

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

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

If you have sold or transferred all your shares in Asian Capital Resources (Holdings) Limited, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Offers.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, make no representation as to their 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 Composite Document and the accompanying Form(s) of Acceptance.

**ACR** 亞洲資產(控股)有限公司  
ASIAN CAPITAL RESOURCES (HOLDINGS) LIMITED  
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 8025)

**GLAMOUR HOUSE LIMITED**  
(Incorporated in the BVI with limited liability)

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFERS BY REDFORD SECURITIES LIMITED FOR AND ON BEHALF OF GLAMOUR HOUSE LIMITED FOR ALL THE ISSUED SHARES AND SHARE OPTIONS IN ASIAN CAPITAL RESOURCES (HOLDINGS) LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY GLAMOUR HOUSE LIMITED AND ASIAN DYNAMICS AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)**

Financial Adviser to Glamour House Limited

**ASIA VEST PARTNERS**  
AsiaVest Partners Limited

Independent Financial Adviser to the Independent Board Committee



**Mitsubishi UFJ Securities**

Mitsubishi UFJ Securities (HK) Capital, Limited

Capitalized terms used in this cover page shall have the same respective meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Redford Securities is set out on pages 9 to 19 of this Composite Document.

A letter from the Board is set out on pages 20 to 27 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Offers to the Independent Shareholders and the Independent Optionholders is set out on page 28 of this Composite Document.

A letter from Mitsubishi UFJ Securities (HK) Capital, Limited containing its advice in respect of the Offers to the Independent Board Committee is set out on pages 29 to 48 of this Composite Document.

The procedures for acceptance of the Offers and other related information are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance. Acceptances of the Share Offer should be received by the branch share registrar and transfer office of the Registrar and the acceptances of the Option Offer should be received by the Registrar by no later than 4:00 p.m. on Friday, 9 July 2010 or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the requirements of the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or, the Form(s) of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the sub-paragraph headed "Overseas Shareholders and Overseas Optionholders" under the paragraph headed "The Offers" in the "Letter from Redford Securities" on pages 10 to 13 of this Composite Document and in paragraph 7(h) of Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder or Optionholder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Shareholders or Optionholders are advised to seek professional advice on deciding whether to accept the Offers.

This Composite Document will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) and on the website of Asian Capital Resources (Holdings) Limited at [www.airnet.com.hk](http://www.airnet.com.hk) as long as the Offers remain open.

18 June 2010

## CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given to emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

# CONTENTS

	<i>Page</i>
<b>Expected timetable</b> .....	1
<b>Definitions</b> .....	2
<b>Letter from Redford Securities</b> .....	9
<b>Letter from the Board</b> .....	20
<b>Letter from the Independent Board Committee</b> .....	28
<b>Letter from Mitsubishi UFJ Securities (HK) Capital, Limited</b> .....	29
<b>Appendix I – Procedures for acceptance of the Offers</b> .....	I-1
<b>Appendix II – Financial Information of the Group</b> .....	II-1
<b>Appendix III – General Information</b> .....	III-1
Accompanying documents	
– <b>WHITE</b> Form of Acceptance (for Independent Shareholder(s))	
– <b>PINK</b> Form of Acceptance (for Independent Optionholder(s))	

## EXPECTED TIMETABLE

*The timetable set out below is indicative only and any changes to the timetable will be announced by the Offeror. Unless otherwise expressly stated, all time and date references contained in this Composite Document refer to Hong Kong times and dates.*

**2010**

Despatch date of this Composite Document and  
the commencement date of the Offers (*Note 1*) ..... Friday, 18 June

Latest time and date for acceptance of  
the Offers (*Note 2*) ..... 4:00 p.m on Friday, 9 July

Closing Date of the Offers (*Note 2*) ..... Friday, 9 July

Announcement of the results of the Offers published on  
the website of the Stock Exchange ..... Not later than 7:00 p.m.  
on Friday, 9 July

Latest date for posting of remittances to the Shareholders and  
Optionholders in respect of valid acceptances received  
under the Offers (*Note 3*) ..... Monday, 19 July

*Notes:*

1. The Offers begin on Friday, 18 June 2010, being the date of posting of the Document, and are open for acceptance on and from that date.
2. In accordance with the Takeovers Code the Offers must remain open for acceptance for at least 21 days after the despatch date of the Composite Document. As such, the latest time for acceptance of the Offers is 4:00 p.m. on Friday, 9 July 2010.
3. Remittances in respect of the cash consideration for the Shares and the Options tendered under the Offers will be despatched to the accepting holders of the Offer Shares and the Options by ordinary post at their own risk as soon as possible, but in any event within 10 days from the date of receipt by the Registrar of all the requisite documents from the holders of the Offer Shares and the Options accepting the Offers to render the acceptance complete and valid.

## DEFINITIONS

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

“Acquisition”	the purchase of the Sale Shares by the Offeror from the Vendors pursuant to the terms and conditions of the Agreement
“acting in concert”	has the meanings ascribed to it under the Takeovers Code
“AD Shares”	those shares that comprise the issued share capital of Asian Dynamics
“Agreement”	the sale and purchase agreement dated 5 April 2010 made entered into among the Offeror and the Vendors in relation to the sale and purchase of the Sale Shares
“Asian Dynamics”	Asian Dynamics International Limited, a company incorporated in the BVI with limited liability, which has an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1 each of which 36,571 shares are in issue and credited as fully paid, and which was beneficially owned prior to Completion by Mr. Chan (as to 14.16%), Mr. Chau (as to 10.94%), Asian Wealth (as to 21.88%), Denwell Enterprises (as to 23.43%), and Glamour House (as to 29.59%), and which is the majority shareholder of the Company owning approximately 56.76% of the Shares
“Asian Wealth”	Asian Wealth Incorporated, a company incorporated in the Marshall Islands with limited liability, which is wholly beneficially owned by the estate of Mr. Leung Chung Wan
“AsiaVest Partners”	AsiaVest Partners Limited, a corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO. Mr. Lo Mun Lam, Raymond is a director of AsiaVest and is also a non-executive director of the Company. The advice given by AsiaVest is under their normal course of business and the fee charged by AsiaVest is a connected transaction which is exempt from the reporting, announcement and independent shareholders’ approval requirements as it is a de minimis transaction in accordance with Rule 20.31(2) of the GEM Listing Rules

## DEFINITIONS

“associates”	has the meanings ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	9 July 2010 or if the Offers are revised or extended, the closing date of the Offers as revised or extended by the Offeror in accordance with the Takeovers Code
“Company”	Asian Capital Resources (Holdings) Limited (stock code: 8025), a company incorporated in the Cayman Islands with limited liability and the issued ordinary shares of which are listed on the Growth Enterprises Market of the Stock Exchange
“Completion”	the completion of the sale and purchase of the Sale Shares in accordance with the terms of the Agreement
“Completion Date”	the date on which Completion took place being 17 May 2010
“Composite Document”	the composite offer and response document dated 18 June 2010 jointly issued by the Offeror and the Company in relation to the Offers
“Connected Person(s)”	has the meanings ascribed to it under the GEM Listing Rules
“Convertible Notes”	the convertible notes that the Company is obliged to issue pursuant to an agreement entered into between the Company and Mr. Zhou Yu and Mr. Qiu Yue on 24 December 2007 wherein the Company has agreed to issue in aggregate HK\$86,350,000 of zero-coupon convertible notes to Asian Dynamics and Lucky Peace Limited which will be convertible at HK\$0.218 per Share with 24-month maturity

## DEFINITIONS

“Denwell Enterprises”	Denwell Enterprises Limited, a company incorporated in the BVI with limited liability, which is wholly beneficially owned by Balance Enterprise Group Limited. To the best knowledge of the Board, and based on all reasonable information available to the Board, the ultimate beneficial owner of Balance Enterprise Group Limited is Mr. Wang Qiang, a person who is independent of both the Company and its Connected Persons
“Directors”	the directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegates of the Executive Director
“Form(s) of Acceptance”	the <b>WHITE</b> Form of Acceptance and/or the <b>PINK</b> Form of Acceptance (as the case may be)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Glamour House”	Glamour House Limited, a company incorporated in the BVI with limited liability which is the Offeror, and which is beneficially owned by Mr. Chu (as to 90%) and Mr. Xie (as to 10%), being the purchaser of the Sale Shares under the Agreement
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Wu Jixue, Mr. Zhang Daorong, and Dr. Feng Ke, which has been established to advise the Independent Shareholders and the Independent Optionholders on the terms of the Offers
“Independent Financial Advisor”	Mitsubishi UFJ, being the independent financial adviser to the Independent Board Committee for the purpose of advising and recommending the Independent Board Committee in respect of the Offers

## DEFINITIONS

“Independent Optionholders”	Optionholders other than the Offeror its ultimate beneficial owners and Asian Dynamics and parties acting in concert with any of them
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror its ultimate beneficial owners and Asian Dynamics and parties acting in concert with any of them
“Joint Announcement”	the joint announcement dated 4 May 2010 jointly issued by the Offeror and the Company in relation to the Agreement and the Offers
“Last Trading Day”	1 April 2010, being the last full trading day of the Shares immediately prior to the suspension in trading of the Shares on the Stock Exchange at 9:30 a.m. on 7 April 2010 pending the release of the Joint Announcement
“Latest Practicable Date”	15 June 2010, being the latest practicable date prior to printing of this Composite Document for ascertaining certain information for inclusion in this Composite Document
“Mitsubishi UFJ”	Mitsubishi UFJ Securities (HK) Capital, Limited, a registered institution under the SFO permitted to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee for the purpose of advising and recommending the Independent Board Committee in respect of the Offers
“Mr. Chan”	Mr. Chan Chi Ming, a person independent of and unconnected with the Company
“Mr. Chau”	Mr. Chau Tak Tin, a person independent of and unconnected with the Company
“Mr. Chu”	Mr. Chu Yat Hong, the beneficial owner of 90% of the entire issued share capital of Glamour House, and a person independent of and unconnected with the Company

## DEFINITIONS

“Mr. Xie”	Mr. Xie Xuan, an executive director and Chairman of the Company, and a director of Glamour House and the beneficial owner of 10% of the entire issued share capital of Glamour House, and who is a Connected Person of the Company
“Offeror”	Glamour House
“Offer Period”	the period commencing from 15 September 2009 until the date when the Offers have closed for acceptances
“Offer Price”	the price at which the Offers will be made, i.e. at HK\$0.06 per Offer Share and HK\$0.0001 per Share Option
“Offers”	the mandatory unconditional cash offers being made by Redford Securities for and on behalf of the Offeror for all the issued Shares and Share Options other than those already owned or agreed to be acquired by the Offeror and Asian Dynamics and persons acting in concert with any of them pursuant to Note 8 to Rule 26.1 and Rule 13.1 of the Takeovers Code
“Offer Share(s)”	issued Share(s) other than those already owned or agreed to be acquired by the Offeror, its ultimate beneficial owners, Asian Dynamics and persons acting in concert with any of them
“Optionholder(s)”	holders of the Share Option(s)
“Option Offer”	the mandatory unconditional cash offer made by Redford Securities for and on behalf of the Offeror for all the Share Options (other than those already owned by the Offeror and Asian Dynamics and parties acting in concert with any of them) pursuant to Rule 13.1 of the Takeovers Code
“Overseas Optionholder(s)”	Independent Optionholder(s) whose address(es) as shown on the register of Optionholder(s) is(are) outside Hong Kong
“Overseas Shareholder(s)”	Independent Shareholder(s) whose address(es) as shown on the register of members of the Company is(are) outside Hong Kong

## DEFINITIONS

“PINK Form(s) of Acceptance”	the form(s) of acceptance of the Share Option(s) in PINK in respect of the Option Offer accompanying this Composite Document
“PRC”	the People’s Republic of China which, for the purposes of this joint announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Redford Securities”	Redford Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) regulated activities under the SFO
“Registrar”	Hong Kong Registrars Limited, being the branch share registrar and transfer office of the Company whose address is at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Relevant Period”	the period commencing six months preceding the commencement of the Offer Period on 15 September 2009, up to and including the Latest Practicable Date
“Sale Shares”	13,750 AD Shares acquired by the Offeror from the Vendors pursuant to the terms and conditions of the Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Share Offer”	the mandatory unconditional cash offer made by Redford Securities for and on behalf of the Offeror for all the issued Shares (other than those already owned by the Offeror and Asian Dynamics and parties acting in concert with any of them) pursuant to Note 8 to Rule 26.1 of the Takeovers Code

## DEFINITIONS

“Share Option(s)”	the share options which were issued by the Company pursuant to a specific mandate granted by the Company’s shareholders at the extraordinary general meeting held on 4 October 2007, of which the holders are entitled to subscribe for 97,840,073 Shares at the exercise price of HK\$0.275 per Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meanings ascribed to it under the Takeovers Code and the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trading Day”	means a day on which securities can be freely traded on the Stock Exchange during whole of the normal trading hours of the Stock Exchange regardless of whether any trades actually occur
“Vendors”	Mr. Chan and Denwell Enterprises, being the vendors of the Sale Shares under the Agreement
“WHITE Form(s) of Acceptance”	the form(s) of acceptance and transfers of Share(s) in <b>WHITE</b> in respect of the Share Offer accompanying this Composite Document
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

*For the purpose of this Composite Document,*

- (i) the English translation of the Chinese name is for identification only; and*
- (ii) conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1 to HK\$1.15. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.*



泓福證券有限公司  
REDFORD SECURITIES LIMITED

18 June 2010

*To the Shareholders and Optionholders*

Dear Sirs or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
REDFORD SECURITIES LIMITED FOR AND ON BEHALF OF  
GLAMOUR HOUSE LIMITED FOR ALL THE ISSUED SHARES AND  
SHARE OPTIONS IN ASIAN CAPITAL RESOURCES  
(HOLDINGS) LIMITED (OTHER THAN THOSE SHARES  
ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
GLAMOUR HOUSE LIMITED AND ASIAN DYNAMICS AND  
PARTIES ACTING IN CONCERT WITH ANY OF THEM)**

**INTRODUCTION**

Pursuant to the Agreement dated 5 April 2010 entered into among the Offeror, and the Vendors, the Offeror has agreed to acquire and the Vendors have agreed to sell 13,750 Sale Shares in aggregate, representing 37.59% of the issued share capital of Asian Dynamics, such that upon Completion, which took place on 17 May 2010, the Offeror and parties acting in concert with it became interested in a total of 24,571 AD Shares, representing 67.18% of the issued share capital of Asian Dynamics as at the date of the Joint Announcement. Asian Dynamics is a Substantial Shareholder of the Company, holding 546,846,132 Shares, representing 56.76% of the issued share capital of the Company, as at the date of the Joint Announcement. The total consideration for the Sale Shares is HK\$12,323,329 (equivalent to approximately HK\$896.24 per Sale Share and is equivalent to the Offer Price of HK\$0.06 per Share), and which was agreed among the Offeror and the Vendors after arm's length negotiations.

