# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION



**COL Capital Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 383)**

# (1) PROPOSED OPEN OFFER TO QUALIFYING SHAREHOLDERS ON THE BASIS OF ONE OFFER SHARE FOR EVERY ONE SHARE HELD AS AT THE RECORD DATE (2) PROPOSED ISSUE OF TWO WARRANTS FOR EVERY FIVE OFFER SHARES (3) APPLICATION FOR GRANTING OF WHITEWASH WAVIER AND (4) PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE THE SHARES AND THE WARRANTS

## UNDERWRITER TO THE OPEN OFFER
## VIGOR ONLINE OFFSHORE LIMITED

## INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT SHAREHOLDERS

亞洲投資 亞洲資產管理
ASIA INVESTMENT MANAGEMENT

A letter from the Board is set out on pages 7 to 27 of this circular. A letter from the Independent Board Committee is set out on pages 28 to 29 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee on the Open Offer, the Warrant Issue and the Whitewash Waiver is set out on pages 30 to 45 of this circular.

Shareholders should note that the Shares will be dealt on an ex-entitlement basis commencing from Thursday, 10th January, 2008 and that dealings in such Shares may be subject to termination of the Underwriting Agreement or any of the conditions of the Underwriting Agreement not being fulfilled.

To qualify for the Open Offer, any transfer of Shares (with the relevant share certificates) must be lodged with the registrar of the Company Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. (Hong Kong time) on Friday, 11th January, 2008.

A notice convening the special general meeting of the Company (the "SGM") to be held at 10:00 a.m. on Monday, 21st January, 2008 at Board Room, 7th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong is set out on pages 153 to 156 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof if they so wish.

Shareholders should note that Vigor shall have the absolute right, after reasonable consultation with the Company as the underwriter of the Open Offer in its sole and absolute discretion sees fit, by giving notice to the Company, if there develops, occurs or comes into force at any time at or before the Latest Time for Termination:–

(i) any breach, considered by Vigor in its absolute discretion to be material in the overall context of the Open Offer, of any of the warranties or any of other provisions of the Underwriting Agreement; or

(ii) any matter which, had it arisen immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted an omission considered by Vigor in its absolute discretion to be material in the overall context of the Open Offer; or

(iii) any statement contained in the Prospectus, considered by Vigor in its absolute discretion to be material, is discovered to be or becomes untrue, incorrect or misleading in any respect; or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the Underwriting Agreement; or

(v) any adverse change in the business or the financial or trading position of any member of the Group considered by Vigor in its absolute discretion to be material; or

(vi) any event or series of events, matter or circumstance concerning, relating to or resulting in:–

  (a) any change in local, national, international, financial, political, economic, military, industrial, fiscal, regulatory or stock market conditions or sentiments in Hong Kong or any other relevant jurisdiction; or

  (b) the introduction of any new law or any material change in existing laws, rules or regulations, or any material change in the interpretation or application of such laws, rules or regulations by any court or other competent authority in Hong Kong or any other relevant jurisdiction; or

  (c) any event of force majeure affecting Hong Kong or any other relevant jurisdiction (including, without limitation, any act of God, fire, flood, explosion, war, strike, lock-out, civil commotion, interruption, riot, public disorder, act of government, economic sanction, epidemic, terrorism or escalation of hostilities involving Hong Kong or any other relevant jurisdiction); or

  (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

  (e) any prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong or any other relevant jurisdiction or affecting an investment in the Shares or the transfer or dividend payment in respect of the Shares; or

  (f) the imposition of any economic sanction, in whatever form, directly or indirectly, by or for the United States of America or by the European Union (or any of its members) on the People's Republic of China; or

  (g) any change in the system under which the value of Hong Kong dollars is pegged to that of the currency of the United States of America, considered by Vigor in its absolute discretion to be material; or

  (h) any change in the exchange rate between the United States dollars and Renminbi (the lawful currency of the People's Republic of China), or between Hong Kong dollars and Renminbi, considered by Vigor in its absolute discretion to be material; or

  (i) any litigation or claim of material importance being threatened or instigated against any member of the Group; or

  (j) any change in market conditions in Hong Kong (including without limitation suspension or material restriction or trading in securities);

  which, in the sole and absolute opinion of Vigor:–

  (1) is or will be, or is likely to be, materially adverse to the business, financial or other condition or prospects of the Group taken as a whole; or

  (2) has, or will have, or could be expected to have, a material adverse effect on the success of the Open Offer; or

  (3) makes it inadvisable, inexpedient or impractical to proceed with the Open Offer.

then and in any such case, Vigor in its reasonable discretion may (but will not be bound to), upon giving notice to the Company, terminate the Underwriting Agreement with immediate effect.

31st December 2007

# CONTENTS

# EXPECTED TIMETABLE

*The expected timetable for the Open Offer is set out below:–*

| | |
|---|---|
| Last day of dealings in Shares on a cum-entitlement basis | Wednesday, 9th January, 2008 |
| First day of dealings in Shares on an ex-entitlement basis | Thursday, 10th January, 2008 |
| Latest time for lodging transfers of Shares to qualify for the Open Offer | 4:30 p.m. on Friday, 11th January, 2008 |
| Register of member closes | Monday, 14th January, 2008 |
| Record Date | Monday, 21st January, 2008 |
| Date of the SGM | Monday, 21st January, 2008 |
| Announcement of results of SGM | Tuesday, 22nd January, 2008 |
| Despatch of the Prospectus Documents | Tuesday, 22nd January, 2008 |
| Register of members re-opens | Tuesday, 22nd January, 2008 |
| Latest time for acceptance of, and payment for, the Offer Shares | 4:00 p.m. on Tuesday, 5th February, 2008 |
| Open Offer expected to become unconditional on or before | 4:00 p.m. on Monday, 11th February, 2008 |
| Announcement of results of the Open Offer to be posted on the website of the Stock Exchange on or before | Thursday, 14th February, 2008 |
| Certificates for fully-paid Offer Shares and Warrants expected to be despatched on or before | Monday, 18th February, 2008 |
| Dealings in fully-paid Offer Shares and the Warrants commence on or before | Wednesday, 20th February, 2008 |

Dates stated in this circular for events in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable will be published in further announcements or notified to the Shareholders.

## EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES

The latest time for acceptance of, and payment for, the Offer Shares will not take place if there is:–

(i) a tropical cyclone warning signal number 8 or above; or

(ii) a "black" rainstorm warning:–

- in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on 5th February, 2008. Instead the latest time for acceptance of, and payment for, the Offer Shares will be extended to 5:00 p.m. on the same Business Day; or

- in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 5th February, 2008. Instead the latest time for acceptance of, and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of, and payment for, the Offer Shares does not take place on 5th February, 2008, the dates mentioned in the expected timetable above may be affected. A press announcement will be made by the Company in such event.

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

| | |
|---|---|
| "Announcement" | the announcement of the Company dated 30th November, 2007 |
| "associate" | having the meaning ascribed to it under the Listing Rules |
| "Board" | Board of Directors |
| "Business Day" | a day (other than a Saturday and Sunday and days on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours |
| "Bye-laws" | bye-laws of the Company |
| "CCASS" | The Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited |
| "Companies Ordinance" | the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) |
| "Company" | COL Capital Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| "Directors" | the directors of the Company |
| "Excluded Shareholders" | the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date and whose addresses as shown on such register are outside Hong Kong, where the Directors, after making enquiries, consider it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to such Shareholders |
| "Executive" | the Executive Director of the Corporate Finance Division of the SFC or any of his delegates |

| | |
|---|---|
| "Group" | the Company and its subsidiaries |
| "HK$" | Hong Kong dollars |
| "Hong Kong" | Hong Kong Special Administrative Region of the People's Republic of China |
| "HKSCC" | Hong Kong Securities Clearing Company Limited |
| "Independent Board Committee" | an independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. Lo Wai On, Mr. Lau Siu Ki and Mr. Zhang Jian, formed for the purpose of advising the Independent Shareholders in relation to the Open Offer, the Warrant Issue and the Whitewash Waiver |
| "Independent Shareholders" | Shareholders other than Vigor and the parties acting in concert with it, and its associates and those persons who were interested in or involved in the Underwriting Agreement |
| "Irrevocable Undertakings" | the irrevocable undertakings dated 21st November, 2007 given by the Underwriter to take up 106,484,400 Offer Shares, its entitlement, representing approximately 38.56 per cent. of the issued share capital of the Company |
| "Latest Acceptance Time" | 4:00 p.m. on 5th February, 2008 (or such other date as may be agreed by the Company and the Underwriter in writing and specified in the Prospectus Documents as the last day for acceptance of the Offer Shares) |
| "Latest Practicable Date" | 28th December, 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular |
| "Latest Time for Termination" | 4:00 p.m. on the second business day immediately following the Latest Acceptance Time |
| "Listing Rules" | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| "Offer Shares" | 276,183,547 Shares of the Company to be allotted and issued at the Subscription Price under the Open Offer |

| | |
|---|---|
| "Open Offer" | the proposed offer of the Offer Shares, by way of an open offer, on the basis of one Offer Share for every one Share held by the Qualifying Shareholders as at the Record Date |
| "Posting Date" | 22nd January, 2008 (or such other date as may be agreed by the Company and the Underwriter in writing), being the day on which the Prospectus Documents are posted to the Qualifying Shareholders and, for information only, the Excluded Shareholders |
| "PRC" | the People's Republic of China |
| "Prospectus" | a prospectus to be issued by the Company to the Qualifying Shareholders, containing details of, amongst other things, the Open Offer |
| "Prospectus Documents" | the Prospectus and the application form in relation to the Open Offer |
| "Qualifying Shareholders" | the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, other than the Excluded Shareholders |
| "Record Date" | 21st January, 2008, being the date for the determination of entitlements of the Shareholders under the Open Offer |
| "SFC" | Securities and Futures Commission of Hong Kong |
| "SFO" | Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) |
| "SGM" | the special general meeting of the Shareholders of the Company to be convened on or about 21st January, 2008 for the purposes of considering and, if thought fit, approving, amongst other things, the Open Offer, the Warrant Issue, the Whitewash Waiver and the grant of the specific mandate |
| "Share(s)" | ordinary share(s) of HK$0.01 each in the issued share capital of the Company |

| | |
|---|---|
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Subscription Price" | subscription price for the Offer Shares, being HK$4.00 per Offer Share |
| "Takeovers Code" | the Hong Kong Code on Takeovers and Mergers |
| "Underwriter" | Vigor |
| "Underwriting Agreement" | the underwriting agreement dated 21st November, 2007 entered into between the Company and the Underwriter in relation to the Open Offer |
| "Vigor" | Vigor Online Offshore Limited, a company incorporated in the British Virgin Islands with limited liability, and the controlling shareholder of the Company. Vigor is a wholly-owned subsidiary of China Spirit Limited which in turn is wholly owned by Ms. Chong Sok Un. The directors of China Spirit Limited are Chong Sok Un and Fong Ting. The ultimate beneficial owner of Vigor being Ms. Chong Sok Un and its directors are Chong Sok Un and Wong Peng Chong. |
| "Warrants" | 110,473,419 warrants to be issued by the Company in respect of the Offer Shares under the Warrant Issue |
| "Warrant Issue" | the issue of two Warrants for every five Offer Shares successfully subscribed by the Qualifying Shareholders which will entitle the Warrant holder to subscribe for new Shares at an initial subscription price of HK$8.00 per Warrant |
| "Whitewash Waiver" | the waiver from the obligation of the Underwriter and parties acting in concert with it to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Underwriter or parties acting in concert with it under Rule 26 of the Takeovers Code, as a result of the transactions contemplated in the Underwriting Agreement and the Irrevocable Undertakings, pursuant to Note 1 on dispensations from Rule 26 of the Takeover Code |

**COL Capital Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 383)**

*Executive Directors:*
Ms. Chong Sok Un *(Chairman)*
Dato' Wong Peng Chong
Mr. Kong Muk Yin

*Independent Non-Executive Directors:*
Mr. Lo Wai On
Mr. Lau Siu Ki
Mr. Zhang Jian

*Registered Office:*
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head Office and Principal Place of Business in Hong Kong:*
47/F., China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

31st December, 2007

*To the Qualifying Shareholders and,*
*for information only,*
*the Excluded Shareholders*

Dear Sir or Madam,

**(1) PROPOSED OPEN OFFER TO QUALIFYING SHAREHOLDERS ON THE BASIS OF ONE OFFER SHARE FOR EVERY ONE SHARE HELD AS AT THE RECORD DATE**
**(2) PROPOSED ISSUE OF TWO WARRANTS FOR EVERY FIVE OFFER SHARES**
**(3) APPLICATION FOR GRANTING OF WHITEWASH WAVIER**
**AND**
**(4) PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE THE SHARES AND THE WARRANTS**

## INTRODUCTION

It was announced on 30th November, 2007 that the Company proposed to raise not less than approximately HK$1,104.7 million, before expenses, by issuing 276,183,547 Offer Shares by way of the Open Offer, at the Subscription Price of HK$4.00 per Offer Share, on the basis of one Offer Share for every one Share held as at the Record Date. As at the date of the Announcement, the issued share capital of the Company was 276,183,547 Shares.

The Open Offer is conditional upon fulfillment of the conditions set out in the section headed "Conditions of the Open Offer" below. In particular, the Open Offer is conditional upon, inter alia, (i) the passing of the resolutions by the Independent Shareholders at the SGM approving the Open Offer, the Warrant Issue and the Whitewash Waiver (by way of a poll); (ii) the Executive granting the Whitewash Waiver on or before the Posting Date; (iii) the Stock Exchange granting the listing of and the permission to deal in the Offer Shares; and (iv) the obligations of the Underwriters under the Underwriting Agreement not being terminated by the Underwriters in accordance with the terms of the Underwriting Agreement.

The Whitewash Waiver, the Warrant Issue and the Open Offer are subject to, among other things, the approval of the Independent Shareholders on a vote taken by way of a poll. Vigor and the parties acting in concert with it and those who are interested in, or involved in, the Underwriting Agreement and Whitewash Waiver shall abstain from voting on the resolutions to approve the Whitewash Waiver, the Warrant Issue and the Open Offer at the SGM.

The Independent Board Committee, comprising of Mr. Lo Wai On, Mr. Lau Siu Ki and Mr. Zhang Jian, has been constituted to consider the terms of the Open Offer, the Warrant Issue and the Whitewash Waiver and to make a recommendation to the Independent Shareholders. Asia Management Investment Limited has been appointed with the approval by the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the transactions contemplated in the Open Offer, the Warrant Issue and the Whitewash Waiver.

The purpose of this circular is to provide the Shareholders with further details on, among other things, (i) the Open Offer, (ii) the Warrant Issue, (iii) the Whitewash Waiver, (iv) the grant of specific mandate to issue the Shares and the Warrants and (v) a notice to convene the SGM.

## PROPOSED OPEN OFFER

On 21st November, 2007, the Company entered into the Underwriting Agreement with the Underwriter in respect of the Open Offer and further details of the Open Offer are set out below:–

### Issue statistics

| | |
|---|---|
| Basis of the Open Offer: | one Offer Share for every one Share held by the Qualifying Shareholders as at the Record Date |
| Subscription Price: | HK$4.00 per Offer Share |
| Number of Shares in issue as at the Latest Practicable Date: | 276,183,547 Shares |
| Number of Offer Shares to be issued: | 276,183,547 Offer Shares |
| Number of Offer Shares undertaken to be taken up by Vigor in the capacity of a Shareholder: | 106,484,400 Offer Shares |
| Number of Offer Shares fully underwritten by Vigor as the Underwriter: | 169,699,147 Offer Shares |

The Company had no outstanding derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

## TERMS OF THE OPEN OFFER

### Subscription Price for the Offer Shares

The Subscription Price of HK$4.00 per Offer Share is payable in full upon application is made for the Offer Shares.

The Subscription Price represents:–

(i) a discount of approximately 38.93 per cent. to the closing price of HK$6.55 per Share as quoted on the Stock Exchange on the last trading day, i.e. 21st November, 2007 of the Shares immediately before the date of the Announcement;

(ii) a discount of approximately 40.83 per cent. to the average closing price of HK$6.76 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately before the date of the Announcement;

(iii) a discount of approximately 40.61 per cent. to the average closing price of HK$6.735 per Share as quoted on the Stock Exchange for the last ten trading days of the Shares immediately before the date of the Announcement;

(iv) a discount of approximately 52.83 per cent. to the net asset value of HK$8.48 per Share as stated in the audited consolidated accounts of the Company for the year ended 31st December, 2006; and

(v) a discount of approximately 24.17 per cent. to the theoretical ex-entitlement price of approximately HK$5.275 per Share based on the closing price per Share as quoted on the Stock Exchange on the last trading day i.e. 21st November, 2007 of the Shares immediately before the date of the Announcement.

(vi) a discount of approximately 28.57% per cent. to the closing price of HK$5.6 per share as quoted on the Stock Exchange on the Latest Practicable Date.

*Note:* The theoretical ex-entitlement price is calculated based on the following formula:

$$\frac{(1 \text{ x closing price on 21st November, 2007}) + (1 \text{ x the Subscription Price})}{1 + 1}$$

The Subscription Price was determined with reference to the prevailing market prices of the Shares. The Directors (except the independent non-executive directors who will seek the advice from the independent financial advisor before forming their own views) consider the Subscription Price and the terms of the Open Offer to be fair and reasonable and in the interests of the Shareholders taken as a whole.

**Qualifying Shareholders**

The Open Offer is only available to the Qualifying Shareholders. The Company will dispatch (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus, for information only, to the Excluded Shareholders. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company as at the Record Date:

(i) be registered on the register of members of the Company; and

(ii) not being the Excluded Shareholders.

In order to be registered as a Shareholder as at the Record Date, all the transfer forms together with the relevant share certificates, must be lodged for registration with the Company's registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by no later than 4:30 p.m. (Hong Kong time) on 11th January, 2008 pursuant to the expected timetable of the Open Offer.

**Closure of register of members**

The register of members of the Company will be closed from 14th January, 2008 to 21st January, 2008, both days inclusive, to determine the eligibility for the Open Offer. No transfer of the Shares will be registered during this period.

**No Application for excess Offer Shares**

No Qualifying Shareholders will be entitled to apply for any of the Offer Shares which are in excess of their entitlements.

Pursuant to the Underwriting Agreement, Vigor has to take up the unsubscribed Offer Shares whilst other Shareholders cannot further participate in the Open Offer in excess of their entitlements. Given the terms of the Open Offer are structured with an intention to encourage the Qualifying Shareholders to take up their respective assured allotment of the Offer Shares (as the Subscription Price is set at a discount to the prevailing market price of the Shares which provides reasonable attractiveness to the Qualifying Shareholders), the Directors believe that a majority of the Qualifying Shareholders will apply and pay for their respective assured allotment of the Offer Shares with the Warrants. Therefore, the Offer Shares with the Warrants available for the excess application arrangement are expected to be minimal and the absence of an excess application arrangement may not be considered material to the Qualifying Shareholders. The Directors believe that the absence of the arrangement for the excess application is fair and reasonable and in the interest of the Independent Shareholders. There are no outstanding dividends or other distributions which has been declared.

**Certificates for Offer Shares**

Subject to the fulfillment (or waiver) of the conditions of the Open Offer set out in the section headed "Conditions of the Open Offer" below, certificates for all Offer Shares are expected to be posted on or before 18th February, 2008 to those who have applied and paid for the Offer Shares, at their own risk.

**Application for Listing**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares will be subject to the payment of stamp duty in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

**Fractions of Offer Shares**

The Company will not issue fractions of Offer Shares. All fractions of Offer Shares will be aggregated and sold for the benefit of the Company.

**Rights of the Excluded Shareholders**

Since the Prospectus Documents have only been registered in Hong Kong and filed with the Registrar of Companies in Bermuda, the Company will send the Prospectus Documents to the Qualifying Shareholders provided they will not violate any of the relevant local laws, regulations and other requirements.

Having reviewed the register of members as at the Latest Practicable Date, the Company noted that 9 Shareholders maintained addresses located in the United Kingdom, Switzerland, Malaysia, Singapore, Germany, Koeln, Spain and Thailand. The Company has made enquiries with its legal advisers regarding the feasibility of extending the Open Offer to the overseas Shareholders, and based on which the Directors have determined that (i) it is expedient for the Open Offer to be offered to the overseas Shareholders in the United Kingdom, Malaysia, Switzerland, Singapore and Thailand, and (ii) it is inexpedient for the Open Offer to be offered to the overseas Shareholders in Germany, Koeln and Spain. Accordingly, the Open Offer will not be extended to the overseas Shareholders with registered addresses in Germany, Koeln and Spain and will be extended to overseas Shareholders with registered addresses in the United Kingdom, Malaysia, Switzerland, Singapore and Thailand.

The Company will send the Prospectus Documents to the Qualifying Shareholders, and, the Prospectus to the Excluded Shareholders for information only but no application forms will be sent to them.

## UNDERWRITING ARRANGEMENTS

### Underwriting Agreement

| | |
|---|---|
| Date: | 21st November, 2007 |
| Underwriter: | Vigor |
| Number of Offer Shares underwritten: | 169,699,147 Offer Shares out of a total of 276,183,547 Offer Shares, being Offer Shares other than the 106,484,400 Offer Shares to be subscribed by Vigor pursuant to the Irrevocable Undertakings |
| Commission: | no underwriting commission will be received by Vigor |

**Irrevocable Undertakings**

As at the Latest Practicable Date, Vigor is directly or indirectly interested in 106,484,400 Shares, representing approximately 38.56 per cent. of the issued share capital of the Company. Vigor is indirectly wholly-owned by Ms. Chong Sok Un, who is a director of Vigor and also the chairman of the Company. Pursuant to the Irrevocable Undertakings, Vigor has irrevocably undertaken to take up all its entitlements under the Open Offer, being 106,484,400 Offer Shares. Save for Vigor, no persons had irrevocably committed themselves to the Company to accept or reject the Offer Shares to which they are entitled under the Open Offer. No persons had irrevocably committed themselves to the Company to vote for or against the resolutions to be proposed at the SGM to approve the Open Offer and the Whitewash Waiver. None of the Directors intend, in respect of their own beneficial shareholdings to vote for or against the Open Offer and the Whitewash Waiver.

**Underwriting Agreement**

Pursuant to the Underwriting Agreement, Vigor has conditionally agreed to underwrite the balance of the Offer Shares not subscribed by the Shareholders on a fully underwritten basis, upon the terms and subject to the conditions of the Underwriting Agreement.

**Termination of the Underwriting Agreement**

Vigor shall have the absolute right, after reasonable consultation with the Company as the underwriter of the Open Offer in its sole and absolute discretion sees fit, by giving notice to the Company, if there develops, occurs or comes into force at any time at or before the Latest Time for Termination:–

(i) any breach, considered by Vigor in its absolute discretion to be material in the overall context of the Open Offer, of any of the warranties or any of other provisions of the Underwriting Agreement; or

(ii) any matter which, had it arisen immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted an omission considered by Vigor in its absolute discretion to be material in the overall context of the Open Offer; or

(iii) any statement contained in the Prospectus, considered by Vigor in its absolute discretion to be material, is discovered to be or becomes untrue, incorrect or misleading in any respect; or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the Underwriting Agreement; or

(v) any adverse change in the business or the financial or trading position of any member of the Group considered by Vigor in its absolute discretion to be material; or

(vi) any event or series of events, matter or circumstance concerning, relating to or resulting in:–

(a) any change in local, national, international, financial, political, economic, military, industrial, fiscal, regulatory or stock market conditions or sentiments in Hong Kong or any other relevant jurisdiction; or

(b) the introduction of any new law or any material change in existing laws, rules or regulations, or any material change in the interpretation or application of such laws, rules or regulations by any court or other competent authority in Hong Kong or any other relevant jurisdiction; or

(c) any event of force majeure affecting Hong Kong or any other relevant jurisdiction (including, without limitation, any act of God, fire, flood, explosion, war, strike, lock-out, civil commotion, interruption, riot, public disorder, act of government, economic sanction, epidemic, terrorism or escalation of hostilities involving Hong Kong or any other relevant jurisdiction); or

(d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(e) any prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong or any other relevant jurisdiction or affecting an investment in the Shares or the transfer or dividend payment in respect of the Shares; or

(f) the imposition of any economic sanction, in whatever form, directly or indirectly, by or for the United States of America or by the European Union (or any of its members) on the People's Republic of China; or

(g) any change in the system under which the value of Hong Kong dollars is pegged to that of the currency of the United States of America, considered by Vigor in its absolute discretion to be material; or

(h) any change in the exchange rate between the United States dollars and Renminbi (the lawful currency of the People's Republic of China), or between Hong Kong dollars and Renminbi, considered by Vigor in its absolute discretion to be material; or

(i) any litigation or claim of material importance being threatened or instigated against any member of the Group; or

(j) any change in market conditions in Hong Kong (including without limitation suspension or material restriction or trading in securities);

which, in the sole and absolute opinion of Vigor:–

(1) is or will be, or is likely to be, materially adverse to the business, financial or other condition or prospects of the Group taken as a whole; or

(2) has, or will have, or could be expected to have, a material adverse effect on the success of the Open Offer; or

(3) makes it inadvisable, inexpedient or impractical to proceed with the Open Offer.

then and in any such case, Vigor in its reasonable discretion may (but will not be bound to), upon giving notice to the Company, terminate the Underwriting Agreement with immediate effect.

