

---

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

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

**If you have sold or transferred** all your shares in **Shenzhen Investment Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



**深圳控股有限公司**  
**SHENZHEN INVESTMENT LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 604)**

**DISCLOSEABLE TRANSACTION**  
**SALE AND PURCHASE OF**  
**SHENZHEN YA BAO PROPERTY DEVELOPMENT**  
**COMPANY LIMITED\***  
**(深圳雅寶房地產開發有限公司)**

---

A letter from the Board is set out on pages 4 to 10 of this circular.

24 January 2007

\* For identification purposes only

---

## CONTENTS

---

|                                                                    | <i>Page</i> |
|--------------------------------------------------------------------|-------------|
| <b>DEFINITIONS</b> .....                                           | 1           |
| <b>LETTER FROM THE BOARD</b>                                       |             |
| 1. INTRODUCTION .....                                              | 4           |
| 2. THE SALE AND PURCHASE AGREEMENT DATED<br>28 DECEMBER 2006 ..... | 5           |
| 3. INFORMATION ON SHENZHEN YA BAO .....                            | 8           |
| 4. REASONS FOR AND BENEFITS OF THE ACQUISITION .....               | 9           |
| 5. FINANCIAL EFFECT OF THE ACQUISITION .....                       | 10          |
| 6. GENERAL .....                                                   | 10          |
| 7. ADDITIONAL INFORMATION .....                                    | 10          |
| <b>APPENDIX – GENERAL INFORMATION</b> .....                        | 11          |

---

## DEFINITIONS

---

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

|                           |                                                                                                                                                                                                                       |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Acquisition”             | the acquisition of the entire equity interest in Shenzhen Ya Bao by the Purchaser from the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement                                             |
| “associates”              | has the meaning ascribed to it under the Listing Rules                                                                                                                                                                |
| “Board”                   | the board of Directors                                                                                                                                                                                                |
| “Business Day(s)”         | day(s) (other than Saturdays and Sundays) on which banks are generally open for business in Hong Kong                                                                                                                 |
| “Company”                 | Shenzhen Investment Limited (深圳控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange                                            |
| “Completion”              | completion of the Acquisition                                                                                                                                                                                         |
| “connected persons”       | has the meaning ascribed to it under the Listing Rules                                                                                                                                                                |
| “Directors”               | the directors of the Company                                                                                                                                                                                          |
| “Group”                   | the Company and its subsidiaries                                                                                                                                                                                      |
| “Handover Date”           | the date on which the Vendor shall hand over all seals/ chops and licenses of Shenzhen Ya Bao to the Purchaser, which shall be the second business day from the date on which the Balance has been paid to the Vendor |
| “Hong Kong”               | the Hong Kong Special Administrative Region of PRC                                                                                                                                                                    |
| “Latest Practicable Date” | 19 January, 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein                                                                      |
| “Listing Rules”           | The Rules Governing the Listing of Securities on the Stock Exchange                                                                                                                                                   |

---

## DEFINITIONS

---

|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “PRC”                         | the People’s Republic of China which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of PRC and Taiwan                                                                                                                                                                                                                                                                                                                                                 |
| “Property”                    | <p>comprising two pieces of land for industrial use of a gross area of 285,151.50 square metres (including the buildings, structures and works thereon of a gross floor area of approximately 101,059.80 square metres) and a piece of land for reservoir use of a gross area of 337,773 square metres situated at Nan Kang, Ban Tian Village, Bu Ji Town, Longgang District, Shenzhen, Guangdong Province, the PRC (中國廣東省深圳市龍崗區布吉鎮坂田村南坑)</p> <p>collectively known as “Ya Bao Industrial City”</p> |
| “Purchaser”                   | Shenzhen Pengji (Holdings) Company Limited* (深圳鵬基(集團)有限公司), a company incorporated in the PRC, a wholly-owned subsidiary of the Company                                                                                                                                                                                                                                                                                                                                                             |
| “Sale and Purchase Agreement” | the sale and purchase agreement in Chinese writing dated 28 December 2006 entered into between the Vendor and the Purchaser pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the entire equity interest in Shenzhen Ya Bao                                                                                                                                                                                                                                  |
| “Share(s)”                    | share(s) of HK\$0.05 each in the capital of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| “Shareholders”                | holders of Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| “Shenzhen Ya Bao”             | Shenzhen Ya Bao Property Development Company Limited* (深圳雅寶房地產開發有限公司), a wholly foreign-owned enterprise incorporated in the PRC with limited liability                                                                                                                                                                                                                                                                                                                                             |
| “Stock Exchange”              | The Stock Exchange of Hong Kong Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| “Vendor”                      | East Asia Holdings Limited (東雅集團有限公司), a company incorporated in Hong Kong, being the sole legal and beneficial owner of Shenzhen Ya Bao                                                                                                                                                                                                                                                                                                                                                            |
| “HK\$”                        | Hong Kong dollars, the lawful currency of Hong Kong                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

