

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

If you are in doubt as to any aspect of this circular, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in K. Wah International Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

---



**DISCLOSEABLE AND CONNECTED TRANSACTION**

**ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN  
AND SHAREHOLDER'S LOAN TO  
MAX ORIENT HOLDINGS LIMITED**

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



**博大資本國際有限公司**

**Partners Capital International Limited**

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Letter from the Independent Board Committee</b> .....	11
<b>Letter from Partners Capital</b> .....	12
<b>Appendix I — Valuation report on the Property</b> .....	19
<b>Appendix II — General Information</b> .....	24

---

## DEFINITIONS

---

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

“Agreement”	the conditional agreement for sale and purchase dated 6 January 2010 among Pilot Time, Primary Guarantor, Secondary Guarantor and Million Link in connection with the Transaction
“Business Day”	any date on which licensed banks in PRC, Hong Kong and British Virgin Islands are officially open for general business, except a Saturday and Sunday
“Company”	K. Wah International Holdings Limited, an exempted company incorporated with limited liability in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Transaction by the parties pursuant to the terms of the Agreement
“connected person”	the meaning defined in the Listing Rules
“Consideration”	HK\$770,438,000 payable in cash
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong” and “HK\$”	respectively, the Hong Kong Special Administrative Region of the PRC and Hong Kong dollars, the lawfully currency of Hong Kong
“Independent Board Committee”	the independent board committee comprising the independent non-executive Directors namely Sir David Akers-Jones, Dr. The Hon. Leo Lee Tung Hai, Dr. Robin Chan Yau Hing, Mr. Robert George Nield, Dr. William Yip Shue Lam and Prof. Poon Chung Kwong
“Independent Shareholders”	Shareholders who do not have a material interest in the Transaction
“independent third party”	the meaning defined in the Listing Rules
“Joint Venture Company”	Shanghai Jia Hui Da Real Estate Development Co., Ltd. (上海嘉匯達房地產開發經營有限公司), a Sino-foreign equity joint venture established in the PRC
“Latest Practicable Date”	25 January 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to herein
“Lender”	Lehman Brothers Commercial Corporation Asia Limited, a company incorporated under the laws of Hong Kong with limited liability

---

## DEFINITIONS

---

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	an outstanding non-recourse loan owed by Max Orient to the Lender in the amount of approximately HK\$520 million as at 31 December 2009
“Max Orient”	Max Orient Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability, and a wholly-owned subsidiary of Pilot Time
“Million Link”	Million Link Group Limited, named as the purchaser in the Agreement, a company incorporated under the laws of British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Partners Capital”	Partners Capital International Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction
“Pilot Time”	Pilot Time Investments Limited, named as the vendor in the Agreement, a company incorporated under the laws of British Virgin Islands with limited liability
“PRC”	the People’s Republic of China
“Primary Guarantor”	Offshore Capital Finance Limited, a company incorporated under the laws of British Virgin Islands with limited liability
“Property”	Shanghai K. Wah Centre, located at Lot No. 26, Street No. 6, Huaihai Zhong Road, Xuhui District, Shanghai, the PRC, the sole registered owner of which is the Joint Venture Company
“Sale Shares”	1,000 ordinary shares of Max Orient with a par value of HK\$1.00 each (fully paid-up), being the entire issued share capital of Max Orient
“Secondary Guarantor”	Global Orient Finance Ltd., a company incorporated under the laws of British Virgin Islands with limited liability
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Shareholder’s Loan”	a debt of approximately HK\$47 million (including accrued interest of approximately HK\$3 million) owing by Max Orient to Pilot Time, and which is to be assigned to Million Link pursuant to the terms of the Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

---

## DEFINITIONS

---

“subsidiary”	the meaning defined in the Listing Rules
“Transaction”	the proposed sale, assignment and transfer by Pilot Time, and acquisition, assumption and taking of by Million Link of the Sale Shares and Shareholder’s Loan pursuant to the terms of the Agreement
“%”	Percentage

*For the purpose of illustration only, amounts denominated in RMB have been translated into HK\$ at the rate of RMB1.00 = HK\$1.135. Such translation should not be construed as a representation that the amounts quoted could have been or could be or will be converted at the stated rate or at any other rates at all.*

*For the purpose of this circular, certain English translations of Chinese names or words in this circular are included for information only, and should not be relied upon as the official translation of such Chinese names or words.*



K. WAH INTERNATIONAL HOLDINGS LIMITED  
嘉華國際集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 173)

**Executive Directors:**

Dr. Che-woo Lui, GBS, MBE, JP, LLD, DSSc, DBA  
(Chairman & Managing Director)  
Francis Lui Yiu Tung  
Paddy Tang Lui Wai Yu, BBS, JP

**Registered Office:**

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

**Non-Executive Directors:**

Sir David Akers-Jones\*, KBE, GBM, CMG, Hon. RICS, JP  
Michael Leung Man Kin, CBE, JP  
Dr. Moses Cheng Mo Chi, GBS, OBE, JP  
Dr. The Hon. Leo Lee Tung Hai\*, GBM, GBS, LLD, JP  
Dr. Robin Chan Yau Hing\*, GBS, LLD, JP  
Robert George Nield\*  
Dr. William Yip Shue Lam\*, LLD  
Prof. Poon Chung Kwong\*, GBS, PhD, DSc, JP

**Principal Place of Business  
in Hong Kong:**

29th Floor  
K. Wah Centre  
191 Java Road  
North Point  
Hong Kong

\* Independent Non-executive Directors

28 January 2010

To the Shareholders,

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN  
AND SHAREHOLDER'S LOAN TO  
MAX ORIENT HOLDINGS LIMITED**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 7 January 2010 in which the Board announced that on 6 January 2010, Million Link (an indirect wholly-owned subsidiary of the Company) entered into the Agreement with Pilot Time under which Million Link as the purchaser had conditionally agreed to acquire and Pilot Time as the vendor had conditionally agreed to sell the Sale Shares and the Shareholder's Loan for a total consideration of HK\$770,438,000.