Except for all reasonable costs, fees, charges and expenses which may be incurred in connection with the Open Offer, upon the giving of notice of termination, all obligations of Vigor under the Underwriting Agreement will cease and no party will have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If Vigor exercises such right, the Open Offer will not proceed.

**Conditions of the Underwriting Agreement**

The Underwriting Agreement is subject to a number of conditions being fulfilled, including:–

(i) the Independent Shareholders passing resolutions at the SGM to approve the Open Offer, the Warrants Issue and the Whitewash Waiver by way of poll on or before the Posting Date;

(ii) the Executive granting the Whitewash Waiver;

(iii) one copy of each of the Prospectus Documents and other documents relating to the Open Offer being delivered to the Stock Exchange on or prior to the Posting Date;

(iv) four printed copies of each of the Prospectus Documents being delivered to Vigor on or before the Posting Date, each duly certified by two Directors (or by their attorneys duly authorised in writing) as having been approved by resolution of the Board;

(v) permission of the Bermuda Monetary Authority for the issue of the Offer Shares, if necessary, being obtained on or before the Posting Date;

(vi) the Registrar of Companies in Hong Kong registering the Prospectus Documents, together with all other consents and documents required to be endorsed on or attached to the Prospectus Documents, on or before the Posting Date;

(vii) the Prospectus Documents being filed with the Registrar of Companies in Bermuda on or about the Posting Date;

(viii) printed copies of each of the Prospectus Documents being posted to Qualifying Shareholders and printed copies of the Prospectus stamped "For information only" being posted to Excluded Shareholders, in each case, on the Posting Date;

(ix) the Listing Committee of the Stock Exchange granting (subject to allotment and other usual conditions) the listing of, and permission to deal in, the Offer Shares, the Warrants and the Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants on or before the Posting Date and not having withdrawn or revoked such listing and permission as at the Latest Acceptance Time;

(x) all necessary approvals and consents, if any, of all relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, Bermuda, or elsewhere which are required or appropriate for the entering into and the implementation of the Underwriting Agreement having been given or obtained; and

(xi) compliance by the Company with its obligations at or before the Latest Acceptance Time.

**In the event that any of the conditions (i) to (xi) (inclusive) has not been fulfilled (or waived by Vigor) on the respective dates mentioned in the Underwriting Agreement (or such other date as Vigor may agree with the Company), the Open Offer will lapse and will not proceed. In addition, conditions (i) and (ii) are not waivable.**

## CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional upon, amongst other things, the obligations of Vigor under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated by either Vigor or the Company in accordance with the terms and conditions as referred to under the sub-section headed "Termination of the Underwriting Agreement" of the section headed "Underwriting Arrangements" above.

**If the Underwriting Agreement does not become unconditional or is terminated, the Open Offer will not proceed. Shareholders and prospective investors of the Company are reminded to exercise extreme caution when dealing in the Shares.**

## THE WARRANT ISSUE

The Company also proposes to issue two Warrants for every five Offer Shares successfully subscribed by the Qualifying Shareholders. The Warrants will entitle their holders to subscribe for the new Shares at an initial subscription price of HK$8.00 per Share (subject to adjustment) upon exercise of one Warrant. The issue of Warrants and the Shares falling to be issued upon the exercise of the Warrants is subject to the Independent Shareholders' approval.

### Terms of the Warrants

| | |
|---|---|
| Term: | three years from the date of issue |
| Denomination: | in the denomination of HK$8.00 each |
| Conversion right: | right for holders of the Warrants to convert all or any of their Warrants at any time during the conversion period into Shares (all fractions of Warrants will not be issued but will be aggregated and sold for the benefit of the Company) |
| Conversion period: | commencing on 20th February, 2008 and ending on 19th February, 2011 |
| Initial conversion price: | HK$8.00 per Share |
| Transferability: | freely transferable |
| Trading board lot size: | 4,000 units |

| | |
|---|---|
| Expected date of commence dealing: | 20th February, 2008 |

Application for listing of, and permission to deal in, the Warrants and the Shares which fall to be issued upon exercise of the Warrants will be made to the Stock Exchange. The trading board lot of Warrants is 4,000 units.

The Company has no other warrants in issue as at the Latest Practicable Date.

Subject to the granting of listing of, and permission to deal in, the Warrants and the Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Warrants and the Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Based on 276,183,547 Offer Shares to be issued pursuant to the Open Offer, the total number of Warrants to be issued will be 110,473,419 warrants, entitling the holders to subscribe for the same number of the Shares, representing approximately 20 per cent. of the issued share capital of the Company at the time when the Warrants are issued and upon completion of the Open Offer.

The Directors confirm that the Company will ensure that there will be a minimum of 300 holders of the Warrants at the time the dealings of the Warrants commence on the Stock Exchange (i.e. 20th February, 2008) in accordance with the Listing Rules.

**Subscription Price of Warrants**

The Warrants will entitle their holders to subscribe for the new Shares at an initial subscription price of HK$8.00 per Share (subject to adjustment) upon exercise of one Warrant.

The subscription price of HK$8.00 represents:–

(i) a premium of approximately 22.14 per cent. over the closing price of HK$6.55 per Share as quoted on the Stock Exchange on the last trading day, i.e. 21st November, 2007, of the Shares immediately before the date of the Announcement;

(ii) a premium of approximately 18.34 per cent. over the average closing price of HK$6.76 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately before the date of the Announcement;

(iii) a premium of approximately 18.78 per cent. over the average closing price of HK$6.735 per Share as quoted on the Stock Exchange for the last ten trading days of the Shares immediately before the date of the Announcement;

(iv) a discount of approximately 5.66 per cent. to the net asset value of HK$8.48 per Share as stated in the audited consolidated accounts of the Company for the year ended 31st December 2006; and

(v) a premium of approximately 42.86 per cent. to the closing price of HK$5.6 per share as quoted on the Stock Exchange on the Latest Practicable Date.

The subscription price was determined with reference to the prevailing market prices of the Shares. The Directors (except the independent non-executive directors who will seek the advice from the independent financial advisor before forming their own views) consider the subscription price and the terms of the Warrants to be fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

**Certificates for Warrants**

Subject to the fulfillment (or waiver) of the conditions of the Open Offer set out in the section headed “Conditions of the Open Offer” above, certificates for the Warrants are expected to be posted on or before 18th February, 2008 to those who have applied and paid for the Offer Shares, at their own risk.

**The Warrant Issue is conditional upon completion of the Open Offer.**

**REASONS OF THE OPEN OFFER AND THE USE OF PROCEEDS**

The Directors consider that the Open Offer provides a good opportunity for the Group to raise funds to strengthen its capital base and improve its financial position.

Upon the completion of the Open Offer, the estimated proceeds from the Open Offer will be approximately HK$1,104.7 million (before expenses). Other expenses mainly include legal fees to P. C. Woo & Co, accountants fees to Deloitte Touche Tohmatsu and printing expenses to A. Plus Financial Press Limited and the total amount for such expenses will be approximately HK$3 million. The estimated net proceeds from the Open Offer of approximately HK$1,101.7 million are intended to be applied by the Company for repayment of borrowings and for investment or to be entirely used for investment when opportunity arises. Currently, the Company has no investment project in contemplation.

The estimated expenses of the Open Offer of about HK$3 million will be borne by the Company.

**WARNING OF THE RISKS OF DEALINGS IN THE SHARES**

**Pursuant to the expected timetable, the Shares will be dealt with on an ex-entitlement basis from 10th January, 2008. If Vigor terminates the Underwriting Agreement, or any of the conditions of the Underwriting Agreement is not fulfilled (or waived by Vigor), the Open Offer will not proceed. Any person dealing in the Shares on an ex-entitlement basis will accordingly bear the risk that the Underwriting Agreement may not become unconditional and the Open Offer may not proceed.**

**Any Shareholder or other person contemplating selling or purchasing the Shares from now up to the day on which the Underwriting Agreement becomes unconditional, who is in any doubt about his/her position, is recommended to consult his/her own professional advisers.**

**Shareholders and prospective investors are reminded to exercise extreme caution when dealing in the Shares.**

## CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the changes in the shareholding structure of the Company arising from the Open Offer and the Warrant Issue:–

| | As at the date of this Circular | | Immediately following completion of the Open Offer assuming all the Shareholders take up all their entitlements | | Immediately following completion of the Open Offer assuming all the Shareholders take up all their entitlements and the Warrants exercised in full | | Immediately following completion of the Open Offer assuming none of the Qualifying Shareholders take up their entitlements | | Immediately following completion of the Open Offer assuming none of the Qualifying Shareholders take up their entitlements and the Warrants exercised in full | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Number of the Shares* | *Share-holding (%)* | *Number of the Shares* | *Share-holding (%)* | *Number of the Shares* | *Share-holding (%)* | *Number of the Shares* | *Share-holding (%)* | *Number of the Shares* | *Share-holding (%)* |
| Vigor and the parties acting in concert with it | 106,484,400 | 38.56 | 212,968,800 | 38.56 | 255,562,560 | 38.56 | 382,667,947 | 69.28 | 493,141,366 | 74.40 |
| Public Shareholders | 169,699,147 | 61.44 | 339,398,294 | 61.44 | 407,277,953 | 61.44 | 169,699,147 | 30.72 | 169,699,147 | 25.60 |
| Total | 276,183,547 | 100.00 | 552,367,094 | 100.00 | 662,840,513 | 100.00 | 552,367,094 | 100.00 | 662,840,513 | 100.00 |

Following the completion of the Open Offer and assuming the Warrant Issue are exercised in full, Vigor will continue to be the controlling shareholder of the Company if none of the Qualifying Shareholders is willing to take up his or her or its entitlements of such number of Offer Shares. As such, Vigor will own approximately as to 69.28 per cent. of the issued share capital of the Company as enlarged by the completion of the Open Offer and 74.40 per cent. of the issued share capital of the Company as enlarged by the completion of the Open Offer Issue and full exercise of the Warrants.

It is the intention of the Company to maintain the listing of the Shares on the Stock Exchange after the completion of the Open Offer and the Warrant Issue. Accordingly, the Company undertakes that it will take such appropriate steps as may be necessary or required to maintain or restore the minimum public float for the Shares at all times upon completion of the Open Offer and the Warrant Issue.

## DEALINGS IN SHARES OF THE COMPANY DURING THE PAST SIX MONTHS PRIOR TO THE DATE OF THE ANNOUNCEMENT

During the period commencing on the date falling 6 months preceding the date of the Announcement up to and including the Latest Practicable Date, the Company repurchased a total of 2,776,000 of its own shares through on-market transactions on the Stock Exchange at a total purchase price of HK$16,500,170, the latest of which happened on 8th August 2007 where 36,000 Shares were purchased by the Company at an aggregate consideration of HK$237,670. These share repurchases have been reported to the Stock Exchange. The shares repurchased have been cancelled and the issued share capital of the Company was reduced by the nominal value thereof.

The repurchases of the Company's shares during the past six months were effected by the Company, pursuant to the general mandate approved by shareholders of the Company, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

A ruling dated 4th December 2007 has been granted by the Executive that the repurchases of the Company's shares were not disqualifying transactions for the purpose of section 3(a) of Schedule VI of the Takeovers Code.

Save as disclosed above, none of Vigor or parties acting in concert with it had dealt for value in the securities of the Company during the period commencing on the date falling 6 months preceding the date of the Announcement up to and including the Latest Practicable Date.

**APPLICATION FOR GRANTING OF WHITEWASH WAIVER**

As at the Latest Practicable Date, Vigor is interested in a total of 106,484,400 Shares, representing approximately 38.56 per cent. of the issued share capital of the Company.

In the event that no Qualifying Shareholder (other than Vigor) takes up any Offer Shares under the Open Offer and assuming no Warrants are exercised on or before the Record Date, Vigor has agreed to take up 169,699,147 Offer Shares that are not subscribed for under the Open Offer pursuant to the Underwriting Agreement. Accordingly, the maximum underwriting commitment of the Offer Shares under the Open Offer by Vigor will result in the aggregate shareholding in the Company of Vigor and the parties acting in concert with it being increased from 38.56 per cent. of the existing issued share capital of the Company to 69.28 per cent. of the issued share capital of the Company as enlarged by the issue of Offer Shares and will trigger an obligation for Vigor and the parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares issued by the Company not already held by it and the parties acting in concert with it. Save for the obligation arising from the underwriting of the Offer Shares under the Open Offer by Vigor, there is no other arrangement (whether by way of option, indemnity or otherwise) between the Company and Vigor in relation to the Shares or shares of Vigor and which might be material to the Open Offer and the Whitewash Waiver.

A formal application has been made by Vigor to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver will be granted by the Executive subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. Vigor and the parties acting in concert with it and its associates and those who were interested in, or involved in, the Underwriting Agreement and Whitewash Waiver will abstain from voting. It is a condition precedent to the completion of the Open Offer that the Whitewash Waiver is granted by the Executive. **If the Whitewash Waiver is not granted by the Executive or if the condition imposed thereon is not fulfilled, the Open Offer will not proceed.**

**The Shareholders and potential investors of the Company should note that completion of the Underwriting Agreement is conditional and may or may not proceed. The Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

Investors should also be aware that, there is a possibility that, upon completion of the Open Offer, Vigor, acting as the Underwriter, together with its concert parties will result in holding greater than 50% shareholding in the Company. By then, Vigor and the persons acting in concert with it may increase the shareholdings without incurring further obligation of making mandatory general offers pursuant to Rule 26 of the Takeovers Code.

## INFORMATION ON AND INTENTION OF VIGOR

Vigor, a company entirely and indirectly owned by Ms. Chong Sok Un who is a director of Vigor and also the chairman of the Company, being interested in 106,484,400 Shares, representing approximately 38.56 per cent. of the issued share capital of the Company as at the date of the Latest Practicable Date.

It is the intention of Vigor that the Group will continue its current business and the Underwriter has no intention to make any major changes to its business including any redeployment of the fixed assets of the Company. It is the intention of Vigor to continue the employment of the employees of the Group.

## PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE SHARES AND WARRANTS

The Company will issue the Offer Shares under the Open Offer and will issue the Warrants under the Warrant Issue. The Offer Shares and the Shares which fall to be issued upon exercise of the Warrants will rank pari passu with all the then existing issued the Shares.

The Company will seek the grant of a specific mandate from the Independent Shareholders to allot and issue the Offer Shares and to issue the Warrants and the Shares which fall to be issued upon exercise of the Warrants.

## LISTING RULES IMPLICATIONS

The proposed Open Offer will increase the issued share capital of the Company by more than 50 per cent., and therefore the Open Offer and the Warrant Issue are subject to the approval of the Independent Shareholders at the SGM pursuant to Rule 7.24(5) of the Listing Rules.

The Open Offer is subject to the granting of the Whitewash Waiver by the Executive and the Whitewash Waiver is subject to the approval of the Independent Shareholders on a vote taken by way of poll at the SGM.

Vigor and the parties acting in concert with it and its associates and those who were interested in or involved in the Underwriting Agreement will abstain from voting on the resolutions at the SGM for approving the Open Offer, the Warrant Issue and the Whitewash Waiver.

The proposal for grant of specific mandate to issue the Offer Shares and the Warrants and the Shares which fall to be issued upon exercise of the Warrants are also subject to approval by the Independent Shareholders at the SGM.

Subject to the approval of the Open Offer, the Warrant Issue and the Whitewash Waiver by the Independent Shareholders at the SGM, application will be made to the Stock Exchange for the listing of, and permission to deal in, the Offer Shares, the Warrants and the Shares which may fall to be issued upon the exercise of the Warrants.

The Prospectus Documents, containing, amongst other things, information on the Open Offer, will be despatched to the Qualifying Shareholders as soon as practicable, and, in accordance with the requirements of the Listing Rules, is expected to be despatched on or before 22nd January, 2008. The Company will also send the Prospectus, for information only, to the Excluded Shareholders on or before 22nd January, 2008.

**SGM**

A notice convening the SGM is set out on pages 153 to 156 of this circular. Ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, to approve, amongst other things, (i) the Open Offer, (ii) the Warrant Issue, (iii) the Whitewash Waiver, and (iv) the proposal for the grant of specific mandate to issue Shares and Warrants.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof if they so wish.

## PROCEDURES FOR DEMANDING A POLL

Pursuant to bye-law 70 of the Bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

(i) by the chairman of the meeting; or

(ii) at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(iii) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

(iv) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

## RECOMMENDATION

In relation to the Open Offer, the Warrant Issue and the Whitewash Waiver, Asia Investment Management Limited who has been appointed and approved by the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Open Offer, the Warrant Issue and the Whitewash Waiver considers that the terms of the Open Offer, the Warrant Issue and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned.

The Independent Board Committee, having taken into account the advice of Asia Investment Management Limited considers that the terms of the Open Offer, the Warrant Issue and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve Open Offer, the Warrant Issue and the Whitewash Waiver to be proposed at the SGM.

Your attention is drawn to the letter from the Independent Board Committee on pages 28 to 29 of this circular and the letter from Asia Investment Management Limited set out on pages 30 to 45 of this circular.

**The Board strongly advises the Independent Shareholders to read each of these letters and the Appendices before reaching a decision in respect of the resolutions to be proposed at the SGM.**

**The Shareholders and potential investors should be aware that the Open Offer is subject to the fulfillment of all of the Conditions and, therefore, it may or may not become unconditional. The Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## ADDITIONAL INFORMATION

The principal business of the Company is investment holding and through its subsidiaries engages in securities trading and investments, provision of financial services, property investment and strategic investment.

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

Yours faithfully,
On behalf of the Board
**COL Capital Limited**
**Chong Sok Un**
*Chairman*

**COL Capital Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 383)**

31st December 2007

*To the Independent Shareholders*

Dear Sir and Madam,

## (1) PROPOSED OPEN OFFER TO QUALIFYING SHAREHOLDERS ON THE BASIS OF ONE OFFER SHARE FOR EVERY ONE SHARE HELD AS AT THE RECORD DATE (2) PROPOSED ISSUE OF TWO WARRANTS FOR EVERY FIVE OFFER SHARES AND (3) APPLICATION FOR GRANTING OF WHITEWASH WAVIER

We refer to the letter from the Board set out on pages 7 to 27 of the circular dated 31st December 2007 (the "Circular") of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Open Offer, the Warrant Issue and the Whitewash Waiver and to advise the Independent Shareholders as to whether or not it would be fair and reasonable and in the interests of the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Open Offer, the Warrant Issue and the Whitewash Waiver. Asia Investment Management Limited has been appointed as the independent financial adviser to advise the Independent Board Committee of the Company and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board and the letter of advice from Asia Investment Management Limited to the Independent Board Committee and the Independent Shareholders which contains its advice in relation to the Open Offer, the Warrant Issue and the Whitewash Waiver as set out in the Circular.

Having taken into account the principal factors and reasons considered and the opinion given by Asia Investment Management Limited as stated in its letter of advice as set out on pages 30 to 45 of the Circular, we consider that the terms of the Open Offer, the Warrant Issue and the Whitewash Waiver are fair and reasonable and the Open Offer, the Warrant Issue and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the respective ordinary resolutions approving the Open Offer, the Warrant Issue and the Whitewash Waiver to be proposed at the SGM.

Yours faithfully,
**Independent Board Committee of COL Capital Limited**

**Mr. Lo Wai On**
*Independent non-executive Director*

**Mr. Lau Siu Ki**
*Independent non-executive Director*

**Mr. Zhang Jian**
*Independent non-executive Director*

*The following is the text of a letter to the Independent Board Committee from Asia Investment Management Limited ("AIM") in respect of the Open Offer, the Warrant Issue and the Whitewash Waiver prepared for the purpose of incorporation in this circular.*

亞洲資產管理
ASIA INVESTMENT MANAGEMENT
**Asia Investment Management Limited**
Unit B, 14/F, Vulcan House,
21-23 Leighton Road,
Causeway Bay, Hong Kong

31st December 2007

*To the Independent Board Committee and*
*the Independent Shareholders*

Dear Sirs,

**(1) PROPOSED OPEN OFFER TO QUALIFYING SHAREHOLDERS ON THE BASIS OF ONE OFFER SHARE FOR EVERY ONE SHARE HELD AS AT THE RECORD DATE (2) PROPOSED ISSUE OF TWO WARRANTS FOR EVERY FIVE OFFER SHARES AND (3) APPLICATION FOR GRANTING OF WHITEWASH WAIVER**

## INTRODUCTION

We refer to the circular dated 31st December 2007 (the "Circular") issued by the Company to the Shareholders of which this letter forms part and our appointment as independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Open Offer, the proposed Warrant Issue and the Whitewash Waiver, details of which are set out in the letter from the Board contained in the Circular ("Letter from the Board"). Capitalised terms used in this letter shall have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

On 30th November 2007, the Company announced, amongst other things, that the Company proposed to raise not less than approximately HK$1,104.7 million, before expenses, by issuing 276,183,547 Offer Shares by way of the Open Offer to the Qualifying Shareholders, at the Subscription Price of HK$4.00 per Offer Share, on the basis of one Offer Share for every one Share held as at the Record Date and issue two Warrants for every five Offer Shares successfully subscribed by the Qualifying Shareholders. The Warrants will entitle their holders to subscribe for new Shares ("Warrant Shares") at an initial subscription price of HK$8.00 per Share (subject to adjustment) upon exercise of one Warrant ("Warrant Subscription Price"). A summary of the terms of Warrants is set out in Appendix III to the Circular. As at the Latest Practicable Date, the issued share capital of the Company is 276,183,547 Shares.

The Open Offer is conditional upon fulfillment of the conditions as set out in the Letter from the Board. It is fully underwritten by Vigor, the controlling Shareholder of the Company pursuant to the terms and conditions of the Underwriting Agreement. As at the date of the Underwriting Agreement, Vigor was interested in 106,484,400 Shares, representing approximately 38.56% of the issued share capital of the Company. Pursuant to the Irrevocable Undertakings, Vigor has irrevocably undertaken to take up all of its entitlements under the Open Offer, being 106,484,400 Offer Shares. In the event that Vigor is required to take up all 169,699,147 Offer Shares with 67,879,659 Warrants (being its underwritten commitment pursuant to the Underwriting Agreement), Vigor will be interested in a total of 382,667,947 Shares, representing approximately 69.28% of the issued share capital of the Company as enlarged by the issue of the Offer Shares (assuming the Warrants are not exercised) and 493,141,366 Shares which represents approximately 74.40% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and the Warrant Shares (assuming the Warrants are fully exercised).

In light of the above and pursuant to Rule 26 of the Takeovers Code, Vigor and parties acting in concert with it will then be obliged to make a mandatory general offer for all the Shares issued by the Company not already owned by it and parties acting in concert with it.

An application has been made to the Executive by Vigor for the Whitewash Waiver pursuant to Note 1 in dispensation per Rule 26 of the Takeovers Code. The Executive has indicated that subject to the approval of the Independent Shareholders taken by way of poll at the SGM, it will grant the Whitewash Waiver. It is one of the conditions of the Underwriting Agreement that the Whitewash Waiver be obtained. If the Whitewash Waiver is not granted by the Executive and if the condition imposed thereon is not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Open Offer will not proceed.

By virtue of Vigor's interest in the Underwriting Agreement, Vigor and their respective associates and parties acting in concert with it will be required to abstain from voting at the SGM to approve, amongst other things, the Open Offer, the Warrant Issue and the Whitewash Waiver. Save for the obligation arising from the underwriting of the Offer Shares under the Open Offer by Vigor, there is no other arrangement (whether by way of option, indemnity or otherwise) between the Company and Vigor in relation to the Shares or shares of Vigor and which might be material to the Open Offer and the Whitewash Waiver.

The Company will seek the grant of a specific mandate from the Independent Shareholders to allot and issue the Offer Shares and to issue the Warrants and the Shares which fall to be issued upon exercise of the Warrants (the "Specific Mandate").

The Independent Board Committee, comprising all independent non-executive Directors including Mr. Lo Wai On, Mr. Lau Siu Ki and Mr. Zhang Jian, has been constituted to consider the terms of the Open Offer, the Warrant Issue and the Whitewash Waiver and to give advice and recommendation to the Independent Shareholders. Each of the members of the Independent Board Committee confirmed that they have no conflict of interest in the relevant transactions and are eligible to be members of the Independent Board Committee.

AIM has been engaged to advise the Independent Board Committee as to whether the Open Offer, the Warrant Issue and the Whitewash Waiver are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and advise the Independent Shareholders on how to vote in relation to the above transactions.

## BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, inter alia, the Circular and the financial information relating to the Group. We have also reviewed certain information provided by the management of the Company relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the financials, businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in this Circular misleading. We have assumed that all information, opinions and representations contained or referred to in the Circular are true, accurate and complete in all material respects as at the date of the Circular and that they may be relied upon in formulating our opinion. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for, the Open Offer, the Warrant Issue and the Whitewash Waiver and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

## PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE OPEN OFFER, THE WARRANT ISSUE AND THE WHITEWASH WAIVER

In arriving at our opinion and recommendation in respect of the Open Offer, the Warrant Issue and the Whitewash Waiver, we have considered the following principal factors and reasons:

### I. Background information and prospect of the Group

The Company is a company incorporated in Bermuda with limited liability. Its shares are listed on the Main Board of the Stock Exchange. The principal business of the Company is investment holding and through its subsidiaries engages in securities trading and investments, provision of financial services, property investment and strategic investment.