---

## DEFINITIONS

---

|        |                                                                            |
|--------|----------------------------------------------------------------------------|
| “RMB”  | Renminbi yuan, the lawful currency of PRC                                  |
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “%”    | per cent.                                                                  |

*For illustration purpose, in this circular, the exchange rates at US\$1.00 = HK\$7.80 and RMB\$1 to HK\$1 have been used, where applicable, for purpose of illustration only and do not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.*

*\* For identification purposes only*

---

## LETTER FROM THE BOARD

---



**深圳控股有限公司**  
**SHENZHEN INVESTMENT LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 604)**

*Executive Directors:*

HU Aimin (*Chairman*)

ZHANG Yijun

ZHAO Gesheng

XIAO Rihai

LIANG Kaiping

LIU Weijin

ZHANG Huaqiao

TAM Ping Lung

*Registered Office:*

8th Floor, New East Ocean Centre

9 Science Museum Road

Tsimshatsui, Kowloon

Hong Kong

*Non-Executive Directors:*

HU Zuoyuan

LEE Yip Wah, Peter

Dr. WU Jiesi

*Independent Non-Executive Directors:*

WONG Po Yan

LI Wai Keung

WU Wai Chung, Michael

24 January 2007

*To the Shareholders,*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION**  
**SALE AND PURCHASE OF**  
**SHENZHEN YA BAO PROPERTY DEVELOPMENT COMPANY LIMITED\***  
**(深圳雅寶房地產開發有限公司)**

**1. INTRODUCTION**

By an announcement dated 2 January 2007, the Company announced that the Company had on 28 December 2006, via its wholly owned subsidiary, the Purchaser, entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Vendor had agreed to sell and the Purchaser had agreed to purchase the entire equity interest in Shenzhen Ya Bao at a consideration of RMB550,000,000 (equivalent to approximately HK\$550,000,000). Upon Completion, Shenzhen Ya Bao will become an indirect wholly-owned subsidiary of the Company.

\* For identification purposes only

---

## LETTER FROM THE BOARD

---

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide further information on the Sale and Purchase Agreement, the Acquisition and other information relating to the Group.

### 2. THE SALE AND PURCHASE AGREEMENT DATED 28 DECEMBER 2006

#### The parties

Vendor : East Asia Holdings Limited (東雅集團有限公司)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Purchaser : Shenzhen Pengji (Holdings) Company Limited\* (深圳鵬基(集團)有限公司)

#### Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Vendor had agreed to sell and the Purchaser had agreed to purchase the entire equity interest in Shenzhen Ya Bao at a consideration of RMB550,000,000 (equivalent to approximately HK\$550,000,000).

Shenzhen Ya Bao is the lawful owner of the Property.

Upon Completion, Shenzhen Ya Bao will become an indirect wholly-owned subsidiary of the Company.

#### Consideration

The consideration for the Acquisition is RMB550,000,000 (equivalent to approximately HK\$550,000,000), payable by the Purchaser in cash in the following manner:

- (i) within three days from the date of the Sale and Purchase Agreement, the Purchaser shall pay to the Vendor a deposit of RMB20,000,000 (equivalent to approximately HK\$20,000,000) (the "Deposit");

\* For identification purposes only

---

## LETTER FROM THE BOARD

---

- (ii) within five business days from the day on which the Acquisition has obtained approval from the relevant regulatory authorities (such approval has already been obtained), the Purchaser shall pay RMB255,000,000 (equivalent to approximately HK\$255,000,000) as first installment of the consideration for the Acquisition (the “First Installment”) to the designated bank account of the Vendors.