---

## LETTER FROM THE BOARD

---

The Sale Shares represent the entire issued share capital of Max Orient. Max Orient has a 30% minority registered capital equity interest in the Joint Venture Company, a Sino-foreign equity joint venture incorporated in the PRC and a non-wholly owned subsidiary of the Company. A deposit in the aggregate sum of HK\$154,087,600 was paid to Pilot Time upon signing of the Agreement, such deposit to be used as part payment of the Consideration.

The purpose of this circular is (i) to provide you with further information in relation to the Agreement and the Transaction; (ii) to set out the valuation report on the Property; and (iii) to set out the opinions and recommendations of the Independent Board Committee and Partners Capital.

### 2. KEY TERMS OF THE AGREEMENT

The key terms of the Agreement are as follows:

**Date:** 6 January 2010

**Parties:**

1. Pilot Time as vendor
2. Million Link as purchaser
3. Offshore Capital Finance Limited as the Primary Guarantor
4. Global Orient Finance Ltd. as the Secondary Guarantor

As at the date of the Agreement, Pilot Time was beneficially interested in the entire issued share capital in Max Orient. Pilot Time is incorporated in the British Virgin Islands and its principal activity is investment holding. Million Link is incorporated in the British Virgin Islands and is an indirectly wholly-owned subsidiary of the Company, and its principal activity is investment holding.

As at the Latest Practicable Date and prior to completion of the Transaction, Max Orient has a 30% minority registered capital equity interest in the Joint Venture Company, a non-wholly owned subsidiary of the Company (over which the Company has effective management control), and Pilot Time is an associate of Max Orient. Accordingly, both Pilot Time and Max Orient are connected persons of the Company pursuant to Rules 14A.11(1) and 14A.11(4) of the Listing Rules, and the Transaction constitutes a connected transaction for the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Primary Guarantor and Secondary Guarantor are independent third parties, and there are no prior transactions entered into between the Group and either the Primary Guarantor or Secondary Guarantor.

#### **Subject Matter of the Transaction**

Pursuant to the Agreement, Pilot Time has conditionally agreed to sell, assign and transfer and Million Link has conditionally agreed to acquire, assume and take the Sale Shares free from all encumbrances and together with all rights attached thereto, and all rights, title and interests in the Shareholder's Loan free from all encumbrances and together with all rights therein.

---

## LETTER FROM THE BOARD

---

### **Consideration and Payment**

The consideration for the Transaction of HK\$770,438,000 was arrived at after arm's length negotiations between Pilot Time and Million Link and was on normal commercial terms, after having taken into account the minority nature of the equity interest in the Joint Venture Company held by Max Orient, the fact that Max Orient has no effective management control over the Joint Venture Company and is only entitled to dividends, the audited financial statements of Max Orient for the year ended 31 December 2008 and the unaudited financial statements of Max Orient as at 30 November 2009.

Payment of the Consideration is to be made in cash. A deposit in the aggregate sum of HK\$154,087,600 ("Deposit") has been paid to Pilot Time. The Deposit will be used as part payment of the Consideration, and the balance of HK\$616,350,400 will be paid upon completion of the Transaction which is expected to occur on or before 25 February 2010.

The Loan, which is secured by way of, inter alia, a charge over the Sale Shares, the assignment of the Shareholder's Loan and an equity pledge over the interests of Max Orient in the Joint Venture Company (collectively the "Security"), remains outstanding. Upon Completion, the Lender shall get ready documents for the release of the Security and Million Link will pay to the Lender a sum for full settlement of the Loan. The remaining amount after deducting the Loan amount will be paid to Pilot Time.

The consideration for the Transaction will be financed by internal resources of the Group.

### **Conditions Precedent for Completion**

Completion shall be conditional upon:

- (i) each of the warranties made by Pilot Time or Million Link (as the case may be) being true and correct in all material respects as at the date of the Agreement and as at the date of Completion;
- (ii) Pilot Time providing the audited accounts of Max Orient for the year ended 31 December 2009 to Million Link on or before 19 February 2010; and
- (iii) the Company having duly complied with all notification, publication and shareholders' approval requirements (if required) under Chapter 14 of the Listing Rules in respect of the transactions contemplated under the Agreement in accordance with the Listing Rules which if not complied with will adversely affect Million Link's ability to complete the Transaction.

If the conditions are not complied with by the respective party by 25 February 2010 (or such other date as agreed by the parties in writing), the non defaulting party may give notice to the defaulting party to either postpone Completion to a date (being a Business Day) falling not more than three (3) Business Days after 25 February 2010 (or such other date as agreed by the parties in writing), proceed to Completion as far as practicable (without limiting the rights of the non defaulting party under the Agreement), or terminate the Agreement.

**Completion**

Completion of the Transaction shall take place on the date that is two Business Days after all the conditions precedent have been satisfied or waived by the relevant party, but in no event shall the date of Completion be later than 25 February 2010 or such other date as agreed by the parties in writing.

**Guarantee**

The Primary Guarantor has agreed to unconditionally and irrevocably guarantee the due and punctual performance by Pilot Time of all its obligations due and owing to Million Link under the Agreement, and to pay, on demand, any sum which Pilot Time fails to pay to Million Link when due pursuant to the Agreement.

The Secondary Guarantor has agreed to guarantee the obligation of the Primary Guarantor. Prior to any claim or enforcement of guarantee against the Secondary Guarantor, Million Link is required to have taken any and all proceedings against Pilot Time and the Primary Guarantor and any and all actions are required to have been taken by Million Link to realize or enforce any other security, guarantee, indemnity, right or remedy against Pilot Time and the Primary Guarantor.

**Termination of the Agreement**

If the Agreement is terminated in accordance with its terms by Million Link, the Deposit (together with all interest accrued) will be returned to Million Link upon the termination of the Agreement, without prejudice to Million Link's rights to claim loss and damages.

If the Agreement is terminated in accordance with its terms by Pilot Time, a portion of the Deposit in the sum of HK\$80,000,000 will be retained by Pilot Time upon the termination of the Agreement, without prejudice to Pilot Time's rights to claim loss and damages. The remainder of the Deposit (together with all interest accrued) will be returned to Million Link.