For the financial year ended 31st December 2006 and the six months ended 30th June 2007, the Group recorded a revenue of approximately HK$1,229.8 million and HK$1,115.7 million respectively. Profit attributable to Shareholders for the financial year ended 31st December 2006 and for the six months ended 30th June 2007 was approximately HK$772.5 million and HK$528.4 million respectively. Notwithstanding the growth in turnover, the profit of the Group for the period ended 30th June 2007 dropped approximately 12.43% from approximately HK$603.4 million for the six months ended 30th June 2006 as a result of, amongst other things, decreases in dividend income from listed investments and net gain on investments, and increase in finance costs. Following the upward trend of 2006, the global financial markets continued to rally in the first half of 2007 and amidst this buoyant investor sentiment, the Group took the opportunity to realise part of its trading portfolio of listed shares, including shares of Allied Group Limited and Mulpha International Limited. However, the concerns over the US economy continue to influence investor sentiments as the contagious effect of the sub-prime mortgage debt delinquency may lead to other problems like the tightening of liquidity, slow-down in economic growth and even the possibility of recession in the US market. The markets in Hong Kong, China and the Asia Pacific region where the Group focuses its activities are likely to be affected. The Group will have a very challenging year ahead if it is to sustain or outperform previous results.

As at 30th June 2007, the unaudited current liabilities and net assets of the Group amounted to approximately HK$668.8 million and HK$2,989.7 million respectively. As a continuous effort to improve its financial performance, the Group has undertaken a series of transactions including (i) terminating the mobile handset distribution business, which had persistently showed losses in recent years, as disclosed in the interim report for the period ended 30th June 2007; (ii) acquiring approximately 17% of the issued share capital of Shanghai Allied Cement Limited in June 2007, which subsequently entered into a conditional agreement to purchase a company engaged in the business of gold mining in China in September 2007; (iii) acquiring 40% of the issued share capital of Printronics Electronics Limited in July 2007 which involves in the businesses of the sales of printed circuit boards; and (iv) agreeing to subscribe for the limited partnership interests in the SHK Asian Opportunities Fund with commitment of up to US$20 million (equivalent to approximately HK$156 million). The Group currently engages in businesses of securities trading and investments, provision of financial services, property investment and strategic investment and actively seeks and identifies undervalued investment and business opportunities in China, Hong Kong and the Asia Pacific region, with an objective of enhancing the Shareholders' value of the Company.

## II. Reasons for the Open Offer and the use of proceeds

The Directors are of the view that with the recent volatility experienced in major global financial markets, it is in the interests of the Company to raise equity capital to strengthen the Group's capital base and improve its financial position.

Net proceeds of the Open Offer of approximately HK$1,101.7 million is intended to be applied for repayment of bank and other borrowings and for future investments or to be entirely used for investment when opportunity arises. We have discussed with the Directors and the management of the Company on the areas which the Company intends to use the proceeds. The Directors confirmed to us that, currently, the Company has no investment project in contemplation. It will continue to seek and identify undervalued investment and business opportunity in China, Hong Kong and the Asia Pacific region, with an objective of enhancing the Shareholders' value of the Company.

We have enquired with the tenure of the borrowings of the Group. The Directors confirmed to us that as at 30th November 2007, the Group had outstanding borrowings with banks and financial institutions of approximately HK$925.8 million. All the outstanding borrowings are due within the next 12 months. Gearing ratio (calculated as net borrowings, after bank balances and cash, over shareholders' fund) increased from approximately 4.67% as at 31st December 2006 to approximately 13.09% as at 30th June 2007. The net proceeds of the Open Offer will help reduce the liabilities and improve the gearing of the Group. It can also help improve working capital position and the financial capability for future investment opportunities.

Based on the above, we are of the view that the Open Offer is an essential means to strengthen the financial position of the Group and to enlarge the capital base of the Company optimising investment opportunities in the most timely manner. It is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

**III. Alternative to the Open Offer**

The Directors advised that they have considered alternative means for the Group to raise funds other than the Open Offer, including but not limited to, debt financing and placing of new Shares. Given that (i) the unaudited current liabilities of the Group as at 30th June 2007 was approximately HK$668.8 million; (ii) bank and cash balances of the Group as at 30th June 2007 was approximately HK$53.1 million; (iii) the investment properties and available-for-sale investments of the Group, which accounted for approximately 22.14% of the non-current assets of the Group of approximately HK$202.0 million as at 30th June 2007, were pledged as part of the collaterals for the short term credit facilities; and (iv) the unaudited total outstanding borrowings amounted to approximately HK$925.8 million as at 30th November 2007, the Directors expected that further debt financing is not the best optimum approach to raise funds in the market.

The Company has also considered the possibility of fund raising by way of share placement as an alternative to the Open Offer. But, unlike the Open Offer which provides all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and at the same time allow them to maintain their proportionate interests in the Company, a share placement would involve an issue of new Shares and result in a dilution of existing Shareholders' interest. As such, the Directors do not consider a share placement to be a desirable alternative to the Open Offer.

Having considered the existing position of the Group and that all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer and to take up their entitlements in full to maintain their respective shareholdings in the Company, we consider that the Open Offer is an equitable means to raise capital for the Group.

## IV. Principal terms of the Open Offer

***The Subscription Price***

The Company proposed to raise not less than approximately HK$1,104.7 million, before expenses, by issuing 276,183,547 Offer Shares by way of the Open Offer to the Qualifying Shareholders, at the Subscription Price of HK$4.00 per Offer Share, on the basis of one Offer Share for every one Share held as at the Record Date.

The Subscription Price has been determined based on arm's length negotiations between the Company and the Underwriter with reference to the prevailing market price of the Shares and the fundamentals of the Group.

The Subscription Price represents:–

(i) a discount of approximately 38.93% to the closing price of HK$6.55 per Share as quoted on the Stock Exchange on 21st November 2007, being the last trading day of the Shares immediately before the date of the Announcement (the "Last Trading Day");

(ii) a discount of approximately 40.83% to the average of the closing prices of approximately HK$6.76 per Share for the last five trading days ended on and including the Last Trading Day;

(iii) a discount of approximately 40.61% to the average of the closing prices of approximately HK$6.735 per Share for the last ten trading days ended on and including the Last Trading Day;

(iv) a discount of approximately 52.83% to the net asset value of approximately HK$8.48 per Share as stated in the audited consolidated accounts of the Company for the year ended 31st December 2006;

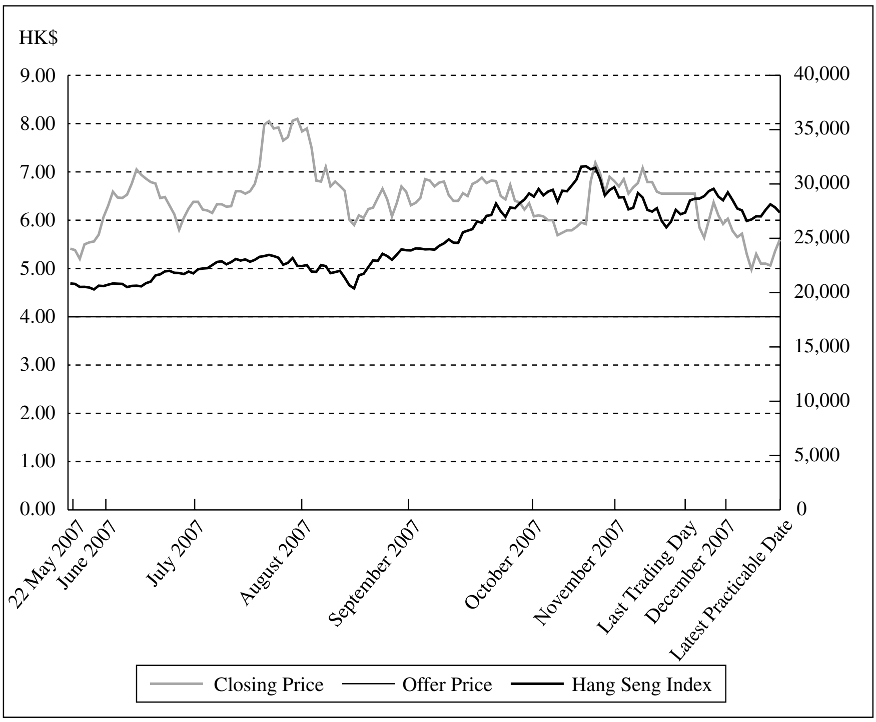
(v) a discount of approximately 24.17% to the theoretical ex-entitlement price of approximately HK$5.275 per Share based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day; and

(vi) a discount of approximately 28.57% to the closing price of HK$5.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

*Review on Share prices and historical closing prices*

Chart I below shows the daily closing price of the Shares versus the Subscription Price and the daily closing price of Hang Seng Index during the period from 22nd May 2007 (being the commencement of the six calendar months immediately preceding the Last Trading Day) to the Last Trading Day and the Latest Practicable Date (the "Review Period"):

**Chart I: Share Price Performance**




*Source: Bloomberg, website of the Stock Exchange (www.hkex.com.hk)*

*Note:*

1. On market days when the Shares are not traded, the closing price equals to that of the preceding trading day.

During the Review Period, the highest closing price and the lowest closing price of the Shares were HK$8.10 (recorded on 1st August 2007) and HK$4.98 (recorded on 18th December 2007) respectively. As illustrated in Chart I, the Subscription Price is lower than the closing price of the Shares during the Review Period.

The Share price outperformed the Hang Seng Index from May 2007 to August 2007 during the Review Period. Pursuant to the general mandate approved by the Shareholders, the Company repurchased a total of 2,776,000 Shares on the Stock Exchange during 28th May 2007 to 8th August 2007. This might have prompted the Share price performance. The Directors confirmed to us that the repurchases of Shares were intended to enhance the net asset value per Share and earnings per Share of the Group.

The Directors are of the view that the Subscription Price would entice the Qualifying Shareholders to subscribe the Offer Shares. Given that (i) the Subscription Price was determined after arm's length negotiations between the Company and the Underwriter; (ii) all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer and to take up their entitlements in full at the same price: and (iii) the Subscription Price was priced at a discount of approximately 24.17% to the theoretical ex-entitlement price of approximately HK$5.275 per Share based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day, we concur with the Directors that the Subscription Price is in the interest of the Company and is fair and reasonable insofar as the Independent Shareholders are concerned.

**V. The Warrant Issue**

Under the Warrant Issue, the Company proposed to issue two Warrants for every five Offer Shares successfully subscribed by the Qualifying Shareholders. The Warrants will entitle their holders to subscribe for the new Shares at an initial subscription price of HK$8.00 per Share (subject to adjustment) upon exercise of one Warrant. The issue of Warrants and the Shares falling to be issued upon the exercise of the Warrants is subject to the Independent Shareholders' approval. Details regarding the Warrant Issue are set out in the Letter from the Board. The Warrant Subscription Price represents:

(i) a premium of approximately 22.14% to the closing price of HK$6.55 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 18.34% to the average of the closing prices of approximately HK$6.76 per Share of the Shares for the five trading days ended on and including the Last Trading Day;

(iii) a premium of approximately 18.78% to the average of the closing prices of approximately HK$6.735 per Share of the Shares for the ten trading days ended on and including the Last Trading Day;

(iv) a discount of approximately 5.66% to the net asset value of approximately HK$8.48 per Share as stated in the audited consolidated accounts of the Company for the year ended 31st December 2006; and

(v) a premium of approximately 42.86% over the closing price of HK$5.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Although the Warrant Subscription Price is at a premium as compared to the closing price of the Shares on the Last Trading Day, we are of the view that the Warrant Issue and the Warrant Subscription Price are fair and reasonable insofar as the Independent Shareholders are concerned after taking into the account of the following:

(i) the Warrant Subscription Price approximates the same level to the highest closing price of the Share during the Review Period. The management of the Company considered that the Warrant Subscription Price was determined with reference to the prevailing market prices of the Shares. In the event that the Qualifying Shareholders exercise the Warrants, they may possibly be subject to the potential increment of the Shares although there is no guarantee that the Share price would increase to the highest closing price of the Share during the Review Period;

(ii) the pricing of the Warrant Subscription Price at a premium over (rather than a discount to) the closing price per Share quoted on the Stock Exchange on the Last Trading Day enables the Company to obtain more proceeds out of the Warrant Issue if the holders of the Warrants elect to subscribe for the Warrants. In the event that the holders of the Warrants do not exercise the Warrants, the Warrants will cost nothing to the Group save for administrative costs incurred;

(iii) the Warrants are freely transferable and holders of the Warrants are allowed an opportunity to realise the Warrants in cash by trading the Warrants any time in the three years from the date of the issue of the Warrants. Given the Warrants are issued to Qualifying Shareholders who successfully subscribe for the Offer Shares without costing the Qualifying Shareholders additional charge, holders of Warrants can be benefited financially even if the Share price cannot exceed the Warrant Subscription Price;

(iv) under the Warrant Issue, Vigor and the Qualifying Shareholders will be entitled to receive 110,473,419 Warrants which initial subscription price is HK$8.00 per Share (subject to adjustment). In the circumstances that all the Warrants are exercised, the Company will receive exercise money as inflow of cash of approximately HK$883.8 million (subject to adjustment), which will increase the equity capital of the Company for its future development without further incurring any costs of the Company save for administrative cost incurred; and

(v) the dilution effect of the shareholding interests of the Qualifying Shareholders is the same assuming all Qualifying Shareholders take up their full entitlement under the Open Offer and exercise their subscription rights on the Warrants under the Warrant Issue. Understandably, in the event that no Qualifying Shareholders take up their entitlement under the Open Offer and holders of Warrants exercise the Warrants in full, the shareholding interests of the Independent Shareholders will be diluted up to a maximum of approximately 58.33%.

Independent Shareholders should note that the Warrant Issue is conditional upon the completion of the Open Offer.

## VI. Potential dilution effect on the shareholding interests of the Independent Shareholders

### Table I: Potential dilution effect of the Open Offer

| | As at the date of the Circular | | Immediately following completion of the Open Offer assuming all the Shareholders take up all their entitlements | | Immediately following completion of the Open Offer assuming all the Shareholders take up all their entitlements and the Warrants exercised in full | | Immediately following completion of the Open Offer assuming none of the Qualifying Shareholders take up their entitlements | | Immediately following completion of the Open Offer assuming none of the Qualifying Shareholders take up their entitlements and the Warrants exercised in full | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Number of the Shares* | *Shareholding (%)* | *Number of the Shares* | *Shareholding (%)* | *Number of the Shares* | *Shareholding (%)* | *Number of the Shares* | *Shareholding (%)* | *Number of the Shares* | *Shareholding (%)* |
| Vigor and the parties acting in concert with it | 106,484,400 | 38.56 | 212,968,800 | 38.56 | 255,562,560 | 38.56 | 382,667,947 | 69.28 | 493,141,366 | 74.40 |
| Public Shareholders | 169,699,147 | 61.44 | 339,398,294 | 61.44 | 407,277,953 | 61.44 | 169,699,147 | 30.72 | 169,699,147 | 25.60 |
| Total | 276,183,547 | 100.00 | 552,367,094 | 100.00 | 662,840,513 | 100.00 | 552,367,094 | 100.00 | 662,840,513 | 100.00 |

All Qualifying Shareholders are entitled to subscribe for the Offer Shares with Warrants. For those Qualifying Shareholders who take up their entitlements in full under the Open Offer, their shareholding interests in the Company will remain unchanged upon completion of the Open Offer. For those Qualifying Shareholders who do not exercise their rights to subscribe for the Offer Shares with Warrants in full, depending on the extent to which they take up their entitlements, their shareholding interests will be diluted up to a maximum of approximately 58.33% upon completion of the Open Offer and assuming the Warrant Issue are exercised in full.

Following the completion of the Open Offer and assuming the Warrant Issue are exercised in full, Vigor will continue to be the controlling shareholder of the Company if none of the Qualifying Shareholders is willing to take up his or her or its entitlements of such number of Offer Shares. As such, Vigor will own approximately as to 69.28% of the issued share capital of the Company as enlarged by the completion of the Open Offer and 74.40% of the issued share capital of the Company as enlarged by the completion of the Open Offer Issue and full exercise of the Warrants.

## VII. Financial effects of the Open Offer

### *a. Net tangible assets*

As set out in the "Unaudited pro forma statement of adjusted consolidated net tangible assets" in Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30th June 2007 were approximately HK$2,890.9 million. Based on the 276,643,547 Shares in issue as at 30th June 2007, the unaudited consolidated net tangible asset value per Share attributable to Shareholders as at 30th June 2007 was approximately HK$10.45. Immediately upon the completion of the Open Offer, the unaudited pro forma consolidated net tangible assets attributable to Shareholders would increase to approximately HK$3,992.6 million and the unaudited pro forma consolidated net tangible asset value per Share would decrease to approximately HK$7.22 (based on the 552,827,094 Shares (being 276,643,547 Shares in issue as at 30th June 2007 and 276,183,547 Offer Shares).

### *b. Liquidity*

As stated in the unaudited interim report of the Company for the period ended 30th June 2007, the bank balances and cash of the Group was approximately HK$53.1 million. Immediately upon the completion of the Open Offer, the Company would raise net proceeds of approximately HK$1,101.7 million. The current ratio of the Group (defined as the current assets divided by the current liabilities) of the Group is expected to be substantially improved immediately upon completion of the Open Offer.

*c. Gearing ratio*

Based on the indebtedness statement as set out in Appendix I to the Circular, the Group has external borrowings of approximately HK$925.8 million as at 30th November 2007. Assuming that the Group had not incurred any other indebtedness in the period from 30th November 2007 up to the completion of the Open Offer, the gearing ratio (calculated as net borrowings, after bank balances and cash, over shareholders' fund) of the Group is expected to improve immediately upon completion of the Open Offer.

As at 30th June 2007, the Group had a gearing of approximately 13.09%. On the assumption that the Group had not incurred any other indebtedness in the period from 1st July 2007 up to the completion of the Open Offer, the Group will have no gearing upon the completion of the Open Offer.

**VIII. The Underwriting Arrangement**

The Open Offer is fully underwritten by Vigor and is subject to the terms and conditions of the Underwriting Agreement. Pursuant to the Underwriting Agreement, Vigor shall subscribe for up to 169,699,147 Offer Shares, which are not taken up by the Qualifying Shareholders. No underwriting commission will be received by Vigor under the terms and conditions of the Underwriting Agreement.

We note from previous open offer transactions in the market that underwriters generally charge underwriting commissions of approximately 1.00% to 3.00% on funds raised subject to different market condition and terms of the open offer. We consider that the underwriting arrangement under the Open Offer is fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

The terms of the Underwriting Agreement, including termination of the Underwriting Agreement and conditions of the Underwriting Agreement, are set out in the Letter from the Board.

Independent Shareholders should note that the Open Offer and the Underwriting Agreement are inter-conditional.

**IX. Absence of arrangement for application for excess Offer Shares with Warrants**

As set out in the Letter from the Board, in order to lower the administrative cost, the Directors have made no arrangement for application for excess Offer Shares with Warrants by the Qualifying Shareholders under the Open Offer. Hence, if the Qualifying Shareholders do not accept the Offer Shares to which they are entitled, Vigor would have to take up the unsubscribed Offer Shares with Warrants, under the obligation as the Underwriter, at the Subscription Price.

We wish to draw the attention of Independent Shareholders to the fact that, pursuant to the Underwriting Agreement, under the obligation as the Underwriter, Vigor has to take up the unsubscribed Offer Shares whilst other Shareholders cannot further participate in the Open Offer in excess of their entitlements. We consider that such arrangement may not be considered desirable from the point of view of those Qualifying Shareholders who wish to take up the Offer Shares with the Warrants in excess of their entitlements. However, we consider that that the aforesaid should be balanced against the facts that given the terms of the Open Offer are structured with an intention to encourage the Qualifying Shareholders to take up their respective assured allotment of the Offer Shares (as the Subscription Price is set at a discount to the prevailing market price of the Shares which provides reasonable attractiveness to the Qualifying Shareholders), it is reasonable to expect that a majority of the Qualifying Shareholders will apply and pay for their respective assured allotment of the Offer Shares with the Warrants and, therefore, the Offer Shares with the Warrants available for the excess application arrangement are expected to be minimal and the absence of an excess application arrangement may not be considered material to the Qualifying Shareholders.

**X. The Whitewash Waiver**

As at the date of the Underwriting Agreement, Vigor was interested in 106,484,400 Shares, representing approximately 38.56% of the issued share capital of the Company. In the event that Vigor is required to take up all 169,699,147 Offer Shares with 67,879,659 Warrants (being its underwritten commitment pursuant to the Underwriting Agreement), Vigor will be interested in a total of 382,667,947 Shares, representing approximately 69.28% of the issued share capital of the Company as enlarged by the issue of the Offer Shares (assuming the Warrants are not exercised) and 493,141,366 Shares which represents approximately 74.40% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and Shares issued under the Warrant Issue (assuming the Warrants are fully exercised). Pursuant to Rule 26 of the Takeovers Code, Vigor will then be obliged to make a mandatory general offer for all the Shares not already owned by them.

An application has been made to the Executive by Vigor for the Whitewash Waiver. The Executive has indicated that subject to the approval of the Independent Shareholders taken by way of poll at SGM, it will grant the Whitewash Waiver. As stated in the Letter from the Board, the Open Offer and the Underwriting Agreement are inter-conditional and that it is one of the conditions of the Underwriting Agreement that the Whitewash Waiver be obtained. If the Whitewash Waiver is not obtained or not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Open Offer will not proceed.

If the Whitewash Waiver is not approved by the Independent Shareholders at the SGM, the Open Offer will not proceed and the Company will lose all the benefits that are expected to be brought by the Open Offer, including but not limited to, the availability of funds out of the net proceeds to be raised from the Open Offer for strengthening the financial position and the future development of the Group.

Based on our analysis of the terms of the Open Offer, we consider that the Open Offer is in the interests of the Company and the Shareholders as a whole. We are of the view that for the purpose of implementing the Open Offer, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM is in the interests of the Company and the Shareholders as a whole.

**RECOMMENDATION**

We note the dilution in net tangible asset value per Share on pro forma basis. Nonetheless, having considered the above principal factors and reasons for the Open Offer, the Warrant Issue and the Whitewash Waiver, in particular,

(i) the net proceeds from the Open Offer can strengthen the Group's capital base, lower the gearing of the Group, improve the working capital and enhance the Group's bargaining position to procure, and to obtain, financing for future potential investment opportunities. As at 30th November 2007, the Group had an indebtedness of approximately HK$925.8 million. All the outstanding borrowings are due within the next 12 months. We concur with the Directors that there are concerns over the economic outlook and the volatility in the financial market which may continue to influence investor sentiments and may lead to problems like the tightening of liquidity and the slow down in economic growth. We consider that it is important to strengthen the financial position of the Group and we are of the view that the Open Offer can help enhancing the working capital position of the Group; and

(ii) the Whitewash Waiver is a condition precedent to the Open Offer and the Warrant Issue. If the Whitewash Waiver is not approved by the Independent Shareholders, the Open Offer and the Warrant Issue will not proceed and the Company will lose all the benefits as mentioned in (i) above that are expected to be brought about by the completion of the Open Offer and the Warrant Issue,

we consider that the terms of the Open Offer, the Warrant Issue and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offer is in the interests of the Group and the Independent Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve, inter alia, the Open Offer, the Warrant Issue, the Whitewash Waiver and the Specific Mandate.

Shareholders should note that, pursuant to the expected timetable as set out in the Circular, the Shares will be dealt with on an ex-entitlement basis from 10th January 2008. If Vigor terminates the Underwriting Agreement, or any of the conditions of the Underwriting Agreement is not fulfilled (or waived by Vigor), the Open Offer will not proceed. Any person dealing in the Shares on an ex-entitlement basis will accordingly bear the risk that the Underwriting Agreement may not become unconditional and the Open Offer may not proceed. Any Shareholder or other person contemplating selling or purchasing the Shares from now up to the day on which the Underwriting Agreement becomes unconditional, who is in doubt about his/her position, is recommended to consult his/her own professional advisers.

Yours faithfully,
For and on behalf of
**Asia Investment Management Limited**
**Alice Kan**
*Managing Director*

## 1. SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated income statements and consolidated balance sheets of the Group for the last three years ended 31st December, 2006, as extracted from the relevant published annual reports of the Company for the last three years ended 31st December 2006. Due to the adoption of new Hong Kong Financial Reporting Standards in 2005, certain financial information has been restated to conform with new accounting policies adopted by the Group in 2004.

The auditors' reports from Deloitte Touche Tohmatsu in respect of the Group's audited consolidated financial statements for each of the three years ended 31st December 2004, 2005 and 2006 did not contain any qualifications. There were no other exceptional items or extraordinary items of the Group during each of the three years ended 31st December 2004, 2005 and 2006.