The Purchaser shall, however, be entitled to retain from the abovementioned First Installment amount the sum of RMB43,000,000 (equivalent to approximately HK\$43,000,000) as income tax (the “Income Tax”) payable by the Vendor under relevant PRC laws. Such an amount shall be paid by the Purchaser, on behalf of the Vendor, to the relevant PRC tax authorities as and when it falls due and becomes payable by the Vendor as income tax under the prevailing PRC laws. Hence, the Purchaser shall only be required to pay to the Vendor the remaining amount of RMB212,000,000 (equivalent to approximately HK\$212,000,000) which shall be applied towards the consideration for the Acquisition;

- (iii) on the fifth business day after Completion, the balance of the consideration, being RMB275,000,000 (equivalent to approximately HK\$275,000,000) (the “Balance”), shall be paid to the designated bank account of the Vendor by the bank which has issued the Letter of Guarantee (defined below).

As of the Latest Practicable Date, the payment of the amount of RMB232,000,000 (equivalent to approximately HK\$232,000,000), being the Deposit and the First Installment (less the Income Tax), has been made by the Purchaser.

In the event that the Purchaser fails to pay the consideration in full on time in accordance with, or perform its obligations under, the terms of the Sale and Purchase Agreement, the Deposit shall be forfeited to the Vendor; in the event that the Vendor fails to perform its obligations under the terms of the Sale and Purchase Agreement and, as a result, the Acquisition could not be completed, the Vendor shall refund the Deposit together with a sum in cash equivalent to the Deposit to the Purchaser. The Deposit amount to be refunded to the Purchaser shall not bear any interest. In the event that the Purchaser has performed all its obligations under the Sale and Purchase Agreement, the Deposit shall be automatically applied as part payment of the consideration for the Acquisition.

The Company has funded/will fund the consideration of the Acquisition by its internal resources.

---

## LETTER FROM THE BOARD

---

The consideration for the Acquisition was arrived at after arms length negotiations between the Vendor and the Purchaser. The consideration for the Acquisition was determined by reference to the market value (the basis of which is intended to mean the estimated amount for which the Property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion) of the Property (as bare land) valued as at 9 December 2006 (the "Valuation Date") at RMB623,000,000 by an independent valuer appointed by the Purchaser after deduction of the book liabilities of RMB8,918,135 of Shenzhen Ya Bao as shown in its PRC audited accounts as at 31 May 2006.

The Property has a carrying value of RMB130,003,000 as at 31 May 2006.

### **Completion**

Completion shall take place on the date when the Acquisition has obtained approval from the relevant regulatory authorities (such approval has already been obtained) and Shenzhen Ya Bao has obtained its new business license after its status has been changed to a domestic enterprise.

### **Termination**

The Sale and Purchase Agreement may be terminated, inter alia, in writing by agreement of the Vendor and the Purchaser. In the event that the obligations under the Sale and Purchase Agreement become impossible to perform because of policy reasons or force majeure, the Vendor and the Purchaser have agreed to terminate the same and shall not claim against each other.

### **Other terms of the Sale and Purchase Agreement**

The Vendor and the Purchaser have agreed that:

- (i) within five business days from the day on which the First Installment has been paid by the Purchaser, the chops/seals of Shenzhen Ya Bao shall be in the joint custody of the Vendor and the Purchaser (expected to take place on or before 25 January 2007), and the Vendor and the Purchaser shall commence registration of Shenzhen Ya Bao at the relevant State Administration for Industry and Commerce;

---

## LETTER FROM THE BOARD

---

- (ii) within five business days after the date of the Sale and Purchase Agreement, the Purchaser shall apply to a bank for the issuance of an irrevocable letter of guarantee for the benefit of the Vendor in the amount of RMB275,000,000 (equivalent to approximately HK\$275,000,000) (the “Letter of Guarantee”), the terms of which shall specify that, in the event that the Purchaser is unable to pay the consideration pursuant to the terms of the Sale and Purchase Agreement on time in full, the Vendor may by unilateral notice to such bank demand for payment of such consideration by the bank pursuant to the Letter of Guarantee;
- (iii) the liabilities in relation to perfecting the formalities relating to the use of the Property shall be borne by the Purchaser, but the Vendor shall in this connection, compensate the Purchaser with a sum of RMB2,000,000 (equivalent to approximately HK\$2,000,000), payable by the Vendor to the Purchaser on the day when the Purchaser pays the Balance to the Vendor;
- (iv) the Vendor warrants that it has paid, and will pay, all taxes, duties and fees in accordance with the laws and regulations of Hong Kong. In the event that the operation of Shenzhen Ya Bao, or the interests of the Purchaser, are affected and Shenzhen Ya Bao and/or the Purchaser have suffered any loss as a result of the Vendor’s taxation issues arising before the Valuation Date, the Vendor shall indemnify Shenzhen Ya Bao and/or the Purchaser as to the such loss; and
- (v) the Vendor shall guarantee all liabilities and contingent liabilities of Shenzhen Ya Bao arising during the period commencing from the date of the Sale and Purchase Agreement and ending on the Handover Date for a period of two years.

