prevailing rateable value of the property.	The property is subject to a tenancy agreement for a term of 2 years from 1 April 2009 to 31 March 2011 at a monthly rent of HK$20,800, exclusive of government rent, rates, management fees and other outgoings.	HK$8,800,000 **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30 June 2009** HK$8,800,000

Notes:

1. According to the record in the Land Registry, the current registered owner of the property is Weina Land Limited.

2. The property is subject to a mortgage to secure general banking facilities in favour of The Hongkong Chinese Bank Limited (currently renamed as Citic Ka Wah Bank Limited) vide Memorial No. UB7303263 dated 26 September 1997.

3. The property is subject to a rental assignment in favour of Citic Ka Wah Bank Limited vide Memorial No. 09072200940037 dated 14 July 2009.

4. Weina Land Limited is a direct wholly-owned subsidiary of the Company.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009
5.	Unit 702 on 7th Floor, Lippo Sun Plaza, No. 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong 122,535/100,000,000th equal and undivided shares of and in Kowloon Inland Lot No. 10722	The property comprises an office unit on the 7th Floor of a 19-storey (including 2 basements) commercial building completed in 1988. The property has a saleable area of approximately 851 sq.ft. (79.06 sq.m.). The property is held under Conditions of Sale No. 11856 for a term from 24 October 1985 to 30 June 2047. The annual government rent is at 3% of the prevailing rateable value of the property.	The property is subject to a tenancy agreement for a term of 2 years from 1 March 2008 to 28 February 2010 at a monthly rent of HK$30,082, exclusive of government rent, rates, management fees and other outgoings.	HK$9,240,000 **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30 June 2009** HK$9,240,000

Notes:

1. According to the record in the Land Registry, the current registered owner of the property is Weina Land Limited.

2. The property is subject to a mortgage in favour of Hang Seng Bank Limited vide Memorial No. 07042100770112 dated 28 March 2007.

3. Weina Land Limited is a direct wholly-owned subsidiary of the Company.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009
6.	Unit 520 on 5th Floor, East Ocean Centre, No. 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong 14/8,000th equal and undivided shares of and in Kowloon Inland Lot No. 10601	The property comprises an office unit on the 5th Floor of a 17-storey (including 2 basements) commercial building completed in 1982. The property has a saleable area of approximately 576 sq.ft. (53.51 sq.m.). The property is held under Conditions of Sale No. UB11285 for a term of 75 years commencing on 9 January 1979 renewable for a further term of 75 years. The government rent payable for the lot is HK$1,000 per annum.	The property is subject to a tenancy agreement for a term of 2 years from 17 November 2008 to 16 November 2010 at a monthly rent of HK$15,584, exclusive of rates, management fees and air-conditioning fees.	HK$5,400,000 **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30 June 2009** HK$5,400,000

Notes:

1. According to the record in the Land Registry, the current registered owner of the property is Weina Land Limited.

2. The property is subject to a mortgage in favour of Hang Seng Bank Limited vide Memorial No. 07042100770091 dated 28 March 2007.

3. Weina Land Limited is a direct wholly-owned subsidiary of the Company.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009
7.	Units 708 and 709 on 7th Floor, East Ocean Centre, No. 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong 28/8,000th equal and undivided shares of and in Kowloon Inland Lot No. 10601	The property comprises two office units on the 7th Floor of a 17-storey (including 2 basements) commercial building completed in 1982. The property has a saleable area of approximately 1,152 sq.ft. (107.02 sq.m.). The property is held under Conditions of Sale No. UB11285 for a term of 75 years commencing on 9 January 1979 renewable for a further term of 75 years. The government rent payable for the lot is HK$1,000 per annum.	The property is subject to a tenancy agreement for a term of 2 years commencing on 15 July 2009 at a monthly rent of HK$33,440, exclusive of government rent, rates, management fees and other outgoings.	HK$11,700,000 **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30 June 2009** HK$11,700,000

Notes:

1. According to the record in the Land Registry, the current registered owner of the property is Weina Land Limited.

2. The property is subject to a mortgage in favour of Hang Seng Bank Limited vide Memorial No. 07042100770108 dated 28 March 2007.