### CONSOLIDATED INCOME STATEMENT

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2006** | **2005** | **2004** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Turnover | 1,229,840 | 223,086 | 847,491 |
| Sales of mobile phones | 67,098 | 66,309 | 237,205 |
| Rental income | 3,801 | 2,723 | 2,444 |
| | 70,899 | 69,032 | 239,649 |
| Cost of sales | (65,493) | (62,541) | (203,533) |
| Gross profit | 5,406 | 6,491 | 36,116 |
| Dividend income from listed investments | 17,717 | 11,706 | 10,927 |
| Interest income from loan receivables | 9,071 | 11,693 | 11,874 |
| Commission income | – | – | 3,854 |
| Net gain on investments | 801,269 | 79,562 | 173,396 |
| Other income | 22,445 | 14,950 | 13,158 |
| Distribution costs | (4,655) | (6,060) | (11,702) |
| Administrative expenses | (64,307) | (27,705) | (40,389) |
| Other expenses | (988) | (136) | (547) |
| Finance costs | (10,897) | (1,571) | (530) |
| Gain on disposal of an associate | 1,740 | – | – |
| Gain on disposal of a subsidiary | – | 3,544 | – |
| Fair value changes on investment properties | 6,856 | 11,360 | 5,540 |
| Revaluation surplus on buildings | 387 | 773 | 1,704 |
| Profit before taxation | 784,044 | 104,607 | 203,401 |
| Tax charge | (11,527) | (99) | (127) |
| Profit for the year | 772,517 | 104,508 | 203,274 |

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2006** | **2005** | **2004** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Attributable to: | | | |
| Equity holders of the Company | 772,468 | 104,511 | 203,274 |
| Minority interests | 49 | (3) | – |
| | 772,517 | 104,508 | 203,274 |
| Dividends | | | |
| – Dividends paid | 14,280 | 15,060 | 17,876 |
| – Dividends proposed | 11,280 | 11,879 | 12,070 |
| Earnings per share | | | |
| – Basic | HK$2.67 | HK$0.35 | HK$0.58 |
| Dividends per share | 5.0 cents | 5.0 cents | 5.0 cents |

**CONSOLIDATED BALANCE SHEET**

| | At 31 December | | |
|---|---|---|---|
| | **2006** | **2005** | **2004** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | (Restated) |
| Non-current assets | | | |
| Investment properties | 81,589 | 136,526 | 44,640 |
| Property, plant and equipment | 4,712 | 51,825 | 3,884 |
| Prepaid lease payments | 2,424 | 2,483 | 2,542 |
| Investment in an associate | – | – | – |
| Investment in securities | – | – | 313,919 |
| Available-for-sale investments | 557,375 | 171,633 | – |
| Loan notes | 50,476 | 86,805 | – |
| Convertible bonds | 6,626 | – | – |
| Other non-current assets | – | – | 528 |
| | 703,202 | 449,272 | 365,513 |
| Current assets | | | |
| Inventories held for sale-finished goods | 1,471 | 1,495 | 9,626 |
| Investments in securities | – | – | 709,854 |
| Investments held for trading | 1,690,510 | 886,464 | – |
| Amount due from a minority shareholder | – | 4,805 | – |
| Debtors, deposits and prepayments | 33,708 | 12,501 | 28,405 |
| Loan receivables | 123,598 | 74,429 | 103,018 |
| Tax recoverable | 3,543 | – | – |
| Pledged bank deposits | – | 10,526 | 15,182 |
| Bank balances and cash | 58,007 | 16,819 | 32,265 |
| | 1,910,837 | 1,007,039 | 898,350 |
| Assets classified as held for sale | 134,419 | – | – |
| | 2,045,256 | 1,007,039 | 898,350 |
| Current liabilities | | | |
| Creditors and accrued charges | 55,480 | 41,176 | 32,383 |
| Customers' deposits and receipts in advance | 31,283 | 2,713 | 3,513 |
| Other borrowings | 170,100 | 100,986 | – |
| Taxation payable | 15,657 | 4,315 | 4,315 |
| | 272,520 | 149,190 | 40,211 |
| Liabilities associated with assets classified as held for sale | 60,044 | – | – |
| | 332,564 | 149,190 | 40,211 |
| Net current assets | 1,712,692 | 857,849 | 858,139 |
| | 2,415,894 | 1,307,121 | 1,223,652 |

| | At 31 December | | |
|---|---|---|---|
| | **2006** | **2005** | **2004** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | (Restated) |
| Capital and reserves | | | |
| Share capital | 2,829 | 2,975 | 3,018 |
| Reserves | 2,396,218 | 1,281,957 | 1,220,634 |
| Equity attributable to equity holders of the Company | 2,399,047 | 1,284,932 | 1,223,652 |
| Minority interests | 16,847 | 16,798 | – |
| Total equity | 2,415,894 | 1,301,730 | 1,223,652 |
| Non-current liability | | | |
| Deferred tax liability | – | 5,391 | – |
| | 2,415,894 | 1,307,121 | 1,223,652 |

**2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31ST DECEMBER, 2006**

The following is the audited financial statements and notes to the financial statements of the Group for the year ended 31st December, 2006 extracted from the annual report 2006 of the Company:

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2006*

| | Notes | 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|---|
| Turnover | 6 | 1,229,840 | 223,086 |
| Sales of mobile phones | | 67,098 | 66,309 |
| Rental income | | 3,801 | 2,723 |
| | | 70,899 | 69,032 |
| Cost of sales | | (65,493) | (62,541) |
| Gross profit | | 5,406 | 6,491 |
| Dividend income from listed investments | | 17,717 | 11,706 |
| Interest income from loan receivables | | 9,071 | 11,693 |
| Net gain on investments | 8 | 801,269 | 79,562 |
| Other income | 9 | 22,445 | 14,950 |
| Distribution costs | | (4,655) | (6,060) |
| Administrative expenses | | (64,307) | (27,705) |
| Other expenses | | (988) | (136) |
| Finance costs | 10 | (10,897) | (1,571) |
| Gain on disposal of an associate | | 1,740 | – |
| Gain on disposal of a subsidiary | 40 | – | 3,544 |
| Fair value changes on investment properties | | 6,856 | 11,360 |
| Revaluation surplus on buildings | | 387 | 773 |
| Profit before taxation | | 784,044 | 104,607 |
| Tax charge | 12 | (11,527) | (99) |
| Profit for the year | 13 | 772,517 | 104,508 |
| Attributable to: | | | |
| Equity holders of the Company | | 772,468 | 104,511 |
| Minority interests | | 49 | (3) |
| | | 772,517 | 104,508 |
| Dividends | 14 | | |
| – Dividends paid | | 14,280 | 15,060 |
| – Dividends proposed | | 11,280 | 11,879 |
| Earnings per share | 15 | | |
| – Basic | | HK$2.67 | HK$0.35 |

**CONSOLIDATED BALANCE SHEET**

*At 31 December 2006*

| | *Notes* | **2006** *HK$'000* | **2005** *HK$'000* |
|---|---|---|---|
| Non-current assets | | | |
| Investment properties | *16* | 81,589 | 136,526 |
| Property, plant and equipment | *17* | 4,712 | 51,825 |
| Prepaid lease payments | *18* | 2,424 | 2,483 |
| Investment in an associate | | – | – |
| Available-for-sale investments | *19* | 557,375 | 171,633 |
| Loan notes | *20* | 50,476 | 86,805 |
| Convertible bonds | *21* | 6,626 | – |
| | | 703,202 | 449,272 |
| Current assets | | | |
| Inventories held for sale-finished goods | | 1,471 | 1,495 |
| Investments held for trading | *22* | 1,690,510 | 886,464 |
| Amount due from a minority shareholder | *23* | – | 4,805 |
| Debtors, deposits and prepayments | *24* | 33,708 | 12,501 |
| Loan receivables | *25* | 123,598 | 74,429 |
| Tax recoverable | | 3,543 | – |
| Pledged bank deposits | *26* | – | 10,526 |
| Bank balances and cash | *26* | 58,007 | 16,819 |
| | | 1,910,837 | 1,007,039 |
| Assets classified as held for sale | *27* | 134,419 | – |
| | | 2,045,256 | 1,007,039 |

| | Notes | 2006<br>HK$'000 | 2005<br>HK$'000 |
|---|---|---|---|
| Current liabilities | | | |
| Creditors and accrued charges | 28 | 55,480 | 41,176 |
| Customers' deposits and receipts in advance | | 31,283 | 2,713 |
| Other borrowings | 29 | 170,100 | 100,986 |
| Taxation payable | | 15,657 | 4,315 |
| | | 272,520 | 149,190 |
| Liabilities associated with assets classified as held for sale | 27 | 60,044 | – |
| | | 332,564 | 149,190 |
| Net current assets | | 1,712,692 | 857,849 |
| | | 2,415,894 | 1,307,121 |
| Capital and reserves | | | |
| Share capital | 30 | 2,829 | 2,975 |
| Reserves | | 2,396,218 | 1,281,957 |
| Equity attributable to equity holders of the Company | | 2,399,047 | 1,284,932 |
| Minority interests | | 16,847 | 16,798 |
| Total equity | | 2,415,894 | 1,301,730 |
| Non-current liability | | | |
| Deferred tax liability | 31 | – | 5,391 |
| | | 2,415,894 | 1,307,121 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2006*

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Building revaluation reserve** | **Investment revaluation reserve** | **Capital redemption reserve** | **Translation reserve** | **Retained profits** | **Total** | **Minority interests** | **Total equity** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2005 | 3,018 | 676,818 | 1,064 | 34,188 | 1,922 | (2) | 487,253 | 1,204,261 | – | 1,204,261 |
| Fair value changes on available-for-sale investments | – | – | – | (3,684) | – | – | – | (3,684) | – | (3,684) |
| Exchange differences arising from translation of financial statements of overseas subsidiaries | – | – | – | – | – | 472 | – | 472 | – | 472 |
| Net (expenses) income recognised directly in equity | – | – | – | (3,684) | – | 472 | – | (3,212) | – | (3,212) |
| Profit for the year | – | – | – | – | – | – | 104,511 | 104,511 | (3) | 104,508 |
| Total recognised income and (expense) for the year | – | – | – | (3,684) | – | 472 | 104,511 | 101,299 | (3) | 101,296 |
| Arising from acquisition of a subsidiary *(note 39)* | – | – | – | – | – | – | – | – | 11,996 | 11,996 |
| Capital contribution from a minority shareholder | – | – | – | – | – | – | – | – | 4,805 | 4,805 |
| Dividends paid | – | – | – | – | – | – | (15,060) | (15,060) | – | (15,060) |
| Repurchase of shares | (43) | (5,525) | – | – | 43 | – | (43) | (5,568) | – | (5,568) |
| At 31 December 2005 | 2,975 | 671,293 | 1,064 | 30,504 | 1,965 | 470 | 576,661 | 1,284,932 | 16,798 | 1,301,730 |
| Fair value changes on available-for-sale investments | – | – | – | 427,864 | – | – | – | 427,864 | – | 427,864 |
| Surplus on revaluation of buildings | – | – | 210 | – | – | – | – | 210 | – | 210 |
| Exchange differences arising from translation of financial statements of overseas subsidiaries | – | – | – | – | – | 499 | – | 499 | – | 499 |
| Net income recognised directly in equity | – | – | 210 | 427,864 | – | 499 | – | 428,573 | – | 428,573 |
| Transfer to profit or loss on disposal of available-for-sale investments | – | – | – | (26,268) | – | – | – | (26,268) | – | (26,268) |
| Profit for the year | – | – | – | – | – | – | 772,468 | 772,468 | 49 | 772,517 |
| Total recognised income for the year | – | – | 210 | 401,596 | – | 499 | 772,468 | 1,174,773 | 49 | 1,174,822 |
| Dividends paid | – | – | – | – | – | – | (14,280) | (14,280) | – | (14,280) |
| Repurchase of shares *(note 30)* | (146) | (46,232) | – | – | 146 | – | (146) | (46,378) | – | (46,378) |
| At 31 December 2006 | 2,829 | 625,061 | 1,274 | 432,100 | 2,111 | 969 | 1,334,703 | 2,399,047 | 16,847 | 2,415,894 |

**CONSOLIDATED CASH FLOW STATEMENT**

*For the year ended 31 December 2006*

| | Notes | 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before taxation | | 784,044 | 104,607 |
| Adjustments for: | | | |
| Interest income | | (11,013) | (14,837) |
| Depreciation of property, plant and equipment | | 389 | 617 |
| Write-down of inventories | | 1,070 | 92 |
| Interest expense | | 10,897 | 1,571 |
| Amortisation of prepaid lease payments | | 59 | 59 |
| Gain on disposal of an associate | | (1,740) | – |
| Net realised gain on derivatives | | (1,594) | (1,464) |
| Realisation gain on disposal of available-for-sale investments | | (26,268) | – |
| Changes in fair value of investments held for trading | | (439,498) | (61,506) |
| Discount on early redemption of loan notes | | 3,962 | 1,000 |
| Fair value changes on investment properties | | (6,856) | (11,360) |
| Revaluation surplus on buildings | | (387) | (773) |
| Gain on disposal of a subsidiary | | – | (3,544) |
| Operating cash flow before movements in working capital | | 313,065 | 14,462 |
| (Increase) decrease in inventories | | (1,046) | 8,039 |
| Increase in investments held for trading | | (362,954) | (122,997) |
| (Increase) decrease in debtors, deposits and prepayments | | (21,822) | 16,404 |
| (Increase) decrease in loan receivables | | (49,169) | 1,078 |
| Increase (decrease) in creditors and accrued charges | | 38,920 | (42,876) |
| Increase (decrease) in customers' deposits and receipts in advance | | 58,597 | (800) |
| Cash used in operating activities | | (24,409) | (126,690) |
| Interest paid | | (10,897) | (1,571) |
| Tax paid | | (3,718) | (100) |
| **NET CASH USED IN OPERATING ACTIVITIES** | | (39,024) | (128,361) |

| | Notes | 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|---|
| **INVESTING ACTIVITIES** | | | |
| Proceeds from disposal of available-for-sale investment | | 42,122 | – |
| Net proceeds from redemption of loan notes | | 39,503 | 59,000 |
| Decrease in pledged bank deposits | | 10,526 | 4,656 |
| Interest received | | 3,877 | 4,888 |
| Proceeds on disposal of an associate | | 1,740 | – |
| Purchases of investment property | | (19,114) | – |
| Purchases of convertible bond | | (6,626) | – |
| Purchases of property, plant and equipment | | (101) | (88) |
| Proceeds from disposal of an investment property | | – | 100 |
| Purchases of available-for-sale investments | | – | (7,760) |
| Acquisition of a subsidiary | *39* | – | (30,971) |
| Disposal of a subsidiary | *40* | – | 3,544 |
| **NET CASH FROM INVESTING ACTIVITIES** | | 71,927 | 33,369 |
| **FINANCING ACTIVITIES** | | | |
| New borrowings raised | | 1,451,630 | 151,048 |
| Repayments of borrowings | | (1,382,516) | (50,062) |
| Repurchase of shares | | (46,378) | (5,568) |
| Dividends paid | | (14,280) | (15,060) |
| **NET CASH FROM FINANCING ACTIVITIES** | | 8,456 | 80,358 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | 41,359 | (14,634) |
| **EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES** | | (171) | (812) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | | 16,819 | 32,265 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR,** represented by bank balances and cash | | 58,007 | 16,819 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2006*

### 1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed on page 2 of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 41.

### 2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRS")

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the Group's results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

| | |
|---|---|
| HKAS 1 (Amendment) | Capital disclosures [1] |
| HKFRS 7 | Financial instruments: Disclosures [1] |
| HKFRS 8 | Operating segments [2] |
| HK(IFRIC) – INT 7 | Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [3] |
| HK(IFRIC) – INT 8 | Scope of HKFRS 2 [4] |
| HK(IFRIC) – INT 9 | Reassessment of embedded derivatives [5] |
| HK(IFRIC) – INT 10 | Interim financial reporting and impairment [6] |
| HK(IFRIC) – INT 11 | HKFRS 2 – Group and Treasury Share Transactions [7] |
| HK(IFRIC) – INT 12 | Service concession arrangements [8] |

[1] *Effective for accounting periods beginning on or after 1 January 2007.*
[2] *Effective for accounting periods beginning on or after 1 January 2009.*
[3] *Effective for accounting periods beginning on or after 1 March 2006.*
[4] *Effective for accounting periods beginning on or after 1 May 2006.*
[5] *Effective for accounting periods beginning on or after 1 June 2006.*
[6] *Effective for accounting periods beginning on or after 1 November 2006.*
[7] *Effective for accounting periods beginning on or after 1 March 2007.*
[8] *Effective for accounting periods beginning on or after 1 January 2008.*

## 3. Significant accounting policies

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

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

***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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.

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 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.

***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and securities trading and investment in the normal course of business, net of discounts and sales related taxes.

Trading of securities is recognised on trade date basis when the relevant contracts are executed.

Sales of goods are recognised when goods are delivered and title has passed.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

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.

***Investment properties***

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. 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 consolidated income statement in the year in which the item is derecognised.

***Property, plant and equipment***

Property, plant and equipment, other than construction in progress, are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of buildings is credited to the building revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the building revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus is transferred directly to retained profits.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the 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 income statement in the year in which the item is derecognised.

***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.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or excess its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group 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 Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group'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 Group'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 a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

***Non-current assets held for sale***

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

***Prepaid lease payments***

Prepaid lease payments of land under operating lease are charged to the consolidated income statement on a straight-line basis over the lease terms.

***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 three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. 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. The accounting policies adopted in respect of each category of financial assets are set out below.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss comprise investments held for trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period 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. At each balance sheet date subsequent to initial recognition, loans and receivables including loan notes, convertible bonds, amount due from a minority shareholder, debtors, loan receivables, pledged bank deposits and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses. 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables and financial assets at fair value through profit or loss. 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 asset 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. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods.

***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 Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

*Financial liabilities*

Financial liabilities including creditors, customers' deposits and other 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.

***Derivative financial instruments***

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date.

*Embedded derivatives*

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

***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 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.

***Inventories***

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

***Impairment***

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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

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

***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 at 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.

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

Deferred tax 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.

***Borrowing costs***

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

***Leases***

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

*The 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*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

***Retirement benefits scheme***

Payments to the Group's defined contribution scheme or Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

***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 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.

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 Company (i.e. Hong Kong dollars) 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 period, 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 period in which the foreign operation is disposed of.

## 4. Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 3 above, management has made various estimates based on past experience, expectations of the future and other information. The key source of estimation uncertainty that can significantly affect the amounts recognised in the consolidated financial statements in the next year are set out below.

### *Income taxes*

As at 31 December 2006, no deferred tax asset was recognised in the Group's consolidated balance sheet in relation to the estimated unused tax losses of approximately HK$1,235 million. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the consolidated income statement for the period in which such a recognition takes place.

## 5. Financial instruments

The Group's major financial instruments include equity investments, loan notes, convertible bonds, loan receivables, debtors, creditors, customers' deposits, other borrowings and bank balances. 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. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Market risk***

*(i) Currency risk*

The Group is engaged in securities trading and investments which are denominated in foreign currencies and is therefore exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy.

However, the Group's management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. The management would seek financial consultant to advise on the investment portfolio held by the Group, if necessary.

*(ii) Price risk*

The Group's available-for-sale investments and investments held for trading are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity price risk. The Group's investment committee manages this exposure by maintaining a portfolio of investments with different risk profiles.

*(iii) Interest rate risk*

The Group's fair value interest rate risk relates primarily to fixed rate loan notes, fixed rate convertible bonds and fixed rate loan receivables. The Group's cash flow interest rate risk relates to its variable rate loan receivables and other borrowings.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

***Credit risk***

The Group's credit risk are primarily attributable to trade debtors, loan notes, convertible bonds, loan receivables, bank balances in financial instruments.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties failure to perform their obligations as at 31 December 2006 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 bank balances are deposited with banks of high credit ratings in Hong Kong.

The Group has significant concentration of credit risk on loan notes, convertible bonds and loan receivables as the credit risk on loan rates, convertible bonds and loan receivables are mainly attributable from certain limited counterparties, other than the aforesaid, there is no significant concentration of credit risk in trade debtors as the exposure spread over a number of counter-parties and customers.

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade debt, loan notes, convertible bonds, and loan receivables regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significant reduced.

***Fair value***

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

- the fair values 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 and ask prices; the fair values of the unit trusts have been determined by reference to the published price quotations; the fair values of the club debentures have been determined by reference to the recent transaction prices of similar club debentures;

- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates; and

- the fair values of derivative instruments are calculated using quoted prices from independent financial institutions. Where such prices are not available, the fair value of a non-option derivative is estimated using discounted cash flow analysis and the applicable yield curve. For an option 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 in the consolidated financial statements approximate their fair value.

## 6. Turnover

| | 2006 | 2005 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Sales of mobile phones | 67,098 | 66,309 |
| Proceeds from sales of investments held for trading | 1,132,153 | 130,655 |
| Dividend income from listed investments | 17,717 | 11,706 |
| Interest income from loan receivables | 9,071 | 11,693 |
| Rental income | 3,801 | 2,723 |
| | 1,229,840 | 223,086 |

## 7. Business and geographical information

***Business segments***

The Group is currently organised into four main operating divisions – mobile phone distribution, securities trading and investments, financial services and property investment. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

**For the year ended 31 December 2006**

| | Mobile phone distribution | Securities trading and investments | Financial services | Property investment | Consolidated |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Turnover | 67,098 | 1,149,870 | 9,071 | 3,801 | 1,229,840 |
| Segment result | (4,856) | 835,379 | 8,832 | 9,081 | 848,436 |
| Gain on disposal of an associate | | | | | 1,740 |
| Revaluation surplus on buildings | | | | | 387 |
| Unallocated other income | | | | | 2,470 |
| Unallocated corporate expenses | | | | | (58,092) |
| Finance costs | | | | | (10,897) |
| Profit before taxation | | | | | 784,044 |
| Tax charge | | | | | (11,527) |
| Profit for the year | | | | | 772,517 |

| | Mobile phone distribution *HK$'000* | Securities trading and investments *HK$'000* | Financial services *HK$'000* | Property investment *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|
| **Balance sheet** | | | | | |
| ***Assets*** | | | | | |
| Segment assets | 10,232 | 2,332,833 | 127,585 | 88,529 | 2,559,179 |
| Assets classified as held for sale | – | – | – | 134,419 | 134,419 |
| Unallocated corporate assets | | | | | 54,860 |
| Consolidated total assets | | | | | 2,748,458 |
| ***Liabilities*** | | | | | |
| Segment liabilities | 5,083 | 215,280 | 2,658 | 11,138 | 234,159 |
| Liabilities associated with assets classified as held for sale | – | – | – | 60,044 | 60,044 |
| Unallocated corporate liabilities | | | | | 38,361 |
| Consolidated total liabilities | | | | | 332,564 |

| | Mobile phone distribution *HK$'000* | Securities trading and investments *HK$'000* | Financial services *HK$'000* | Property investment *HK$'000* | Unallocated *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|
| ***Other information*** | | | | | | |
| Capital expenditure | 89 | – | – | 19,114 | 12 | 19,215 |
| Depreciation | 92 | – | – | 141 | 156 | 389 |
| Write-down of inventories | 1,070 | – | – | – | – | 1,070 |

**For the year ended 31 December 2005**

| | Mobile phone distribution | Securities trading and investments | Financial services | Property investment | Consolidated |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Turnover | 66,309 | 142,361 | 11,693 | 2,723 | 223,086 |
| Segment result | (2,086) | 104,524 | 11,528 | 12,166 | 126,132 |
| Gain on disposal of a subsidiary | | | | | 3,544 |
| Revaluation surplus on buildings | | | | | 773 |
| Unallocated other income | | | | | 853 |
| Unallocated corporate expenses | | | | | (25,124) |
| Finance costs | | | | | (1,571) |
| Profit before taxation | | | | | 104,607 |
| Tax charge | | | | | (99) |
| Profit for the year | | | | | 104,508 |

| | Mobile phone distribution | Securities trading and investments | Financial services | Property investment | Consolidated |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Balance sheet** | | | | | |
| ***Assets*** | | | | | |
| Segment assets | 5,965 | 1,150,463 | 75,034 | 195,760 | 1,427,222 |
| Unallocated corporate assets | | | | | 29,089 |
| Consolidated total assets | | | | | 1,456,311 |
| ***Liabilities*** | | | | | |
| Segment liabilities | 3,789 | 101,834 | 1,550 | 35,518 | 142,691 |
| Unallocated corporate liabilities | | | | | 11,890 |
| Consolidated total liabilities | | | | | 154,581 |

| | Mobile phone distribution | Securities trading and investments | Financial services | Property investment | Unallocated | Consolidated |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| ***Other information*** | | | | | | |
| Capital expenditure | 56 | – | – | 17 | 15 | 88 |
| Depreciation | 281 | – | – | 112 | 224 | 617 |
| Write-down of inventories | 92 | – | – | – | – | 92 |
| Acquisition of a subsidiary in relation to investment property and construction in progress | – | – | – | 127,039 | – | 127,039 |

***Geographical segments***

The Group's operations are located in Hong Kong and the Mainland China ("China").

The Group's distribution of mobile phone, securities trading and investments, and financial services are carried out in Hong Kong. Rental income from property investment is derived from Hong Kong and China.

The following table provides an analysis of the Group's turnover by geographical market:

| | Turnover by geographical market | |
|---|---|---|
| | **2006** | **2005** |
| | *HK$'000* | *HK$'000* |
| Hong Kong | 1,227,902 | 221,932 |
| China | 1,938 | 1,154 |
| | 1,229,840 | 223,086 |

The following is an analysis of the carrying amount of segment assets, and additions to investment properties, property, plant and equipment, analysed by the geographical area in which the assets are located:

| | Carrying amount of segment assets | | Additions to investment properties, property, plant and equipment | |
|---|---|---|---|---|
| | **At 31.12.2006** | **At 31.12.2005** | **Year ended 31.12.2006** | **Year ended 31.12.2005** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Hong Kong | 2,490,594 | 1,259,467 | 19,215 | 88 |
| China | 68,585 | 167,755 | – | 127,039 |
| | 2,559,179 | 1,427,222 | 19,215 | 127,127 |

## 8. Net gain on investments

| | **2006** | **2005** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Net realised gain on disposal of investments held for trading | 337,871 | 17,592 |
| Change in fair value of investments held for trading *(Note a)* | 439,498 | 61,506 |
| Net realised gain on derivatives | 1,594 | 1,464 |
| Realisation gain on disposal of available-for-sale investments | 26,268 | – |
| Discount on early redemption of loan notes *(Note b)* | (3,962) | (1,000) |
| | 801,269 | 79,562 |

*Note:*

(a) Change in fair value of investments held for trading excludes dividend income.