As of the Latest Practicable Date, the term mentioned in (ii) above has been fulfilled by the Purchaser.

### 3. INFORMATION ON SHENZHEN YA BAO

Shenzhen Ya Bao is a wholly foreign-owned enterprise incorporated in the PRC with limited liability. As at the Latest Practicable Date, it has a registered capital of US\$15,000,000 (equivalent to approximately HK\$117,000,000) and its equity interest is wholly-owned by the Vendor.

Shenzhen Ya Bao is principally engaged in the construction, development and management of the Property (collectively known as “Ya Bao Industrial City”). Its major assets include its land, buildings and land use rights. Its liabilities are insignificant.

---

## LETTER FROM THE BOARD

---

According to the income statements and audited balance sheets of Shenzhen Ya Bao audited in accordance with accounting principles generally accepted in the PRC, the net profit/ loss before and after taxation and extraordinary items and net assets of Shenzhen Ya Bao for the years ended 31 December 2004 and 31 December 2005 and for the 5 months ended 31 May 2006 were as follows:

|                                                                           | <b>Year ended<br/>31 December<br/>2004<br/>RMB</b> | <b>Year ended<br/>31 December<br/>2005<br/>RMB</b> | <b>5 months ended<br/>31 May<br/>2006<br/>RMB</b> |
|---------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|---------------------------------------------------|
| Net profit/(loss) before and<br>after taxation and<br>extraordinary items | <u>(6,294,435)</u>                                 | <u>(2,857,579)</u>                                 | <u>3,267,534</u>                                  |
|                                                                           | <b>As at<br/>31 December<br/>2004<br/>RMB</b>      | <b>As at<br/>31 December<br/>2005<br/>RMB</b>      | <b>As at<br/>31 May<br/>2006<br/>RMB</b>          |
| Net assets                                                                | <u>121,979,965</u>                                 | <u>119,122,385</u>                                 | <u>122,339,919</u>                                |

The financials of Shenzhen Ya Bao will be consolidated in the Group's financial statements upon completion of the Acquisition.

#### 4. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company, in entering into the Acquisition, has, via its wholly owned subsidiary, the Purchaser, acquired the entire equity interest in Shenzhen Ya Bao, the lawful owner of the Property and, accordingly, the land use rights and development rights in respect of the Property.

The Acquisition will serve to increase the Group's landbank and facilitate the continued development of the Group's property business.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition are on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

### 5. FINANCIAL EFFECT OF THE ACQUISITION

Upon completion of the Acquisition, the Group shall, on consolidation basis, be entitled to 100% of the net earnings/loss of Shenzhen Ya Bao. The Directors confirm that the Acquisition will not have immediate material impact on the assets and liabilities of the Group as the consideration for the Acquisition will be funded by internal resources of the Group. There is also no immediate material impact on the earnings of the Group as a result of the Acquisition.

### 6. GENERAL

The Group is principally engaged in the business of property development, investment and management services, transportation services, infrastructure investment and information technology.

The Vendor is principally engaged in property trading investment and development.

The Purchaser is principally engaged in property trading investment and development.

The Property, which comprises two pieces of land for industrial use (including the buildings, structures and works thereon) (“Industrial land”) and one piece of land for reservoir use (“Reservoir Land”), shall be employed by the Group for residential and commercial development (the “Planned Development”). Since the construction planning in the Industrial Land has yet to commence, the Company is not in a position to ascertain the completion date of the construction thereon. For the purpose of the Planned Development, Shenzhen Ya Bao shall not be required to change the land use of the Industrial land. The Reservoir Land, which shall form part of the landscape, shall remain unaltered in the Planned Development. The Company has yet to ascertain the source of funding and the course of the Planned Development as at the date of this circular. In any event, the Company has sufficient internal cash resources to meet the Planned Development.