The Offeror, in determining the total consideration to be paid to the Vendors, determined that it would offer each Vendor the equivalent in Hong Kong dollars for the Sale Shares, of their respective shareholding interests in the Company, through their respective shareholdings interests in Asian Dynamics (the AD Shares), which would be determined by reference to the Offeror's proposed offer price of HK\$0.06 per Share. The proposed offer price of HK\$0.06 per Share was determined by the Offeror by having regard to the fact that as at 18 December 2009, the unaudited net assets value (including the non-controlling interests) of the Company was approximately HK\$0.06 per Share. The total consideration was paid by the Offeror in full in cash to the Vendors upon execution of the Agreement.

## LETTER FROM REDFORD SECURITIES

Accordingly pursuant to Note 8 to Rule 26.1 the Offeror is required to make the Share Offer for all the issued Shares (other than those already owned by the Offeror and Asian Dynamics and parties acting in concert with any of them at the time when the Share Offer is made). In addition, under Rule 13.1 of the Takeovers Code, the Offeror is also required to make the Option Offer for all the outstanding Share Options (other than those already owned by the Offeror and Asian Dynamics and parties acting in concert with any of them at the time when the Option Offer is made).

This letter sets out, among other things, the details of the Offers, information on the Offeror and the intention of the Offeror regarding the Group. The terms of the Offers are set out in this letter, Appendix I to this Composite Document and the Forms of Acceptance.

The Independent Shareholders and Independent Optionholders are strongly advised to consider carefully the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from Mitsubishi UFJ Securities (HK) Capital, Limited" as set out in this Composite Document, before reaching a decision whether or not to accept the Offers.

### THE OFFERS

As at the Latest Practicable Date there are 963,417,986 Shares in issue and 97,840,073 outstanding Share Options. Save for the Share Options, and the Convertible Notes which fall to be issued by the Company, the Company has no other outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares.

#### Principal terms of the Offers

Redford Securities is making the Offers, for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:-

##### *Share Offer*

For every Offer Share . . . . . HK\$0.06 in cash

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all liens, charges, encumbrances, right of pre-emption and any other third party rights of any nature and together with all rights accruing or attaching to them on or after the Completion Date or subsequently become attached to them, including the rights to receive in full all dividends and distributions, if any, declared, made or paid on or after the Completion Date.

##### *Option Offer*

For each Share Option . . . . . HK\$0.0001 in cash

The Offer Price in cash of the Option Offer represents a nominal value attributed to each Share Option, as the exercise price of each Option Share is greater than the Offer Price per Offer Share payable under the Share Offer.

## LETTER FROM REDFORD SECURITIES

### Comparison of value

The Offer Price of HK\$0.06 per Offer Share is determined based on the price per Sale Share paid by the Offeror under the Agreement and represents:

- (i) a discount of 96.7% to the closing price of HK\$1.83 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 96.7% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 Trading Days up to and including the Last Trading Day of HK\$1.84 per Share;
- (iii) a discount of approximately 96.6% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 Trading Days up to and including the Last Trading Day of HK\$1.79 per Share; and
- (iv) a discount of approximately 95.3% to the closing price of HK\$1.29 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (v) a premium of approximately 650% over the unaudited consolidated net asset value of approximately HK\$0.008 per Share as at 31 March 2010 (based on the unaudited accounts of the Company for the three months ended 31 March 2010 and the number of Shares in issue as at the Latest Practicable Date).

### Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$2.08 per Share (on 25 March 2010) and HK\$0.09 per Share (on 13, 14 and 15 May 2009) respectively.

### Value of the Offers

On the basis of the Offer Price of HK\$0.06 per Offer Share and HK\$0.0001 per Share Option and 963,417,986 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at approximately HK\$57,805,079. Excluding the 546,846,132 Shares owned by Asian Dynamics, 416,571,854 Shares will be subject to the Share Offer and are valued at approximately HK\$24,994,311 based on the Offer Price of HK\$0.06 per Offer Share. Assuming that all 97,840,073 outstanding Share Options are tendered at the offer price in cash of the Option Offer as detailed above, the aggregate amount payable by the Offeror under the Option Offer is approximately HK\$9,784.

Assuming that all 97,840,073 outstanding Share Options are fully exercised prior to the closing of the Offers, 514,411,927 Shares would be subject to the Share Offer and valued at approximately HK\$30,864,716 on the basis of the Offer Price of HK\$0.06 per Offer Share.

## LETTER FROM REDFORD SECURITIES

### **Financial resources available to the Offeror**

AsiaVest Partners is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptances of the Offers. The Offers will be financed from funds made available from the internal resources of the Offeror.

### **Stamp Duty**

In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholder accepting the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares.

No stamp duty is payable in connection with the acceptance of the Option Offer.

### **Payment**

Payment by cheque in respect of acceptances of the Offers will be made as soon as possible but in any event within 10 days of the date on which the relevant documents of title are received by the Offeror to render each such acceptance complete and valid. Settlement of the amounts due to the Independent Shareholders and the Independent Optionholders who accept the Offers will be implemented in full in accordance with the terms of the Offers without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholders or Independent Optionholders.

### **Other arrangements**

As at the Latest Practicable Date, (i) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code or with the Offeror or any person acting in concert with it; (ii) save for the Agreement, there was no agreement or arrangement to which the Offeror was a party which related to circumstances in which it may or may not invoke or seek to invoke a condition to the Offers; (iii) none of the Offeror nor parties acting in concert with it has received any irrevocable commitment to accept or reject the Offers; (iv) none of the Offeror nor parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and (v) no agreement, arrangement or understanding was in place for the transfer, charge or pledge of any of the Shares and Share Options to be acquired in pursuance of the Offers to any other persons.

## LETTER FROM REDFORD SECURITIES

### **Overseas Shareholders and Overseas Optionholders**

The Offers are in respect of securities of a company incorporated in the Cayman Islands and are subject to the procedural and disclosure requirements of Hong Kong, which may be different from other jurisdictions. Overseas Shareholders or Overseas Optionholders who wish to participate in the Offers but with a registered address outside Hong Kong are also subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offers. It is the responsibility of the Overseas Shareholders and Overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offers (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due by such Overseas Shareholders or Overseas Optionholders in respect of such jurisdictions). The Overseas Shareholders and Overseas Optionholders shall be fully responsible for the payment of any transfer or other taxes and duties due by them in respect of the relevant jurisdictions. Acceptances of the Offers by any such person will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offers, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. The Overseas Shareholders and Overseas Optionholders are recommended to seek professional advice on deciding whether to accept the Offers.

## LETTER FROM REDFORD SECURITIES

### ISSUED SHARES AND SHARE OPTIONS OF THE COMPANY

Set out below are the shareholding structure of the Company (i) immediately following the execution of the Agreement and as at the date of the Joint Announcement; and (ii) immediately following Completion and as at the Latest Practicable Date:

	Number of Shares held immediately following execution of the Agreement and as at the date of the Joint Announcement	Approximate percentage of shareholding (%)	Number of Shares held immediately following Completion and as at the Latest Practicable Date	Approximate percentage of shareholding (%)
Asian Dynamics ( <i>Note 1</i> )	546,846,132	56.76	546,846,132	56.76
The Offeror and parties acting in concert with it ( <i>Note 2</i> )	<u>546,846,132</u>	<u>56.76</u>	<u>546,846,132</u>	<u>56.76</u>
<b>Subtotal</b> ( <i>Notes 3, 4, and 5</i> )	<b>546,846,132</b>	<b>56.76</b>	<b>546,846,132</b>	<b>56.76</b>
Public Shareholders	<u>416,571,854</u>	<u>43.24</u>	<u>416,571,854</u>	<u>43.24</u>
<b>Total</b>	<b><u>963,417,986</u></b>	<b><u>100</u></b>	<b><u>963,417,986</u></b>	<b><u>100</u></b>

*Notes:*

1. Asian Dynamics is a company incorporated in the British Virgin Islands and immediately after Completion is beneficially owned by Asian Wealth (as to 21.88%), Glamour House (as to 67.18%), and Mr. Chau (as to 10.94%).
2. The Offeror (Glamour House) is also a Substantial Shareholder of the Company as Asian Dynamics is a controlled corporation of the Offeror.
3. Mr. Chu is also a Substantial Shareholder of the Company as the Offeror is a controlled corporation of Mr. Chu.
4. Mr. Xie is also a Substantial Shareholder of the Company as the Offeror is a controlled corporation of Mr. Xie. Mr. Xie is an executive Director and the Chairman of the Company.
5. The interests of Asian Dynamics, the Offeror, Mr. Chu and Mr. Xie duplicate with each other as each Substantial Shareholder's interest in the Shares is derived from Asian Dynamics' direct interest in the Shares.

## LETTER FROM REDFORD SECURITIES

Set out below are details of the Share Options as at the Latest Practicable Date:

<b>Number of Share Options</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price</b>
97,840,073	4 October 2007	On or before 3 October 2011	HK\$0.275

As at the Latest Practicable Date, (i) apart from the Share Options, and the Convertible Notes which fall to be issued by the Company, the Company has no other outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares; and (ii) save for the Sale Shares acquired through the Acquisition, none of the Offeror, its sole director nor parties acting in concert with it has held, owned or controlled any Shares, Share Options, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares.

### DEALINGS IN SECURITIES OF THE COMPANY

Save for the Sale Shares acquired through the Acquisition, none of the Offeror, its sole director nor parties acting in concert with it has dealt with during the Relevant Period any Shares, Share Options, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares.

### COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of the Shares after the close of the Offers.

### INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI and is beneficially owned as to 90% by Mr. Chu, and as to 10%, immediately after the execution of the Agreement, by Mr. Xie. Mr. Xie became beneficially interested in 10% of the Offeror immediately after the execution of the Agreement pursuant to a verbal agreement between Mr. Chu and Mr. Xie, wherein they had agreed that, if the Agreement were to be executed, that Mr. Chu would transfer 10% of his shareholding interest in the Offeror to Mr. Xie. As the Agreement was executed on 5 April 2010, on 6 April 2010 both Mr. Chu and Mr. Xie executed the necessary instrument of transfer to effect the transfer of Mr. Chu's 10% shareholding interest in the Offeror to Mr. Xie. The principal activity of the Offeror is investment holding and the principal assets held by the Offeror are the AD Shares it presently owns and those it has agreed to acquire from the Vendors.

Mr. Chu, aged 26, is currently studying an EMBA course offered by the Zhongshan University in China. Mr. Chu is also the managing director of Guangdong Weiye Investment Co., Ltd, the managing director of Guangdong Zhicheng Weiye Investment Co., Ltd, a director of Guangdong Pearl River Commercial & Logistics Investment Co., Ltd, and is the managing director of GZ Pearl River Yunsheng Textile Market Management Co Ltd. Mr. Chu is not a director of any publicly listed companies, either in Hong Kong or

## LETTER FROM REDFORD SECURITIES

elsewhere. Save for the shareholding interest in the Shares held by the Offeror and Mr. Chu, as disclosed in the paragraph headed "Shareholding Structure" above, Mr. Chu is a third party independent of the Company and its Connected Persons (as defined in the GEM Listing Rules). Mr. Chu's interests in the Shares is set out in the notes to the section "Shareholding Structure", above.

Mr. Xie, aged 41, joined the Company in 2002. Mr. Xie is an executive director and Chairman of the Company, and is the sole director of Glamour House, and a director of Asian Dynamics. Mr. Xie holds directorships in various subsidiaries of the Company. Mr. Xie has over 17 years of successful investment and management experience in the areas of property and logistics in the PRC. He graduated from Guangzhou Jinan University, the PRC, College of Economics Department with a degree in International Economics in 1991. Mr. Xie is a Connected Person of the Company (as defined in the GEM Listing Rules). Mr. Xie's interests in the Shares is set out in the notes to the section "Shareholding Structure" above, and in paragraph 5 of Appendix III.

### INFORMATION ON THE GROUP

The Company is an investment holding company incorporated in the Cayman Islands with its subsidiaries principally engaged in the provision of logistics and information technology services.

Shareholders and potential investors were advised by the Board in the Company's announcement dated 2 November 2009 that the Board was informed by the management of Ever-OK International Forwarding Co., Limited ("Ever-OK"), which is indirectly owned as to 60% by the Company, that Ever-OK was not operating as a profitable entity, and that the achievement of profitability in the foreseeable future was not a realistic possibility. Given that information, and given the Board's desire to focus on the newly acquired IPTV division, the Board determined that it was in the best interests of the Company, and the Company's shareholders as a whole, to initiate the closure of the business of Ever-OK.

The Group has sought to further enlarge its revenue base through the provision of internet protocol television ("IPTV") services to the greater southern China region. During the first six months of 2009, the Board concentrated on finalizing all developments in its IPTV services and officially launched the first phase of the provision of IPTV services to the greater southern China region in the second quarter of 2009. The Board successfully diversified the provision of IPTV services in the second quarter of 2009 such that it concluded a contract for the contracting of media software platforms for the provision of IPTV services to an established client base of approximately 50,000 consumers currently delivered by one of the prominent operators in Guangzhou. It has taken time for the subscribers to the IPTV services and the market to test and get themselves receptive to the pay for the HD-IPTV services that the IPTV division has introduced, as such only revenue from the value-added IPTV services of South Pearl Limited ("South Pearl") was received by the Company during the first quarter of 2010.

The unaudited combined revenue that the Company has received since the commencement of the Group's provision of the value-added IPTV services, as at 31 March 2010, amounts to approximately HK\$6,197,000.

## LETTER FROM REDFORD SECURITIES

The Group recorded audited loss before taxation of approximately HK\$62,510,000 and approximately HK\$71,363,000 for the two financial years ended 31 December 2008 and 31 December 2009 respectively and audited loss after taxation attributable to equity holders of the Company of approximately HK\$58,120,000 and approximately HK\$48,942,000 for the two financial years ended 31 December 2008 and 31 December 2009 respectively. The audited net assets of the Group for the two financial years ended 31 December 2008, and 2009 was approximately HK\$78,889,000 and approximately HK\$8,423,000 respectively. The unaudited consolidated net assets value attributable to equity holders of the Company as at 31 March 2010 was approximately HK\$79,000.

### OFFEROR'S INTENTION ON THE GROUP

Save for the implementation of the closure of the business of Ever-OK in which the Company holds a 60% interest, which was initiated by the Board as disclosed in the Company's announcement dated 2 November 2009, it is the intention of the Offeror that the Group will continue its existing principal activities. By entering into the Agreement, the Offeror has effected the consolidation of the management of Asian Dynamics, such as to provide Asian Dynamics with more flexibility in pursuing investment projects for the Group. The Offeror does not intend to introduce any major changes to the existing operation and business of the Company by reason only of the Offers. The Offeror will, as has been the Board's policy, continue to explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth. The Offeror does not intend to redeploy the fixed assets of the Group. The Offeror intends to continue to focus the Group's resources on developing the Company's newly acquired internet protocol television services business whilst conducting a more detailed review on the operations of the Group with a view to broadening the income streams of the Group. In the event that any of such opportunities materialise, further announcement will be made by the Company as and when required by the GEM Listing Rules.