Subject to the foregoing, upon termination, the Agreement shall become void and have no further effect; provided, however that no party shall be relieved of any liability for any antecedent breach of the Agreement.

Notwithstanding the foregoing, Million Link and Pilot Time are not precluded from obtaining an order for specific performance of the transactions contemplated under the Agreement.

**3. INFORMATION ON THE PARTIES TO THE AGREEMENT**

- (i) Pilot Time is principally engaged in investment holding.
- (ii) Million Link is an indirect wholly-owned subsidiary of the Company, and is principally engaged in investment holding.
- (iii) Offshore Capital Finance Limited is principally engaged in investment holding and is acting as guarantor for its fellow subsidiary.

---

## LETTER FROM THE BOARD

---

(iv) Global Orient Finance Ltd. is principally engaged in investment holding and is acting as guarantor for its fellow subsidiary.

#### **4. INFORMATION ON MAX ORIENT AND THE JOINT VENTURE COMPANY**

The Sale Shares constitute the entire issued share capital of Max Orient, a wholly-owned subsidiary of Pilot Time. Max Orient is an investment holding company and its sole asset of significance is its 30% minority interest in the Joint Venture Company.

After Completion, Max Orient will be consolidated in the Company's accounts and treated as a subsidiary. After completion of the Transaction, the effective interest of the Group in the Joint Venture Company, which holds the Property, will increase from 39.6% to 69.6%.

The Joint Venture Company is the registered owner of the Property, which is its sole asset of significance. The Property comprises a Grade-A office tower together with two ancillary buildings, with a total gross floor area of, approximately 72,000 square metres, located in Shanghai city and was completed in 2005 by the Group as project manager. The Group had effective management control over the Joint Venture Company since commencement of business.

#### **5. FINANCIAL INFORMATION OF MAX ORIENT**

According to the audited financial statements of Max Orient, (i) the net profit both before and after taxation amounted to HK\$39,497,897 for the period from 26 January 2007 (date of incorporation of Max Orient) to 31 December 2007, and (ii) the net profit before and after taxation amounted to HK\$12,043,927 and HK\$10,511,895 respectively for the year ended 31 December 2008. The unaudited net loss both before and after taxation for the year ended 31 December 2009 amounted to HK\$9,233,470.

According to the unaudited financial information of Max Orient, as at 31 December 2009, the total assets and the total liabilities (including the Loan and the Shareholder's Loan) of Max Orient amounted to approximately HK\$612,000,000 and HK\$567,000,000 respectively, resulting in net asset value of approximately HK\$45,000,000. Taking into account the valuation of the Property carried out by DTZ Debenham Tie Leung Limited on an open market value basis at 31 December 2009, the total assets and the total liabilities of Max Orient were approximately HK\$775,000,000 and HK\$573,000,000 respectively, resulting in net asset value of approximately HK\$202,000,000.

#### **6. INFORMATION ON THE COMPANY**

The Company is an investment holding company. Its principal subsidiaries are mainly engaged in property development and property investment in the Mainland China, Hong Kong, and South East Asia.

**7. REASONS FOR AND BENEFIT FOR THE TRANSACTION**

The Directors are optimistic about the property market in the Mainland China. After completion of the Transaction, the effective interest of the Group in the Joint Venture Company which holds the Property will increase from 39.6% to 69.6%. The Directors (excluding the independent non-executive directors whose views will be given after taking into account the advice from the independent financial adviser) consider that the Transaction enables the Group to have a greater share in the rental income stream and future capital gain on the Property. This is consistent with the strategy of the Group on long-term holding of quality property investments.

The Directors of the Company (excluding the independent non-executive directors whose views will be given after taking into account the advice from the independent financial adviser) also consider that the terms of the Agreement and the Consideration paid for the Transaction are fair and reasonable taking into account the underlying assets of Max Orient, and that the Transaction is in the interest of the Company and the Shareholders as a whole and are on normal commercial terms.

**8. LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date and prior to completion of the Transaction, Max Orient has a 30% minority registered capital equity interest in the Joint Venture Company, a non-wholly owned subsidiary of the Company (over which the Company has effective management control), and Pilot Time is an associate of Max Orient. Accordingly, both Pilot Time and Max Orient are connected persons of the Company pursuant to Rules 14A.11(1) and 14A.11(4) of the Listing Rules, and the Transaction constitutes a connected transaction for the Company. Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction are more than 5% but less than 25%, the Transaction also constitutes a discloseable transaction for the Company. The Transaction is therefore subject to the reporting, announcement and independent shareholders' (being Shareholders who do not have a material interest in the Transaction) approval requirements pursuant to the Listing Rules. So far as the Company is aware having made all reasonable enquiries, no Shareholder has a material interest in the Transaction and is required to abstain from voting on the resolution to approve the Transaction. Pursuant to Rule 14A.43 of the Listing Rules, Dr. Che-woo Lui, the Chairman and Managing Director of the Company, holding 5,208,534 Shares, together with companies directly or indirectly owned by him (Mark Liaison Limited holding 58,157,031 Shares, Premium Capital Profits Limited holding 135,435,613 Shares, Super Focus Company Limited holding 1,086,035,985 Shares, Po Kay Securities & Shares Company Limited holding 3,095,377 Shares, Favor Right Investments Limited holding 101,209,000 Shares and Best Chance Investments Ltd. holding 35,696,109 Shares) being a closely allied group of shareholders together holding 1,424,837,649 Shares, representing approximately 57.67% of the issued share capital of the Company have given their written consent to the Transaction. The Company has applied to the Stock Exchange for a waiver from the requirement to convene a special general meeting of the Company and to accept the written consent of such closely allied group of shareholders in lieu. A waiver was granted by the Stock Exchange on 12 January 2010.

---

## LETTER FROM THE BOARD

---

### 9. GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Shareholders in relation to the Transaction. Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on page 11 of this circular.

The Company has appointed Partners Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreement and the Transaction are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Independent Shareholders as a whole. Your attention is drawn to its letter of advice set out on pages 12 to 18 of this circular.