3. Weina Land Limited is a direct wholly-owned subsidiary of the Company.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009
8.	Unit 711 on 7th Floor, East Ocean Centre, No. 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong 14/8,000th equal and undivided shares of and in Kowloon Inland Lot No. 10601	The property comprises an office unit on the 7th Floor of a 17-storey (including 2 basements) commercial building completed in 1982. The property has a saleable area of approximately 576 sq.ft. (53.51 sq.m.). The property is held under Conditions of Sale No. UB11285 for a term of 75 years commencing on 9 January 1979 renewable for a further term of 75 years. The government rent payable for the lot is HK$1,000 per annum.	The property is subject to a tenancy agreement for a term of 2 years commencing from 25 March 2009 at a monthly rent of HK$15,048, exclusive of government rent, rates, management fees and other outgoings.	HK$5,600,000 **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30 June 2009** HK$5,600,000

Notes:

1. According to the record in the Land Registry, the current registered owner of the property is Weina Land Limited.

2. The property is subject to a mortgage to secure general banking facilities in favour of The Hongkong Chinese Bank Limited (currently renamed as Citic Ka Wah Bank Limited) vide Memorial No. UB7303261 dated 26 September 1997.

3. The property is subject to a rental assignment in favour of Citic Ka Wah Bank Limited vide Memorial No. 09072200940023 dated 14 July 2009.

4. Weina Land Limited is a direct wholly-owned subsidiary of the Company.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2009
9.	Unit 713 on 7th Floor, East Ocean Centre, No. 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong 14/8,000th equal and undivided shares of and in Kowloon Inland Lot No. 10601	The property comprises an office unit on the 7th Floor of a 17-storey (including 2 basements) commercial building completed in 1982. The property has a saleable area of approximately 576 sq.ft. (53.51 sq.m.). The property is held under Conditions of Sale No. UB11285 for a term of 75 years commencing on 9 January 1979 renewable for a further term of 75 years. The government rent payable for the lot is HK$1,000 per annum.	The property is subject to a tenancy agreement for a term of 2 years from 21 December 2008 to 20 December 2010 at a monthly rent of HK$15,840, exclusive of government rent, rates, management fees and other outgoings.	HK$5,600,000 **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 30 June 2009** HK$5,600,000

Notes:

1. According to the record in the Land Registry, the current registered owner of the property is Weina Land Limited.

2. The property is subject to a mortgage in favour of Hang Seng Bank Limited vide Memorial No. 07042100770091 dated 28 March 2007.

3. Weina Land Limited is a direct wholly-owned subsidiary of the Company.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Enlarged Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following the Completion were and are expected to be as follows:

Authorised:		*HK$*
3,000,000,000	Shares	300,000,000
Issued and fully paid:		*HK$*
605,180,000	Shares as at the Latest Practicable Date	60,518,000
246,800,000	Consideration Shares to be issued pursuant to the Acquisition	24,680,000
Total (for illustrative purpose)		
851,980,000	Shares	85,198,000

All of the Shares in issue and to be issued will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Shares and the Consideration Shares in issue and to be issued are or will be listed on the Stock Exchange.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director and chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules are set out below:

Name of Director	Number of shares held Personal Interest	Number of shares held Corporate Interest	Number of options held Personal Interest *(Note 2)*	Total	Approximate percentage of shareholding
Ms. Xia Dan *(Note 1)*	—	79,500,000	3,500,000	83,000,000	13.71%
Mr. Lau Sai Chung	148,000	—	3,352,000	3,500,000	0.58%
Mr. Gerard Joseph McMAHON (retired on 28 November 2008)	1,500,000	—	—	1,500,000	0.25%
Mr. Chen Xian	—	—	3,500,000	3,500,000	0.58%
Mr. Tsim Sze Hon	—	—	2,000,000	2,000,000	0.33%
Mr. Xiong Jianrui	—	—	3,500,000	3,500,000	0.58%
Mr. Poon Lai Yin, Michael	—	—	200,000	200,000	0.03%
Mr. Choi Kai Ming, Raymond	—	—	348,000	348,000	0.06%
Mr. Chong Yiu Chik	—	—	348,000	348,000	0.06%

Notes:

1. Ms. Xia Dan ("Ms. Xia") is taken to be interested in 79,500,000 Shares held by Mega Edge International Limited which is 100% owned by herself. By virtue of the SFO, Ms. Xia is deemed to have interest in the Shares held by Mega Edge International Limited.