Save for the implementation of the closure of the business of a subsidiary in which the Company holds a 60% interest, as set out in the Company's announcement dated 2 November 2009, as at the Latest Practicable Date, the Offeror has no intention or plan for any acquisition or disposal of assets and/or business of the Group or any material changes to the continued employment of the employees of the Group other than in the ordinary course of business.

Taking into account the Offeror's desire to consolidate the management of the Company, and given the potential for growth and development in the Group's internet protocol television services and other technologies and businesses related to the information technology sector, it is believed by the Offeror that the Offers are commercially justifiable.

### CHANGE OF BOARD COMPOSITION

The Board is currently made up of eight directors, comprising three executive directors, namely Mr. Xie, Mr. Yang Qiulin and Mr. Qiu Yue, two non-executive directors, namely Mr. Lo Mun Lam, Raymond and Mr. Andrew James Chandler and three independent non-executive directors, namely Mr. Wu Jixue, Mr. Zhang Daorong and Dr. Feng Ke.

## LETTER FROM REDFORD SECURITIES

The Offeror does not intend to change the composition of the Board after the close of the Offers, save that the Offeror may propose to the Board that Mr. Chu is invited to join the Board after the close of the Offers.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on GEM after the close of the Offers and will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the Shares.

**If, at the close of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (1) a false market exist or may exist in the trading of the Shares; or (2) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend trading in the Shares. In this connection, it should be noted that upon the close of the Offers, there may be an insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained.**

### TAX IMPLICATIONS

The Independent Shareholders and Independent Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the tax implications that may arise from accepting the Offers. It is emphasized that none of the Offeror and Asian Dynamics and parties acting concert with any of them, the Company, Redford Securities, AsiaVest Partners Limited, Mitsubishi UFJ, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Offers or any of their respective agents accepts any responsibility for any tax effect on, or liabilities of, the Independent Shareholders and Independent Optionholders as a result of their acceptance of the Offers.

### ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

## LETTER FROM REDFORD SECURITIES

### GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

The attention of the Overseas Shareholders and Overseas Optionholders is drawn to paragraph 7(h) in Appendix I to this Composite Document.

All documents and remittances sent to the Independent Shareholders and the Independent Optionholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Independent Shareholders and the Independent Optionholders at their respective addresses as they appear in the register of members of the Company or the register of Optionholders (as the case may be) or in the case of joint Independent Shareholders, to the Independent Shareholders whose name appears first in the register of members of the Company. None of the Offeror and Asian Dynamics and parties acting concert with any of them, the Company, Redford Securities, AsiaVest Partners Limited, Mitsubishi UFJ, the Registrar or any of their respective directors or any other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document which forms part of this Composite Document.

Yours faithfully,  
For and on behalf of  
**Redford Securities Limited**  
**Dominic Woo**  
*Executive Director*

LETTER FROM THE BOARD



*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 8025)

*Executive Directors:*

Mr. Xie Xuan (*Chairman*)  
Mr. Yang Qiulin  
Mr. Qiu Yue

*Non-executive Directors:*

Mr. Lo Mun Lam Raymond (*Vice Chairman*)  
Mr. Andrew James Chandler

*Independent non-executive Directors:*

Mr. Wu Jixue  
Dr. Feng Ke  
Mr. Zhang Daorong

*Registered office:*

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

*Head office & principal place of  
business in Hong Kong:*

Room 801, 8/F  
Dannies House  
20 Luard Road  
Wanchai  
Hong Kong

18 June 2010

*To the Shareholders and Optionholders*

Dear Sirs or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
REDFORD SECURITIES LIMITED FOR AND ON BEHALF OF  
GLAMOUR HOUSE LIMITED FOR ALL THE ISSUED SHARES AND  
SHARE OPTIONS IN ASIAN CAPITAL RESOURCES  
(HOLDINGS) LIMITED (OTHER THAN THOSE SHARES  
ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
GLAMOUR HOUSE LIMITED AND ASIAN DYNAMICS AND  
PARTIES ACTING IN CONCERT WITH ANY OF THEM)**

**INTRODUCTION**

Reference is made to the Joint Announcement in relation to, among other things, the Agreement and the Offers.

Pursuant to the Agreement dated 5 April 2010 entered into among the Offeror, and the Vendors, the Offeror has agreed to acquire and the Vendors have agreed to sell 13,750 Sale Shares in aggregate, representing 37.59% of the issued share capital of Asian Dynamics, such that such that upon Completion the Offeror and parties acting in concert with it became interested in a total of 24,571 AD Shares, representing 67.18% of the issued share capital of Asian Dynamics as at the date of the Joint Announcement. Asian Dynamics

## LETTER FROM THE BOARD

is a Substantial Shareholder of the Company, holding 546,846,132 Shares, representing 56.76% of the issued share capital of the Company, as at the date of the Joint Announcement. The total consideration for the Sale Shares is HK\$12,323,329 (equivalent to approximately HK\$896.24 per Sale Share and is equivalent to the Offer Price of HK\$0.06 per Share), and which was agreed among the Offeror and the Vendors after arm's length negotiations.

Immediately following Completion, the Offeror and parties acting in concert with it became interested in a total of 24,571 AD Shares, representing 67.18% of the issued share capital of Asian Dynamics as at the date of the Joint Announcement. As Asian Dynamics is a Substantial Shareholder of the Company, holding 546,846,132 Shares, representing approximately 56.76% of the entire issued share capital of the Company as at the date of the Joint Announcement, pursuant to Note 8 to Rule 26.1 the Offeror is required to make the Share Offer for all the issued Shares (other than those already owned by the Offeror and Asian Dynamics and parties acting in concert with any of them at the time when the Share Offer is made). In addition, under Rule 13.1 of the Takeovers Code, the Offeror is also required to make the Option Offer for all the outstanding Share Options (other than those already owned by the Offeror and Asian Dynamics and parties acting in concert with any of them at the time when the Option Offer is made).

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee which comprises Mr. Wu Jixue, Dr. Feng Ke, and Mr. Zhang Daorong, all being non-executive Directors, has been established to advise and make recommendations to the Shareholders and the Optionholders in respect of the Offers. Mr. Lo Mun Lam, Raymond and Mr. Andrew James Chandler, although they are both non-executive Directors, have not been appointed to the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code due to the fact that they have both provided advice to the Offeror and the Company in respect of the Offers, and therefore cannot be regarded as being independent. Each of the members of the Independent Board Committee has no direct or indirect interests in the Offers. The Independent Board Committee has appointed Mitsubishi UFJ as the Independent Financial Adviser to advise the Independent Board Committee on the terms of the Offers. The Independent Board Committee had approved the appointment of Mitsubishi UFJ before the appointment was made.

The purpose of the Composite Document is to provide you with, among other things, information in relation to the Company, Glamour House (as the Offeror) and the Offers, to set out the "Letter from the Independent Board Committee" containing its advice to the Offer Shareholders and Optionholders and the "Letter from the Independent Financial Adviser" containing its advice to the Independent Board Committee in respect of the Offers.

## LETTER FROM THE BOARD

### SHARE CAPITAL, SHAREHOLDING STRUCTURE AND SHARE OPTIONS OF THE COMPANY

The authorised share capital of the Company as at the Latest Practicable Date was HK\$200,000,000 comprised of 2,000,000,000 Shares of par value HK\$0.10 each.

The issued share capital of the Company as at the Latest Practicable Date comprised:

	Number of Shares held as at the Latest Practicable Date	Approximate percentage of shareholding (%)
Asian Dynamics ( <i>Note 1</i> )	546,846,132	56.76
The Offeror and parties acting in concert with it ( <i>Note 2</i> )	546,846,132	56.76
<b>Subtotal</b> ( <i>Notes 3, 4, and 5</i> )	<b>546,846,132</b>	<b>56.76</b>
Public Shareholders	416,571,854	43.24
<b>Total</b>	<b>963,417,986</b>	<b>100</b>

*Notes:*

1. Asian Dynamics is a company incorporated in the British Virgin Islands and immediately after Completion is beneficially owned by Asian Wealth (as to 21.88%), Glamour House (as to 67.18%), and Mr. Chau (as to 10.94%).
2. The Offeror (Glamour House) is also a Substantial Shareholder of the Company as Asian Dynamics is a controlled corporation of the Offeror.
3. Mr. Chu is also a Substantial Shareholder of the Company as the Offeror is a controlled corporation of Mr. Chu.
4. Mr. Xie is also a Substantial Shareholder of the Company as the Offeror is a controlled corporation of Mr. Xie.
5. The interests of Asian Dynamics, the Offeror, Mr. Chu and Mr. Xie duplicate with each other as each Substantial Shareholder's interest in the Shares is derived from Asian Dynamics' direct interest in the Shares.

All existing issued Shares rank pari passu in all respect including all rights as to dividends, voting and interests in capital.

## LETTER FROM THE BOARD

Set out below are details of the Share Options as at the Latest Practicable Date:

<b>Number of Share Options</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price</b>
97,840,073	4 October 2007	On or before 3 October 2011	HK\$0.275

As at the Latest Practicable Date, apart from the Share Options, and the Convertible Notes which fall to be issued by the Company, the Company has no other outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares.

### MANDATORY UNCONDITIONAL CASH OFFERS

Immediately following Completion, the Offeror and parties acting in concert with it became interested in a total of 24,571 AD Shares, representing 67.18% of the issued share capital of Asian Dynamics as at the date of the Joint Announcement. As Asian Dynamics is a Substantial Shareholder of the Company, holding 546,846,132 Shares, representing approximately 56.76% of the entire issued share capital of the Company as at the date of the Joint Announcement, pursuant to Note 8 to Rule 26.1 the Offeror is required to make the Share Offer for all the issued Shares (other than those already owned by the Offeror and Asian Dynamics and parties acting in concert with any of them at the time when the Share Offer is made). In addition, under Rule 13.1 of the Takeovers Code, the Offeror is also required to make the Option Offer for all the outstanding Share Options (other than those already owned by the Offeror and Asian Dynamics and parties acting in concert with any of them at the time when the Option Offer is made).

Details of the Offers are set out in the "Letter from Redford Securities" on pages 10 to 13 of the Composite Document and in the Form of Acceptance.

### Principal terms of the Offers

Redford Securities will make the Offers for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:-

#### *Share Offer*

For every Offer Share . . . . . HK\$0.06 in cash

The Offer Price is equal to the price per Sale Share paid by the Offeror under the Agreement.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all liens, charges, encumbrances, right of pre-emption and any other third party rights of any nature and together with all rights accruing or attaching to them on or after the Completion Date or subsequently become attached to them, including the rights to receive in full all dividends and distributions, if any, declared, made or paid on or after the Completion Date.

## LETTER FROM THE BOARD

### *Option Offer*

For each Share Option . . . . . HK\$0.0001 in cash

The Offer Price in cash of Option Offer represents a nominal value attributed to each Share Option, as the exercise price of each Option Share is greater than the Offer Price per Offer Share payable under the Share Offer.

### **Further details of the Offers**

Further details of the Offers, including the terms and conditions of the Offers and the procedures for acceptance of the Offers, are contained in the "Letter from Redford Securities" on pages 10 to 13 of and in Appendix I to the Composite Document, and in the Form of Acceptance.

### **INFORMATION ON THE GROUP**

#### **Business**

The Company is an investment holding company incorporated in the Cayman Islands with its subsidiaries principally engaged in the provision of logistics and information technology services.

Shareholders and potential investors were advised by the Board in the Company's announcement dated 2 November 2009 that the Board was informed by the management of Ever-OK International Forwarding Co., Limited ("Ever-OK"), which is indirectly owned as to 60% by the Company, that Ever-OK was not operating as a profitable entity, and that the achievement of profitability in the foreseeable future was not a realistic possibility. Given that information, and given the Board's desire to focus on the newly acquired IPTV division, the Board determined that it was in the best interests of the Company, and the Company's shareholders as a whole, to initiate the closure of the business of Ever-OK.

The Group has sought to further enlarge its revenue base through the provision of internet protocol television ("IPTV") services to the greater southern China region. During the first six months of 2009, the Board concentrated on finalizing all developments in its IPTV services and officially launched the first phase of the provision of IPTV services to the greater southern China region in the second quarter of 2009. The Board successfully diversified the provision of IPTV services in the second quarter of 2009 such that it concluded a contract for the contracting of media software platforms for the provision of IPTV services to an established client base of approximately 50,000 consumers currently delivered by one of the prominent operators in Guangzhou. It has taken time for the subscribers to the IPTV services and the market to test and get themselves receptive to the pay for the HD-IPTV services that the IPTV division has introduced, as such only revenue from the value-added IPTV services of South Pearl Limited ("South Pearl") was received by the Company during the first quarter of 2010.

The unaudited combined revenue that the Company has received since the commencement of the Group's provision of the value-added IPTV services, as at 31 March 2010, amounts to approximately HK\$6,197,000.

## LETTER FROM THE BOARD

### **Financial Information**

The Group recorded audited loss before taxation of approximately HK\$62,510,000 and approximately HK\$71,363,000 for the two financial years ended 31 December 2008 and 31 December 2009 respectively and audited loss after taxation attributable to equity holders of the Company of approximately HK\$58,120,000 and approximately HK\$48,942,000 for the two financial years ended 31 December 2008 and 31 December 2009 respectively. The audited net assets of the Group for the two financial years ended 31 December 2008, and 2009 was approximately HK\$78,889,000 and approximately HK\$8,423,000 respectively. The unaudited consolidated net assets value attributable to equity holders of the Company as at 31 March 2010 was approximately HK\$79,000.

A summary of the audited results of the Company for each of the three financial years ended 31 December 2007, 31 December 2008, and 31 December 2009 are set out in Appendix II to the Composite Document.

### **Further Information**

Further information in relation to the Company is set out in Appendix III to the Composite Document. An expected timetable in relation to the Offer is set out under the section headed "Expected timetable" of the Composite Document.

### **INFORMATION ON THE OFFEROR**

Your attention is drawn to the section headed "Information on the Offeror" in the "Letter from Redford Securities" as set out on pages 15 to 16 of the Composite Document.

### **OFFEROR'S INTENTION ON THE GROUP**

The Directors note from the "Letter from Redford Securities" that the Offeror intends that the Company will continue its existing principal businesses. Your attention is drawn to the section headed "Offeror's Intention on the Group" in the "Letter from Redford Securities" as set out on page 17 of the Composite Document.