### 10. FURTHER INFORMATION

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

Yours faithfully  
For and on behalf of the Board of  
**K. Wah International Holdings Limited**  
**Dr. Che-woo Lui**  
*Chairman & Managing Director*



K. WAH INTERNATIONAL HOLDINGS LIMITED

嘉華國際集團有限公司

*(incorporated in Bermuda with limited liability)*

**(Stock code: 173)**

28 January 2010

*To the Shareholders,*

Dear Sir or Madam,

## **DISCLOSEABLE AND CONNECTED TRANSACTION**

### **ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN AND SHAREHOLDER'S LOAN TO MAX ORIENT HOLDINGS LIMITED**

We refer to the circular of the Company to the Shareholders dated 28 January 2010 ("Circular"), of which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed "Definitions" of the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders whether the Transaction is fair and reasonable so far as the Company and the Shareholders are concerned.

We wish to draw your attention to the letter of advice from Partners Capital, the Independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreement and the Transaction are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Independent Shareholders as a whole, as set out on pages 12 to 18 of the Circular and the Letter from the Board set out on pages 4 to 10 of the Circular.

Having considered the facts and reasons considered by, and the opinion of, Partners Capital as stated in its letter of advice, we consider that the Transaction is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Even though the Company has obtained a shareholders' meeting waiver from the Stock Exchange under Rule 14A.43 of the Listing Rules, we would nevertheless have recommended Independent Shareholders to vote in favour of resolutions to approve the Transaction, if a general meeting of the Company were to be convened to approve the Transaction.

Yours faithfully,

The Independent Board Committee of

**K. Wah International Holdings Limited**

**Sir David Akers-Jones      Dr. The Hon. Leo Lee Tung Hai**  
**Dr. Robin Chan Yau Hing      Mr. Robert George Nield**  
**Dr. William Yip Shue Lam      Prof. Poon Chung Kwong**

*Independent non-executive Directors*



博大資本國際有限公司

Partners Capital International Limited

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

28 January 2010

*To the Independent Board Committee  
and Independent Shareholders*

Dear Sirs,

## **DISCLOSEABLE AND CONNECTED TRANSACTION**

### **INTRODUCTION**

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and as to whether the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, particulars of which are set out in the circular (the "Circular") dated 28 January 2010, in which this letter is reproduced, which has been despatched by the Company to the Independent Shareholders in relation to the Agreement. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Circular.

As set out in the letter from the Board (the "Letter from the Board"), on 6 January 2010, Million Link, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with Pilot Time, pursuant to which Million Link agreed to acquire the Sale Shares and Shareholder's Loan for a total consideration of HK\$770,438,000. Max Orient is a substantial shareholder of Joint Venture Company which is a non wholly-owned subsidiary of the Company and Pilot Time is an associate of Max Orient. Accordingly, Pilot Time is a connected person of the Company under the Chapter 14A of the Listing Rules. In addition, as certain applicable percentage ratios (other than the profits ratio) for the Agreement exceed 2.5% and total consideration is more than HK\$10,000,000, the Agreement constitutes a discloseable and connected transaction of the Company under the Listing Rules which is subject to the reporting, announcement and Independent Shareholders' approval.

Partners Capital is not connected with the directors, chief executive and substantial shareholders of the Company or Pilot Time or any of their respective subsidiaries or their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Partners Capital will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the executive Directors and management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion

---

## LETTER FROM PARTNERS CAPITAL

---

with the executive Directors and management of the Company regarding the Group and the Agreement including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the executive Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the executive Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Max Orient, Joint Venture Company and their respective associates, nor have we carried out any independent verification of the information supplied to us.

### THE AGREEMENT

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

#### 1. Background Information

Shanghai is the financial centre of China with two international airports and a cargo port. Pursuant to the "Shanghai Property Times — Third Quarter 2009" published by DTZ Research, the decline of office rent for prime office in Shanghai was moderated during the third quarter of 2009. The rental for Grade A office building in Shanghai is expected to be stabilised in line with the economic repercussion since mid-2009. Based on the above and in particular the government policy of developing Shanghai into an international financial centre and the upcoming Shanghai World Expo, the Directors are, as stated in the Group's 2008 annual report, optimistic towards the Shanghai property market in long term.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in property development and property investment in the PRC, Hong Kong, and South East Asia. Chely Well Limited, which was owned as to 72% by the Company, is a joint venture partner of Joint Venture Company and owns 55% equity interest since its establishment in December 1993. Joint Venture Company is accounted for as a subsidiary of the Company due to majority board composition. The principal asset of Joint Venture Company is the Property.

Max Orient is an investment holding company and is another joint venture partner owning 30% interest in Joint Venture Company, being the sole and only asset of Max Orient. Max Orient, who nominates only 3 out of 11 directors in the board of Joint Venture Company, is a passive joint venture partner and the day-to-day management, marketing and leasing functions of the Property are taken up by the Company. Joint Venture Company is accounted for as an associated company of Max Orient and therefore proportionate financial performance and financial position are shared by Max Orient under equity accounting method.

The audited profit after tax of Max Orient amounted to approximately HK\$11.0 million for the year ended 31 December 2008 (which was mainly derived from net exchange gain and share of profit from Joint Venture Company of approximately HK\$32.1 million and approximately HK\$30.0 million respectively, and finance costs of approximately HK\$49.5 million), whilst its unaudited loss after tax amounted to approximately HK\$9.2 million for the year ended 31 December 2009 (which was mainly

---

## LETTER FROM PARTNERS CAPITAL

---

derived from share of profit from Joint Venture Company of approximately HK\$24.2 million and finance costs of approximately HK\$33.1 million). According to the management account of Max Orient provided by the Company, the unaudited net asset value of Max Orient, after accounted for 30% of the independent valuation of the Property as carried out by DTZ Debenham Tie Leung Limited, an independent valuer, on an open market value basis at 31 December 2009 of RMB3.33 billion (equivalent to approximately HK\$3.80 billion), was approximately HK\$202 million as at 30 November 2009. The unaudited profit after tax of Joint Venture Company amounted to approximately HK\$147 million for the eleven months ended 30 November 2009.