(b) During the year, AG (as defined in note 20) early redeemed all of the loan notes at HK$43,465,000 with a discount on early redemption of HK$3,962,000 at the request of the Group. The net redemption proceed was HK$39,503,000.

During the year ended 31 December 2005, SHK (as defined in note 20) early redeemed part of the loan note at HK$60,000,000 with a discount on early redemption of HK$1,000,000 at the request of the Group. The net redemption proceed was HK$59,000,000.

## 9. Other income

| | **2006** | **2005** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interest income from: | | |
| – Loan notes | 9,287 | 14,077 |
| – Bank deposits | 1,412 | 695 |
| – Others | 314 | 65 |
| | 11,013 | 14,837 |
| Net exchange gain | 10,668 | – |
| Others | 764 | 113 |
| | 22,445 | 14,950 |

## 10. Finance costs

The amounts represent interest on other borrowings wholly repayable within five years.

## 11. Directors' emoluments and five highest paid individuals

### *Directors' emoluments*

The Directors' emoluments are analysed as follows:

| | For the year ended 31 December 2006 | | | | |
|---|---|---|---|---|---|
| | Directors' fees<br>*HK$'000* | Salaries and other benefits<br>*HK$'000* | Performance related incentive payments<br>*HK$'000*<br>*(Note)* | Retirement benefits scheme contributions<br>*HK$'000* | Total emoluments<br>*HK$'000* |
| **Executive Directors** | | | | | |
| Ms. Chong Sok Un | – | 455 | 42,000 | 12 | 42,467 |
| Dato' Wong Peng Chong | – | 1,300 | 200 | 12 | 1,512 |
| Mr. Kong Muk Yin | – | 920 | 160 | 12 | 1,092 |
| **Independent Non-executive Directors** | | | | | |
| Mr. Lo Wai On | 180 | – | – | – | 180 |
| Mr. Lau Siu Ki | 180 | – | – | – | 180 |
| Mr. Yu Qi Hao | 80 | – | – | – | 80 |
| Mr. Zhang Jian | – | – | – | – | – |
| | 440 | 2,675 | 42,360 | 36 | 45,511 |

| | For the year ended 31 December 2005 | | | | |
|---|---|---|---|---|---|
| | Directors' fees | Salaries and other benefits | Performance related incentive payments | Retirement benefits scheme contributions | Total emoluments |
| | *HK$'000* | *HK$'000* | *HK$'000* *(Note)* | *HK$'000* | *HK$'000* |
| **Executive Directors** | | | | | |
| Ms. Chong Sok Un | – | 455 | 13,000 | 12 | 13,467 |
| Dato' Wong Peng Chong | – | 1,300 | – | 12 | 1,312 |
| Mr. Kong Muk Yin | – | 715 | – | 12 | 727 |
| **Independent Non-executive Directors** | | | | | |
| Mr. Lo Wai On | 180 | – | – | – | 180 |
| Mr. Lau Siu Ki | 180 | – | – | – | 180 |
| Mr. Yu Qi Hao | 53 | – | – | – | 53 |
| | 413 | 2,470 | 13,000 | 36 | 15,919 |

*Note:* The performance related incentive payments are determined by reference to the individual performance of the Directors and approved by the Remuneration Committee.

During the year, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any remuneration during the year.

***Five highest paid individuals***

During the year, the five highest paid individuals included three Directors (2005: three), details of their emoluments are set out above. The emoluments for the remaining two (2005: two) highest paid individuals of the Group are as follows:

| | **2006** | **2005** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Salaries and other benefits | 1,325 | 1,245 |
| Retirement benefits scheme contributions | 24 | 24 |
| | 1,349 | 1,269 |

The emoluments are within the following bands:

| | **2006** | **2005** |
|---|---|---|
| | *Number of employees* | *Number of employees* |
| Nil to HK$1,000,000 | 2 | 2 |

**12. Tax charge**

| | **2006** | **2005** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Current tax: | | |
| Profits Tax in Hong Kong | (11,342) | – |
| Enterprise income tax in China | (185) | (99) |
| | (11,527) | (99) |

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

Enterprise income tax in China is calculated at 33.3% of estimated assessable profit for both years except for the subsidiary which is eligible for certain tax holidays and concessions on China income tax.

No provision for Hong Kong Profits Tax was made for the year ended 31 December 2005 as the assessable profits were wholly absorbed by estimated tax losses brought forward.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

| | **2006** | **2005** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Profit before taxation | 784,044 | 104,607 |
| Tax at the income tax rate of 17.5% | (137,208) | (18,306) |
| Tax effect of expenses that are not deductible | (10,479) | (2,029) |
| Tax effect of income that is not taxable | 82,438 | 6,055 |
| Utilisation of tax losses previously not recognised | 54,539 | 14,914 |
| Tax effect of tax losses not recognised | (989) | (1,019) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (83) | (45) |
| Others | 255 | 331 |
| Tax charge for the year | (11,527) | (99) |

### 13. Profit for the year

| | 2006 | 2005 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Profit for the year has been arrived at after charging (crediting): | | |
| Auditors' remuneration | 1,020 | 918 |
| Cost of inventories recognised as expenses | 62,847 | 60,532 |
| Amortisation of prepaid lease payments | 59 | 59 |
| Depreciation of property, plant and equipment | 389 | 617 |
| Write-down of inventories | 1,070 | 92 |
| Staff costs, inclusive of directors' emoluments | 52,560 | 24,095 |
| Gross rental income from properties | (3,801) | (2,723) |
| *Less:* Direct operating expenses that generated rental income | 1,535 | 1,671 |
| Direct operating expenses that did not generate rental income | 41 | 246 |
| Net rental income | (2,225) | (806) |
| Net exchange loss | – | 159 |

### 14. Dividends

| | 2006 | 2005 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Dividends recognised as distribution during the year: | | |
| Interim dividend, paid – HK$0.01 per share (2005: HK$0.01) | 2,855 | 2,990 |
| 2005 Final dividend paid – HK$0.04 per share | 11,425 | – |
| 2004 Final dividend paid – HK$0.04 per share | – | 12,070 |
| | 14,280 | 15,060 |

The final dividend of HK$0.04 per share for the year ended 31 December 2006 has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting.

### 15. Earnings per share

The calculation of basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

| | 2006 | 2005 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Earnings for the purpose of basic earnings per share (Profit for the year attributable to equity holders of the Company) | 772,468 | 104,511 |

| | 2006 | 2005 |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 289,070,361 | 300,660,114 |

No diluted earnings per share have been presented as there were no potential ordinary shares issued in both years.

### 16. Investment properties

| | *HK$'000* |
|---|---|
| FAIR VALUE | |
| At 1 January 2005 | 44,640 |
| Exchange adjustments | 621 |
| Acquired on acquisition of a subsidiary | 80,005 |
| Disposal | (100) |
| Gain on fair value change for the year | 11,360 |
| At 31 December 2005 | 136,526 |
| Exchange adjustments | 321 |
| Addition | 19,114 |
| Investment property held for sale *(note 27)* | (80,953) |
| Transfer from building | 780 |
| Transfer to building | (1,055) |
| Gain on fair value change for the year | 6,856 |
| At 31 December 2006 | 81,589 |

The Group's investment properties are analysed as follows:

| | 2006 | 2005 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Properties held under medium term leases: | | |
| – in Hong Kong | 53,559 | 30,510 |
| – in China | 24,950 | 103,176 |
| Properties situated in China held under long leases | 3,080 | 2,840 |
| | 81,589 | 136,526 |

The fair value of the Group's investment properties at 31 December 2006 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

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

## 17. Property, plant and equipment

| | Construction in progress *HK$'000* | Buildings in Hong Kong under medium-term lease *HK$'000* | Computer and electronic equipment *HK$'000* | Furniture and fixtures *HK$'000* | Motor vehicles *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| COST OR VALUATION | | | | | | |
| At 1 January 2005 | – | 2,608 | 2,148 | 3,058 | 501 | 8,315 |
| Exchange adjustment | 663 | – | – | – | – | 663 |
| Additions | – | – | 37 | 51 | – | 88 |
| Revaluation increase | – | 712 | – | – | – | 712 |
| Acquired on acquisition of a subsidiary | 47,034 | – | – | – | – | 47,034 |
| At 1 January 2006 | 47,697 | 3,320 | 2,185 | 3,109 | 501 | 56,812 |
| Exchange adjustment | 349 | – | – | – | – | 349 |
| Additions | – | – | 100 | 1 | – | 101 |
| Revaluation increase | – | 510 | – | – | – | 510 |
| Transfer from investment properties | – | 1,055 | – | – | – | 1,055 |
| Transfer to investment properties | – | (780) | – | – | – | (780) |
| Assets as held for sale *(note 27)* | (48,046) | – | – | – | – | (48,046) |
| At 31 December 2006 | – | 4,105 | 2,285 | 3,110 | 501 | 10,001 |
| Comprising: | | | | | | |
| At cost | – | – | 2,285 | 3,110 | 501 | 5,896 |
| At valuation – 2006 | – | 4,105 | – | – | – | 4,105 |
| | – | 4,105 | 2,285 | 3,110 | 501 | 10,001 |
| ACCUMULATED DEPRECIATION | | | | | | |
| At 1 January 2005 | – | – | 1,633 | 2,297 | 501 | 4,431 |
| Provided for the year | – | 61 | 312 | 244 | – | 617 |
| Eliminated on revaluation | – | (61) | – | – | – | (61) |
| At 1 January 2006 | – | – | 1,945 | 2,541 | 501 | 4,987 |
| Provided for the year | – | 87 | 139 | 163 | – | 389 |
| Eliminated on revaluation | – | (87) | – | – | – | (87) |
| At 31 December 2006 | – | – | 2,084 | 2,704 | 501 | 5,289 |
| CARRYING VALUES | | | | | | |
| At 31 December 2006 | – | 4,105 | 201 | 406 | – | 4,712 |
| At 31 December 2005 | 47,697 | 3,320 | 240 | 568 | – | 51,825 |

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Buildings | Over the shorter of the lease terms or 30-50 years |
| Computer and electronic equipment | 20% |
| Furniture and fixtures | 20% |
| Motor vehicles | 20% – 50% |

The buildings of the Group were valued on 31 December 2006 by DTZ Debenham Tie Leung Limited, a firm of independent professional property valuers, on a market value basis. DTZ Debenham Tie Leung Limited is not connected with the Group. The revaluation surplus on buildings of HK$597,000 (2005: HK$773,000) has been credited to the consolidated income statement and to the building revaluation reserve of HK$387,000 and HK$210,000 respectively.

If the buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$2,156,000 (2005: HK$2,239,000).

**18. Prepaid lease payments**

The Group's prepaid lease payments represent leasehold land in Hong Kong held under medium term leases.

The leasehold land is amortised on a straight-line basis over the remaining term of the leases.

**19. Available-for-sale investments**

Available-for-sale investments comprise:

| | **2006** | **2005** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Listed investments: | | |
| – Equity securities listed in Hong Kong | 420,503 | 134,261 |
| – Equity securities listed elsewhere *(Note)* | 115,607 | 19,272 |
| | 536,110 | 153,533 |
| Unlisted investments: | | |
| – Unit trusts | 20,737 | 17,572 |
| – Club debentures | 528 | 528 |
| | 21,265 | 18,100 |
| Total | 557,375 | 171,633 |

*Note:* The currency of the equity securities listed elsewhere is mainly denominated in Taiwan dollar.

**20. Loan notes**

The loan notes were issued by Sun Hung Kai & Co. Limited ("SHK") and Allied Group Limited ("AG"). The loan notes bear interest at 4% per annum (effective interest rate: 7.9%) for SHK and 2.25% per annum (effective interest rate: 7.5%) for AG and are redeemable by SHK and AG at SHK's and AG's option on or before 7 March 2008 and 15 August 2008 respectively unless specifically agreed by both parties.

During the year, AG early redeemed all of its issued loan note at the request of the Group. As at 31 December 2006, the entire balance represented loan note issued by SHK.

### 21. Convertible bonds

| | 2006 |
|---|---|
| | *HK$'000* |
| Unlisted debt securities | 6,626 |

The Convertible Bonds (the "Bonds") carry the right to convert the principal amount of the Bonds into shares of HK$2.00 each in the share capital of the Bonds Issuer namely, Allied Properties (H.K.) Limited ("Bonds Issuer") at conversion price of HK$10.00 per share. The Group has the right to convert the outstanding principal amount of the Bonds into shares of the Bonds Issuer from 1 July 2009 and ending on the business day falling ten business days immediately preceding 9 November 2011 ("Conversion Period") at the initial rate of one Bonds to one new share of the Bond Issuer.

The Bonds bear interest at 7% per annum before the commencement of the Conversion Period and 4% per annum during the Conversion Period. The effective interest rate is 7%. The Bonds contain embedded derivative for the conversion option of the Bonds. The Group has assessed the fair value of the embedded derivative using the Binomial model and considered that there is no material financial impact on the result and the financial position of the Group.

### 22. Investments held for trading

Investments held for trading include:

| | 2006 | 2005 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Listed securities: | | |
| – Equity securities listed in Hong Kong | 1,150,189 | 571,410 |
| – Equity securities listed elsewhere *(Note)* | 540,321 | 315,054 |
| | 1,690,510 | 886,464 |

As at 31 December 2006, particulars of the Group's investments in the equity securities which exceed 10% of the assets of the Group disclosed pursuant to Section 129(2) of the Hong Kong Companies Ordinance are as follows:

| **Name of company** | **Place of incorporation** | **Class of shares** | **Percentage of issued share capital held by the Group** |
|---|---|---|---|
| Allied Group Limited | Hong Kong | Ordinary | 10.3% |
| Sun Hung Kai & Co. Limited | Hong Kong | Ordinary | 5.9% |
| Mount Gibson Iron Limited | Australia | Ordinary | 9.0% |

*Note:* The currency of the equity securities listed elsewhere is mainly denominated in Australian dollar.

## 23. Amount due from a minority shareholder

At 31 December 2005, the amount was unsecured, interest bearing at prime rate and was repayable within six months.

## 24. Debtors, deposits and prepayments

The Group has a policy of allowing an average credit period of 30-90 days to its trade debtors.

An aged analysis of trade debtors is as follows:

| | **2006** | **2005** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within 90 days | 6,150 | 2,409 |
| 91 – 180 days | 992 | – |
| 181 – 360 days | 258 | 93 |
| | 7,400 | 2,502 |
| Other debtors, deposits and prepayments | 26,308 | 9,999 |
| | 33,708 | 12,501 |

**25. Loan receivables**

| | **2006** | **2005** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Fixed-rate loan | 121,380 | 62,429 |
| Variable-rate loan | 2,218 | 12,000 |
| | 123,598 | 74,429 |

The average interest rate for the fixed-rate loan receivables was approximately 11% (2005: 12%) per annum.

The contracted interest rates of the variable-rate loan receivables denominated in Hong Kong dollars range from The Hongkong and Shanghai Banking Corporation Limited ("HSBC") prime rate to HSBC prime rate plus 2% (effective interest rate: 10%). Interest is normally repriced at every six months.

Fixed-rate loan receivables amounting to HK$80,102,000 (2005: HK$2,400,000) and variable-rate loan receivables amounting to HK$2,218,000 (2005: HK$12,000,000) are secured loans.

**26. Pledged bank deposits and bank balances and cash**

Bank balances carry interest at market rates which range from 2.75% to 4.60% (2005: 0.03% to 3.90%). The pledged bank deposits at 31 December 2005 represented deposit pledged to bank to secure banking facilities granted to the Group and carry fixed interest rate range from 0.38% to 3.16%. Such pledged bank deposits were released during the year.

**27. Disposal group classified as held for sale**

On 23 March 2006, the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party pursuant to which the Group agreed to dispose of and the independent third party agreed to purchase the entire 75% equity interest in 深圳市天利安實業發展有限公司 ("天利安"), a non-wholly owned subsidiary of the Company, together with the amount due from a minority shareholder at an aggregate consideration of RMB99,900,000 (equivalent to HK$99,900,000), of which a deposit of RMB31,220,000 (equivalent to HK$30,027,000) had been received. The consideration was subsequent increased to RMB102,550,000 (equivalent to HK$102,550,000) and the Agreement was completed on 3 April 2007. The profit from the disposal will be reflected in the Group's consolidated financial statements for the year ending 31 December 2007. The assets and liabilities related to 天利安, have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet.

The major classes of assets and liabilities associated with the disposal group classified as held for sale are as follows:

| | **31.12.2006** |
|---|---|
| | *HK$'000* |
| Investment property | 80,953 |
| Construction in progress | 48,046 |
| Debtors, deposits and prepayments | 615 |
| Amount due from a minority shareholder | 4,805 |
| Total assets classified as held for sale | 134,419 |
| Creditors and accrued charges | 24,616 |
| Deposit received | 30,027 |
| Deferred tax liability | 5,391 |
| Taxation payable | 10 |
| Liabilities associated with assets classified as held for sale | 60,044 |

## 28. Creditors and accrued charges

Creditors and accrued charges principally comprise amounts outstanding for trade purpose and ongoing costs.

An aged analysis of trade creditors is as follows:

| | **2006** | **2005** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade creditors due within 90 days | 14,684 | 35 |
| Other creditors and accrued charges | 40,796 | 41,141 |
| | 55,480 | 41,176 |

## 29. Other borrowings

Other borrowings represent securities margin financing received from stock broking, futures and options broking house. The entire borrowings are secured by the Group's pledged marketable securities, repayable on demand and bear interest range from 4.35% to 8.25% (2005: 4.0% to 8.0%).

## 30. Share capital

| | Number of shares | | Value | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| | | | *HK$'000* | *HK$'000* |
| Ordinary shares of HK$0.01 each | | | | |
| *Authorised:* | | | | |
| At beginning and end of the year | 30,000,000,000 | 30,000,000,000 | 300,000 | 300,000 |
| *Issued and fully paid:* | | | | |
| At beginning of the year | 297,479,547 | 301,755,547 | 2,975 | 3,018 |
| Repurchase of shares | (14,596,000) | (4,276,000) | (146) | (43) |
| At end of the year | 282,883,547 | 297,479,547 | 2,829 | 2,975 |

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

| Month of repurchase | Number of ordinary shares of HK$0.10 each | Price per share Highest | Price per share Lowest | Aggregate consideration paid |
|---|---|---|---|---|
| | | *HK$* | *HK$* | *HK$'000* |
| February 2006 | 504,000 | 1.26 | 1.25 | 634 |
| April 2006 | 2,000,000 | 2.68 | 2.48 | 5,202 |
| May 2006 | 9,352,000 | 3.33 | 3.00 | 30,014 |
| October 2006 | 112,000 | 3.15 | 3.14 | 352 |
| November 2006 | 2,628,000 | 3.88 | 3.79 | 10,176 |
| | 14,596,000 | | | 46,378 |

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase of the shares of HK$46,232,000 has been charged to the share premium account. An amount equivalent to the nominal value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchases of the Company's shares during the year were effected by the Directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

**31. Deferred taxation**

At 31 December 2005, deferred tax liability amounting to HK$5,391,000 was due to the acquisition of a subsidiary. The amount was classified as liabilities associated with assets classified as held for sale as at 31 December 2006.

At 31 December 2006, the Group has estimated unused tax losses of approximately HK$1,235 million (2005: HK$1,541 million), for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

The Group has deductible temporary differences of approximately HK$34 million (2005: HK$37 million). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

**32. Contingent liabilities**

(a) In respect of the disposal of a subsidiary in prior years, the Group has given an indemnity to the purchaser against all liabilities, losses, costs and expenses suffered and/or incurred by the purchaser in relation to or arising out of the assignment of certain of the subsidiary's business contracts.

(b) In 1997, the Group had given a counter-indemnity to a former substantial shareholder and the ex-chairman of PCCW Limited (formerly known as Tricom Holdings Limited ("Tricom")), and Chambord Investment Inc. in respect of certain indemnities given to Tricom at the time of and to facilitate the listing of Tricom's shares on the Stock Exchange. These indemnities related to the use of the Tricom tradename, the infringement of the permitted use of properties, the guarantees granted to Tricom to secure banking facilities and tax liabilities.

The Directors consider it is not possible to estimate the financial effect of the indemnities and warranty given.

**33. Litigation**

(a) In November 1998, a writ was issued against the Company's subsidiaries, Hongkong Digital Television Limited ("Digital TV", formerly known as Star Interactive Television Limited) and Star Telecom Services Limited ("STSL", formerly known as Hong Kong Star Internet Limited) by nCube Corporation ("nCube"), claiming the sum of approximately US$1,980,000 (equivalent to approximately HK$15,305,000) plus interest in relation to the alleged purchase of two MediaCube 3000 systems by Digital TV from nCube. The claim of nCube against STSL was on the basis of a chop of STSL on the contract between Digital TV and nCube. STSL had taken legal advice and had been advised that it was very unlikely that STSL would be held liable to the claim of nCube. Digital TV was also opposing the claim of nCube and had taken legal advice.

As advised by its lawyers, Digital TV had reasonable grounds in defending the claim and, accordingly, had not made any provision in the consolidated financial statements in connection with the claim. Digital TV filed a defence in this section on 14 December 1998 and nCube had failed to take further action since that date. There was no progress during the year in respect of the litigation.

(b) Stellar One Corporation ("Stellar One") served a statutory demand under Section 178 of the Hong Kong Companies Ordinance for the sum of approximately US$1,152,000 (equivalent to approximately HK$8,983,000) upon Digital TV in November 1998. Stellar One filed a winding up petition against Digital TV in December 1998 which was vigorously opposed by Digital TV. Digital TV applied for an order for security for the costs against Stellar One. On 4 May 1999, the Court ordered Stellar One to pay HK$200,000 to the court as security for the costs of Digital TV on or before 7 May 1999. Stellar One failed to pay that amount to the court.

The petition was dismissed in November 1999 and Stellar One was to pay Digital TV its cost of the petition, which amounted to HK$254,000. Stellar One had indicated that it would proceed to arbitration in Honolulu to recover the alleged amount.

Digital TV took legal advice and was advised that the arbitration proceedings had not commenced as of the date of approval of these consolidated financial statements. As advised by its lawyers, Digital TV had reasonable grounds in defending the claims and, accordingly, had not made any provision in the consolidated financial statements in connection with the claims.

Save and except for the matters specified above, the Group is not engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against any companies of the Group.

**34. Capital commitments**

| | **2006** | **2005** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of an investment property | – | 14,716 |

**35. Pledge of assets**

At the balance sheet date, the following assets of the Group were pledged to banks and securities brokers house to secure short term credit facilities:

| | **2006** | **2005** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Investment properties | 26,640 | 22,100 |
| Investments held for trading | 1,210,235 | 737,033 |
| Available-for-sale investments | 115,607 | 19,272 |
| Securities brokers house deposits | 196 | – |
| Bank deposits | – | 10,526 |
| | 1,352,678 | 788,931 |

**36. Lease commitments**

***The Group as lessee***

| | **2006** | **2005** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Minimum lease payments paid under operating leases in respect of premises | 1,951 | 1,566 |

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

| | 2006 | 2005 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within one year | 875 | 2,008 |
| In the second to fifth year inclusive | – | 813 |
| | 875 | 2,821 |

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of two years and rentals are fixed for an average term of two years.

***The Group as lessor***

Property rental income earned during the year was approximately HK$3,801,000 (2005: HK$2,723,000). The properties held have committed tenants for an average of two years.

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

| | 2006 | 2005 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within one year | 3,778 | 3,528 |
| In the second to fifth year inclusive | 2,739 | 5,087 |
| | 6,517 | 8,615 |

**37. Retirement benefits schemes**

The Group operates a defined contribution retirement benefits scheme for its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustee.

The retirement benefits scheme contributions charged to the consolidated income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group or will be refunded to the Company upon request.

As at 31 December 2006, there was no forfeited contributions (2005: Nil), which arose upon employees leaving the scheme and which were available to reduce the contributions payable by the Group in future years.

In addition to the defined contribution retirement benefits scheme, the Group is required to contribute to Mandatory Provident Fund for certain employees in Hong Kong based on applicable rates of monthly salary in accordance with the relevant regulations.

During the year, the retirement benefits scheme contributions charged to consolidated income statement was HK$270,000 (2005: HK$329,000).

**38. Related party transactions**

***Compensation of key management personnel***

The remuneration of Directors and other members of key management of the Group during the year was as follows:

| | **2006** | **2005** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Salaries and other short-term employee benefits | 46,800 | 17,128 |
| Retirement benefits costs | 60 | 60 |
| | 46,860 | 17,188 |

The remuneration of Directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

**39. Acquisition of a subsidiary**

On 28 June 2005, the Group acquired 75% of the issued share capital of 深圳市天利安實業發展有限公司 for a consideration of HK$35,988,000. This acquisition has been accounted for using the purchase method of accounting.