As the relevant percentage ratios calculated pursuant to Rule 14.07(4) of the Listing Rules for the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

### 7. ADDITIONAL INFORMATION

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

Yours faithfully,  
By Order of the Board  
**Shenzhen Investment Limited**  
**Hu Aimin**  
*Chairman*

**(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 collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

**(2) DISCLOSURE OF INTERESTS**

**(a) Directors’ interests and short positions in the securities of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“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 interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, were as follows:

*Long positions in the shares and underlying shares of the Company*

| Name of Director | Capacity         | Nature of interests | Number of shares | Underlying shares pursuant to share options | Aggregate interests | Percentage of issued share capital of the Company |
|------------------|------------------|---------------------|------------------|---------------------------------------------|---------------------|---------------------------------------------------|
| HU Aimin         | Beneficial owner | Personal interest   | 2,000,000        | 10,000,000                                  | 12,000,000          | 0.43                                              |
| ZHANG Yijun      | Beneficial owner | Personal interest   | 1,700,000        | 8,800,000                                   | 10,500,000          | 0.37                                              |
| ZHAO Gesheng     | Beneficial owner | Personal interest   | –                | 4,000,000                                   | 4,000,000           | 0.14                                              |
| XIAO Rihai       | Beneficial owner | Personal interest   | –                | 4,000,000                                   | 4,000,000           | 0.14                                              |
| LIANG Kaiping    | Beneficial owner | Personal interest   | –                | 8,000,000                                   | 8,000,000           | 0.28                                              |
| LIU Weijin       | Beneficial owner | Personal interest   | –                | 6,000,000                                   | 6,000,000           | 0.21                                              |

**APPENDIX****GENERAL INFORMATION**

| Name of Director      | Capacity         | Nature of interests | Number of shares | Underlying shares pursuant to share options | Aggregate interests | Percentage of issued share capital of the Company |
|-----------------------|------------------|---------------------|------------------|---------------------------------------------|---------------------|---------------------------------------------------|
| ZHANG Huaqiao         | Beneficial owner | Personal interest   | –                | 14,000,000                                  | 14,000,000          | 0.50                                              |
| TAM Ping Lung         | Beneficial owner | Personal interest   | –                | 8,000,000                                   | 8,000,000           | 0.28                                              |
| HU Zuoyuan            | Beneficial owner | Personal interest   | 4,000,000        | –                                           | 4,000,000           | 0.14                                              |
| WU Jiesi              | Beneficial owner | Personal interest   | –                | 10,000,000                                  | 10,000,000          | 0.35                                              |
| WONG Po Yan           | Beneficial owner | Personal interest   | 3,400,000        | –                                           | 3,400,000           | 0.12                                              |
| LEE Yip Wah, Peter    | Beneficial owner | Personal interest   | 3,400,000        | –                                           | 3,400,000           | 0.12                                              |
| WU Wai Chung, Michael | Beneficial owner | Personal interest   | –                | 2,600,000                                   | 2,600,000           | 0.09                                              |
| LI Wai Keung          | Beneficial owner | Personal interest   | 5,300,000        | 1,400,000                                   | 6,700,000           | 0.24                                              |

***Long positions in the underlying shares of an associated corporation – Road King Infrastructure Limited***

| Name of Director | Capacity         | Nature of interests | Number of shares | Underlying shares pursuant to share options | Aggregate interests | Percentage of issued share capital of the associated corporation |
|------------------|------------------|---------------------|------------------|---------------------------------------------|---------------------|------------------------------------------------------------------|
| HU Aimin         | Beneficial owner | Personal interest   | –                | 250,000                                     | 250,000             | 0.04                                                             |
| ZHANG Yijun      | Beneficial owner | Personal interest   | –                | 250,000                                     | 250,000             | 0.04                                                             |
| ZHANG Huaqiao    | Beneficial owner | Personal interest   | 300,000          | 700,000                                     | 1,000,000           | 0.14                                                             |

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or 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 interests or short positions which they were taken or deemed to have

under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules.