2. The share options were granted on 21 August 2009 at an exercise price of HK$1.18. The options can be exercised within a period of three years from the date of grant.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive of the Company nor their associates, had any other interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such

Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, the register of substantial shareholders maintained under Section 336 of the SFO, shown that the Company has been notified of the following interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and the chief executive of the Company.

Long position in ordinary shares

Substantial Shareholder	Capacity and nature of interest	Number of shares held	As approximate percentage of total issued shares
Mega Edge International Limited *(Note)*	Beneficial Owner	79,500,000	13.14%
Mr. Chak. Joaquim Emilio Kin Man	Beneficial Owner	96,824,000	16.00%
Ms. Wong Sio Leng	Beneficial owner	135,000,000	22.31%

Note: Mega Edge International Limited is 100% owned by Ms. Xia Dan, a non-executive director of the Company. By virtue of the SFO, Ms. Xia is deemed to have interest in the Shares held by Mega Edge International Limited.

Long position in underlying shares

Name	Capacity and nature of interest	Number of underlying shares	As approximate percentage of total issued ordinary shares
Weina (BVI) *(Notes 1 & 2)*	Beneficial owner	460,000,000	76.01%
Weina Group Limited ("Weina Group") *(Note 3)*	Interest of a controlled corporation	460,000,000	76.01%
Mr. Tsim Wing Kong ("Mr. Tsim") *(Note 3)*	Interest of a controlled corporation	460,000,000	76.01%
The Vendor	Beneficial owner	246,800,000	40.78%

Notes:

1 The Company entered into a subscription and option agreement on 26 May 2006 with Weina (BVI) and through such agreement and the exercise of the option by the Company, Weina (BVI) is interested in 350,000,000 convertible redeemable preference shares and has the right to convert the aforesaid shares into 350,000,000 ordinary shares (based on its initial conversion price).

2 The Company entered into a sale and purchase agreement on 17 November 2006 with Weina Holdings Limited and through such agreement, Weina (BVI) (as designated by Weina Holdings Limited) is interested in 110,000,000 convertible redeemable preference A Shares and has the right to convert the aforesaid shares into 110,000,000 ordinary shares (based on its initial conversion price).

3 Weina Group owns the entire issued capital of Weina (BVI) and is therefore deemed to have interests in the underlying shares of the Company in which Weina (BVI) is interested. Mr. Tsim is deemed to be interested in the underlying shares of the Company by virtue of his controlling interest in Weina Group. Mr. Tsim is the father of Mr. Tsim Sze Hon, a director of the Company.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had any other interests or short positions in the Shares or underlying Shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had any existing service contract or proposed service contract with any member of the Enlarged Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN THE ENLARGED GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP

As at the Latest Practicable Date, none of the Directors or proposed Directors, directly or indirectly, had any interest in any assets which had since 30 June 2008 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

There was no contract or arrangement subsisting as at the Latest Practicable Date in which any of the Directors were materially interested and which was significant to the business of the Enlarged Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Enlarged Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them is a controlling shareholder of the Company).

7. EXPERTS

The followings are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
Bridge Partners	Bridge Partners Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
SHINEWING (HK) CPA Limited	Certified Public Accountants
Vigers Appraisal & Consulting Limited	Professional surveyors and valuers
廣東中晟律師事務所	Practicing lawyers in the PRC

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Enlarged Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the above experts did not, directly or indirectly, had any interest in any assets which had since 30 June 2008 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business of the Enlarged Group) had been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular which are or may be material:

(1) the provisional agreement dated 27 December 2007 entered into between Weina Land Limited (as purchaser), a wholly-owned subsidiary of the Company and Victory International Manufactory Limited (as vendor), pursuant to which Weina Land Limited agreed to purchase an office premises at a consideration of HK$23,445,000, details of which have been included in the announcement of the Company dated 3 January 2008;

(2) the sale and purchase agreement dated 30 June 2008 entered into among the Company (as vendor), Global Tide Limited (as purchaser) and Magic Gain Investments Limited, pursuant to which Magic Gain Investments Limited, an associated company of the Group, was disposed of at a consideration of HK$6,240,000;