The net assets acquired in the transaction are as follows:

| | Acquiree's carrying amount before combination | Fair value adjustments | Fair value |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Net assets acquired: | | | |
| Investment property | 44,065 | 35,940 | 80,005 |
| Construction in progress | 47,034 | – | 47,034 |
| Debtors, deposits and prepayments | 500 | – | 500 |
| Bank and cash balances | 9 | – | 9 |
| Creditors and accrued charges | (51,669) | – | (51,669) |
| Amount due to a previous shareholder | (22,503) | – | (22,503) |
| Tax liability | (1) | – | (1) |
| Deferred tax liability | – | (5,391) | (5,391) |
| | 17,435 | 30,549 | 47,984 |
| Minority interest | | | (11,996) |
| | | | 35,988 |
| Total consideration satisfied by: | | | |
| Cash consideration paid | | | 30,980 |
| Loan receivable | | | 5,008 |
| | | | 35,988 |
| Net cash outflow arising on acquisition: | | | |
| Cash consideration paid | | | (30,980) |
| Cash and cash equivalents acquired | | | 9 |
| | | | (30,971) |

In respect of the above acquisition, consideration of approximately HK$30,980,000 was satisfied by cash and the remaining amount of approximately HK$5,008,000 was satisfied by the loan receivable.

If the acquisition had been completed on 1 January 2005, total group revenue for 2005 would have been HK$223,086,000, and profit for 2005 would have been HK$104,398,000. The pro forma information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005, nor is it intended to be a projection of future results.

The subsidiary acquired did not have significant contribution to the Group's turnover and result for 2005 between the date of acquisition and the balance sheet date in 2005.

**40. Disposal of a subsidiary**

During the year ended 31 December 2005, the Group disposed a wholly-owned subsidiary on 20 September 2005:

| | *HK$'000* |
|---|---|
| NET LIABILITIES DISPOSED OF | |
| Amounts due to group companies *(Note)* | (9,077) |
| Satisfied by: | |
| Cash | 3,544 |
| Net cash inflow arising on disposal: | |
| Cash consideration received | 3,544 |

During the year ended 31 December 2005, the disposed subsidiary did not make a significant contribution to the Group's profit and cash flows respectively.

*Note:* Amounts due to group companies were waived at the date of disposal and therefore there was a gain on disposal of HK$3,544,000.

## 41. Particulars of principal subsidiaries

Particulars of the principal subsidiaries as at 31 December 2006 are as follows:

| Name of subsidiary | Place of incorporation/ registration | Nominal value of issued ordinary share/ registered capital | Percentage of equity attributable to the Company | Principal activities |
|---|---|---|---|---|
| **Directly held** | | | | |
| Besford International Limited | The British Virgin Islands | Ordinary US$1 | 100% | Investment holding |
| Classic Fortune Limited | The British Virgin Islands | Ordinary US$1 | 100% | Investment holding |
| Mission Time Holdings Limited | The British Virgin Islands | Ordinary US$1 | 100% | Investment holding |
| Star Paging (BVI) Limited | The British Virgin Islands | Ordinary US$400 | 100% | Investment holding |
| Yuenwell Holdings Limited | The British Virgin Islands | Ordinary US$1 | 100% | Investment holding |
| **Indirectly held** | | | | |
| China Capital Holdings Limited | Hong Kong | Ordinary HK$2 | 100% | Treasury service |
| China Online (Bermuda) Limited | Hong Kong | Ordinary HK$2 | 100% | Investment holding |
| China Online Nominees Limited | Hong Kong | Ordinary HK$200 | 100% | Investment holding and provision of nominee services |
| China Online Secretaries Limited | Hong Kong | Ordinary HK$2 | 100% | Provision of secretarial services |
| Dualiane Limited | The British Virgin Islands | Ordinary US$1 | 100% | Investment holding |
| Focus Clear Limited | The British Virgin Islands | Ordinary US$1 | 100% | Securities trading in Hong Kong |

| Name of subsidiary | Place of incorporation/ registration | Nominal value of issued ordinary share/ registered capital | Percentage of equity attributable to the Company | Principal activities |
|---|---|---|---|---|
| Forepower Limited | The British Virgin Islands | Ordinary US$1 | 100% | Property investment in Hong Kong |
| Future Rise Investments Limited | The British Virgin Islands | Ordinary US$1 | 100% | Securities trading in overseas |
| Genwo Limited | Hong Kong | Ordinary HK$200,000 | 100% | Property investment |
| Gold Chopsticks Limited | The British Virgin Islands | Ordinary US$1 | 100% | Investment holding |
| Honest Opportunity Limited | The British Virgin Islands | Ordinary US$1 | 100% | Securities trading and investment in Hong Kong and overseas |
| Join Capital Limited | Hong Kong | Ordinary HK$2 | 100% | Money lending |
| Kintic Limited | Hong Kong | Ordinary HK$2 | 100% | Property investment |
| Konnic Limited | Hong Kong | Ordinary HK$2 | 100% | Property investment |
| New Fortress Investments Limited | The British Virgin Islands | Ordinary US$1 | 100% | Securities trading in overseas |
| Rich Investments Limited | Hong Kong | Ordinary HK$2 | 100% | Investment holding |
| Sinway Limited | Hong Kong | Ordinary HK$2 | 100% | Mobile handsets distribution |
| Sparkling Summer Limited | The British Virgin Islands | Ordinary US$6,500,000 | 100% | Securities trading in Hong Kong and overseas |
| Star Charter Limited | Hong Kong | Ordinary HK$2 | 100% | Investment holding |
| Star Telecom (China Investment) Limited | Hong Kong | Ordinary HK$2 | 100% | Investment holding |

| Name of subsidiary | Place of incorporation/ registration | Nominal value of issued ordinary share/ registered capital | Percentage of equity attributable to the Company | Principal activities |
|---|---|---|---|---|
| Star Telecom Holding Limited | Hong Kong | Ordinary HK$200 Deferred[#] HK$4,000,000 | 100% | Investment holding |
| Star Telecom Limited | Hong Kong | Ordinary HK$3,000,000 | 100% | Mobile handsets distribution |
| Star Telecom Properties Limited | Hong Kong | Ordinary HK$200 | 100% | Investment and property holding |
| Taskwell Limited | The British Virgin Islands | Ordinary US$1 | 100% | Investment holding |
| Tricom Tianchi Limited | Hong Kong | Ordinary HK$2 | 100% | Investment holding |
| Vinka Limited | Hong Kong | Ordinary HK$2 | 100% | Investment holding |
| Widerich Limited | Hong Kong | Ordinary HK$2 | 100% | Property investment |
| 星電電子技術發展(深圳)有限公司* | China | Registered HK$1,000,000 | 100% | Research and development for computer software and relevant technical consultancy services |
| 深圳市天利安實業發展有限公司** | China | Registered RMB46,000,000 | 75% | Property investment |

# *The deferred shares, which are not held by the Group, practically carry no rights to any dividend or to receive notice of or to attend or vote at any general meeting of the company or to any distribution in winding up.*

* *Wholly foreign-owned enterprise.*

** *天利安 is a sino-foreign equity joint venture entity owned by the Company and independent third parties in China. On 8 November 2005, the registered capital of 天利安 was increased by RMB20,000,000 (equivalent to HK$19,220,000) and the whole capital contribution was contributed by Star Charter Limited, an indirectly wholly owned subsidiary of the Company. Under the loan agreement entered into between Star Charter Limited and a minority shareholder of 天利安, 25% of the abovementioned capital contribution (i.e. RMB5,000,000 equivalent to HK$4,805,000) was paid by Star Charter Limited on behalf of a minority shareholder. The Group therefore effectively has 75% attributable economic interest in 天利安.*

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

All subsidiaries operate principally in their places of incorporation unless specified otherwise under “Principal activities”.

None of the subsidiaries had any debts securities subsisting at 31 December 2006 or at any time during the year.

**42. Post balance sheet event**

The Group ceased the business operation of mobile phone distribution in March 2007.

## 3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTH ENDED 30TH JUNE, 2007

The following is the unaudited condensed consolidated financial statements and notes to the financial statements of the Group for the six months ended 30th June, 2007 extracted from the 2007 interim report of the Company:

### CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Six months ended | |
|---|---|---|---|
| | | **30.6.2007** | **30.6.2006** |
| | *Notes* | *HK$'000* | *HK$'000* |
| | | (unaudited) | (unaudited) |
| Continuing operations: | | | |
| Turnover | *3* | 1,115,705 | 512,376 |
| Rental income | | 2,294 | 1,761 |
| Dividend income from listed investments | | 6,770 | 10,409 |
| Interest income from loan receivables | | 6,497 | 3,683 |
| Net gain on investments | *4* | 572,584 | 617,515 |
| Other income | | 15,494 | 9,030 |
| Administrative expenses | | (7,884) | (22,834) |
| Other expenses | | (339) | (532) |
| Finance costs | *5* | (8,994) | (3,225) |
| Fair value changes on investment properties | *18* | 14,707 | – |
| Share of profits of an associate | | 609 | – |
| Gain on disposal of an associate | | – | 1,740 |
| Profit before taxation | | 601,738 | 617,547 |
| Taxation | *6* | (62,769) | (9,600) |
| Profit from continuing operations | | 538,969 | 607,947 |
| Discontinued operation: | | | |
| Loss for the period from discontinued operation | 7 | (1,548) | (4,551) |
| Profit for the period | *8* | 537,421 | 603,396 |
| Attributable to: | | | |
| Equity holders of the Company | | 528,424 | 603,396 |
| Minority interests | | 8,997 | – |
| | | 537,421 | 603,396 |
| Dividends recognised as distribution | *9* | 11,084 | 11,425 |
| Earnings per share | *10* | | |
| From continuing and discontinued operations | | | |
| – Basic | | HK$1.88 | HK$2.06 |
| From continuing operations | | | |
| – Basic | | HK$1.89 | HK$2.07 |

**CONDENSED CONSOLIDATED BALANCE SHEET**

| | Notes | As at 30.6.2007 HK$'000 (unaudited) | As at 31.12.2006 HK$'000 (audited) |
|---|---|---|---|
| Non-current assets | | | |
| Investment properties | *11* | 84,085 | 81,589 |
| Property, plant and equipment | *11* | 3,159 | 4,712 |
| Prepaid lease payments | | 1,026 | 2,424 |
| Interest in an associate | *12* | 181,335 | – |
| Available-for-sale investments | | 588,052 | 557,375 |
| Loan notes | | 51,428 | 50,476 |
| Convertible bonds | | 3,313 | 6,626 |
| | | 912,398 | 703,202 |
| Current assets | | | |
| Inventories held for sale-finished goods | | – | 1,471 |
| Investments held for trading | | 2,467,464 | 1,690,510 |
| Debtors, deposits and prepayments | *13* | 109,330 | 33,708 |
| Loan receivables | | 121,122 | 123,598 |
| Tax recoverable | | 4,050 | 3,543 |
| Bank balances and cash | | 53,107 | 58,007 |
| | | 2,755,073 | 1,910,837 |
| Assets classified as held for sale | | – | 134,419 |
| | | 2,755,073 | 2,045,256 |

| | Notes | As at 30.6.2007 HK$'000 (unaudited) | As at 31.12.2006 HK$'000 (audited) |
|---|---|---|---|
| Current liabilities | | | |
| Creditors, accrued charges and other payable | 14 | 134,719 | 55,480 |
| Customers' deposits and receipts in advance | | 11,363 | 31,283 |
| Other borrowings | 15 | 444,336 | 170,100 |
| Taxation payable | | 78,349 | 15,657 |
| | | 668,767 | 272,520 |
| Liabilities associated with assets classified as held for sale | | – | 60,044 |
| | | 668,767 | 332,564 |
| Net current assets | | 2,086,306 | 1,712,692 |
| | | 2,998,704 | 2,415,894 |
| Capital and reserves | | | |
| Share capital | 16 | 2,766 | 2,829 |
| Reserves | | 2,986,892 | 2,396,218 |
| Equity attributable to equity holders of the Company | | 2,989,658 | 2,399,047 |
| Minority interests | | 9,046 | 16,847 |
| Total equity | | 2,998,704 | 2,415,894 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30th June 2007*

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Buildings revaluation reserve | Investments revaluation reserve | Capital redemption reserve | Translation reserve | Retained profits | Sub-total | Minority interests | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1st January 2006 | 2,975 | 671,293 | 1,064 | 30,504 | 1,965 | 470 | 576,661 | 1,284,932 | 16,798 | 1,301,730 |
| Fair value changes on available-for-sale investments | – | – | – | 310,958 | – | – | – | 310,958 | – | 310,958 |
| Exchange difference arising from translation of overseas operations | – | – | – | – | – | 475 | – | 475 | – | 475 |
| Net income recognised directly in equity | – | – | – | 310,958 | – | 475 | – | 311,433 | – | 311,433 |
| Realised upon disposal of available-for-sale investments | – | – | – | (26,450) | – | – | – | (26,450) | – | (26,450) |
| Profit for the period | – | – | – | – | – | – | 603,396 | 603,396 | – | 603,396 |
| Total recognised income for the period | – | – | – | 284,508 | – | 475 | 603,396 | 888,379 | – | 888,379 |
| Repurchase of shares | (119) | (35,731) | – | – | 119 | – | (119) | (35,850) | – | (35,850) |
| Dividend paid | – | – | – | – | – | – | (11,425) | (11,425) | – | (11,425) |
| At 30th June 2006 | 2,856 | 635,562 | 1,064 | 315,012 | 2,084 | 945 | 1,168,513 | 2,126,036 | 16,798 | 2,142,834 |

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Buildings revaluation reserve** | **Investments revaluation reserve** | **Capital redemption reserve** | **Translation reserve** | **Retained profits** | **Sub-total** | **Minority interests** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1st January 2007 | 2,829 | 625,061 | 1,274 | 432,100 | 2,111 | 969 | 1,334,703 | 2,399,047 | 16,847 | 2,415,894 |
| Fair value changes on available-for-sale investments | – | – | – | 32,111 | – | – | – | 32,111 | – | 32,111 |
| Exchange difference arising from translation of overseas operations | – | – | – | – | – | 1,462 | – | 1,462 | – | 1,462 |
| Net income recognised directly in equity | – | – | – | 32,111 | – | 1,462 | – | 33,573 | – | 33,573 |
| Realised upon disposal of available-for-sale investments | – | – | – | 596 | – | – | – | 596 | – | 596 |
| Profit for the period | – | – | – | – | – | – | 528,424 | 528,424 | 8,997 | 537,421 |
| Total recognised income and expense for the period | – | – | – | 32,707 | – | 1,462 | 528,424 | 562,593 | 8,997 | 571,590 |
| Disposal of a subsidiary | – | – | – | – | – | – | – | – | (16,798) | (16,798) |
| Reversed previously recognised changes in fair value of investment held for trading | – | – | – | – | – | – | 68,266 | 68,266 | – | 68,266 |
| Changes in equity of SAC (as defined in note 4) on previously held interest | – | – | – | – | – | – | (74) | (74) | – | (74) |
| Repurchase of shares | (63) | (29,027) | – | – | 63 | – | (63) | (29,090) | – | (29,090) |
| Dividend paid | – | – | – | – | – | – | (11,084) | (11,084) | – | (11,084) |
| At 30th June 2007 | 2,766 | 596,034 | 1,274 | 464,807 | 2,174 | 2,431 | 1,920,172 | 2,989,658 | 9,046 | 2,998,704 |

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

*For the six months ended 30th June 2007*

| | Six months ended | |
|---|---|---|
| | **30.6.2007** | **30.6.2006** |
| | *HK$'000* | *HK$'000* |
| | (unaudited) | (unaudited) |
| **NET CASH USED IN OPERATING ACTIVITIES** | (265,928) | (103,698) |
| **INVESTING ACTIVITIES** | | |
| Net proceeds from disposal of available-for-sale investments | 1,434 | 41,200 |
| Net proceeds from redemption of loan notes | – | 39,504 |
| Deposits received for the disposal of a subsidiary | – | 30,027 |
| Dividend received | 6,770 | 10,409 |
| Other investing activities | 6,216 | 8,017 |
| **CASH FROM INVESTING ACTIVITIES** | 14,420 | 129,157 |
| **FINANCING ACTIVITIES** | | |
| New other borrowings raised | 1,721,041 | 719,295 |
| Repayments of other borrowings | (1,446,805) | (657,877) |
| Dividend paid | – | (11,422) |
| Repurchase of shares | (29,090) | (35,850) |
| **NET CASH FROM FINANCING ACTIVITIES** | 245,146 | 14,146 |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | (6,362) | 39,605 |
| **EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE** | 1,462 | 475 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** | 58,007 | 16,819 |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** represented by bank balance and cash | 53,107 | 56,899 |

**NOTES:–**

**1. Basis of preparation**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

**2. Principal accounting policies**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2006 except as described below.

For acquisition of associates which involved successive share purchases for which the investment was previously accounted for at fair value with changes in fair value included in profit or loss, cumulative changes in the fair value of previously held ownership interests are reversed through profit or loss and retained profits respectively. The investee's profit or loss, changes in the investee's retained profits and other equity balances after each exchange transaction are included in the profit or loss, retained profits or the relevant reserves respectively to the extent that they relate to the previously held ownership interests.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1st January 2007.

| | |
|---|---|
| HKAS 1 (Amendment) | Capital disclosures [1] |
| HKFRS 7 | Financial instruments: Disclosures [1] |
| HK(IFRIC) – Int 7 | Applying the restatement approach under HKAS29 Financial Reporting in Hyperinflationary Economies [2] |
| HK(IFRIC) – Int 8 | Scope of HKFRS 2 [3] |
| HK(IFRIC) – Int 9 | Reassessment of embedded derivatives [4] |
| HK(IFRIC) – Int 10 | Interim financial reporting and impairment [5] |

[1] *Effective for accounting periods beginning on or after 1st January 2007*

[2] *Effective for accounting periods beginning on or after 1st March 2006.*

[3] *Effective for accounting periods beginning on or after 1st May 2006.*

[4] *Effective for accounting periods beginning on or after 1st June 2006.*

[5] *Effective for accounting periods beginning on or after 1st November 2006.*

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been made.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKAS 23 (Revised) | Borrowing costs [1] |
| HKFRS 8 | Operating segments [1] |
| HK(IFRIC) – Int 11 | HKFRS 2: Group and Treasury Share Transactions [2] |
| HK(IFRIC) – Int 12 | Service concession arrangements [3] |

[1] *Effective for accounting periods beginning on or after 1st January 2009.*

[2] *Effective for accounting periods beginning on or after 1st March 2007.*

[3] *Effective for accounting periods beginning on or after 1st January 2008.*

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

## 3. Business information

***Business segments***

The Group is currently organised into four main operating divisions – securities trading and investments, financial services, property investment and mobile phone distribution. These divisions are the bases on which the Group reports its primary segment information.

Segment information about these business is presented below:

**For the six months ended 30th June 2007**

| | Continuing operations | | | | Discontinued operation | |
|---|---|---|---|---|---|---|
| | Securities trading and investments | Financial services | Property investment | Total | Mobile phone distribution | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Turnover | 1,106,914 | 6,497 | 2,294 | 1,115,705 | 7,681 | 1,123,386 |
| Segment result | 582,157 | 6,492 | 16,354 | 605,003 | (3,199) | 601,804 |
| Unallocated other income | | | | 12,929 | 1,678 | 14,607 |
| Unallocated corporate expenses | | | | (7,809) | – | (7,809) |
| Share of profits of an associate | | | | 609 | – | 609 |
| Finance costs | | | | (8,994) | – | (8,994) |
| Profit before taxation | | | | 601,738 | (1,521) | 600,217 |
| Taxation | | | | (62,769) | (27) | (62,796) |
| Profit for the period | | | | 538,969 | (1,548) | 537,421 |

**For the six months ended 30th June 2006**

| | Continuing operations | | | | Discontinued operation | |
|---|---|---|---|---|---|---|
| | Securities trading and investments | Financial services | Property investment | Total | Mobile phone distribution | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Turnover | 506,932 | 3,683 | 1,761 | 512,376 | 31,432 | 543,808 |
| Segment result | 633,168 | 3,950 | (402) | 636,716 | (4,562) | 632,154 |
| Gain on disposal of an associate | | | | 1,740 | – | 1,740 |
| Unallocated other income | | | | 1,463 | 11 | 1,474 |
| Unallocated corporate expenses | | | | (19,147) | – | (19,147) |
| Finance costs | | | | (3,225) | – | (3,225) |
| Profit before taxation | | | | 617,547 | (4,551) | 612,996 |
| Taxation | | | | (9,600) | – | (9,600) |
| Profit for the period | | | | 607,947 | (4,551) | 603,396 |

## 4. Net gain on investments

| | Six months ended | |
|---|---|---|
| | **30.6.2007** | **30.6.2006** |
| | *HK$'000* | *HK$'000* |
| Net realised (loss) gain on derivatives | (7,366) | 4,609 |
| Net realised gain on disposal of investments held for trading | 117,368 | 135,882 |
| Fair value changes on investments held for trading *(Note)* | 463,178 | 454,535 |
| Net realised (loss) gain on disposal of available-for-sale investments | (596) | 26,450 |
| Discount on early redemption of loan notes | – | (3,961) |
| | 572,584 | 617,515 |

*Note:* Fair value changes on investments held for trading excludes fair value gain on the Group's 9.99% equity interest in Shanghai Allied Cement Limited ("SAC") from the beginning of the current financial period till 29th June 2007, the date when the Group obtained significant influence of SAC resulting from the additional acquisition of 17% equity interest in SAC *(Note 12)*.

## 5. Finance costs

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

## 6. Taxation

| | Continuing operations | | Discontinued operation | | Consolidated | |
|---|---|---|---|---|---|---|
| | Six months ended | | Six months ended | | Six months ended | |
| | **30.6.2007** | **30.6.2006** | **30.6.2007** | **30.6.2006** | **30.6.2007** | **30.6.2006** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| The current tax comprises: | | | | | | |
| Hong Kong Profits Tax | 61,034 | 9,600 | 27 | – | 61,061 | 9,600 |
| Enterprise income tax in China | 1,735 | – | – | – | 1,735 | – |
| | 62,769 | 9,600 | 27 | – | 62,796 | 9,600 |

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for both periods.

Enterprise income tax in China is calculated at 33.3% of estimated assessable profit for both periods except for the subsidiary which is eligible for certain tax holidays and concessions on China income tax.

## 7. Discontinued operation

The Group ceased the business operation of mobile phone distribution in year 2007.

The results of the discontinued operation which represented the mobile phone distribution operation for the period were as follows:

| | Six months ended | |
|---|---|---|
| | **30.6.2007** | **30.6.2006** |
| | *HK$'000* | *HK$'000* |
| Turnover | 7,681 | 31,432 |
| Cost of sales | (8,072) | (28,867) |
| Other income | 1,678 | 11 |
| Distribution expenses | (1,050) | (2,424) |
| Administrative and other expenses | (1,758) | (1,116) |
| Allowance for bad and doubtful debts | – | (3,587) |
| Loss before taxation | (1,521) | (4,551) |
| Taxation | (27) | – |
| Loss for the period | (1,548) | (4,551) |

## 8. Profit for the period

| | Continuing operations | | Discontinued operation | | Consolidated | |
|---|---|---|---|---|---|---|
| | Six months ended | | Six months ended | | Six months ended | |
| | **30.6.2007** | **30.6.2006** | **30.6.2007** | **30.6.2006** | **30.6.2007** | **30.6.2006** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Profit for the period has been arrived at after charging (crediting): | | | | | | |
| Staff costs including directors' emoluments | 3,021 | 15,719 | 945 | 1,719 | 3,966 | 17,438 |
| (Reversal) write-down of inventories | – | – | (1,117) | 3,587 | (1,117) | 3,587 |
| Depreciation and amortisation | 144 | 218 | 311 | 93 | 455 | 311 |
| Interest income | (4,974) | (8,436) | (33) | (31) | (5,007) | (8,467) |

## 9. Dividends

| | Six months ended | |
|---|---|---|
| | **30.6.2007** | **30.6.2006** |
| | *HK$'000* | *HK$'000* |
| Dividend recognised as distribution – HK$0.04 per share (2006: HK$0.04) | 11,084 | 11,425 |
| Interim dividend, proposed – HK$0.01 per share (2006: HK$0.01) | 2,762 | 2,855 |

## 10. Earnings per share

***From continuing and discontinued operations***

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

| | Six months ended | |
|---|---|---|
| | **30.6.2007** | **30.6.2006** |
| | *HK$'000* | *HK$'000* |
| Earnings for the purpose of basic earnings per share attributable to the equity holders of the Company | 528,424 | 603,396 |
| | *Number of shares* | *Number of shares* |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 280,790,340 | 293,554,554 |

***From continuing operations***

The calculation of the basic earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

| | Six months ended 30.6.2007 | Six months ended 30.6.2006 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Earnings for the period attributable to equity holders of the Company | 528,424 | 603,396 |
| *Add:* Loss for the period from discontinued operation | 1,548 | 4,551 |
| Earnings for the purposes of basic earnings per share from continuing operations | 529,972 | 607,947 |

The denominators used are the same as those detailed above for basic earnings per share.

***From discontinued operation***

Basic loss per share for the discontinued operation is HK$0.006 per share (2006: HK$0.016 per share). The calculation of the basic loss per share was based on the loss for the period from the discontinued operation of HK$1,548,000 (2006: loss for the period of HK$4,551,000) attributable to the ordinary equity holders of the Company and the denominators detailed above for basic earnings per share.

**11. Movements in investment properties, property, plant and equipment**

The directors consider that the fair values of the buildings included in property, plant and equipment at 30th June 2007 are not materially different from the professional valuation made at 31st December 2006 and, accordingly, no fair value changes have been recognised in the current period.

The Group's investment properties were fair valued by the directors.