The Directors have noted the intentions of the Offeror in respect of the Company and its employees, as disclosed in page 17 of the "Letter from Redford Securities".

### **CHANGE OF COMPOSITION OF THE BOARD**

The Board is currently made up of eight directors, comprising three executive directors, namely Mr. Xie, Mr. Yang Qiulin and Mr. Qiu Yue, two non-executive directors, namely Mr. Lo Mun Lam, Raymond and Mr. Andrew James Chandler and three independent non-executive directors, namely Mr. Wu Jixue, Mr. Zhang Daorong and Dr. Feng Ke.

The Offeror does not intend to change the composition of the Board after the close of the Offers, save that the Offeror may propose to the Board that Mr. Chu is invited to join the Board after the close of the Offers.

## LETTER FROM THE BOARD

### MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on GEM after the close of the Offers and will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the Shares.

Each of the Company and the Offeror will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that not less than 25% of the Shares will be held by the public as required by the GEM Listing Rules. As the Company and the Offeror are unable to ascertain at this stage the level of acceptances of the Shares by the Shareholders and Optionholders, the aforesaid parties have not decided the exact steps/actions that will be taken by them after the close of the Offers to restore the public float of the Shares, if required. Notwithstanding this, the Company and the Offeror consider that appropriate actions to be taken shall include placing down of sufficient number of accepted Shares by the Offeror for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary regarding the decision of any such placing down, if the circumstances warrant.

**If, at the close of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (1) a false market exist or may exist in the trading of the Shares; or (2) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend trading in the Shares. In this connection, it should be noted that upon the close of the Offers, there may be an insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained.**

### RECOMMENDATIONS

Your attention is drawn to the "Letter from the Independent Board Committee" set out on page 28 of the Composite Document, which contains its recommendation to the Shareholders and Optionholders regarding the Offers and the "Letter from Independent Financial Adviser" set out on pages 29 to 48 of the Composite Document, which sets out its advice to the Independent Board Committee in respect of the terms of the Offers, and the principal factors which it has considered before arriving at its advice to the Independent Board Committee.

## LETTER FROM THE BOARD

### ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from Redford Securities” as set out on pages 9 to 19 of and Appendix I to the Composite Document and the Form of Acceptance, which contain details of the Offers. Your attention is also drawn to the information set out in the appendices to the Composite Document.

In considering which action is to be taken in connection with the Offers, Shareholders and Optionholders should consider their own tax positions and, if they are in any doubt, they should consult their professional advisers.

By Order of the Board  
**Asian Capital Resources (Holdings) Limited**  
**Xie Xuan**  
*Chairman*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 8025)

18 June 2010

*To the Independent Shareholders and Optionholders*

Dear Sir and Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
REDFORD SECURITIES LIMITED FOR AND ON BEHALF OF  
GLAMOUR HOUSE LIMITED FOR ALL THE ISSUED SHARES AND  
SHARE OPTIONS IN ASIAN CAPITAL RESOURCES  
(HOLDINGS) LIMITED (OTHER THAN THOSE SHARES  
ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
GLAMOUR HOUSE LIMITED AND ASIAN DYNAMICS AND  
PARTIES ACTING IN CONCERT WITH ANY OF THEM)**

We refer to the composite offer and response document dated 18 June 2010 jointly issued by Asian Capital Resources (Holdings) Limited, and Glamour House Limited (the "Composite Document"), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Composite Document.

We have been appointed by the Board to consider the Offers and to make recommendations to the Independent Shareholders and Independent Optionholders as to whether or not the terms of the Offers are fair and reasonable and as to acceptance of the Offers. Mitsubishi UFJ Securities (HK) Capital, Limited ("Mitsubishi UFJ") has been appointed as the independent financial adviser to advise us in respect of the terms of the Offers. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such advice, are set out in the "Letter from Mitsubishi UFJ Securities (HK) Capital, Limited" on pages 29 to 48 of the Composite Document.

We also wish to draw your attention to the "Letter from the Board" and the "Letter from Redford Securities" as set out in the Composite Document and the additional information set out in the appendices to the Composite Document.

Having taken into account the terms of the Offers, and the advice and recommendation of Mitsubishi UFJ, we consider that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Independent Optionholders are concerned and recommend the Independent Shareholders and Independent Optionholders to accept the Offers.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**

**Mr. Wu Jixue**  
*Independent  
non-executive Director*

**Dr. Feng Ke**  
*Independent  
non-executive Director*

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



Mitsubishi UFJ Securities

Mitsubishi UFJ Securities (HK) Capital, Limited

18 June 2010

*To the Independent Board Committee*

Dear Sirs,

## MANDATORY UNCONDITIONAL CASH OFFERS

### INTRODUCTION

We refer to our engagement to advise the Independent Board Committee in respect of the terms of the Offers, particulars of which are respectively set out in the Composite Document dated 18 June 2010 despatched to the Shareholders and the Optionholders. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Composite Document.

As set out in the letter from the Board (the "Letter from the Board"), pursuant to the Agreement dated 5 April 2010 entered into among the Offeror and the Vendors, the Offeror has agreed to acquire and the Vendors have agreed to sell 13,750 Sale Shares in aggregate, representing 37.59% of the issued share capital of Asian Dynamics, such that upon Completion the Offeror and parties acting in concert with it became interested in a total of 24,571 AD Shares, representing 67.18% of the issued share capital of Asian Dynamics as at the date of the Joint Announcement. Asian Dynamics is a Substantial Shareholder of the Company, holding 546,846,132 Shares, representing 56.76% of the issued share capital of the Company, as at the date of the Joint Announcement. Accordingly pursuant to Note 8 to Rule 26.1 the Offeror is required to make the Share Offer for all the issued Shares (other than those already owned by the Offeror and Asian Dynamics and parties acting in concert with any of them at the time when the Share Offer is made). In addition, under Rule 13.1 of the Takeovers Code, the Offeror is also required to make the Option Offer all outstanding Share Options (other than those already owned by the Offeror and Asian Dynamics and parties acting in concert with any of them at the time when the Option Offer is made).

Redford Securities is making the Offers, for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For every Offer Share . . . . . HK\$0.06 in cash

For each Share Option . . . . . HK\$0.0001 in cash

## LETTER FROM MITSUBISHI UFJ SECURITIES (HK) CAPITAL, LIMITED

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

The Independent Board Committee (comprising, namely, Mr. Wu Jixue, Dr. Feng Ke, and Mr. Zhang Daorong, all being independent non-executive Directors) has been formed to advise the Independent Shareholders and the Independent Optionholders on the terms of the Offers. Mr. Lo Mun Lam, Raymond and Mr. Andrew James Chandler, both non-executive Directors, have not been appointed to the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code as they have both provided advice to the Offeror and the Company in respect of the Offers, and therefore cannot be regarded as being independent.

In formulating our opinion, we have reviewed the annual report of the Company for the year ended 31 December 2009 and the first quarterly report of the Company for the three months ended 31 March 2010. We have relied on the accuracy of the information and representations contained in the Composite Document and have assumed that all information and representations made or referred to in the Composite Document as provided by the Offeror and/or the Board were true at the time they were made and should there be any material changes thereto, Shareholders would be notified as soon as possible. We have also relied on our discussion with the Board regarding the Group and the Offers, including the information and representations contained in the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Offeror and/or the Board respectively in the Composite Document were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Composite Document nor to doubt the truth, accuracy and completeness of the information and representations provided by the Offeror and the Board. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Offeror and their respective associates nor have we carried out any independent verification of the information supplied.

We have not considered the tax implications on the Independent Shareholders and the Independent Optionholders of their acceptances or non-acceptances of the Offers since these are particular to their own individual circumstances. In particular, the Independent Shareholders and the Independent Optionholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offers and, if in any doubt, should consult their own professional advisers.

## PRINCIPAL FACTORS AND REASONS CONSIDERED ON THE SHARE OFFER

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

### (i) Review of financial position/performance of the Group

#### (a) Business segments

As set out in the Letter from the Board, the Group is principally engaged in the provision of logistics and information technology services. We have discussed with the Directors on what constitutes the exact business model of the Group, details of which are set out in the table below:

Business segment	Status	Management discussion & analysis	Segment revenue	Segment result	Segment revenue for the three months ended	Customer list (key)	Revenue model/source
			for the year ended 31 December 2009 (HK\$'000)		31 March 2010		
1 Logistics service	Closing down since November 2009	➤ the Board determined, upon the advice of the management of Ever-OK International Forwarding Co., Ltd. that the reduction of this division's operating costs was unable to offset the general downturn in turnover	27,395	(833)	–	Freight forwarders/exporters in the PRC	Service fees (based on tonnage shipped)
2 Information Technology (Internet protocol television services)	Focusing on since August 2009	➤ The combined revenue that the Group has received since the commencement of South Pearl Limited's provision of the value-added IPTV services amounts to approximately HK\$6,197,000 up to 31 March 2010 (thereby resulting in positive segment contribution before annual amortisation of the relevant intangible assets (2009: approximately HK\$28.3 million)), which included (a) software integration work (of media software platforms) done for the provision of IPTV services to an established client base of approximately 50,000 consumers currently delivered by one of the prominent operators in Guangzhou; and (b) sale of advertising space within the contents to be broadcast by the Group's IPTV services to an advertising agency in Guangzhou	– (recognised otherwise as "Other income" on a net-off basis)	(5,062)	1,662	Networks/ internet services carriers and advertising agency in Guangzhou	Media and value-added service fees for technology and upgrades, contents and High Definition ("HD") services (based so far on software integration work done and lump-sum advertising space)
TOTAL			27,395	(5,896)	1,662		

Source: Annual report of the Company and discussion with the Directors

**LETTER FROM MITSUBISHI UFJ SECURITIES (HK) CAPITAL, LIMITED**

(b) *Geographical segments*

We observe that the Group's revenue from external customers by geographical location was mostly 100% attributable to the PRC for the three years ended 31 December 2009, details of which are set out in the table below:

	Year ended 31 December		
	2007	2008	2009
the PRC	100%	99.98%	100%
Hong Kong	0%	0.02%	0%

*Source:* Annual reports of the Company

(c) *Income statement*

We summarise the audited/unaudited consolidated results of the Group for the three most recent financial years and the most recent quarterly period as follows:

	Year ended 31 December			Three months ended
	2007	2008	2009	31 March 2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>	<b>168,397</b>	<b>120,058</b>	<b>27,395</b>	<b>1,662</b>
Gross profit	13,312	15,223	5,433	1,018
Administrative (& operating) expenses	(34,053)	(42,263)	(77,038)	(9,151) <sup>1</sup>
Impairment of goodwill	–	(35,901) <sup>2</sup>	–	–
Non-controlling interests	–	4,429	22,527	(441)
<b>(Loss) attributable to Shareholders</b>	<b>(20,149)</b>	<b>(58,120)</b>	<b>(48,942)</b>	<b>(8,344)</b>
Dividend	Nil	Nil	Nil	Nil
<i>Gross profit margin</i>	8%	13%	20%	61%
Net assets (excluding non-controlling interests)	(17,111)	(21,194)	(69,417)	(78,202)

*Source:* Annual reports and quarterly report of the Company

*Note:*

- Including staff costs, depreciation and amortisation, operating lease rental and other operating expenses.
- Goodwill arising on the Group's acquisition of Guangzhou Wavecom Communication and Advertising Limited (which in turn holds 55% interests in South Pearl Limited) in September 2008 (representing the Group's newly acquired IPTV division).

**LETTER FROM MITSUBISHI UFJ SECURITIES (HK) CAPITAL, LIMITED**

Based on the above table, we have the following analysis for the three most recent financial years:

<b>Observation</b>	<b>Reason (from the Company)</b>
<p>1     The turnover of the Group had been reducing substantially from approximately HK\$168.4 million to approximately HK\$27.4 million</p>	<p>➤ Attributable to the reduced turnover of the Group's logistics business (via Ever-OK International Forwarding Co., Ltd.), which is directly attributable to the general downturn in the global economy, which has affected the entire logistics industry in the PRC</p> <p>➤ The Group's logistics business accounted for 100% of the Group's total turnover for the year ended 31 December 2009 (2008: 99.98%; 2007: 99.4%)</p>
<p>2     The gross profit margin of the Group had been improving from about 8% to about 20%</p>	<p>➤ The customers base of the Group's logistics division (prior to closing down since November 2009) had been shifting from a limited number of larger-scale ones to a diversified pool of smaller-scale ones, resulting in smaller tonnage shipped per customer and, hence, higher unit service fee and higher gross profit margin overall</p>
<p>3     The percentage of administrative (&amp; operating) expenses over the Group's turnover had been increasing significantly from about 20% to about 281%</p>	<p>➤ For the year ended 31 December 2009, mainly attributable to</p> <p>(i) annual amortisation of the Group's intangible assets<sup>3</sup> of approximately HK\$28.3 million (2008: HK\$7.0 million; 2007: nil);</p> <p>(ii) provision made for asset impairment loss of approximately HK\$16.3 million (2008: Nil; 2007: Nil) on the Group's intangible assets<sup>3</sup>; and</p> <p>(iii) impairment of trade and other receivables of approximately HK\$14.5 million (2008: HK\$7.8 million; 2007: HK\$6.3 million)</p>

**LETTER FROM MITSUBISHI UFJ SECURITIES (HK) CAPITAL, LIMITED**

*Note:*

3. Representing an exclusive right of usage of Broadcast of Audio-Video Program On Web Permit (信息網絡傳播視聽節目許可證) for the purpose of carrying out the business of the Group's newly acquired IPTV division.

We further note that since the Shares were listed on the Stock Exchange in 1999, the Company has been loss-making and has never declared any dividend. For the most recent quarterly period ended 31 March 2010, the Company continued to record net loss attributable to Shareholders.

(d) *Balance sheet*

We further summarise below key data of the most recent audited consolidated statement of financial position of the Group as at 31 December 2009:

	<b>As at 31 December 2009</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>		<b>176,431</b>
➤ Intangible assets	174,913	
<b>Current assets</b>		<b>11,668</b>
➤ Trade and other receivables	9,805	
<b>Current liabilities</b>		<b>(157,155)</b>
➤ Trade and other payables	(156,929)	
<b>Non-current liabilities</b>		<b>(22,521)</b>
➤ Amounts due to a director & ultimate holding company	(22,521)	
<b>Non-controlling interests</b>		<b>(77,840)</b>
<b>Net asset deficit attributable to Shareholders</b>		<b>(69,417)</b>
➤ Share capital	96,342	
➤ Reserves	(165,759)	

*Source:* Annual report of the Company

We note that "Intangible assets" were the major component of the Group's assets, representing about 93% of the total assets of the Group as at 31 December 2009. Such intangible assets represent an exclusive right of usage of Broadcast of Audio-Video Program On Web Permit (信息網絡傳播視聽節目許可證) granted by the holder of such permit to South Pearl Limited (a subsidiary of the Company) under an exclusive agreement. Such permit commenced on 1 October 2007 and will expire on 30 September 2015. The fair value of the Permit as at 31 December 2009 was appraised by Messrs. BMI Appraisals Limited at RMB154 million.