(3) the assignment of debt dated 30 June 2008 entered into among the Company (as assignor), Global Tide Limited (as assignee) and Magic Gain Investments Limited (as debtor), pursuant to which the Company assigned to Global Tide Limited a debt in the amount of HK$17,661,238 owed by Magic Gain Investments Limited to the Company;

(4) the sale and purchase agreement dated 19 May 2009 entered into between Ms. Wong Sio Leng (as vendor) and Hill Light Investments Limited (as purchaser), a wholly-owned subsidiary of the Company, pursuant to which Hill Light Investments Limited agreed to purchase the entire equity interest in Ocean Vast Corporation Limited at a consideration of RMB69.3 million;

(5) a debt transfer agreement dated 18 June 2009 entered into among Ms. Wong Sio Leng ("**Ms. Wong**") (as transferee), 珠海正懋源投資顧問有限公司 ("**Zheng Mao Yuan**") (as transferor) and 珠海廣海信息科技有限公司 ("**Zhuhai Guanghai**"), a wholly-owned subsidiary of the Company, pursuant to which the amounts of RMB35,411,833.41 and RMB10,693,909.58 indebted to Zheng Mao Yuan by Zhuhai Guanghai, together with the relevant interests accrued thereon, have been transferred to Ms. Wong;

(6) a debt transfer agreement dated 18 June 2009 entered into among Ms. Wong (as transferee), Zheng Mao Yuan (as transferor) and 珠海經濟特區合強實業有限公司 ("**Heqiang**"), a non-wholly owned subsidiary of the Company, pursuant to which the amount of RMB3,050,000 indebted to Zheng Mao Yuan by Heqiang, together with the relevant interests accrued thereon, has been transferred to Ms. Wong; and

(7) a deed of tax indemnity dated 13 August 2009 entered into by Wong Sio Leng in favour of Hill Light Investments Limited ("Hill Light") in relation to taxation indemnity given to Hill Light by Wong Sio Leng;

(8) a deed of tax indemnity dated 13 August 2009 entered into by Zheng Mao Yuan in favour of Hill Light in relation to taxation indemnity given to Hill Light by Zheng Mao Yuan; and

(9) the Sale and Purchase Agreement and the Supplemental Agreement.

9. LITIGATION

As at the Latest Practicable Date, save as disclosed below, no member of the Enlarged Group was engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

During the year ended 30 June 2008, regarding the litigation as to the claims of approximately RMB9,500,000 raised by the main contractor of the Shenzhen R & D Centre, the relevant PRC court has made a judgement in favour of the plaintiff in December 2007. In January 2008, the Company submitted the appeal application to the relevant PRC court. In May 2008, the Company and the main contractor entered into a mutual agreement to withdraw from the litigation by settling a reasonable amount. But in early September 2008, the main contractor applied through the relevant PRC court to demand the Company to settle the retainer fee due being RMB550,000 together with penalty. On 10 September 2008, the Company submitted a counterclaim to the relevant court counterclaiming the contractor breach of the subject agreement and is pending decision from the court.

In addition, Techwayson Industrial Limited ("**TIL**"), a major subsidiary (as defined under the Listing Rules) of the Company is in the best efforts to negotiate with Bank of China, Shenzhen branch to finalize the terms of the debt-restructuring proposal on the RMB83,000,000 loan of the Shenzhen subsidiary and the RMB60,700,000 guaranteed loan.

On 17 July 2008, TIL received a writ of summons issued by the Intermediate People's Court, Shenzhen City, the PRC, in respect of a claim of approximately RMB22 million made by an independent third party (the "**Party**") against TIL, for a guarantee alleged to have been given by TIL in favour of the Party in November 2005 (the "**Claim**"). TIL has appointed a firm of PRC legal counsel to assist in the gathering of information and the investigation into the circumstances giving rise to the Claim. The said firm of PRC legal counsel has defended the questionable claim during the court hearing late last year and is waiting for the court's judgment.