The Property comprises a 37-storey Grade-A office tower together with a 3-storey club house and a 4-storey retail building erected upon a 2-storey basement, with a total gross floor area ("GFA") of approximately 72,000 square meters located at Nos. 1010 and 1028, Huaihai Zhong Road and 108 Xiangyang Road North, Xuhui District, Shanghai, the PRC. Since completion of construction in 2005, the Property was held by the Group, as disclosed in the Letter from the Board, as a long-term investment property which is currently leased to and occupied by over 80 tenants. Based on the tenancy portfolio provided by the Company, around 67,000 square meters of the total GFA of the Property have been leased out to various individual tenants under separate tenancies for term ranging from 1 year to over 5 years. Existing tenants include renowned international conglomerates, airline operator, investment fund company and financial institutions etc.

The table below sets out duration of the existing leasing portfolio of the Property, and majority of which are with leasing term of over 2 years. Therefore the Board is of the view that the Property is able to generate steady rental income stream to the Company in mid-term.

<b>Duration of lease agreement</b>	<b>In terms of % of</b>	
	<b>Leased GFA</b>	<b>Rental income</b>
	<i>Approximate</i>	
To expire within 1 year	20.8%	26.2%
To expire over 1 year but within 2 years	36.2%	42.4%
To expire over 2 years but within 5 years	42.1%	28.8%
To expire after 5 years	0.9%	2.6%
	<u>100.0%</u>	<u>100.0%</u>

## 2. Reasons for entering into the Agreement

As set out in the Letter from the Board, the Company is optimistic towards the property market in the PRC, in particular, Shanghai. As disclosed in its 2008 annual report, a few property development projects of the Group, which mainly include residential properties, will be completed from 2009 onwards whilst the Property is the Group's only completed investment property in Shanghai with steady rental income. As part of our due diligence review, we have reviewed certain leasing agreements on a random basis, and noted the rental of the Property for the upcoming 2 to 5 years has been agreed in most of the leasing agreements. We further discussed with the Board on the future operation of Joint Venture Company and, according to management's projection, which is mainly based on the future agreed rental income and cost structure based on the existing scale of

---

## LETTER FROM PARTNERS CAPITAL

---

operation of the Property, Joint Venture Company is expected to continue generating steady positive earnings. In this connection, we consider that the Transaction enables the Group to continue to enjoy steady income and operating profit of Joint Venture Company under the Group's management.

Having considered that (i) the Property has a high occupancy rate of over 90%; (ii) steady rental income is generated from the Property; (iii) Joint Venture Company and Max Orient have profitable track record; and (iv) the acquisition of Max Orient is in line with the Group's property investment strategy in Shanghai, we concur with the Board that the Transaction could enable the Group to further share steady rental income and operating profit of Joint Venture Company. We are of the view that the entering into of the Agreement is in the interest of the Company and is fair and reasonable so far as the Independent Shareholders are concerned.

### 3. Terms of the Agreement

Pursuant to the Agreement, the Company will acquire the Sale Shares, being a 30% interest in Joint Venture Company, and Shareholder's Loan at a total consideration of HK\$770,438,000. As set out in the Letter from the Board, the Consideration is determined after arm's length negotiations between the parties having taken into account of, inter alia, the minority nature of the equity interest in the Joint Venture Company held by Max Orient and the historical financial performance of the Joint Venture Company.

Pursuant to the Agreement, the Loan will be fully repaid and Shareholders' Loan will be assigned to the Company before Completion. Therefore, at Completion, the sole and the only asset of Max Orient will be the 30% interest of the Joint Venture Company and no liability will be recorded in its accounting record. In assessing the fairness and reasonableness of the Consideration, we have adopted a see-through approach to review the latest financial position of Joint Venture Company. Having taken into account the independent valuation of the Property as at 31 December 2009, the adjusted unaudited net asset value of Joint Venture Company as at 30 November 2009 is calculated below:

	<i>RMB' Million</i>
Adjusted net asset value as at 30 November 2009*	<u>2,825.5</u>
30% interest in the adjusted net asset value	<u>847.7</u>
The Consideration (approximately HK\$770.4 million)	<u>678.8</u>
Discount to adjusted net asset value of Joint Venture Company	<u>19.9%</u>

\* *Being the unaudited net asset value of Joint Venture Company as at 30 November 2009 after adjusted with the construction cost of and the independent valuation of the Property as at 31 December 2009.*

We note that an independent valuation as at 31 December 2009 of the Property was conducted using (i) direct capitalization approach by capitalizing rental income from existing tenancies with allowance for reversionary income potential and (ii) comparison with reference to the market price and other price information of comparable properties as cross-check. We have discussed the valuation methodology with the independent valuer and noted that the valuation of the Property was generally

---

## LETTER FROM PARTNERS CAPITAL

---

cross-checked with reference to recently transacted office buildings, commercial properties and car-parks located in Shanghai in 2009 (the "Comparable Properties"), after taking into account the price information per square meter of the Comparable Properties adjusted with parameters such as quality, location and timing of relevant transactions.

As part of our due diligence exercise, we have reviewed and noted from the management accounts of Max Orient that it does not own other significant assets except the Property. We have also adopted an asset approach that taken into account the net asset value of Max Orient as at 30 November 2009 after adjustment for 30% of the independent valuation of the Property as at 31 December 2009 and the actual amount of the Loan and the Shareholder's Loan, of which the calculation is set out below:

	<i>HK\$' Million</i>
Adjusted net asset value of Max Orient as at 30 November 2009*	201.6
Add: Shareholder's Loan	46.6
Add: The Loan	<u>541.0</u>
Adjusted net asset value as at 30 November 2009	<u>789.2</u>
The Consideration	<u>770.4</u>
Discount to adjusted net asset value	<u>2.38%</u>

\* *The amount of fair value change represents 30% sharing of the independent valuation of the Property as at 31 December 2009 of RMB3.33 billion net of tax provisions.*

*Source: Management account of Max Orient provided by the Company and discussion with management of the Company.*

Pursuant to the existing regulations in the PRC, enterprise is subject to a land appreciation tax calculated progressively on revaluation surplus arisen from the subject land and property. Pursuant to discussion with the Company, we were advised that, in accordance with the Group's accounting policy, no provision for the land appreciation tax has been made for revaluation surplus of the Property in the Group's annual report on the grounds that (i) the Property is held as a long term investment property and (ii) the Group has no intention to dispose of the Property in the short term future.