Meanwhile, “Trade and other payables” were the major component of the Group’s liabilities, representing about 87% of the total liabilities of the Group as at 31 December 2009. Upon review of such balance as at 31 December 2009, we note that “Trade payables” amounted merely to approximately HK\$21.2 million, whereas “Accruals and other payables” amounted to approximately HK\$133.4 million (representing an overriding majority). Included in “Accruals and other payables” was the balance of consideration payable of HK\$86,350,000 arising from the Group’s acquisition of Guangzhou Wavecom Communication and Advertising Limited (which in turn holds 55% interests in South Pearl Limited), yet to be satisfied by the issue of zero-coupon convertible notes of the Company to Asian Dynamics and Lucky Peace Limited (convertible at HK\$0.218 per Share with 24-month maturity).

Upon our review on the annual report of the Company, we note that the auditors of the Company expressed “fundamental uncertainty relating to the going concern basis” in its modified auditor’s report for the year ended 31 December 2009. The Group had net current liabilities of approximately HK\$145,487,000 as at 31 December 2009. The financial statements had been prepared on a going concern basis, the validity of which depends upon future funding being available and the continuing financial support given by the ultimate holding company. The financial statements did not include any adjustments that would result from the failure to obtain such future funding or financial support.

As illustrated in the table under preceding section headed “(c) Income statement”, it comes to our further attention that the net assets of the Group (excluding non-controlling interests) had been negative (deficit) and had been on a deteriorating trend for the three most recent financial years.

*(e) Cashflow statement*

We further summarise the audited/unaudited consolidated cashflow statements of the Group for the three most recent financial years and for the most recent interim period as follows:

	<b>Year ended 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash inflow/(outflow) from operating activities	(19,647)	(1,956)	(10,673)
Cash inflow/(outflow) from investing activities	(796)	356	87
Cash inflow/(outflow) from financing activities	17,485	6,645	5,028
<b>Net change in cash and cash equivalents</b>	<b>(2,958)</b>	<b>5,045</b>	<b>(5,558)</b>

*Source: Annual reports of the Company*

As illustrated above, we note that the Group recorded noticeable cash outflow from operating activities for each of three most recent financial years, which were not able to be offset fully by cash inflow from financing activities in each of 2007 and 2009.

For the year ended 31 December 2007, the Company managed to release the Company from all debts and other liabilities due to certain creditors for monies totalling HK\$25.6 million that are owed by the Company thereto by way of issuing new Shares. According to the most recent quarterly report of the Company, we note that the Board will consider raising additional equity funding to the Group by way of a further issue or private placement of the Shares in the forthcoming periods of 2010, with a view to further expanding the Group's IPTV division in the greater southern China region in 2010 and other related projects that it contemplates to expand on the operations of the Group.

In any event, we note that the cash and cash equivalents of the Group decreased from approximately HK\$6,237,000 in 1 January 2007 to approximately HK\$1,863,000 in 31 December 2009.

(f) *Litigation*

On 27 April 2010, Union Resources Educational Development (Yanjiao) Company Limited ("UREDY"), as the first plaintiff, and Union Resources (Educational Development) Limited, as the second plaintiff, initiated legal proceedings against the Company, as the first defendant, and four other persons, being the second to fifth defendants.

The Board, after a preliminary assessment of the relevant writ of summons, is of the view that in the event that the proposed mediation referred to in the announcement of the Company dated 28 April 2010 is unsuccessful in resolving the relevant claims, and that in the event that UREDY is successful in proving the relevant claims against the Company, and that if the possible specific damages of RMB9,744,000 and a possible claim for UREDY's legal costs are awarded against the Company, that such an award will not have a material adverse impact on the Group's financial position, in the long term.

In any event, we consider that the Group is exposed to contingent liabilities in this connection. Upon comparing the actual size of the said possible specific damages of RMB9,744,000 (plus any possible claim for legal costs if awarded against the Company) with the cash and cash equivalents of the Group of HK\$1,863,000 on 31 December 2009, we consider that the said litigation could exert a negative impact to the business operation and financial position of the Group (at least in the short term) if UREDY is successful in proving the relevant claims against the Company. However, the Directors intend to seek further financial support from the Company's ultimate holding company, by way of entering into a separate standby facilities agreement therewith, for the purposes of providing for and mitigating any such unforeseen adverse impact resulting from the said litigation in the forthcoming periods.

(g) *Industry overview*

According to city news of Shanghai government ([www.shanghai.gov.cn](http://www.shanghai.gov.cn)) dated 17 December 2009, the number of IPTV subscribers served by the IPTV business as jointly operated by China Telecom Corporation Limited and Shanghai Media Group had surpassed 1,000,000 in Shanghai city on 16 December 2009. Shanghai city had the largest number of IPTV subscribers both in the PRC and in the world.

However, the aforesaid statistics about Shanghai city is not directly relevant to Group's prevailing IPTV business, because the Group's IPTV business is focused on Guangzhou city at this stage. We have attempted but failed to source other relevant governmental statistics on IPTV market in the PRC from public domain.

(h) *Future outlook*

Upon review of the latest quarterly report of the Company, we note that the Group is in the course of concentrating its resources on the newly acquired IPTV business, whilst closing down its logistics segment (which was loss-making). For the three months ended 31 March 2010, the Group's revenue from its IPTV division was composed of technology and upgrades, contents and HD services to the customers of established internet and network services providers which South Pearl Limited is currently in partnership with. South Pearl Limited currently provides value added services, such as HD services, to an established internet provider with direct subscribed customer base, of about 89,000 families, and about 400,000 households which connections are being completed. The services now provided by South Pearl Limited are scalable in the next few months such that South Pearl Limited expects to be providing its value added services to an additional 20,000 to 30,000 families.

We have discussed with the Directors and understand therefrom that the key competitive strength of the Group is its exclusive right of usage of Broadcast of Audio-Video Program On Web Permit (信息網絡傳播視聽節目許可證) granted from Guangzhou Television Broadcast Microwave General Station (廣州市廣播電視微波總站). Presently, South Pearl Limited (a subsidiary of the Company) claims to be the only provider of HD IPTV services in the Guangzhou and Guangdong province regions. The Group's IPTV division has secured the necessary operating licenses and has fulfilled the necessary technology investment, such as an agreement with Microsoft for the provision of IPTV services.

In summary, we note that the Group fails to demonstrate a positive profit track record since the Shares were listed on the Stock Exchange in 1999, despite that the Group managed to achieve an improving gross profit margin for the three most recent financial years and the most recent quarterly period. We envisage that the Group's IPTV division has to cope with competition from a number of market players, including five other providers of IPTV services in Guangzhou/Guangdong province regions, although none of the competitors offer HD IPTV services at this

stage. Further, we envisage that the Group's IPTV division may face indirect competition from peer-to-peer portal operators sharing video contents such as ppsstream, pplive, youtube, youku, baidu etc., especially where those video contents are available free-of-charge, and may or may not be entitling to any copyright.

Based on the prevailing business model of the Group, we consider that the future outlook of the Group would hinge on the Group's attempt to attain successful penetration of IPTV market in the PRC, subject to a number of risk factors including (a) technological changes in the evolving telecommunication and media industry in terms of development of new TV broadcasting technology (digital) versus new internet/broadband platforms, and (b) evolving PRC governmental regulatory regime (e.g. recently on the converge of three networks (telecommunication, broadcast and internet) which could render any pre-existing competitive strength of the Group becoming less prevalent than before. Meanwhile, the relevant web permit under which the Group's exclusive right of usage was granted shall expire on 30 September 2015. Irrespective of the actual operating performance of the Group's IPTV division, the Group has to incur sizeable annual amortisation expenses of the Group's intangible assets relating to its IPTV division (2009: approximately HK\$28.3 million) up to 30 September 2015, which is non-cash in nature but would impact negatively to the income statement of the Group. As the Group is highly likely to continue to operate in a challenging business environment in the near future, we consider that the future financial performance of the Group is subject to uncertainty such as business risks.

**(ii) Share price performance and trading liquidity**

We note that the Share Offer Price of HK\$0.06 per Offer Share is equivalent to the consideration of HK\$896.24 per Sale Share payable by the Offeror pursuant the Agreement. The Share Offer Price:

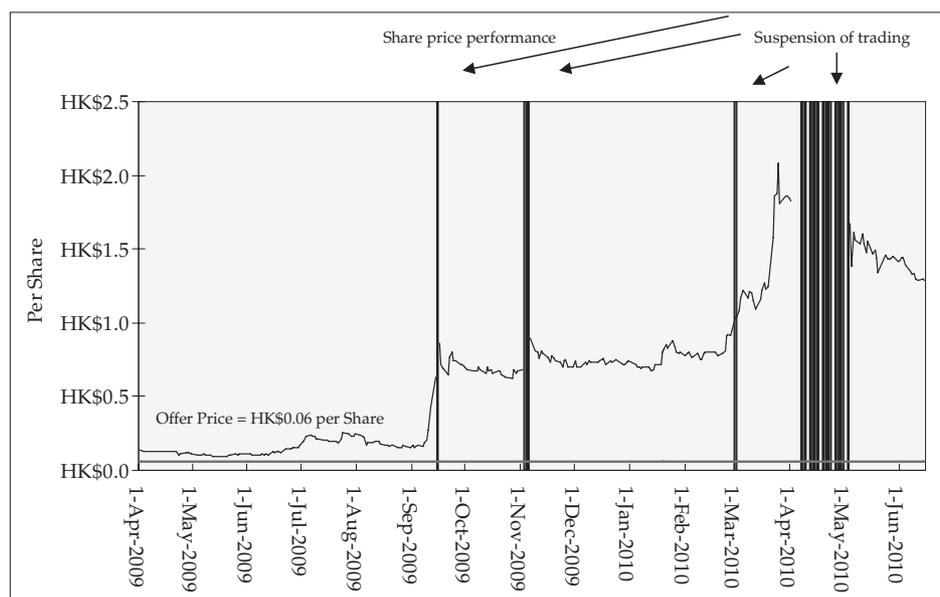
- (a) represents a discount of approximately 96.7% to the closing price of HK\$1.83 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) represents a discount of approximately 96.7% to the average closing prices of HK\$1.84 per Share as quoted on the Stock Exchange for the 5 Trading Days up to and including the Last Trading Day;
- (c) represents a discount of approximately 96.6% to the average closing price of approximately HK\$1.79 per Share as quoted on the Stock Exchange for the 10 Trading Days up to and including the Last Trading Day;
- (d) represents a discount of approximately 95.4% to the average closing price of approximately HK\$1.30 per Share as quoted on the Stock Exchange for the 30 Trading Days up to and including the Last Trading Day;
- (e) represents a discount of approximately 94.2% to the average closing price of approximately HK\$1.03 per Share as quoted on the Stock Exchange for the 60 Trading Days up to and including the Last Trading Day;

LETTER FROM MITSUBISHI UFJ SECURITIES (HK) CAPITAL, LIMITED

- (f) represents a discount of approximately 93.5% to the average closing price of approximately HK\$0.93 per Share as quoted on the Stock Exchange for the 90 Trading Days up to and including the Last Trading Day;
- (g) represents a discount of approximately 91.3% to the average closing price of approximately HK\$0.69 per Share as quoted on the Stock Exchange for the 180 Trading Days up to and including the Last Trading Day;
- (h) represents a discount of approximately 88.7% to the average closing price of approximately HK\$0.53 per Share as quoted on the Stock Exchange for the 250 Trading Days up to and including the Last Trading Day;
- (i) represents a discount of approximately 95.3% to the closing price of HK\$1.29 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (j) exceeds the audited consolidated net assets deficit (excluding non-controlling interests) of approximately HK\$0.07 per Share as at 31 December 2009; and
- (k) exceeds the unaudited consolidated net assets deficit (excluding non-controlling interests) of approximately HK\$0.08 per Share as at 31 March 2010 (based on the unaudited accounts of the Company for the three months ended 31 March 2010 and the number of Shares in issue as at the Latest Practicable Date).

(a) *Historical Share price performance*

For the purpose of further comparing the Share Offer Price of HK\$0.06 per Offer Share with the market price of the Shares, we plot the closing price level of the Shares traded on the Stock Exchange from 1 April 2009 to 1 April 2010 (being the Last Trading Day) and further up to the Latest Practicable Date (the "Review Period") as follows:



Source: Bloomberg

## LETTER FROM MITSUBISHI UFJ SECURITIES (HK) CAPITAL, LIMITED

We summarise below four incidents of suspension of trading of Shares during the Review Period:

	<b>Date</b>	<b>Suspension of trading of Shares Background</b>
1	on 15 September 2009 (2:30 p.m.)	pending the publication of an announcement on the contemplated management buy-out of the entire issued share capital of Asian Dynamics
2	from 3 November 2009 to 5 November 2009	pending the publication of an announcement on the financial information of the Company's IPTV division and satisfaction of the requirements of Rule 17.26 of the GEM Listing Rules (on sufficient level of operations to warrant the continued listing of the Company's securities)
3	on 1 March 2010 (2:52 p.m.)	pending the release of an announcement on the revised contemplated management buy-out of approximately 37.59% of the entire issued share capital of Asian Dynamics
4	from 7 April 2010 to 3 May 2010	pending the publication of the Joint Announcement relating to the Agreement and the Offers

*Source:* www.hkex.com.hk

During the entire Review Period, the Share Offer Price was always lower than the actual closing price per Share. During the Review Period, the closing price of the Shares ranged from the lowest of HK\$0.09 per Share recorded on 13, 14 and 15 May 2009 to the highest of HK\$2.08 per Share recorded on 25 March 2010. The Share Offer Price represents a discount of approximately 33.3% to the lowest closing price per Share during the Review Period, and a discount of approximately 97.1% to the highest closing price per Share during the Review Period.

We note that during the initial stage of the Review Period, the Shares were mostly traded within the range of about HK\$0.1 to HK\$0.25 per Share from April 2009 to September 2009. However, drastically within merely six Trading Days, the closing price of the Shares surged by 437.5% from HK\$0.16 per Share on 7 September 2009 to HK\$0.86 per Share on 16 September 2009. We consider such drastic increase in the closing price of the Shares to be incidental to the publication of the announcement of the contemplated management buy-out of the entire issued share capital of Asian Dynamics dated 15 September 2009.