On November 2008, TIL (as plaintiff) brought a civil claim (the "**Shanghai Claim**") against Shanghai Tian Ke Hua Power Technology Co., Ltd. ("**Tian Ke Hua**") and Xi'an Ying Feng Technology Co., Ltd. ("**Ying Feng**") (both Tian Ke Hua and Ying Feng are defendants) for, *inter alia*, breach of contracts in respect of payment of service fees for certain construction works performed by TIL in the PRC. On 21 April 2009, a judgment (the "**Judgment**") in respect of the Shanghai Claim was handed down by First Intermediate People's Court of Shanghai, pursuant to which TIL was awarded the outstanding service fees of RMB14,860,000 (equivalent to approximately HK$16,886,360) together with liquidated damages calculated at the rate of 0.001 per day. Tian Ke Hua filed a notice of appeal (the "**Appeal**") against the Judgment with the Higher People's Court of Shanghai on 14 May 2009. To the knowledge and information of the Directors, the date of hearing of the Appeal had not been fixed as at the Latest Practicable Date.

10. GENERAL

(a) The registered address of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at Suite 1501, 15/F., Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

(c) The company secretary of the Company is Mr. Law Kim Fai. Mr. Law is a member of the Hong Kong Institute of Certified Public Accountants and has more than 10 years of professional experience in accounting.

(d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the head office and principal place of business of the Company at Suite 1501, 15/F., Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong, from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the Sale and Purchase Agreement and the Supplemental Agreement;

(c) the written consents from the experts as referred to in the section headed "Experts" in this appendix;

(d) the valuation reports regarding the Project and the properties of the Group as set out in Appendices VIII and IX to this circular respectively;

(e) the accountants' reports on the Target Company, the BVI Company and the Project Company as set out in Appendix III to this circular;

(f) the accountants' reports on Ocean Vast Corporation Limited and its subsidiaries as set out in Appendix IV to this circular;

(g) the report on unaudited pro forma financial information on the Group regarding the acquisition of Ocean Vast Corporation Limited as set out in Appendix V to this circular;

(h) the report on unaudited pro forma financial information on the Enlarged Group as set out in Appendix VI to this circular;

(i) all the agreements/contracts as referred to in this appendix;

(j) the interim report of the Company for the six months ended 31 December 2008; and the annual reports of the Company for each of the financial years ended 30 June 2006, 30 June 2007 and 30 June 2008; and

(k) this circular.

The Quaypoint Corporation Limited
紀 翰 集 團 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2330)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of The Quaypoint Corporation Limited will be held at Fountains Room 1, LG/F, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon on Friday, 9 October 2009 at 11:30 a.m. for the following purpose of transacting the following business:

1. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:

   "**THAT** the conditional agreement dated 11 August 2009 entered into between The Quaypoint Corporation Limited as purchaser (the "**Company**") and Mr. Ho Man Hung as vendor (the "**Vendor**") (as supplemented by the supplemental agreement dated 21 August 2009) (together the "**Agreement**") pursuant to which the Purchaser agrees to acquire the entire issued share capital of Boom Lotus Holdings Limited from the Vendor at a consideration of HK$590,000,000.00 (the "**Acquisition**"), upon the terms and subject to the conditions set out in the Agreement, be and is hereby approved, ratified and confirmed;"

2. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:

   "**THAT** subject to and conditional upon the passing of resolution no.1 above, the board of directors (the "**Board**") of the Company be and is hereby authorised to allot and issue up to 246,800,000 consideration shares to the Vendor (or his nominee) for the purpose of satisfying part of consideration for the Acquisition; and"

3. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution of the Company:

   "**THAT** the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary or desirable to carry out the Agreement and issue of the 246,800,000 consideration shares into effect."

By order of the Board
The Quaypoint Corporation Limited
Law Kim Fai
Company Secretary

Hong Kong, 23 September 2009

* *For identification purposes only*

Head office and principal place of business in Hong Kong:
Suite 1501, 15/F.
Tower 1, Silvercord
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed with the circular despatched on 23 September 2009 to the members of the Company.

2. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the principal place of business of the Company at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.

5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

7. The Register of Members of the Company will be closed for a period commencing from 2 October 2009 to 9 October 2009, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's head office and principal place of business at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong for registration not later than 4:00 p.m. on 30 September 2009.