A deposit was paid by the Group at the execution of the Agreement. We note that the remaining amount of the Consideration will be paid to Pilot Time after settlement of the Loan for the release of the Security.

Having considered that the Consideration represents (i) a discount of 19.9% to the adjusted net asset value of Joint Venture Company as at 30 November 2009 under the see-through approach; and (ii) a discount of 2.38% to the net asset value of Max Orient as at 30 November 2009 after adjusted with the Loan and Shareholder's Loan and proportionate independent valuation of the Property, we consider the level of the Consideration is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

#### **4. Financial effects on the Group**

The Group currently owns an attributable interest of 39.6% in Joint Venture Company. Upon Completion, the Group will effectively own 69.6% interest in Joint Venture Company. Joint Venture Company will continue to be recorded as a subsidiary of the Group. Its turnover, assets and liabilities will be consolidated with the Group. The percentage of the minority interests in profit and net assets of Joint Venture Company will diminish due to the said increase in the attributable interest.

*(i) Earnings*

The financial results of Joint Venture Company, in particular, the operation profit, will continue to be consolidated in the accounts of the Group. Max Orient has recorded an audited profit after tax of HK\$11 million for the year ended 31 December 2008 and an unaudited loss of HK\$9.2 million for the year ended 31 December 2009. It is expected that the earnings of the Group will have slight effect upon Completion due to the increase of the Group's attributable interest in Joint Venture Company from 39.6% to 69.6%.

On the other hand, the finance costs as recorded by Max Orient will no longer be incurred after Completion as the Loan is to be repaid at Completion.

*(ii) Cashflow*

Based on its 2009 interim report, the cash and bank balance of the Group as at 30 June 2009 amounted to approximately HK\$2.8 billion and available banking facilities amounted to over HK\$1.4 billion. As the Consideration of HK\$770,438,000 will be satisfied by way of cash, it is expected that there will be a reduction in the cash position of the Group. The Company has confirmed that such reduction in cash position will not have material adverse impact on the existing business operation of the Group.

*(iii) Net Asset Value*

Upon Completion, the Group will effectively own as to 69.6% in Joint Venture Company. In view of the increase in the Group attributable interest from 39.6% to 69.6% in Joint Venture Company and the discounts of the consideration to both the valuation attributable to Max Orient and the adjusted net asset value of Max Orient, the Transaction will bring about a positive impact on the net asset position of the Group.

Based on the above and assuming the Transaction was completed in the year ended 31 December 2009, the Transaction would have a slight impact on the Group's earnings and a positive effect to the Group's net asset value. Having considered the aforementioned overall benefits which the Transaction would likely bring to the Group and the cash and bank balance of the Group, we consider the reduction in the cash position of the Group is justifiable.

---

## LETTER FROM PARTNERS CAPITAL

---

### RECOMMENDATION

Having considered the principal factors and reasons as set out above, we are of the opinion that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole. We consider the Transaction is in the ordinary and usual course of the business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to, and we recommend the Independent Shareholders to, vote in favour of the ordinary resolution to approve the Agreement if a general meeting of the Shareholders were to be held in this regard.

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

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of value of the property in the PRC as at 31 December 2009.



16th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

28 January 2010

The Directors  
K. Wah International Holdings Limited  
29th Floor, K. Wah Centre  
191 Java Road  
North Point  
Hong Kong

Dear Sirs,

**Re:** *K. Wah Centre (excluding unit 102 of No. 1028 Huaihai Road Middle) and additional 24 car parking spaces in Palace Court, Nos. 1010 & 1028 Huaihai Road Middle and 108 Xiangyang Road North, Xuhui District, Shanghai, the PRC*

**Instruction, Purpose and  
Date of Valuation**

In accordance with your instruction for us to value the captioned property held by K. Wah International Holdings Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 December 2009 for public disclosure purpose only.

**Valuation Standards and  
Definition of Market  
Value**

In valuing the property, we have complied with the requirements set out in The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

Our valuation of the property represents its market value which in accordance with The HKIS Valuation Standards on Properties of The Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

**Basis and Assumptions** Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the property in the PRC, we have assumed that transferable land use rights in respect of the property at nominal land use fees have been granted and that any premium payable has already been fully settled. We have, unless otherwise stated, assumed that the grantees or the users of the property have free and uninterrupted rights to use, occupy, underlet or assign the properties for the whole of the unexpired terms as granted. We have relied on the advice given by K. Wah International Holdings Limited and the opinion of the Group's legal adviser Zhong Lun Law Firm (中倫律師事務所), as to PRC laws regarding the title to the property. Our valuation is on a 100% interest basis.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of any onerous nature which could affect its value.

**Method of Valuation** In valuing the property, we have adopted the direct capitalization approach by capitalizing the income from existing tenancies with due allowance for any reversionary income potential.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**Title Investigation** In respect of the property in the PRC, we have been provided with extracts of documents in relation to the title to the property. However, we have not inspected the original documents to ascertain any amendments, which may not appear on the copies handed to us.

In respect of the property situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided to us are set out in the notes in the valuation certificate.

**Source of Information** In the course of our valuation, we have relied to a considerable extent on the information given by the Group and the opinion of the legal adviser to the Group as to PRC laws, in respect of the property in the PRC and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of land and building, completion date of building, particulars of occupancy, site and floor areas, site and floor plans and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

**Site Inspection**

We have inspected the exterior and, wherever possible, the interior of the property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects nor were any tests carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and gross floor area of the property and we have assumed that the areas shown on the documents handed to us are correct.

**Currency**

Unless otherwise stated, all money amounts stated in our valuation are in Renminbi ("RMB") which is the official currency of the PRC.

We enclose herewith our valuation certificate.