According to a SFC announcement dated 23 October 2009, SFC completed an enquiry into the shareholding of the Company. SFC's findings suggested that, as at 23 September 2009, 22 shareholders held an aggregate of 156,760,023 Shares, representing 16.27% of the issued Shares. Such shareholding, together with 712,480,132 Shares held aggregately by the three substantial shareholders, namely,

## LETTER FROM MITSUBISHI UFJ SECURITIES (HK) CAPITAL, LIMITED

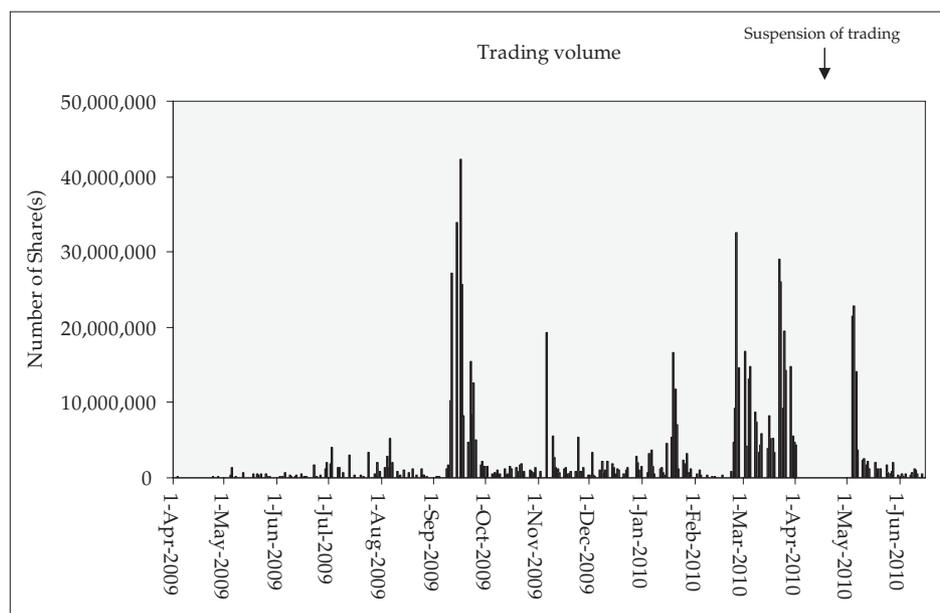
Asian Dynamics, Concord Square Limited and Aldgate Agents Limited, and an executive director of the Company, namely, Mr. Qiu Yue (representing 73.95% of the issued Shares), represented 90.22% of the issued Shares as at 23 September 2009. Thus, only 9.78% of the issued Shares were then held by other investors.

We note that during the middle stage of the Review Period, the Shares were mostly traded within the range of about HK\$0.5 to HK\$1.0 per Share from September 2009 to February 2010. However, within March 2010 alone, the closing price of the Shares surged by approximately 76.9% from HK\$1.04 per Share on 1 March 2010 to HK\$1.84 per Share on 31 March 2010. We consider such significant increase in the closing price of the Shares as speculative market response to the publication of the announcement on the revised contemplated management buy-out of approximately 37.59% of the entire issued share capital of Asian Dynamics dated 2 March 2010. This was despite that the Company published an announcement dated 25 March 2010 on significant reduction in the value of the Group's intangible asset and intended substantial provision for asset impairment loss in the Company's final results for the year ended 31 December 2009.

Subsequent to the publication of the Joint Announcement relating to the Agreement and the Offers, we observe that the closing prices per Share experienced a general downward trend and slid back to approximately HK\$1.29 per Share on the Latest Practicable Date. The Share Offer Price represents a discount of approximately 95.3% to the closing price of HK\$1.29 per Share on the Latest Practicable Date.

### (b) Liquidity

For the purpose of assessing the trading liquidity of the Shares, the following chart shows the daily trading volume of the Shares during the Review Period:



Source: Bloomberg

LETTER FROM MITSUBISHI UFJ SECURITIES (HK) CAPITAL, LIMITED

Month	Highest daily turnover (in number of Shares)	Lowest daily turnover (in number of Shares)	Average daily turnover (in number of Shares)	Number of Trading Days with no turnover (in days)	Percentage of average daily turnover to total number of Shares in issue <sup>5</sup> (%)	Percentage of average daily turnover to total number of Shares held by the Independent Shareholders <sup>6</sup> (%)
Apr-09	156,000	0	24,200	13	0.00%	0.01%
May-09	1,354,000	0	278,842	6	0.03%	0.07%
Jun-09	1,968,000	0	392,000	3	0.04%	0.09%
Jul-09	3,996,000	0	896,491	3	0.09%	0.22%
Aug-09	5,280,000	0	925,048	3	0.10%	0.22%
Sep-09 <sup>1</sup>	42,348,231	0	9,618,059	1	1.00%	2.31%
Oct-09	1,816,000	280,000	979,015	0	0.10%	0.24%
Nov-09 <sup>2</sup>	19,320,000	310,000	2,540,389	0	0.26%	0.61%
Dec-09	3,398,000	52,000	1,245,636	0	0.13%	0.30%
Jan-10	16,616,000	354,000	3,452,578	0	0.36%	0.83%
Feb-10	32,526,000	0	3,600,130	3	0.37%	0.86%
Mar-10 <sup>3</sup>	29,110,000	3,274,000	10,336,392	0	1.07%	2.48%
Apr-10 <sup>4</sup>	4,350,000	4,350,000	4,350,000	0	0.45%	1.04%
May-10 <sup>4</sup>	22,836,000	356,000	4,358,729	0	0.45%	1.05%
June-10 (up to the Latest Practicable Date)	1,196,000	46,000	499,818	0	0.05%	0.12%
Total Trading Days with no turnover				32		
Total Trading Days				276		

Source: Bloomberg

Notes:

1. Trading of Shares was suspended on 15 September 2009 (2:30 p.m.)
2. Trading of Shares was suspended from 3 November 2009 to 5 November 2009
3. Trading of Shares was suspended on 1 March 2010 (2:52 p.m.)
4. Trading of Shares was suspended from 7 April 2010 to 3 May 2010
5. Based on the total number of 963,417,986 Shares in issue as at the Latest Practicable Date
6. Based on the total number of 416,571,854 Shares held by the Independent Shareholders as at the Latest Practicable Date

As illustrated in the table above, the average daily trading volume of the Shares during the Review Period had been relatively thin prior to the commencement of the Offer Period on 15 September 2009 (being not more than 925,048 Shares daily within August 2009, representing not more than approximately 0.22% of the total number of Shares held by the Independent Shareholders as at the Latest Practicable Date).

However, in September 2009, the average daily trading volume increased to 9,618,059 Shares (representing approximately 2.31% of the total number of Shares held by the Independent Shareholders as at the Latest Practicable Date), which was

incidental to the publication of an announcement on the contemplated management buy-out of the entire issued share capital of Asian Dynamics dated 15 September 2009.

In March 2010 (being the full calendar month immediately preceding the Last Trading Day), the average daily trading volume increased further to 10,336,392 Shares (representing approximately 2.48% of the total number of Shares held by the Independent Shareholders as at the Latest Practicable Date), which was incidental to the publication of the announcement on the revised contemplated management buy-out of approximately 37.59% of the entire issued share capital of Asian Dynamics dated 2 March 2010.

Thereafter, in each of April 2010, May 2010 and June 2010 (up to the Latest Practicable Date), the average daily trading volume dropped to 4,350,000 Shares, 4,358,729 Shares and 499,818 Shares respectively.

Out of a total of 276 Trading Days on the Stock Exchange during the entire Review Period, no trading of the Shares was recorded on 32 Trading Days on the Stock Exchange, which were mostly prior to the commencement of the Offer Period on 15 September 2009.

**(iii) Valuation**

We understand that the Share Offer Price of HK\$0.06 per Share was determined by the Offeror by having regard to the fact that as at 18 December 2009, the unaudited net assets value (including non-controlling interests) of the Company was approximately HK\$0.06 per Share.

*(a) Price/earnings multiple or EV/EBITDA multiple*

As the Company is in the course of concentrating its resources on the newly acquired IPTV business whilst closing down its logistics segment, reference to price/earnings multiple or EV/EBITDA multiple should be amongst the most common approaches adopted by the investment community in valuing such kind of revenue-generating entity. However, both the earnings and the EBITDA (source: Bloomberg) of the Company were negative for the latest published full financial year ended 31 December 2009. Accordingly, it would not be applicable for us to assess the Share Offer Price by means of the price/earnings multiple approach or EV/EBITDA multiple approach.

*(b) Price/book multiple*

The audited consolidated net assets (excluding non-controlling interests) were negative at approximately HK\$69,417,000 (deficit) as at 31 December 2009 (representing the latest published financial data available by 5 April 2010, which in turn was the date of the Agreement). Accordingly, it would not be applicable for us to assess the Share Offer Price by means of the price/book multiple (asset backing) approach.

(c) *Dividend yield*

The Company did not pay out any dividend for the latest full financial year ended 31 December 2009. Accordingly, it would not be applicable for us to assess the Share Offer Price by means of the dividend yield approach.

**(iv) Intention of the Offeror regarding the future prospects of the Group**

(a) *Business*

As set out in the letter from Redford Securities (the "Letter from Redford Securities") contained in the Composite Document, save for the implementation of the closure of the business of a subsidiary in which the Company holds a 60% interest, which was initiated by the Board as disclosed in the Company's announcement dated 2 November 2009, it is the intention of the Offeror that the Group will continue with its existing principal activities. We understand from the Directors that the said subsidiary refers to Ever-OK International Forwarding Co., Ltd., which represented the flagship vehicle carrying out the discontinuing logistics business segment of the Group.

By entering into the Agreement, the Offeror has effected the consolidation of the management of Asian Dynamics, such as to provide Asian Dynamics with more flexibility in pursuing investment projects for the Group. The Offeror does not intend to introduce any major changes to the existing operation and business of the Company by reason only of the Offers. The Offeror will, as has been the Board's policy, continue to explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth. The Offeror intends to continue to focus the Group's resources on developing the Company's newly acquired internet protocol television services business whilst conducting a more detailed review on the operations of the Group with a view to broadening the income streams of the Group. In the event that any of such opportunities materialise, further announcement will be made by the Company as and when required by the GEM Listing Rules. Save for the implementation of the closure of the business of Ever-OK International Forwarding Co., Ltd. in which the Company holds a 60% interest, as set out in the Company's announcement dated 2 November 2009, as at the Latest Practicable Date, the Offeror has no intention or plan for any acquisition or disposal of assets and/or business by the Group.

(b) *Directors and management*

We note that the Board is currently made up of eight directors, comprising three executive directors, two non-executive directors, and three independent non-executive directors.

As set out in the Letter from Redford Securities, the Offeror does not intend to change the composition of the Board after the close of the Offers, save that the Offeror may propose Mr. Chu to join the Board after the close of the Offers.

Taking into account of the said intention to change the composition of the Board, we consider the impact of the Offers on the Group's management may not be material immediately after its closing.

**(v) Maintaining the listing status of the Company**

The Offeror intends to maintain the listing of the Shares on GEM after the close of the Offers and will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the Shares.

If, at the close of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (1) a false market exist or may exist in the trading of the Shares; or (2) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend trading in the Shares. In this connection, it should be noted that upon the close of the Offers, there may be an insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained.

**RECOMMENDATION ON THE SHARE OFFER**

The Share Offer Price is equivalent to the consideration per Sale Share as agreed between the Offeror and the Vendors based on the unaudited net assets value (including non-controlling interests) of approximately HK\$0.06 per Share then available as at 18 December 2009.

During the entire Review Period, the Share Offer Price of HK\$0.06 per Share was always lower than the actual closing price per Share. To be specific, the Share Offer Price of HK\$0.06 per Share represents a significant discount ranging from approximately 88.7% to 96.7% to the average closing prices per Share as quoted on the Stock Exchange for 5, 10, 30, 60, 90, 180 and 250 Trading Days up to and including the Last Trading Day. Based solely on the two aforesaid points, we consider that the Share Offer Price is not entirely attractive. However, from a wider perspective and putting more weight on the following principal factors as set out in the prior sections, namely,

- (i) the Company has been loss-making and has never declared any dividend since the Shares were listed on the Stock Exchange in 1999;
- (ii) the auditors of the Company expressed "fundamental uncertainty relating to the going concern basis" in its modified auditor's report for the year ended 31 December 2009. The Group had net current liabilities of approximately HK\$145,487,000 as at 31 December 2009;

- (iii) the net assets of the Group (excluding non-controlling interests) had been negative (deficit) and had been on a deteriorating trend for the three most recent financial years, whereas the Share Offer Price exceeds the audited consolidated net assets deficit (excluding non-controlling interests) of approximately HK\$0.07 per Share as at 31 December 2009;
- (iv) the Company is exposed to contingent liabilities arising from the litigation which was initiated against the Company on 27 April 2010;
- (v) the future financial performance of the Group is subject to uncertainty such as business risks, as the Group is in the course of closing down its logistics segment and concentrating its resources on the newly acquired IPTV business. The market potential of IPTV industry is subject to a number of risk factors including (a) technological changes in the evolving telecommunication and media industry, and (b) evolving PRC governmental regulatory regime;
- (vi) the Group has to incur sizeable annual amortisation expenses of the Group's intangible assets relating to its IPTV division (2009: approximately HK\$28.3 million) up to 30 September 2015, which is non-cash in nature but would impact negatively to the income statement of the Group, irrespective of the actual operating performance of the Group's IPTV division;
- (vii) the Company has yet to satisfy payment of balance of consideration payable of HK\$86,350,000 by the issue of convertible notes of the Company to Asian Dynamics and Lucky Peace Limited for the Group's acquisition of Guangzhou Wavcom Communication and Advertising Limited (which in turn holds 55% interests in South Pearl Limited) (convertible at HK\$0.218 per Share with 24-month maturity), which could expose the Group to risk of fair value changes upon annual revaluation of embedded derivative component of such convertible notes following issue (which is non-cash in nature); and
- (viii) the average daily trading volume dropped from 10,336,392 Shares in March 2010 (being the full calendar month immediately preceding the Last Trading Day) to 4,350,000 Shares, 4,358,729 Shares and 499,818 Shares respectively in each of April 2010, May 2010 and June 2010 (up to the Latest Practicable Date),

we consider that the terms of the Share Offer are, on balance, fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend to the Independent Shareholders to accept the Share Offer. However, Independent Shareholders who wish to realise whole or part of their Shares should consider selling their Shares in the open market during the Offer Period, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Share Offer. Independent Shareholders who believe that they will be unable to sell the Shares in the market at a price higher than the Share Offer Price because of their size of the shareholding interests may consider the Share Offer as an alternative exit of their investments.

Independent Shareholders who wish to retain some or all of their Shares as they are attracted by and confident in the prospects and/or the management of the Group after the close of the Share Offer or otherwise, they should carefully consider the intention of the Offeror regarding the Group, details of which are set out in the Letter from Redford Securities. In any event, Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period.