**(b) Persons or corporations who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders**

So far as is known to each Director or the chief executive of the Company, as at the Latest Practicable Date, the following corporation had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and the amount of such corporation’s interest in such securities, were as follows:

*Interest in shares of the Company*

|                                   |                  | Percentage of    |             |
|-----------------------------------|------------------|------------------|-------------|
|                                   |                  | issued share     |             |
|                                   |                  | capital of       |             |
| Name                              | Capacity         | Number of shares | the Company |
| Shum Yip Holdings Company Limited | Beneficial owner | 1,401,123,966    | 49.66%      |
| (Note)                            |                  |                  |             |

*Note:* Hu Aimin, Zhang Yijun, Zhao Gesheng and Hu Zuoyuan, being Directors are also directors of Shum Yip Holdings Company Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person or corporation who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(3) COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in any business which competes or may compete, either directly or indirectly with any business of the Group.

**(4) DIRECTORS' SERVICE CONTRACTS**

Each of the non-executive Directors and the independent non-executive Directors has been appointed for a fixed term of three years (subject to earlier termination if the corresponding Director is not re-elected upon retirement by rotation), commencing on 1 January 2005 (except for Mr. Hu Zuoyuan who was appointed on 23 December 2005 and for Dr. Wu Jiesi who was appointed on 11 May 2006) and thereafter eligible for re-election. Save for an annual remuneration of HK\$250,000, and share options as may be granted by the Company, none of the non-executive Directors and independent non-executive Directors is entitled to receive any other remuneration for holding their office as a non-executive Director and an independent non-executive Director (as the case may be).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract the Group which does not expire or is not determinable by any member of the Group within one year without compensation (other than statutory compensation).

**(5) LITIGATION**

A statement of claim dated 27 August 2002 was issued by Fancheng Property Development Co., Limited (the "Plaintiff") as plaintiff against Shum Yip Group (Shenzhen) Co., Ltd. ("Shum Yip Shenzhen"), a wholly-owned subsidiary of the Company as first defendant and Yaoheng Development Co., Ltd. as the second defendant in a civil claim at the court in PRC. To the best of the Directors' knowledge, information and belief, Yaoheng Development Co., Ltd. is a third party independent of the Company and its connected persons.

The Plaintiff claimed against Shum Yip Shenzhen for, inter alia, damages suffered by the Plaintiff as a result of the breach by Shum Yip Shenzhen of the terms of a cooperation agreement entered into between the Plaintiff and Shum Yip Shenzhen dated 8 July 1991, which include (i) Shum Yip Shenzhen's deliberate registration of the properties named Shenfa Garden under the name of Shum Yip Shenzhen and its refusal to give the properties to the Plaintiff and (ii) Shum Yip Shenzhen's appropriation of the Plaintiff's sales proceeds to compensate the individual owners and the construction party of Shenfa Garden and the keeping of the income in relation to certain car parks and the kindergarten situated within the area of Shenfa Garden. The Plaintiff claimed a

total compensation of approximately RMB170 million against Shumyip Shenzhen. Shumyip Shenzhen lodged a defence and counterclaim for compensation of RMB1.3 million against the Plaintiff on 22 October 2002. This case was heard in court on 26 March 2003 and 5 November 2004, the arbitration process is complicated and time-consuming. As at the Latest Practicable Date, the parties were still waiting for the delivery of the arbitration award. The PRC lawyers of the Company are of the view that the outcome of the case is not determinable at this stage.

As advised by the Hong Kong lawyers of the Company, pursuant to a deed (the “Deed”) entered into on 12 February 1997 by Shum Yip Holdings Company Limited as covenantor in favour of the Company as covenantee in connection with the listing of the Company, the Company may be able to claim indemnity from Shum Yip Holdings Company Limited if the Plaintiff is successful in its claims against Shum Yip Shenzhen on the ground that Shum Yip Shenzhen had materially breached the cooperation agreement, and the circumstances which gave rise to the above litigation was already in existence at the time of execution of the Deed. The Company will request Shum Yip Holdings Company Limited to indemnify itself for losses suffered if the Plaintiff is successful in its claims against Shum Yip Shenzhen as aforesaid.

Save as disclosed above, as at the Latest Practicable Date and so far as the Directors are aware, no member of the Group is engaged in any litigation or arbitration proceedings of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

**(6) GENERAL**

- (a) The secretary of the Company is Mr. Cheung Wing Yui, who is a practising solicitor of Hong Kong.
- (b) The qualified accountant of the Company is Ms. Kwan Ka Yuet, who is a fellow of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants.
- (c) The head office and registered office of the Company is situate at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong.
- (d) The share registrar and transfer office of the Company is Standard Registrars Ltd. of 26/F Tesbury Centre, 28 Queen’s Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.