Yours faithfully,  
for and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**Andrew K.F. Chan**  
*Registered Professional Surveyor (GP)*  
*China Real Estate Appraiser*  
*MSc, M.H.K.I.S., M.R.I.C.S*  
*Director*

*Note: Mr. Andrew Chan is a Registered Professional Surveyor who has over 22 years' of experience in the valuation of properties in the PRC.*

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2009
K. Wah Centre (excluding unit 102 of No.1028 Huaihai Road Middle) and additional 24 car parking spaces in Palace Court, Nos. 1010 & 1028 Huaihai Road Middle and 108 Xiangyang Road North, Xuhui District, Shanghai, the People's Republic of China	<p>K. Wah Centre comprises a 37-storey office tower, a 3-storey club house and a 4-storey retail building erected upon a 2-storey basement completed in 2005.</p> <p>The total gross floor area of the property is approximately 91,152.61 sq.m. In addition, the property provides a total of 291 car parking spaces (including 24 car parking spaces in the basement of Palace Court), which is a sister building of K. Wah Centre).</p> <p>The land use rights of the property erected thereon have been granted for a term of 50 years due to expire on 19 May 2047 for composite use.</p>	<p>As informed by the Group, the retail and office spaces were about 95% leased at a total monthly rent of about RMB17,700,000 as at the date of valuation.</p> <p>Portion of the car parking spaces of the property were subject to tenancies and the remaining is leased on hourly basis.</p>	RMB3,330,000,000

## Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership Hu Fang Di Xu Zi (2006) No. 002686 issued by Shanghai Housing and Land Resource Administration Bureau on 5 February 2006, the title of K. Wah Centre with a gross floor area of 92,012.98 sq.m. is vested in Shanghai Jia Hui Da Real Estate Development Co., Ltd. (上海嘉匯達房地產開發經營有限公司). The land use rights have been granted for a term from 2 November 1994 to 19 May 2047 for composite use.

Pursuant to the PRC legal opinion, Unit 102 situated at 1028 Huaihai Road Middle with a gross floor area of 860.37 sq.m. has been transferred and is not included in our valuation.

- (2) According to Shanghai Certificate of Real Estate Ownership Hu Fang Di Shi Zi (1997) No. 000840 issued by Shanghai Housing and Land Resource Administration Bureau on 1 April 1997, the title of Palace Court with a gross floor area of 34,144.77 sq.m. (including Basement Car Parking Spaces with a total GFA of 5,081) is vested in Shanghai Jia Hui Da Real Estate Development Co., Ltd. (上海嘉匯達房地產開發經營有限公司). The land use rights have been granted for a term from 2 November 1994 to 19 October 2063 for residential use.
- (3) According to Business Licence No. 0794210 dated 4 June 2009, Shanghai Jia Hui Da Real Estate Development Co., Ltd. (上海嘉匯達房地產開發經營有限公司), was established as a cooperation enterprise in the PRC with a registered capital of USD53,000,000 for a valid operation period from 22 December 1993 to 21 December 2043.
- (4) According to the PRC legal opinion,
- (i) Shanghai Jia Hui Da Real Estate Development Co., Ltd. (上海嘉匯達房地產開發經營有限公司) has obtained the building ownership of K. Wah Centre with a gross floor area of 91,152.61 sq.m for office/retail uses and land use rights to be expired on 19 May 2047;
- (ii) The K. Wah Centre with GFA of 91,152.61 sq.m. is subject to a mortgage in favor of DBS Bank Shanghai Branch (新加坡星展銀行有限公司上海分行) at the consideration of RMB150,000,000 and HK\$720,000,000 for a term from 16 February 2006 to 16 February 2011;

- (iii) Shanghai Jia Hui Da Real Estate Development Co., Ltd. (上海嘉匯達房地產開發經營有限公司) is entitled to transfer, lease or mortgage the K. Wah Centre with GFA of 91,152.61 sq.m subject to the permit of DBS Bank Ltd Shanghai Branch (新加坡星展銀行有限公司上海分行) in advance;
- (iv) Shanghai Jia Hui Da Real Estate Development Co., Ltd. (上海嘉匯達房地產開發經營有限公司) is the sole-owner of 24 car parking spaces in Palace Court. The 24 car parking spaces are not subject to mortgage; and
- (v) Shanghai Jia Hui Da Real Estate Development Co., Ltd. (上海嘉匯達房地產開發經營有限公司) is entitled to transfer and lease the said 24 car parking spaces.
- (5) In accordance with the information provided by the Group and the PRC legal opinion, the status of title and grant of major approvals and licences are as follows:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

## 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. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director in the ordinary shares of the Company ("Shares"), underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), if any, and the details of any right to subscribe for Shares and of the exercise of such rights, as 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 and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) or are recorded in the register of the Company required under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules, were as follows:

### (a) Shares (including underlying Shares)

Directors	Number of Shares			Total	Approximate % of Issued Share Capital
	Personal Interests <sup>(1)</sup>	Family Interests	Corporate Interests		
Che-woo Lui	11,131,034	7,256,345 <sup>(2)</sup>	1,419,629,115 <sup>(3)</sup>	1,438,016,494	58.21
Francis Lui Yiu Tung	5,878,035	—	—	5,878,035	0.24
Paddy Tang Lui Wai Yu	13,213,771	—	—	13,213,771	0.53
Sir David Akers-Jones	650,000	—	—	650,000	0.03
Michael Leung Man Kin	500,000	—	—	500,000	0.02
Moses Cheng Mo Chi	—	—	—	—	—
Leo Lee Tung Hai	1,050,000	—	—	1,050,000	0.04
Robin Chan Yau Hing	1,436,563	—	—	1,436,563	0.06
Robert George Nield	753,000	—	—	753,000	0.03
William Yip Shue Lam	—	—	—	—	—
Poon Chung Kwong	—	—	—	—	—

Unless otherwise stated, all personal interests stated above were held by the respective Directors in the capacity of beneficial owners.