Independent Shareholders should read carefully the procedures for accepting the Share Offer as detailed in the Letter from Redford Securities and Appendix I to the Composite Document and are strongly advised that the decision to realise or to hold their investment in the Shares is subject to individual circumstances and investment objectives.

### **THE OPTION OFFER**

As set out in the Letter from Redford Securities, as at the Latest Practicable Date, there were a total of 97,840,073 outstanding Share Options entitling the Optionholders to subscribe for the sum of 97,840,073 Shares at the exercise price of HK\$0.275 per Share, which were issued by the Company pursuant to a specific mandate granted by the Shareholders at an extraordinary general meeting held on 4 October 2007.

Upon assessing the terms of the Option Offer, we envisage that the adoption of a “see-through” price (representing the difference between the offer price for ordinary shares and any given exercise price of the convertible instrument) is commonly regarded as the minimum offer price for any convertible instrument in conjunction with a general offer for ordinary shares. On such basis, the Share Options subject to the Option Offer would not command any positive sum of “see-through” price, as the Share Offer Price of HK\$0.06 per Share payable under the Share Offer is lower than the exercise price of HK\$0.275 per Share for the Share Options subject to the Option Offer.

As the Option Offer Price accordingly represents a nominal value of HK\$0.0001 in cash attributed to each Share Option, and given our opinion in the preceding section that the terms of the Share Offer are, on balance, fair and reasonable, we consider that the terms of the Option Offer are also fair and reasonable so far as the Independent Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend to the Independent Optionholders to accept the Option Offer. However, each of the Share Options is “in-the-money” when comparing the exercise price of HK\$0.275 per Share with the closing price of (i) HK\$1.83 per Share on the Last Trading Day or (ii) HK\$1.29 per Share on the Latest Practicable Date. Hence, the Independent Optionholders who wish to realise whole or part of their Share Options should consider exercising their Share Options and disposing of the Shares so converted in the open market during the Offer Period, rather than accepting the Option Offer, if the net proceeds from such actions (after deducting all transaction costs) would exceed the net amount receivable under the Option Offer. Independent Optionholders should exercise caution in doing so and monitor the market closely.

**LETTER FROM MITSUBISHI UFJ SECURITIES (HK) CAPITAL, LIMITED**

On the other hand, for those Independent Optionholders who wish to retain some or all of their Share Options and/or exercise some or all of their subscription rights under the Share Options and retain their Shares thereupon as they are attracted by and confident in the prospects and/or the management of the Group or otherwise, they should carefully consider the intention of the Offeror regarding the Group, details of which are set out in the Letter from Redford Securities.

Independent Optionholders should read carefully the procedures for accepting the Option Offer as detailed in the Letter from Redford Securities and Appendix I to the Composite Document.

Yours faithfully,  
For and on behalf of  
**Mitsubishi UFJ Securities (HK) Capital, Limited**  
**Harry Yu**  
*Executive Director*

**1.    PROCEDURES FOR ACCEPTANCE OF THE OFFERS**

**A.    The Share Offer**

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the completed **WHITE Form of Acceptance** together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, by post or by hand, marked "**Asian Capital Resources (Holdings) Share Offer**" on the envelop.
  
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer whether in full or in part of your Shares, you must either:
  - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver in an envelope marked "**Asian Capital Resources (Holdings) Share Offer**" with the completed **WHITE Form of Acceptance** together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "**Asian Capital Resources (Holdings) Share Offer**" with the completed **WHITE Form of Acceptance** together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees

<b>APPENDIX I    PROCEDURES FOR ACCEPTANCE OF THE OFFERS</b>
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Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominee Limited.
  
- (c) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Acceptance should nevertheless be completed and delivered in an envelope marked "**Asian Capital Resources (Holdings) Share Offer**" to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
  
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete the **WHITE** Form of Acceptance and deliver it in an envelope marked "**Asian Capital Resources (Holdings) Share Offer**" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to each of Redford Securities and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Acceptance.
  
- (e) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the

## APPENDIX I PROCEDURES FOR ACCEPTANCE OF THE OFFERS

Takeovers Code and the Registrar has recorded that the **WHITE** Form of Acceptance and any relevant documents required have been so received, and is:

- (i) accompanied by the relevant share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
- (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other sub-paragraph of this paragraph (e)); or
- (iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.

- (f) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholder accepting the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares.
- (g) No acknowledgement of receipt of any **WHITE** Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (h) If the Share Offer lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) lodged with the **WHITE** Form of Acceptance to the relevant Shareholder(s).

**B.    The Option Offer**

- (a) If you accept the Option Offer, you should complete the **PINK** Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Option Offer.
- (b) The completed **PINK** Form of Acceptance should be forwarded, together with the relevant document(s) of title of the Share Option(s) (if any) stating the number of Share Options for not less than the number of Share(s) excisable pursuant to the Share Options in respect of which you intend to accept the Option Offer, by post or by hand to the Company Secretary of the Company at Room 801, 8/F, Dannies House, 20 Luard Road, Wanchai, Hong Kong, marked "**Asian Capital Resources (Holdings) Limited Option Offer**" on the envelope, as soon as possible and in any event so as to reach the Company Secretary of the Company at the aforesaid address by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the Option Offer lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by hand or by ordinary post the document(s) of title of the Share Option (if any) lodged with the **PINK** Form of Acceptance to the relevant Optionholder(s).
- (d) No stamp duty will be deducted from the amount paid to the Independent Optionholders who accept the Option Offer.
- (e) No acknowledgement of receipt of any **PINK** Form of Acceptance and/or document(s) of title of the Share Option(s) (if any) will be given.

**2.    SETTLEMENT**

**A.    The Share Offer**

- (a) Provided that the relevant **WHITE** Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order in all respects and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount representing the cash consideration due to each accepting Independent Shareholder in respect of the Offer Shares tendered by him under the Share Offer, less seller's ad valorem stamp duty payable by him, will be despatched to each accepting Independent Shareholder by ordinary post at his own risk as soon as possible but in any event within 10 days of the date on which all the

relevant documents which render such acceptance complete and valid are received by the Registrar.

- (b) Settlement of the consideration to which any Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

**B. The Option Offer**

- (a) Provided that the relevant **PINK** Form of Acceptance and the relevant share option certificate(s) are in complete and good order in all respects and have been received by the Company by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount representing the cash consideration due to each accepting Independent Optionholder in respect of the Share Options surrendered by him under the Option Offer will be despatched to each accepting Independent Optionholder by ordinary post at his own risk as soon as possible but in any event within 10 days of the date on which all the relevant documents which render such acceptance complete and valid are received by the Company.
- (b) Settlement of the consideration to which any Independent Optionholder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Optionholder.

**3. ACCEPTANCE PERIOD AND REVISIONS**

- (a) Unless the Offers have previously been revised or extended with the consent of the Executive, all acceptances of the Share Offer must be received by the Registrar and all acceptances of the Option Offer must be received by the Company by 4:00 p.m. on 9 July 2010, being the Closing Date.
- (b) The Offeror reserves the right to revise the Offers in accordance with the relevant provisions of the Takeovers Code.

## APPENDIX I PROCEDURES FOR ACCEPTANCE OF THE OFFERS

- (c) If the Offers are extended or revised, the announcement of such extension or revision will state the next closing date and the Offers will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to the Independent Shareholders and Independent Optionholders and, unless previously extended or revised, shall be closed on the subsequent closing date. If the Offeror revises the terms of the Share Offer and/or the Option Offer, all Independent Shareholders and/or Independent Optionholders, whether or not they have already accepted the Share Offer or the Option Offer (as the case may be), will be entitled to accept the revised Offers under the revised terms. The benefit of any revision of the Offers will be available to any Independent Shareholder and/or any Independent Optionholder who has/have previously accepted the Share Offer and/or the Option Offer (as the case may be). The execution by or on behalf of any Independent Shareholder who has previously accepted the Share Offer or any Independent Optionholder who has previously accepted the Option Offer (as the case may be) of any **WHITE** Form of Acceptance or any **PINK** Form of Acceptance (as the case may be) shall be deemed to constitute acceptance of the revised Share Offer or Option Offer (as the case may be) unless such holder becomes entitled to withdraw his or her acceptance and duly does so.
- (d) The Offeror may introduce new conditions to be attached to any revision to the terms of the Offers, or any subsequent revision thereof, but only to the extent necessary to implement the revised Offers and subject to the consent of the Executive.
- (e) In order to be valid, acceptances must be received by the Registrar (for the Share Offer) or the Company (for the Option Offer) in accordance with the instructions printed on the relevant Form(s) of Acceptance by no later than 4:00 p.m. on the Closing Date, unless the Offers are extended or revised.
- (f) If the closing date of the Offers is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers as so extended.

### 4. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

**5.    ANNOUNCEMENTS**

- (a) By 6:00 p.m. on 9 July 2010 (or such later time and/or date as the Executive agrees) which is the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, or extension, or expiry of the Offers. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offers and whether the Offers have been revised or extended, or have expired.

The announcement must state the total number of Shares and rights over Shares:

- (i) for which acceptances of the Offers have been received;
- (ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror or persons acting in concert with it.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the offeror or any person acting in concert with it has borrowed or lent (save for any borrowed Shares which have been either on-lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Offer Shares represented by acceptances, for announcement purposes, acceptances which are not in all respects in complete and good order or that are subject to verification may only be included where they comply with the requirements set out under paragraph 1A(e) of this Appendix.
- (c) As required under the Takeovers Code, all announcements in respect of the listed companies must be made in accordance with the requirements of the GEM Listing Rules. Given that the Company is a company listed on GEM, announcements made by it in respect of the Offers are required to be made in accordance with the GEM Listing Rules.

## APPENDIX I PROCEDURES FOR ACCEPTANCE OF THE OFFERS

### 6. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offers tendered by the Independent Shareholders and the Independent Optionholders, as the case may be, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.
- (b) In circumstances set out in Rule 19.2 of the Takeovers Code, which provides that if the Offeror is unable to comply with any of the requirements of Rule 19 of the Takeovers Code, the Executive may require that the Independent Shareholders and the Independent Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

### 7. GENERAL

- (a) All communications, notices, Forms of Acceptance, certificates of Shares or Share Options (if any), transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and the Independent Optionholders will be delivered by or sent to or from them, or their designated agents by post at their own risk, and none of the Company, the Offeror, Redford Securities, AsiaVest Partners, Mitsubishi UFJ, the Registrar nor any of their respective directors or professional advisers or other parties involved in the Offers or any of their respective agents accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form(s) of Acceptance form part of the terms of the Offers.
- (c) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

## APPENDIX I PROCEDURES FOR ACCEPTANCE OF THE OFFERS

- (e) Due execution of the Form(s) of Acceptance will constitute an authority to the Offeror, Redford Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Offer Shares and the Share Options (as the case may be) in respect of which such person or persons has/have accepted the Offers.
- (f) Acceptance of the Offers by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Offer Shares acquired under the Share Offer, and the Share Options accepted and cancelled under the Option Offer, are sold by such person or persons free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto including the rights to receive all future dividends or other distributions declared, paid or made on the Offer Shares, on or after 17 May 2010, being the Completion Date.
- (g) References to the Offers in this Composite Document and the Form(s) of Acceptance shall include any revision and/or extension thereof.
- (h) The making of the Offers to the Overseas Shareholders and the Overseas Optionholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders and the Overseas Optionholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder and Overseas Optionholder who wishes to accept the Offers to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders and Overseas Optionholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders or Overseas Optionholders in respect of the relevant jurisdictions. The Overseas Shareholders and the Overseas Optionholders are recommended to seek professional advice on deciding whether or not to accept the Offers.
- (i) Acceptances of the Offers by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws and regulations to receive and accept the Offers, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.

## APPENDIX I PROCEDURES FOR ACCEPTANCE OF THE OFFERS

- (j) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offers) to all or any Independent Shareholders and Independent Optionholders with registered address(es) outside Hong Kong or whom the Offeror or Redford Securities knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders or Independent Optionholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.
- (k) In making their decision, the Independent Shareholders and the Independent Optionholders must rely on their own examination of the Offeror, the Group and the terms of the Offers, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form(s) of Acceptance shall not be construed as any legal or business advice on the part of the Offeror, the Company or Redford Securities or their respective professional advisers. The Independent Shareholders and Independent Optionholders should consult their own professional advisers for professional advice.
- (l) The English texts of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.

## 1. 1ST QUARTER RESULTS FOR THE PERIOD ENDED 31 MARCH 2010

Set out below are the unaudited condensed consolidated results of the Group together with the accompanying notes as extracted from the 1st Quarter report of the Company for the period ended 31 March 2010. Reference to notes numbers therein are to the notes numbers in the interim report of the Company.

## UNAUDITED CONSOLIDATED RESULTS

	<i>Notes</i>	<b>For the three months ended 31 March</b>	
		<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>
Turnover	2	1,662	13,319
Cost of services		<u>(644)</u>	<u>(10,928)</u>
Gross profit		1,018	2,391
Interest income		–	1
Other income		–	81
Staff costs		(744)	(2,376)
Depreciation and amortisation		(7,829)	(7,147)
Operating lease rental		(132)	(563)
Other operating expenses		<u>(446)</u>	<u>(1,194)</u>
Loss from operating activities		(8,133)	(8,807)
Finance costs	3	<u>(211)</u>	<u>(147)</u>
Loss before taxation		(8,344)	(8,954)
Taxation	4	<u>–</u>	<u>–</u>
Loss for the period		<u><b>(8,344)</b></u>	<u><b>(8,954)</b></u>
Attributable to:			
Equity holders of the Company		(8,785)	(5,766)
Minority interests		<u>441</u>	<u>(3,188)</u>
		<u><b>(8,344)</b></u>	<u><b>(8,954)</b></u>
Loss per share			
– Basic	5	<u><b>(0.91 cents)</b></u>	<u><b>(0.60 cents)</b></u>

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## Unaudited Consolidated Statement of Changes in Equity for the three months ended 31 March 2010:

	Share capital HK\$'000	Share premium HK\$'000	Attributable to equity holders of the Company			Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
			Capital reserves HK\$'000	Translation Reserve HK\$'000	Accumulated losses HK\$'000			
As at 1 January 2009	96,342	119,693	26,020	(1,832)	(261,417)	(21,194)	100,083	78,889
Movement of the period	-	-	-	-	(5,766)	(5,766)	(3,188)	(8,954)
As at 31 March 2009	<u>96,342</u>	<u>119,693</u>	<u>26,020</u>	<u>(1,832)</u>	<u>(267,183)</u>	<u>(26,960)</u>	<u>96,895</u>	<u>69,935</u>
As at 1 January 2010	96,342	119,693	26,020	(1,113)	(310,359)	(69,417)	77,840	8,423
Movement of the period	-	-	-	-	(8,785)	(8,785)	441	(8,344)
As at 31 March 2010	<u>96,342</u>	<u>119,693</u>	<u>26,020</u>	<u>(1,113)</u>	<u>(319,144)</u>	<u>(78,202)</u>	<u>78,281</u>	<u>79</u>

Notes:

**1. BASIS OF PREPARATION**

The unaudited quarterly financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“the HKICPA”), and accounting principles general accepted in Hong Kong. The principal accounting policies adopted in preparing these financial statements are consistent with those followed in the Group’s annual audited consolidated financial statements for the year ended 31 December 2009.