**12. Interest in an associate**

During the current period, the Group acquired an additional 17% equity interest in SAC ("Acquisition"). Before the Acquisition, the Group had 9.99% equity interest in SAC and the investment was accounted for as investments held for trading. Following the completion of the Acquisition on 29 June 2007, the Group has 26.99% beneficially interest in SAC and is able to exercise significant influence on SAC. Accordingly, SAC has become an associate of the Group.

On 29th June 2007, the cumulative fair value changes of the Group's 9.99% equity interest in SAC was accounted for as explained in note 2.

At the balance sheet date, the total number of SAC shares held by the Group was 196,858,680 and the quoted market price was HK$3.28.

**13. Debtors, deposits and prepayments**

The Group has a policy of allowing an average credit period of 30-90 days to its trade debtors. An aged analysis of trade debtors is as follows:

| | **30.6.2007** | **31.12.2006** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within 90 days | 2,790 | 4,392 |
| 91 – 180 days | 2,755 | 992 |
| 181 – 360 days | 2,266 | 258 |
| Over 360 days | 259 | – |
| | 8,070 | 5,642 |
| Other debtors, deposits and prepayments | 101,260 | 28,066 |
| | 109,330 | 33,708 |

### 14. Creditors, accrued charges and other payable

An aged analysis of trade creditors is as follows:

| | 30.6.2007 | 31.12.2006 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade creditors due within 90 days | – | 1,008 |
| Other creditors, accrued charges and other payable | 134,719 | 54,472 |
| | 134,719 | 55,480 |

### 15. Other borrowings

Other borrowings represent securities margin financing received from stock broking, futures and options broking houses. The entire borrowings are secured by the Group's pledged marketable securities, repayable on demand and bear interest at prevailing market rates.

### 16. Share capital

| | Number of shares | Share capital |
|---|---|---|
| | | *HK$'000* |
| Ordinary shares of HK$0.01 each | | |
| *Authorised:* | | |
| At 30th June 2007 and 31st December 2006 | 30,000,000,000 | 300,000 |
| *Issued and fully paid:* | | |
| At 1st January 2007 | 282,883,547 | 2,829 |
| Repurchase of shares | (6,240,000) | (63) |
| At 30th June 2007 | 276,643,547 | 2,766 |

**17. Pledge of assets**

At the balance sheet date, the following assets of the Group were pledged to banks and securities houses to secure short term credit facilities granted to the Group:

| | **30.6.2007** | **31.12.2006** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Investment properties | 26,640 | 26,640 |
| Investments held for trading | 2,352,959 | 1,210,235 |
| Available-for-sale investments | 175,321 | 115,607 |
| Securities brokers house deposits | 199 | 196 |
| | 2,555,119 | 1,352,678 |

**18. Disposal of a subsidiary**

The net assets of the non-wholly owned subsidiary at the date of disposal were as follows:

| | **3.4.2007** |
|---|---|
| | *HK$'000* |
| Net assets disposed of | 84,559 |
| Minority interest | 16,798 |
| | 101,357 |
| Total consideration satisfied by: | |
| Deposits received in advance | 30,027 |
| Deferred consideration included in debtors, deposits and prepayment | 71,330 |
| | 101,357 |
| Net cash outflow arising on disposal: | |
| Bank balances and cash disposed of | 1 |

The assets and liabilities related to this subsidiary have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet as at 31st December 2006.

The assets held by the subsidiary are mainly investment properties. The fair value gain of HK$14,707,000 on these investment properties upon the disposal was recognised in the condensed consolidated income statement during the period.

**19. Post balance sheet events**

On 11th July 2007, Famous Mount Investments Limited ("Famous Mount"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Printronics Group Limited and Shougang Concord Technology Holdings Limited pursuant to which Famous Mount has agreed to purchase 40% of entire issued share capital of Printronics Electronics Limited ("Printronics Electronics"), a company incorporated in Hong Kong, for an aggregate consideration of HK$181,806,698. Printroncis Electronics is an investment holding company and its associate is principally engaged in the manufacturing and sale of printed circuit boards. Following completion of the acquisition, Printronics Electronics will become an associate of the Group. The transaction was completed on 18th July 2007.

## 4. WORKING CAPITAL

The Directors are of the opinion that after taking into account the Group's existing cash and bank balances, the present available margin loan facilities, the expected internally generated funds and the proceeds from the Open Offer, the Group has sufficient working capital for its present requirement for the next twelve months from the date of this circular, in the absence of unforeseen circumstances.

## 5. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 November 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$925,800,000 comprising unsecured term loan of HK$490,813,000 and securities margin loans of approximately HK$434,987,000. The securities margin loans were secured by the Group's pledged marketable securities.

As at 30 November, 2007, the Group's investment properties, investments held for trading, available-for-sale investments, and securities brokers house deposit with respective carrying values of HK$26,640,000, HK$2,607,402,062, HK$1,278,271,506 and HK$8,095,399 were pledged to banks and securities brokers house to secure short term credit facilities granted to the Group.

Save as otherwise disclosed herein above, the Group did not have any debt securities issued and outstanding, or authorized or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not), any mortgages or charges, or other material contingent liabilities or guarantee at the close of business of 30 November 2007.

## 6. CONTINGENT LIABILITIES

(a) In respect of the disposal of a subsidiary in prior years, the Group has given an indemnity to the purchaser against all liabilities, losses, costs and expenses suffered and/or incurred by the purchaser in relation to or arising out of the assignment of certain of the subsidiary's business contracts.

(b) In 1997, the Group had given a counter-indemnity to a former substantial shareholder and the ex-chairman of PCCW Limited (formerly known as Tricom Holdings Limited ("Tricom")), and Chambord Investment Inc. in respect of certain indemnities given to Tricom at the time of and to facilitate the listing of Tricom's shares on the Stock Exchange. These indemnities related to the use of the Tricom tradename, the infringement of the permitted use of properties, the guarantees granted to Tricom to secure banking facilities and tax liabilities.

The Directors consider it is not possible to estimate the financial effect of the indemnities and warranty given.

## 7. LITIGATION

As at 30 November 2007, the litigations/claims of the Group are disclosed in the paragraph "Litigation" in Appendix IV. Save as aforesaid, the Group had no other material litigation as at 30 November 2007.

## 8. FUTURE PROSPECTS OF THE GROUP

The recent volatility experienced by the global financial markets has adversely affected the investment environment. The concerns about the well-being of the US economy continue to influence investor sentiments as the contagious effect of the sub-prime mortgage debt delinquency has led to other problems like the tightening of liquidity, slow-down in economic growth and even the possibility of recession. It will be very challenging for the Group in the second half of the year to sustain a satisfactory performance. Nevertheless, as a value investor, the Group will constantly review and adjust its investment strategies and investment portfolio for improvement and will continue in seeking and identifying undervalued investment and business opportunities in the China, Hong Kong and the Asia Pacific region to enhance value for its shareholders.

In line with the above strategy, on 11th July 2007, the Group entered into a sale and purchase agreement to acquire 40% of the issued share capital of Printronics Electronics Limited ("PEL") for an aggregate consideration of approximately HK$181.8 million. Following the completion of the transaction on 18th July 2007, PEL became an associate of the Group. PEL is an investment holding company and is the registered and beneficial owner of 41,319,704 fully paid up shares of Tianjin Printronics Circuit Corporation ("TPC"), representing approximately 21.01% of the equity of TPC. TPC is a company incorporated in China and its shares are listed as "A-Share" on the Shenzhen Stock Exchange. The principal business activity of TPC is the manufacture and sale of printed circuit boards.

On 26th July 2007, Shanghai Allied Cement Limited ("SAC") entered into a conditional agreement (the "Conditional Agreement") to purchase the entire issued share capital of Redstone Gold Limited which engages in the business of gold mining in China. The consideration under the Conditional Agreement will be settled by both cash and new shares of SAC. The Group believes that this acquisition represents a good opportunity for the SAC to develop its investment and business in the natural resources sector and will enable the SAC to diversify into the potentially profitable gold mining business in China, which, in turn, will enhance the value for the Group's shareholders.

## 9. MATERIAL CHANGE

As at the Latest Practicable Date, save as disclosed in this circular, the Directors were not aware of any material change in the financial or trading position or outlook of the Group since 31st December 2006, being the date of which the latest published audited financial statements of the Group were made up.

## I. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Open Offer of 276,183,547 Offer Shares at the Subscription Price of HK$4.00 per Offer Shares in the proportion of one Offer Share for every one Share held at the Record Date on the net tangible assets of the Group as if the Open Offer had been completed on 30 June 2007. As it is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group upon completion of the Open Offer.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on unaudited consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2007, as shown in the unaudited condensed consolidated balance sheet of the Company as at 30 June 2007 as set out in Appendix I to the Circular and the adjustments described below.

| Unaudited consolidated net assets attributable to equity holders of the Company as at 30 June 2007 | Unaudited intangible assets of the Group as at 30 June 2007 | Adjusted unaudited net tangible assets attributable to equity holders of the Company as at 30 June 2007 | Estimated net proceeds from the Open Offer | Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2007 as adjusted for the Open Offer | Unaudited pro forma adjusted consolidated net tangible assets per Share as at 30 June 2007 as adjusted for the Open Offer |
|---|---|---|---|---|---|
| *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$* |
| *(Note 1)* | *(Note 2)* | | *(Note 3)* | | *(Note 4)* |
| 2,989,658 | 98,806 | 2,890,852 | 1,101,700 | 3,992,552 | 7.22 |

*Notes:*

1. The unaudited consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2007 has been extracted from the published interim report of the Company for the six months ended 30 June 2007.

2. Unaudited intangible assets of the Group as at 30 June 2007 represent the goodwill and intangible assets arising on acquisition of an associate included in the interest in an associate of HK$98,806,000.

3. The estimated net proceeds of approximately HK$1,101,700,000 from the Open Offer being proceeds of approximately HK$1,104,700,000 based on 276,183,547 Offer Shares to be issued at the Subscription Price of HK$4.00 per Offer Share and after deducting estimated expenses of approximately HK$3,000,000 attributable to the Open Offer.

4. The calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share of the Company is based on 552,827,094 Shares (including the issued share capital of the Company of 276,643,547 Shares as at 30 June 2007 and 276,183,547 Offer Shares) in issue after the completion of the Open Offer. The unaudited pro forma statement of adjusted consolidated net tangible assets has not taken into account the effect of 460,000 shares repurchased by the Company subsequent to 30 June 2007 up to the Latest Practicable Date.

## II. REPORT FROM REPORTING ACCOUNTANTS

*The following is the full text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular:*

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP TO THE DIRECTORS OF COL CAPITAL LIMITED**

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of COL Capital Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 123 to 124 under the heading of "Unaudited Pro Forma Financial Information of the Group in Appendix II to the circular issued by the Company dated 31 December, 2007 ("the Circular"). The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed open offer to the qualifying shareholders on the basis of one offer share for every one share of the Company might have affected the financial information presented for inclusion in Appendix II of the Circular. The basis of preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets is set out on page 123 and 124 of the Circular.

**Respective responsibilities of directors of the Company and reporting accountants**

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma statement of adjusted consolidated net tangible assets 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 statement of adjusted consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basic of opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of adjusted consolidated net tangible assets with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the 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 statement of adjusted consolidated net tangible assets is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, it 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 Group as at 30 June, 2007 or any future date.

**Opinion**

In our opinion:

(a) the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong

31st December, 2007

## SUMMARY OF THE TERMS OF THE WARRANTS

The Warrants are proposed to be created and constituted by the instrument by way of deed poll to be executed by the Company (the "Instrument") and will be issued in registered form and will form one class and rank pari passu in all respects with each other.

Warrantholders (as defined below) shall be entitled to the benefit of, be bound by, and be deemed to have notice of all the provisions of the Instrument. Copies of the Instrument, the principal provisions of which are summarised below, will be available at the registered office of the Company or such other place as may be notified to the Warrantholders (as defined below) from time to time.

References in this summary to "Shares" are to the shares of HK$0.01 each in the authorised share capital of the Company existing on the date of issue of the Warrants and all other shares from time to time and for the time being ranking pari passu therewith and all other shares in the capital of the Company resulting from any sub-division, consolidation or re-classification of Shares.

### 1. Subscription

(a) The registered holder or joint holders for the time being of a Warrant ("Warrantholder") shall have rights ("Subscription Rights") to subscribe in cash for fully-paid Shares but not in respect of any fraction of a Share at a price (subject to the adjustments referred to below) of HK$8.00 per Share ("Subscription Price"). The Subscription Rights attaching to the Warrants held by a Warrantholder may be exercised, in respect of all or part of the Warrants so held, at any time between the date when dealings in the Warrants on the Stock Exchange commence (which is expected to be 20th February, 2008) ("Commencement Date") and a date falling three years from the Commencement Date (which is expected to be 19th February 2011) (both dates inclusive, and if either such date is not a Business Day, then the Business Day immediately preceding such date) ("Subscription Period"). Any Subscription Rights which have not been exercised on or before the end of the Subscription Period will thereafter lapse and the relevant Warrants will cease to be valid for any purpose.

(b) A Warrantholder may exercise his Subscription Rights by completing and signing the subscription form endorsed on the Warrant certificate or the separate subscription form which the Company permits to be used (both of which shall, once signed and completed, be irrevocable) and delivering the Warrant certificate, together with the separate subscription form if appropriate, to the registrar of the Company for the time being ("Registrar"), together with a remittance for the subscription moneys for the Shares in respect of which the Subscription Rights are being exercised. The date on which such documents (duly completed and signed) and the relevant remittances are delivered to the Registrar shall be the date on which the relevant Subscription Rights are exercised and is hereafter referred to as the "Subscription Date". In each case, compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable.

(c) No fraction of a Share will be allotted but any balance of the subscription moneys paid on the exercise of the Subscription Rights will be refunded by the Company to the relevant Warrantholder, provided that if the Subscription Rights comprised in two or more Warrant certificates are exercised by a Warrantholder on the same Subscription Date then, for the purpose of determining whether any (and if so what) fraction of a Share arises, the Subscription Rights represented by such Warrant certificates shall be aggregated.

(d) The Company undertakes in the Instrument that Shares falling to be issued upon the exercise of the Subscription Rights will be issued and allotted not later than twenty-eight (28) days after the relevant Subscription Date and will rank pari passu in all respects with the fully-paid Shares in issue on the relevant Subscription Date and accordingly shall entitle the holders thereof to participate in all dividends and/or other distributions declared, paid or made and/or offers of further securities made by the Company on or after the relevant Subscription Date unless adjustment thereof has been made as provided in the Conditions (as defined in the Instrument) and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the Record Date (as defined in the Instrument) therefore is before the relevant Subscription Date and notice of the amount and Record Date therefor has been given to the Stock Exchange prior to the relevant Subscription Date.

(e) As soon as practicable after the relevant allotment of Shares (and not later than twenty-eight (28) days after the relevant Subscription Date), there will be issued free of charge to the Warrantholder:

(i) a certificate (or certificates) for the relevant Shares in the name(s) of the Warrantholder(s);

(ii) (if applicable) a balancing Warrant certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights comprised within the Warrant certificate(s) delivered as described in sub-paragraph (b) above remaining unexercised;

(iii) (if applicable) a cheque representing any fractional entitlement to Shares not allotted as mentioned in sub-paragraph (c) above; and

(iv) (if applicable) a Deficiency Certificate (as defined in the Instrument).

The certificates for Shares arising on the exercise of Subscription Rights, the balancing Warrant certificate (if any), the cheque in respect of a refund (if any) and the Deficiency Certificate (if any) will be sent by post at the risk of the said Warrantholder to the address of such Warrantholder as set out in the register of Warrantholders (or in the case of a joint holding, to that one of the joint Warrantholders whose name stands first in the register of Warrantholders). If the Company agrees, such certificates and cheques may by prior arrangement be retained by the Registrar to await collection by the relevant Warrantholder.

**2. Adjustment of Subscription Price**

The Instrument contains detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of, and is subject to, the provisions of the Instrument.

(a) The Subscription Price shall (except as mentioned in sub-paragraphs (b) and (c) below) be adjusted as provided in the Instrument in each of the following cases:

(i) an alteration to the nominal amount of the Shares by reason of any consolidation or subdivision;

(ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully-paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);

(iii) a Capital Distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of Shares in their capacity as such;

(iv) a grant by the Company to the holders of Shares (in their capacity as such) of rights to acquire for cash any assets of the Company or any of its Subsidiaries (as defined in the Instrument);

(v) an offer or grant of Shares being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares, at a price which is less than 90 per cent. of the market price (calculation as provided in the Instrument);

(vi) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total Effective Consideration (as defined in the Instrument) per Share is less than 90 per cent. of the market price (calculation as provided in the Instrument), or the terms of any such issue are altered so that the said total Effective Consideration is less than 90 per cent. of the market price (calculation as provided in the Instrument); and

(vii) the purchase by the Company of Shares or securities convertible into new Shares or any rights to acquire Shares (other than on the Stock Exchange or any other stock exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

(b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraphs (a)(ii) to (viii) above will be made in respect of:

(i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Shares;

(ii) an issue by the Company of Shares, or by the Company or any Subsidiary of securities convertible into or carrying rights to acquire Shares, in consideration in whole or in part for the acquisition of any other securities, assets or business;

(iii) an issue of fully-paid Shares by way of capitalisation of all or part of the Subscription Right Reserve (as defined in the Instrument) which has been or may be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities convertible into or carrying rights to acquire Shares); or

(iv) an issue of Shares pursuant to a scrip dividend scheme in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculation as provided in the Instrument) of the Shares is not more than 110 per cent. of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash.

(c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with effect from a different time from that provided for under the said provisions, the Company may appoint either an Approved Merchant Bank or the Auditors (both as defined in the Instrument) to consider whether for any reason whatsoever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relevant interests of the persons affected thereby and, if such Approved Merchant Bank or the Auditors (as the case may be) shall consider this to be the case, the adjustment shall be modified or nullified, or an adjustment made instead of no adjustment, in such manner (including, without limitation, making an adjustment calculated on a different basis and/or the adjustment shall take effect from such other date and/or time) as shall be certified by the Approved Merchant Bank or the Auditors to be in their opinion appropriate.

(d) Any adjustment to the Subscription Price shall be made to the nearest one cent so that any amount under half a cent shall be rounded down and any amount of half a cent or more shall be rounded up and in no event shall any adjustment be made to the Subscription Price in any case in which the amount by which the Subscription Price would be reduced would be less than one cent and any adjustment which would otherwise then be required shall not be carried forward. In no event shall an adjustment be made (otherwise than upon the consolidation of Shares into shares of a larger nominal amount each or upon a repurchase of Shares) which would increase the Subscription Price or which would result in the Shares being issued at a discount to their nominal value.

(e) Every adjustment to the Subscription Price shall be certified by the Approved Merchant Bank or the Auditors (acting as experts whose decision, in the absence of manifest error, shall be conclusive and binding on the Company and the Warrantholders) and notice of each adjustment (giving the relevant particulars) shall be given to the Warrantholders. Any such certificates of the Approved Merchant Bank and/or the Auditors will be available for inspection at the registered office of the Company or such other place as may be notified to the Warrantholders from time to time where copies may be obtained.

**3. Registered Warrants**

The Warrants will be issued in registered form. The Company shall be entitled to treat the registered holder(s) of any Warrants as the absolute owner(s) thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as required by law, be bound to recognise any equitable or other claim to or interest in such Warrants on the part of any other person, whether or not the Company has express or other notice thereof.

**4. Transfer, transmission and registration**

The Warrants will be transferable, in whole amounts or integral multiples of HK$8.00, by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors. Where the transferor or the transferee is HKSCC Nominees Limited or its successor thereto (or such other company as may be approved by the Directors for this purpose), the transfers may be executed under the hands of authorised person(s) or by machine imprinted signature(s) on its behalf or of such person(s), as the case may be. The Company shall maintain a register of Warrantholders accordingly. Transfers of Warrants must be executed by both the transferor and the transferee. The provisions of the Company's Articles of Association relating to the registration, transfer and transmission of Shares shall apply, mutatis mutandis, to the registration, transfer and transmission of the Warrants (except where there are express provisions in the Instrument to the contrary).

Persons who hold Warrants and have not registered the Warrants in their own names and wish to exercise the Warrants should note that they may incur additional costs and expenses in connection with any expedited re-registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing ten (10) Business Days prior to and including the last day for subscription (which is expected to be 19th February, 2011).

Since the Warrants will be admitted to CCASS, so far as applicable laws or regulations of relevant regulatory authorities, terms of the Instrument and circumstances permit, the Company may determine the last trading day of the Warrants to be a date at least three trading days before the last day of the Subscription Period (which is expected to be 19th February, 2011).

**5. Closure of register of Warrantholders**

The registration of transfers may be suspended and the register of Warrantholders may be closed for such periods as the Directors may from time to time direct, provided that the same may not be closed for a period, or for periods together, of more than thirty (30) days in any one year. Any transfer or exercise of the Subscription Rights attached to the Warrants made while the register of Warrantholders is so closed shall, as between the Company and the person claiming under the relevant transfer of Warrants or, as the case may be, as between the Company and the Warrantholder who has so exercised the Subscription Rights attached to his Warrants (but not otherwise), be considered as made immediately after the re-opening of the register of Warrantholders.

**6. Purchase and cancellation**

The Company or any Subsidiaries may at any time purchase Warrants:

(a) in the open market or by tender (available to all Warrantholders alike) at any price; or

(b) by private treaty at a price per Warrant, exclusive of expenses, not exceeding 110 per cent. of the closing price of the Warrants on the Stock Exchange prior to the date of purchase of the Warrants,

but not otherwise. All Warrants purchased shall be cancelled forthwith and may not be re-issued or re-sold.

**7. Meetings of Warrantholders and modification of rights**

(a) The Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by Special Resolution (as defined in the Instrument) of the provisions of the Instrument and/or of the Conditions. A Special Resolution duly passed at any such meeting of Warrantholders shall be binding on the Warrantholders, whether present or not.

(b) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including, but without prejudice to that generality, by waiving compliance with, or by waiving or authorising any past or proposed breach of any of the provisions of the Conditions and/or the Instrument) with the prior sanction of a Special Resolution and may be effected only by deed poll executed by the Company and expressed to be supplemental to the Instrument.

(c) Where the Warrantholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Warrantholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Warrants in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise as if such person were an individual Warrantholder.

**8. Quorum**

A quorum of a meeting of Warrantholders will be two or more persons representing in aggregate the holders of not less than 5 per cent. of the Warrants for the time being outstanding, present in person or by proxy.

**9. Replacement of Warrant certificates**

If a Warrant certificate is mutilated, defaced, lost or destroyed, it may, at the Company's discretion, be replaced at the office of the Registrar on payment of such costs which may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security which the Company may require and on payment of such fee not exceeding HK$2.50 per certificate (or such other amount as may from time to time be permitted under the rules of the Stock Exchange) as the Company may determine. Mutilated or defaced Warrant certificates must be surrendered before replacements will be issued.

In the case of lost Warrant certificates, section 71A subsections (2), (3), (4), (6), (7) and (8) of the Companies Ordinance shall apply as if shares referred to therein included Warrants.

**10. Protection of Subscription Rights**

The Instrument contains certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

## 11. Call

If at any time the aggregate of the amount of Exercise Moneys (as defined in the Instrument) attached to the outstanding Warrants is equal to or less than 20 per cent. of the amount of moneys payable on exercise of all the Warrants issued under the Instrument, then the Company may, on giving not less than three months' notice, require Warrantholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled, without compensation to Warrantholders.

## 12. Further issues

The Company shall be at liberty to issue further subscription warrants in such manner and on such terms as it sees fit.

## 13. Undertakings by the Company

The Company undertakes in the Instrument that:

(a) upon the exercise of any Subscription Rights it will within twenty-eight (28) days after the relevant Subscription Date allot and issue the number of Shares for which subscription is made;

(b) all Shares allotted on the exercise of the Subscription Rights will, taking into account of any adjustment which may have been made pursuant to paragraph 2(a) of this Appendix, rank pari passu in all respects with the fully-paid Shares in issue on the relevant Subscription Date and shall accordingly entitle the holders thereof to participate in full in all dividends and/or other distributions, declared, paid or made and/or offers of further securities made by the Company on or after the relevant Subscription Date unless adjustment therefor has been made as provided in the Instrument and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the Record Date therefor shall be before the relevant Subscription Date and notice of the amount and Record Date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date;

(c) it will send to each Warrantholder, at the same time as the same are sent to Shareholders, its audited financial statements and all other notices, reports and communications despatched by it to Shareholders generally;

(d) it will pay (if applicable) all Hong Kong stamp and capital duties, registration fees or similar charges in respect of the execution of the Instrument, the creation and initial issue of the Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights;

(e) it will use its best endeavours to ensure that all Shares allotted on exercise of the Subscription Rights shall be admitted to listing on the Stock Exchange provided that no admission shall be obtained in the event that the Shares cease to be listed on the Stock Exchange as a result of an offer being made to the holders of Shares (or to holders excluding the offeror and/or its nominee(s) to acquire all or a proportion of the Shares);

(f) it will keep available for issue sufficient Ordinary Capital (as defined in the Instrument) to satisfy in full all rights for the time being outstanding of subscription or conversion into Shares; and

(g) it will use its best endeavours to procure that at all times during the Subscription Period, the Warrants may be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Warrants on the Stock Exchange is withdrawn following an offer for all or any other Warrants), and all Shares allotted and issued upon exercise of the Subscription Rights may upon allotment and issue or as soon as reasonably practicable thereafter, be dealt on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for all or any of the Shares where a like offer is extended to the Warrantholders).