## (b) Share Options

Directors	Options held at the Latest Practicable Date	Exercise Price per Share (HK\$)	Exercise period
Che-woo Lui	1,350,000	1.906	22 Oct 2006–21 Oct 2011
	1,055,000	4.636	27 Nov 2008–26 Nov 2017
	3,517,500	0.938	3 Mar 2010–2 Mar 2014
Francis Lui Yiu Tung	1,340,000	1.906	22 Oct 2006–21 Oct 2011
Paddy Tang Lui Wai Yu	930,000	1.906	22 Oct 2006–21 Oct 2011
	940,000	4.636	27 Nov 2008–26 Nov 2017
	800,000	3.882	27 Nov 2008–26 Nov 2017
	3,133,400	0.938	3 Mar 2010–2 Mar 2014
Sir David Akers-Jones	150,000	0.720	1 Mar 2004–28 Feb 2013
	500,000	4.636	27 Nov 2008–26 Nov 2017
Michael Leung Man Kin	500,000	4.636	27 Nov 2008–26 Nov 2017
Moses Cheng Mo Chi	—	—	—
Leo Lee Tung Hai	500,000	4.636	27 Nov 2008–26 Nov 2017
Robin Chan Yau Hing	500,000	1.906	22 Oct 2006–21 Oct 2011
	500,000	4.636	27 Nov 2008–26 Nov 2017
Robert George Nield	500,000	4.636	27 Nov 2008–26 Nov 2017
William Yip Shue Lam	—	—	—
Poon Chung Kwong	—	—	—

*Notes:*

- (1) These Shares include the options to subscribe for Shares held by the relevant Director.
- (2) Dr. Che-woo Lui is deemed to be interested in 7,256,345 Shares through the interests of his spouse.
- (3) These 1,419,629,115 Shares represent the aggregate of (i) 35,696,109 Shares held by Best Chance Investments Ltd., (ii) 3,095,377 Shares held by Po Kay Securities & Shares Company Limited, (iii) 101,209,000 Shares held by Favor Right Investments Limited, (iv) 1,086,035,985 Shares held by Super Focus Company Limited, (v) 135,435,613 Shares held by Premium Capital Profits Limited and (vi) 58,157,031 Shares held by Mark Liaison Limited. All the aforesaid companies are ultimately beneficially owned and controlled by Dr. Che-woo Lui.

All the interests stated above represent long positions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive (if any) of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) or are recorded in the register of the Company required under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Appendix 10 to the Listing Rules.

### 3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as is known to the Directors, the persons (other than Directors) who had interests or short positions 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; or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, were as follows:

Name of Shareholder	Number of Ordinary Share (Long Position)	Approximate % of Issued Share Capital
Super Focus Company Limited	1,086,035,985 <sup>(1)</sup>	43.96
Star II Limited	193,592,644 <sup>(1)</sup>	7.84

Notes:

- (1) Super Focus Company Limited and Star II Limited are beneficially interested in 1,086,035,985 Shares and 193,592,644 Shares respectively and both are solely owned and controlled by Dr. Che-woo Lui. Dr. Che-woo Lui, the Chairman & Managing Director, is also a director of both Super Focus Company Limited and Star II Limited.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons of any interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital.

### 4. LITIGATION

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

**5. SERVICE CONTRACTS OF THE DIRECTORS**

As at the Latest Practicable Date, none of the Directors had entered into or had proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

**6. COMPETING BUSINESS**

As at the Latest Practicable Date, Dr. Che-woo Lui, Mr. Francis Lui Yiu Tung and Ms. Paddy Tang Lui Wai Yu (collectively, the “Relevant Directors”), are interested in several independently managed companies, which are also engaged in property investment, trading, and property development. The business of these companies (“Competing Business”) may compete, directly or indirectly, with the Group. The Relevant Directors are also the directors of certain holding companies of the Competing Business.

Notwithstanding that the Relevant Directors are also the Executive Directors of the Company, the Group is able to carry on its business independently of, and at arm’s length from, the Competing Business, given that the Company has a strong and independent Board with 8 out of 11 Directors being non-executive/independent non-executive Directors. These non-executive/independent non-executive Directors are professionals (audit/accounting and legal), prominent businessmen, or veteran high-ranking Hong Kong Government officials. The Company has established corporate governance procedures, which ensure investment opportunities and business performance are independently assessed and reviewed. The Relevant Directors are fully aware of their fiduciary duty to the Company, and will abstain from voting on any matter where there is, or there may be, a conflict of interest. The Directors therefore considered that the Group’s interest is adequately safeguarded.

Save as disclosed above, there is no other competing business between the Directors and his/her respective associates and the Group.

**7. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Company were made up.

**8. INTEREST IN CONTRACTS AND ASSETS**

As at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors of the Company had any direct or indirect interest in any asset which had been, since 31 December 2008, being the date to which the latest published audited financial statements of the Company were made up, 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.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

## 9. EXPERTS' QUALIFICATIONS AND CONSENTS

Each of Partners Capital and DTZ Debenham Tie Leung Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of the experts who have given their opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Partners Capital	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
DTZ Debenham Tie Leung Limited	an independent professional property valuer

As at the Latest practicable Date, Partners Capital and DTZ Debenham Tie Leung Limited did not have any direct or indirect interest in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2008, being the date to which the latest published audited financial statements of the Company were made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## 10. GENERAL

- (a) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is at 29th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong.
- (c) The company secretary of the Company is Ms. Cecilia Lee Wai Kwan, who is a solicitor qualified in Hong Kong and an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries & Administrators.
- (d) In case of inconsistency, the English text of this circular shall prevail over the accompanying Chinese text.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at 29th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including 25 February 2010:

- (a) the Memorandum of Association and Bye-Laws of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 December 2007 and 31 December 2008;
- (c) the interim report of the Company for the period ended 30 June 2009;
- (d) the Agreement for sale and purchase dated 6 January 2010;
- (e) the letter from the Independent Board Committee, the text of which is set out on page 11 of this circular;
- (f) the letter from Partners Capital, the text of which is set out on pages 12 to 18 of this circular;
- (g) the valuation report of DTZ Debenham Tie Leung Limited, the text of which is set out on pages 19 to 23 of this circular;
- (h) the letters of consent from Partners Capital and DTZ Debenham Tie Leung Limited referred to in the above paragraph headed "Experts' Qualifications and Consents" in this Appendix; and
- (i) this circular.