**14. Winding up of the Company**

(a) If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company, then if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some person(s) designated by them for such purpose by Special Resolution, shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on all the Warrantholders; and

(b) in the event a notice is given by the Company to its Shareholders during the Subscription Period to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all Warrantholders (together with a notice of the existence of this provision) and thereupon, each Warrantholder shall be entitled to exercise all or any of the Subscription Rights attaching to his Warrants at any time not later than two Business Days prior to the proposed general meeting of the Company by delivering to the Company the completed Subscription Form(s), accompanied by payment of the relevant subscription money, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Warrantholders credited as fully paid.

Subject to the foregoing, if the Company is wound-up, all Subscription Rights which have not been exercised at the date of the passing of such resolution will lapse and each Warrant certificate will cease to be valid for any purpose.

**15. Overseas Warrantholders**

The Instrument contains provisions giving certain discretion to the Directors in the case of any Warrantholder who has a registered address in any territory (other than Hong Kong) where (after making enquiry regarding the legal restrictions under the laws of the relevant jurisdiction and the requirements of the relevant regulatory body or stock exchange), in the opinion of the Directors, the issue of Shares upon exercise of any of the Subscription Rights represented by any Warrants held by such Warrantholder may be unlawful or impracticable.

**16. Notices**

The Instrument contains provisions relating to notices to be given to Warrantholders.

**17. Governing law**

The Instrument and the Warrants are governed by and will be construed in accordance with the laws of Hong Kong.

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors jointly and severally 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, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

## 2. SHARE CAPITAL

The authorised and issued capital of the Company as at the Latest Practicable Date and completion of the Open Offer, full exercise of the Warrants were as follows:

| | | |
|---|---|---|
| *Authorised* | | *HK$* |
| 30,000,000,000 | Shares as at the Latest Practicable Date | 300,000,000.00 |
| *Issued and fully paid or credited as fully paid* | | |
| 282,883,547 | Shares as at the financial year ended 31st December 2006 | 2,828,835.47 |
| (6,700,000) | Repurchase of Shares | (67,000) |
| 276,183,547 | Shares as at the Latest Practicable Date | 2,761,835.47 |
| 552,367,094 | Shares after completion of the Open Offer | 5,523,670.94 |
| 662,840,513 | Shares after completion of the Open Offer and full exercise of the Warrants | 6,628,405.13 |

All existing shares rank equally in all respect, including in particular as to dividend, voting rights and return on capital.

The issued Shares are listed on the Stock Exchange. No part of the Shares of the Company or any equity/debt securities is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

The nominal value of the Shares is HK$0.01 each.

Save as disclosed above, there were no alternations in the capital of any member of the Group since the date to which the latest published audited accounts of the Company were made up.

Save as disclosed in this circular, there were no capital or no member of the Group were under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

Since 31 December 2006, the date to which the last audited financial statement of the Company were made up, and up to the Latest Practicable Date, there had not been any new issue of Shares.

### 3. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the last day on which dealings took place in each of the six months immediately preceding the date of the Announcement and in each month before the Latest Practicable Date; and (ii) the Latest Practicable Date.

| **Date** | **Closing price per Share** *HK$* |
|---|---|
| 31 May 2007 | 5.70 |
| 29 June 2007 | 6.38 |
| 31 July 2007 | 8.06 |
| 31 August 2007 | 6.70 |
| 28 September 2007 | 6.82 |
| 31 October 2007 | 6.80 |
| 21 November 2007, being the last trading day immediately prior to the issue of the Announcement | 6.55 |
| The Latest Practicable Date | 5.60 |

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing on 21 May 2007 (being the date six months prior to 21 November 2007, being the last trading day immediately prior to the issue of the Announcement), and ending on the Latest Practicable Date were HK$8.1 on 1 August 2007 and HK$4.98 on 18 December 2007 respectively.

## 4. DIRECTORS' INTEREST

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) 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 the interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in such provisions of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange:

| Name of Director | Personal interests | Corporate interests | Other interests | Total | Percentage over all issued Shares |
|---|---|---|---|---|---|
| Ms. Chong Sok Un | – | 106,484,400 *(Note 1)* | – | 106,484,400 | 38.56% |

*Notes:*

(1) As at the Latest Practicable Date, Vigor Online Offshore Limited ("Vigor Online"), a wholly-owned subsidiary of China Spirit Limited ("China Spirit") held 106,484,400 Shares. Ms. Chong maintains 100% beneficial interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interests in 106,484,400 Shares.

(2) The interests stated above represented long position.

All the interests stated above represent long positions. As at the Latest Practicable Date, no short positions were recorded in the register required to be kept under section 352 of the SFO.

As at the Latest Practicable Date, Dato' Wong Peng Chong has no shareholdings in the Company.

## 5. INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

Save as disclosed below, the Directors and the chief executive of the Company were not aware that there was any person who, as at the Latest Practicable Date, had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group.

| Name | Capacity | Number of Shares held | Percentage over all issued Shares |
|---|---|---|---|
| Ms. Chong Sok Un | Held by controlled corporation *(Note 1)* | 106,484,400 | 38.56% |
| China Spirit Limited | Held by controlled corporation *(Note 1)* | 106,484,400 | 38.56% |
| Vigor Online | Beneficial owner | 106,484,400 | 38.56% |
| Mr. John Zwaanstra ("Mr. Zwaanstra") | Held by controlled corporation *(Note 2)* | 25,051,000 | 9.07% |
| Penta Investment Advisers Limited ("Penta") | Investment Manager *(Note 3)* | 25,051,000 | 9.07% |

*Note:*

(1) As at the Latest Practicable Date, Vigor Online is a wholly-owned subsidiary of China Spirit in which Ms. Chong maintains 100% beneficial interest. Accordingly, China Spirit and Ms. Chong are deemed to be interested in 106,484,400 Shares under the SFO. Out of a total of 276,183,547 Offer Shares, Vigor has agreed to subscribe 169,699,147 Offer Shares pursuant to the Underwriting Agreement and 106,484,400 Offer Shares to which Vigor is entitled and undertaken to subscribe as a Shareholder.

(2) Mr. Zwaanstra has an interest in 100% of Penta. Accordingly, Mr. Zwaanstra is deemed to be interested in 25,051,000 Shares.

(3) Penta has an interest in 25,051,000 Shares as an investment manager, and acts through its wholly-owned subsidiaries.

(4) All interests stated above represented long positions.

All the interests stated above represent long positions. As at the Latest Practicable Date, no short positions were recorded in the register required to be kept under section 336 of the SFO.

## 6. DIRECTORS' SERVICE CONTRACTS

(a) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation (other than statutory compensation).

(b) There are no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Announcement.

(c) There are no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which are continuous contracts with a notice period of 12 months or more.

(d) There are no service contracts in force between any Director and the Company or any of its subsidiaries or associated companies which are fixed term contracts with more than 12 months to run irrespective of the notice period.

## 7. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and their respective associates were considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules.

## 8. CORPORATE INFORMATION

**Registered Office**
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

**Head Office and Principal Place of Business in Hong Kong**
47/F., China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

**Branch Share Registrar in Hong Kong**
Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

**Legal Adviser**
P. C. Woo & Co.
12th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

**Auditors**
Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

**Principal banker**
Industrial and Commercial Bank of China (Asia) Limited
33/F, ICBC Tower
3 Garden Road
Central
Hong Kong

Bank of China (Hong Kong) Limited
52/F,
Bank of China Tower
1 Garden Road
Hong Kong

Société Générale Bank & Trust
1 Rafflee Quay
#35-01, North Tower
Singapore 048583

UBS AG
52/F Two International Finance Centre
8 Finance Street, Central,
Hong Kong

Merrill Lynch (Asia Pacific) Limited
17/F ICBC Tower
3 Garden Road, Central
Hong Kong

**ADR Depositary Bank**
The Bank of New York
American Depositary Receipts
620 Avenue of the Americas, 6/F
New York, NY10011
USA

**Qualified Accountant**
Mr. Kong Muk Yin

**Company Secretary**
Ms. Fung Ching Man, Ada

**Authorised Representative**
Dato' Wong Peng Chong
47/F., China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

Mr. Kong Muk Yin
47/F., China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

**Alternative Authorised Representative**
Ms. Fung Ching Man, Ada
47/F., China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

## 9. PARTICULARS OF DIRECTORS

### Executive directors

**Ms. Chong Sok Un**, aged 53, was appointed as executive director and chairman of the Company on 23 August 2002. She has been chairman of Long Island Golf & Country Club, Dongguan, China since September 1998. She is now the Vice-Chairman of the 28th Term Board of Directors of Yan Oi Tong. During 1992 to 2000, she was appointed as director and chief executive officer of Shenyin Wanguo (H.K.) Limited. Ms. Chong holds a master degree in business administration.

**Dato' Wong Peng Chong**, aged 63, was appointed as executive director of the Company on 15 March 2002. Upon his graduation from the University of Malaya in 1967 with a Bachelor of Arts (Honours), he joined the Malaysian Foreign Service and served with several Malaysian diplomatic missions overseas in various capacities. Dato' Wong joined the private sector in 1985 and has served in various senior management positions, including executive directorships in public listed companies, in Hong Kong and Malaysia.

**Mr. Kong Muk Yin**, aged 42, was appointed as executive director of the Company on 13 May 2002. He was graduated from City University of Hong Kong with a bachelor's degree in business studies. He is a fellow member of The Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst and he has over 15 years of working experience in corporate finance, financial management, accounting and auditing.

### Independent non-executive directors

**Mr. Lo Wai On**, aged 46, was appointed as non-executive director of the Company on 15 March 2002 and then changed his office held to independent non-executive director on 29 October 2002. He is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and has been practicing under the name of his own firm, W.O. Lo & Co., Certified Public Accountants (Practising) since 1986. He has broad experience in providing tax consulting and auditing services to companies including listed companies in Hong Kong.

**Mr. Lau Siu Ki**, aged 49, was appointed as independent non-executive director of the Company on 3 June 2004. He has over 25 years of experience in corporate finance, financial advisory and management, accounting and auditing. He is currently working as a consultant in the financial advisory field. Prior to that, Mr. Lau had worked in an international accounting firm for over 15 years. He is a fellow member of both the Association of Chartered Certified Accountants ("ACCA") as well as the Hong Kong Institute of Certified Public Accountants. He is also a member of the Council of ACCA. He has served as a member of the Committee of the Hong Kong branch of ACCA since 1995 and was the Chairman of ACCA Hong Kong for the year 2000/2001. Mr. Lau also serves on the board of various other listed companies in Hong Kong as independent non-executive director.

**Mr. Zhang Jian**, aged 65, was appointed as non-executive director of the Company on 16 October 2006. He is a professional senior engineer in PRC. He is the Vice Chairman of China Manager Council of Construction Enterprises and China Precious Stone Council and the Chairman of Beijing Alumni Association of Xian Construction Technology University and the Outside Director of China National Building Material Group Corporation and also the Chairman of Expert Committee of Sino-Mining International Investment Co. Ltd. He has been awarded National Outstanding Intellect in 1997 and National Top 10 Honest Persons of Outstanding Ability in 2004. Mr. Zhang has been awarded as Influential Person to China Nonferrous Metal Industry in 2005. From 1982 to 1998, he held various senior positions in China Nonferrous Metal Industry Company. From 1998 to 2003, he acted as Chairman and General Manager of China Nonferrous Metal Construction Group Company Ltd.. From 2003 to 2005, he acted as General Manager of China Nonferrous Metal Mining & Construction (Group) Co., Ltd..

## 10. LITIGATION

(a) In November 1998, a writ was issued against the Company's subsidiaries, Hongkong Digital Television Limited ("Digital TV", formerly Star Interactive Television Limited) and Star Telecom Services Limited ("STSL", formerly Hong Kong Star Internet Limited) by nCube Corporation ("nCube"), claiming the sum of approximately US$1,980,000 (equivalent to approximately HK$15,305,000) plus interest in relation to the alleged purchase of two MediaCube 3000 systems by Digital TV from nCube. The claim of nCube against STSL was on the basis of a chop of STSL on the contract between Digital TV and nCube. STSL had taken legal advice and had been advised that it was very unlikely that STSL would be held liable to the claim of nCube. Digital TV was also opposing the claim of nCube and had taken legal advice.

As advised by its lawyers, Digital TV had reasonable grounds in defending the claim and, accordingly, had not made any provision in the consolidated financial statements in connection with the claim. Digital TV filed a defence in this section on 14 December 1998 and nCube had failed to take further action since that date. There was no progress since then in respect of the litigation.

(b) Stellar One Corporation ("Stellar One") served a statutory demand under Section 178 of the Companies Ordinance for the sum of approximately US$1,152,000 (equivalent to approximately HK$8,983,000) upon Digital TV in November 1998. Stellar One filed a winding up petition against Digital TV in December 1998 which was vigorously opposed by Digital TV. Digital TV applied for an order for security for the costs against Stellar One. On 4 May 1999, the Court ordered Stellar One to pay HK$200,000 to the court as security for the costs of Digital TV on or before 7 May 1999. Stellar One failed to pay that amount to the court.

The petition was dismissed in November 1999 and Stellar One was to pay Digital TV its cost of the petition, which amounted to HK$254,000. Stellar One had indicated that it would proceed to arbitration in Honolulu to recover the alleged amount.

Digital TV took legal advice and was advised that the arbitration proceedings had not commenced as of the date of this document. As advised by its lawyers, Digital TV had reasonable grounds in defending the claims and, accordingly, had not made any provision in the consolidated financial statements in connection with the claims.

Save and except for the matters specified above, neither the Company nor any of its subsidiaries is engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against any companies of the Group.

## 11. MATERIAL CONTRACTS

The following contract (not being a contract entered into in the ordinary course of business) has been entered into by members of the Group within the two years immediately preceding the date of the Announcement and ending on the Latest Practicable Date and is or may be material:

(a) The Underwriting Agreement.

Save as disclosed above, there are no other contracts (not being contracts in the ordinary course of business) being entered into by the members of the Group after the date falling two years prior to the Announcement and ending on the Latest Practicable Date, which are or may be material.

## 12. MATERIAL CHANGE

As at the Latest Practicable Date save as disclosed in this circular, the Directors were not aware of any material change in the financial or trading position or outlook of the Group since 31st December 2006, the date to which the latest published audited financial statements of the Company were made up.

## 13. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group. Save for the Underwriting Agreement, Vigor has not entered into any material contract in which any Director has a material personal interest as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31st December 2006 (being the date to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

None of the Directors was or will be given any compensation for loss of office or otherwise in connection with the Open Offer, the Underwriting Agreement and/or the Whitewash Waiver. Save for the Underwriting Agreement, there is no agreement, arrangement or understanding (including any compensation arrangement) between Vigor or parties acting in concert with it, and any Directors, recent Directors, Shareholders or recent Shareholders and any other person which is having any connection with or conditional on or dependent upon the outcome of the Open Offer and/or the Whitewash Wavier or otherwise connected with the Open Offer and/or the Whitewash Wavier. There is no agreements or arrangements to which Vigor is a party, which relates to circumstances in which they may or may not involve or seek to involve a pre-condition or condition to the Open Offer and/or the Whitewash Waiver and the consequences of its doing so, including details of any break fees payable as a result.

As at the Latest Practicable Date, save for the Underwriting Agreement, the Irrevocable Undertakings and the standby facility of HK$680 million granted by Sun Hung Kai Investment Services Limited to Vigor for the sole purpose of satisfying the terms and conditions under the Underwriting Agreement, there is no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Open Offer and/or the Whitewash Waiver or otherwise connected with the Open Offer and/or the Whitewash Waiver.

## 14. SHAREHOLDINGS AND DEALINGS

(a) Except that Vigor is a company entirely and indirectly owned by Ms. Chong Sok Un who is the chairman of the Company, the Company and the Directors did not have any interest in the shares, convertible securities, warrants, options or derivatives of Vigor and had no dealings in the shares, convertible securities, warrants, options or derivatives of Vigor during the period starting six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(b) No shareholdings in the Company were managed on a discretionary basis by fund manager connected with the Company nor did any such fund manager deal in any shares, convertible securities, warrants, options or derivatives which carry voting rights of the Company during the period starting six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(c) Save for the 106,484,400 Shares held by Vigor, none of the Underwriter, its concert parties and any of their respective directors owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and none of them had dealt for value in any such securities during the period starting six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(d) No person with whom Vigor or its associates or their respective concert parties had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and none of them had dealt for value in any such securities during the period starting six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(e) Neither any pension fund of the Group nor any subsidiary of the Company nor Asia Investment Management Limited nor Deloitte, nor any other advisers to the Company as specified in class (2) of the definition of associate (excluding exempt principal traders) in the Takeovers Code, their respective ultimate holding companies, nor any of their respective subsidiaries or fellow subsidiaries owned or controlled any shares, convertible securities, warrants, options or derivatives of the Company or Vigor as at the Latest Practicable Date, and none of them had any dealings in the shares of the Company during the period starting six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(f) Save for the Underwriting Agreement and the Irrevocable Undertaking, at no time during the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date was any member of the Group a party to any arrangement to enable the Directors and their associates to acquire benefits by means of the acquisition of the Shares or any other body corporate.

(g) Vigor has obtained a standby facility of HK$680 million with Sun Hung Kai Investment Services Limited for the sole purpose of satisfying the terms and conditions under the Underwriting Agreement. Subject to the Underwriter having to take up the Offer Shares not taken up by Shareholders under the Open Offer, Vigor and the parties acting in concert with it may require financing where Shares acquired in pursuance of the Open Offer may be transferred, charged or pledged to Sun Hung Kai Investment Services Limited. Otherwise Shares acquired in the Open Offer will be kept by Vigor.

(h) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code.

## 15. EXPERT AND CONSENT

The following is the qualifications of the expert who have given opinion or advice which are contained in this circular:

| Name | Qualification |
|---|---|
| Asia Investment Management Limited | a licensed corporation under the SFO to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO |
| Deloitte Touche Tohmatsu ("Deloitte") | Certified Public Accountants in Hong Kong |

As at the Latest Practicable Date, Asia Investment Management Limited and Deloitte:–

(a) did not have any direct or indirect interest in any assets which have since 31st December 2006 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

(b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Asia Investment Management Limited and Deloitte has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its reports or letters, as the case may be, and reference to its name in the form and context in which they respectively appear.

## 16. GENERAL

(a) The registered office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

(b) The registered office of Vigor is the offices of TrustNet (British Virgin Islands) Limited, TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands and its correspondence address is 47th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong. The principal members of Vigor are China Spirit Limited and Ms. Chong, who is the sole shareholder of China Spirit Limited.

(c) The registered office of China Spirit Limited is Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands and its correspondence address is 47th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong. Ms. Chong's address is 47th Floor, China Online Centre, 333 Lockhart Road, Wanchai, HK.

(d) The head office and principal place of business in Hong Kong of the Company is 47th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong.

(e) The secretary of the Company is Ms. Fung Ching Man, Ada, an associate member of the Institute of Chartered Secretaries and Administrators.

(f) The qualified accountant of the Company is Mr. Kong Muk Yin. He graduated from City University of Hong Kong with a bachelor's degree in business studies. He is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst.

(g) The principal share registrar and transfer office is Butterfield Fund Services (Bermuda) Limited, Rosebank Centre, 11 Bermudiana Road, Pembroke HM 08, Bermuda.

(h) The Hong Kong branch share registrar of the Company is Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, WanChai, Hong Kong.

(i) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

**17. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the principal office of the Company at 47/F., China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong, and will also be available on the websites of the Company at http://www.irasia.com/listco/hk/colcapital/ and the SFC at http://www.sfc.hk/ during normal business hours on any business day from the date of this circular up to and including the date of the SGM:–

(a) the memorandum and Bye-laws of the Company and Vigor;

(b) the material contracts referred to under the paragraph headed "Material Contracts" in this Appendix and the respective circular (if applicable) in relation to the material contracts;

(c) the annual reports of the Company for the two financial years ended 31st December, 2005 and 31st December, 2006;

(d) the unaudited consolidated financial statements of the Company for the six months ended 30th June, 2007;

(e) the accountants' report from Deloitte on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;

(f) the consent letter from Asia Investment Management Limited and Deloitte referred to in the paragraph headed "Expert and consent" in this appendix;

(g) the Irrevocable Undertaking given by Vigor in terms as set out on page 14 of this circular; and

(h) this circular.

**COL Capital Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 383)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the "Meeting") of COL Capital Limited (the "Company") will be held at Board Room, 7th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 21st January, 2008 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

**ORDINARY RESOLUTIONS**

1. "**THAT**, conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Offer Shares (as defined below), the Warrants (as defined below) and the Shares which may fall to be issued upon the exercise of the Warrants to be allotted and issued to the qualifying shareholders of the Company pursuant to the terms and conditions of the Open Offer (as defined below); (ii) the granting of the Whitewash Waiver (as defined below) by the executive director of the Corporate Finance Division of the Securities and Futures Commission; (iii) the registration and filing of all relevant documents relating to the Open Offer required by law to be registered or filed with the Registrar of Companies in Hong Kong; and (iv) the obligations of Vigor Online Offshore Limited (the "Underwriter") under the underwriting agreement dated 21st November, 2007 (the "Underwriting Agreement" including, if any, all supplemental agreements relating thereto) made between the Company and the Underwriter becoming unconditional and the Underwriting Agreement not being terminated in accordance with the terms thereof prior to 4:00 p.m. on the second business day after the date which is the latest time for acceptance of, and payment for, the Offer Shares (as defined below), as set out in the circular dated 31st December, 2007 (the "Circular") despatched by the Company to the Shareholders (a copy of which has been produced to the Meeting marked "A" and signed by the chairman of the Meeting for the purpose of identification):

   (a) the issue, by way of an open offer, of 276,183,547 new shares of par value of HK$0.01 each (the "Shares") in the issued share capital of the Company (the "Open Offer"), such 276,183,547 new Shares (the "Offer Shares") to be issued at a price of HK$4.00 per Offer Share (the "Subscription Price") to the Shareholders whose names appear on the register of members of the Company on the date by reference to which entitlements under the Open Offer will be determined (other than those Shareholders (the "Excluded Shareholders") with registered addresses outside Hong Kong and whom the board of directors of the Company (the "Directors"), after making relevant enquiry, considers their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant jurisdiction or any requirements of the relevant regulatory body or stock exchange in that jurisdiction) in the proportion of one Offer Share for every one Share then held and otherwise pursuant to and in accordance with the terms and conditions set out in the Circular be and is hereby approved;

(b) the issue of 110,473,419 warrants (the "Warrants") which entitle the holder thereto to subscribe for Shares at an initial price of HK$8.00 per Share (subject to adjustment), on the basis of two unit of subscription right for every five Offer Shares taken up (the "Warrant Issue") be and is hereby approved;

(c) the issue of 110,473,419 new Shares which fall to be issued upon the exercise of the Warrants pursuant to the Warrant Issue be and is hereby approved;

(d) (i) the Directors be and are hereby authorised to allot and issue the Offer Shares and the Warrants pursuant to or in connection with the Open Offer and the Warrant Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, (ii) the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements or Excluded Shareholders as they may, at their absolute discretion, deem necessary or expedient or appropriate;

(e) the Underwriting Agreement, a copy of which has been produced at the Meeting marked "B" and signed by the chairman of the Meeting for identification purpose, be and is hereby approved, confirmed and ratified, and that all the transactions contemplated under the Underwriting Agreement be and are hereby approved, confirmed and ratified, and that the Directors be and are hereby authorised to do such acts and execute such other documents with or without amendments and affix the common seal of the Company thereto (if required) as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the Underwriting Agreement;

(f) the waiver ("Whitewash Waiver") in respect of any obligation under the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") of Vigor Online Offshore Limited ("Vigor") and the parties acting in concert with it (such term as defined in the Takeovers Code) to make a mandatory general offer for all issued Shares which may, but for such waiver, arise upon completion of the Open Offer be approved; and

(g) the Directors be and are hereby authorised to do all such acts and execute such other documents with or without amendments and affix the common seal of the Company thereto (if required) as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the Open Offer, the Warrant Issue and the Whitewash Waiver."

2. "**THAT** subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Offer Shares, the Warrants and the Shares which may fall to be issued upon the exercise of the Warrants either unconditionally or subject to such condition as may be reasonably acceptable to the Company, the Directors be and are hereby authorized to allot and issue up to a maximum of not more than 276,183,547 Offer Shares, 110,473,419 Warrants which entitle the holder thereto to subscribe for Shares at an initial price of HK$8.00 per Share (subject to adjustment) and 110,473,419 new Shares which fall to be issued upon the exercise of the Warrants pursuant to the Warrant Issue, to qualifying shareholders in accordance with the terms and conditions of the Open Offer be and are hereby approved, and the Directors be and are hereby authorized to do all such acts and things to sign and execute all such further documents and to take such steps as the Directors may in their discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the allotment and issue of the Offer Shares, the Warrants and new Shares which fall to be issued upon the exercise of the Warrants."

By Order of the Board,
**COL Capital Limited**
**Fung Ching Man, Ada**
*Company Secretary*

Hong Kong, 31st December, 2007

*Registered Office*
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head Office and Principal Place of Business in Hong Kong*
47/F., China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holder of any class of shares in 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 of the Company. A member may appoint more than one proxy to attend on the same occasion.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorised.

3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority shall be deposited at the branch share registrars of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

4. In accordance with Rule 32 and Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code and Rule 3.2 of the Repurchase Code, Vigor and any of its concert parties (such term as defined under the Takeover Code) with a material interest in the Open Offer which is different from the interests of all other Shareholders shall abstain from voting on the above ordinary resolutions.