**2. TURNOVER**

The Group’s turnover represents the invoiced value of (1) service fees from the provision of internet protocol television services; and (2) service fees from the provision of logistics services and excludes intra-Group transactions as follows:

	<b>For the three months Ended 31 March</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Internet protocol television service fees	1,662	–
Logistics service fees	–	13,319
	<hr/>	<hr/>
Total turnover	<u>1,662</u>	<u>13,319</u>

**3. FINANCE COSTS**

The finance costs represent the interest on amount due to the Company’s ultimate holding company, which bears interest at 5%.

**4. TAXATION**

No Hong Kong profits tax has been provided for the three months ended 31 March 2010 as the Group has no assessable profit in Hong Kong for the period.

**5. LOSS PER SHARE**

The calculation of basic loss per share for the three months ended 31 March 2010 is based on the net loss from ordinary activities attributable to shareholders of approximately HK\$8,785,000 (2009: HK\$5,766,000 and the weighted average number of ordinary shares of approximately 963,417,986 (2009: 963,417,986) during the period.

## 2. FINANCIAL SUMMARY

The following is a summary of the financial statements of the Group as extracted from its annual reports for the years ended 31 December 2007, 2008 and 2009.

**EXTRACTS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (including 1st Quarter of 2010 with comparison figures as published)**

	For the period ending 31st March		For the years ending 31st December		
	2010 HK\$'000	2009 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenue	<u>1,662</u>	<u>13,319</u>	<u>27,395</u>	<u>120,058</u>	<u>168,397</u>
(Loss)/Profit before income tax	(8,344)	(8,954)	(71,363)	(62,510)	(20,149)
Income tax expenses	<u>—</u>	<u>—</u>	<u>(106)</u>	<u>(39)</u>	<u>—</u>
(Loss)/Profit for the period	<u>(8,344)</u>	<u>(8,954)</u>	<u>(71,469)</u>	<u>(62,549)</u>	<u>(20,149)</u>
Attributable to:					
Equity holders of the Company	(8,785)	(5,766)	(48,942)	(58,120)	(20,149)
Minority Interest	<u>441</u>	<u>(3,188)</u>	<u>(22,527)</u>	<u>(4,429)</u>	<u>—</u>
	<u>(8,469)</u>	<u>(8,954)</u>	<u>(71,469)</u>	<u>(62,549)</u>	<u>(20,149)</u>
Dividend	—	—	—	—	—
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share:					
Basic	<u>(0.91)</u>	<u>(0.60)</u>	<u>(5.08)</u>	<u>(8.00)</u>	<u>(3.62)</u>
Diluted	<u>N.A.</u>	<u>N.A.</u>	<u>N.A.</u>	<u>N.A.</u>	<u>N.A.</u>

## EXTRACTS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	For the years ending 31st December		
	2009	2008	2007
	HK\$'000	HK\$'000	HK\$'000
Total Assets	<u>188,099</u>	<u>262,257</u>	<u>38,050</u>
Total Liabilities	<u>(179,676)</u>	<u>(183,368)</u>	<u>(54,344)</u>

**Disclosure according to 6(a)(viii):**

There were no extraordinary items or exceptional items for the three months ended 31 March 2010 and each of the three years ended 31 December 2009, 2008 and 2007. No change in the accounting policies adapted by the Group for the years ending 31 December 2009, 2008 and 2007 except for those latest disclosure requirements as recommended by the auditors.

The auditor Pan-China (HK) CPA Limited (also known as NCN CPA Limited in 2008 and Patrick Ng & Company in 2007) expressed concerns over fundamental uncertainty in 2009, 2008 and 2007 which are extracted from the relevant Independent Auditors' Reports and quoted hereunder:

**2009 Fundamental uncertainty relating to the going concern basis**

In forming our opinion, we have considered the adequacy of the disclosure made in note 3 to the financial statements regarding the going concern of the Group and the steps being taken by the directors to improve the position. The Group had net current liabilities and loss attributable to owners of the Company of approximately HK\$145,487,000 and HK\$48,942,000 respectively as at 31 December 2009. The directors of the Company endeavor to improve the Group's financial position and had taken measures to reduce overheads and costs. Furthermore, the directors of the Company are currently exploring various options, which include the issue of new shares, in order to provide additional equity funding to the Group. In addition, the ultimate holding company has agreed to provide continuing financial support for the Group to meet its liabilities as they fall due and the directors consider the new business operation acquired previously would generate sufficient working capital to support the Group's operations. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available and the continuing financial support given by the ultimate holding company. The financial statements do not include any adjustments that would result from the failure to obtain such future funding or financial support. We consider that the fundamental uncertainty has been properly disclosed in the financial statements and our opinion is not qualified in this respect.

**2008 Fundamental uncertainty**

The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon continuous financial support being available. As set out in note 3(a) (ii) to the financial statements, the ultimate holding company has agreed to provide such financial support to the company. We consider that adequate funds will be available for the company to meet its liabilities as they fall due and appropriate disclosures have been made; our opinion is not qualified in this respect.

**2007 Fundamental uncertainty**

The consolidated financial statements have been prepared on a going concern basis. As set out in note 33 to the consolidated financial statements, the Company resolved and was given approval by the independent shareholders on 14 March 2008 to acquire 100% equity interest of a media company in the PRC at a consideration of HK\$157 million. The directors estimated that the new business operation would generate sufficient working capital to support the group's operations as a going concern. Furthermore, as set out in note 3(a) (ii) to the consolidated financial statements, the ultimate holding company has also agreed to provide continuous financial support to the Group and is prepared to extend a loan to the group to the extent of HK\$10,000,000. We consider that adequate funds will be available for the Group to meet its liabilities as they fall due and appropriate disclosures have been made; our opinion is not qualified in this respect.

**3. AUDITED FINANCIAL STATEMENTS**

The followings are the audited financial statements of the Group for the year ended 31 December 2009 as extracted from the annual report of the Company for the year ended 31 December 2009. Reference to notes numbers therein are to the notes numbers in the annual report.

**Consolidated statement of comprehensive income***For the year ended 31 December 2009*

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Turnover	6(a)	27,395	120,058
Cost of services		<u>(21,962)</u>	<u>(104,835)</u>
Gross profit		5,433	15,223
Other revenue	6(b)	922	856
Administrative and operating expenses		(77,038)	(42,263)
Impairment of goodwill		<u>–</u>	<u>(35,901)</u>
Loss from operations	8	(70,683)	(62,085)
Finance costs	9	(680)	(425)
Loss before taxation		(71,363)	(62,510)
Income tax expense	11	<u>(106)</u>	<u>(39)</u>
<b>LOSS FOR THE YEAR</b>		<u>(71,469)</u>	<u>(62,549)</u>
Other comprehensive income: Exchange difference on translation of the financial statements of foreign operations		<u>1,003</u>	<u>(1,088)</u>
Other comprehensive income for the year, net of tax		<u>1,003</u>	<u>(1,088)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>(70,466)</b></u>	<u><b>(63,637)</b></u>
LOSS ATTRIBUTABLE TO:			
– owners of the Company	12	(48,942)	(58,120)
– non-controlling interests		<u>(22,527)</u>	<u>(4,429)</u>
		<u>(71,469)</u>	<u>(62,549)</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Total comprehensive income attributable to			
– owners of the Company		(48,223)	(59,177)
– non-controlling interests		<u>(22,243)</u>	<u>(4,460)</u>
		<u>(70,466)</u>	<u>(63,637)</u>
Dividends	13	NIL	NIL
		<i>HK cents</i>	<i>HK cents</i>
Loss per share:	14		
– Basic		<u>(5.08)</u>	<u>(8.00)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

**Consolidated statement of financial position***As at 31 December 2009*

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	1,518	3,215
Development costs	16	–	–
Intangible assets	17	174,913	219,585
		176,431	222,800
<b>CURRENT ASSETS</b>			
Trade and other receivables	19	9,805	32,914
Cash and bank balances	20	1,863	6,543
		11,668	39,457
<b>CURRENT LIABILITIES</b>			
Bank overdraft – unsecured	20	–	126
Trade and other payables	21	156,929	165,527
Tax payable		226	222
		157,155	165,875
<b>NET CURRENT LIABILITIES</b>		<u>(145,487)</u>	<u>(126,418)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		30,944	96,382
<b>NON-CURRENT LIABILITIES</b>			
Amount due to a director	26	(6,602)	(6,353)
Amount due to ultimate holding company	26	(15,919)	(11,140)
		<u>(22,521)</u>	<u>(17,493)</u>
<b>NET ASSETS</b>		<u>8,423</u>	<u>78,889</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	22	96,342	96,342
Reserves	23	(165,759)	(117,536)
Deficit attributable to owners of the Company		(69,417)	(21,194)
Non-controlling interests		77,840	100,083
<b>NET EQUITY</b>		<u>8,423</u>	<u>78,889</u>

**Consolidated statement of changes in equity***As at 31 December 2009*

	Attributable to equity shareholders of the Company						Non-controlling Interests	Total
	Issued share capital	Share premium	Capital reserve	Translation reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 January 2008	63,933	97,008	26,020	(775)	(203,297)	(17,111)	817	(16,294)
Loss for the year	-	-	-	-	(58,120)	(58,120)	(4,429)	(62,549)
Exchange difference arising on translation of foreign operations	-	-	-	(1,057)	-	(1,057)	(31)	(1,088)
Total comprehensive income for the year	-	-	-	(1,057)	(58,120)	(59,177)	(4,460)	(63,637)
Issue of shares	32,409	22,685	-	-	-	55,094	-	55,094
Non-controlling interests arising on acquisition of interests in a subsidiary	-	-	-	-	-	-	103,726	103,726
At 31 December 2008 and at 1 January 2009	96,342	119,693	26,020	(1,832)	(261,417)	(21,194)	100,083	78,889
Loss for the year	-	-	-	-	(48,942)	(48,942)	(22,527)	(71,469)
Exchange difference arising on translation of foreign operations	-	-	-	719	-	719	284	1,003
Total comprehensive income for the year	-	-	-	719	(48,942)	(48,223)	(22,243)	(70,466)
At 31 December 2009	<u>96,342</u>	<u>119,693</u>	<u>26,020</u>	<u>(1,113)</u>	<u>(310,359)</u>	<u>(69,417)</u>	<u>77,840</u>	<u>8,423</u>

**Consolidated statement of cash flows***For the year ended 31 December 2009*

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(71,363)	(62,510)
Adjustments for:–			
Interest income		(4)	(24)
Other interest paid		680	425
Depreciation of property, plant and equipment		1,205	688
Amortisation of intangible assets		28,334	7,083
Impairment of goodwill		–	35,901
Impairment of trade receivables		9,103	5,875
Impairment of other receivables		5,353	1,876
Impairment of related companies		4	–
Impairment of other receivables written back		(481)	–
Impairment of intangible assets		16,338	–
Loss/gain on disposal of property, plant and Equipment		408	(42)
		<hr/>	<hr/>
Operating loss before changes in working capital		(10,423)	(10,728)
Decrease/(increase) in trade and other receivables		9,134	(2,957)
(Increase)/decrease in amount due from related companies		(4)	20
(Decrease)/increase in trade and other payables		(8,594)	12,161
		<hr/>	<hr/>
Cash used in operations		(9,887)	(1,504)
Tax paid		(106)	(27)
Other interest paid		(680)	(425)
		<hr/>	<hr/>
Net cash used in operating activities		(10,673)	(1,956)

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income		4	24
Acquisition of subsidiaries	28	–	723
Purchase of property, plant and equipment		(169)	(489)
Proceeds from disposal of property, plant and equipment		252	98
		<u>          </u>	<u>          </u>
Net cash generated from investing activities		<u>87</u>	<u>356</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of obligations under finance leases		–	(40)
Advance from directors		249	97
Advance from ultimate holding company		4,779	6,588
		<u>          </u>	<u>          </u>
Net cash generated from financing activities		<u>5,028</u>	<u>6,645</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		(5,558)	5,045
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>			
		6,417	2,489
Effects of foreign exchange rate changes		1,004	(1,117)
		<u>          </u>	<u>          </u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<u><u>1,863</u></u>	<u><u>6,417</u></u>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		1,863	6,543
Bank overdraft		–	(126)
		<u>          </u>	<u>          </u>
		<u><u>1,863</u></u>	<u><u>6,417</u></u>

**Notes to the financial statements**

*For the year ended 31 December 2009*

**1. CORPORATE INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of this annual report.

The financial statements are presented in Hong Kong dollars, the functional currency of the Company.

The principal activities of the Company and its subsidiaries (the "Group") are investment holdings, provision of on-line content information and related technical services, information technology solutions and consultancy services, logistic services and internet protocol television services.

In the opinion of the directors, the ultimate holding company is Asian Dynamics International Limited, a company incorporated in the British Virgin Islands.

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

In the current year, the Group and the Company have applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & HKAS1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRS (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRS (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has no material effect on the financial statements of the Group and the Company for the current and prior accounting periods.

**(a) HKAS 1 (Revised 2007) Presentation of Financial Statements**

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

**(b) HKFRS 8 Operating Segments**

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 7) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

**(c) Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)**

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in relation to fair value measurements in accordance with the transitional provision set out in the amendments.

The Group and the Company have not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 <sup>(1)</sup>
HKFRSs (Amendments) HKAS 24 (Revised)	Improvements to HKFRSs issued in 2009 <sup>(2)</sup> Related Party Disclosures <sup>(5)</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>(1)</sup>
HKAS 32 (Amendments)	Classification of Rights Issues <sup>(4)</sup>
HKAS 39 (Amendments)	Eligible Hedged Items <sup>(1)</sup>
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters <sup>(3)</sup>
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions <sup>(3)</sup>
HKFRS 3 (Revised)	Business Combinations <sup>(1)</sup>
HKFRS 9	Financial Instruments <sup>(7)</sup>
HK(IFRIC)-Int 14 (Amendments)	Prepayments of Minimum Funding Requirement <sup>(6)</sup>
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners <sup>(1)</sup>
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity <sup>(6)</sup>

<sup>(1)</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>(2)</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

<sup>(3)</sup> Effective for annual periods beginning on or after 1 January 2010.

<sup>(4)</sup> Effective for annual periods beginning on or after 1 February 2010.

<sup>(5)</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>(6)</sup> Effective for annual periods beginning on or after 1 July 2010.

<sup>(7)</sup> Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognized financial assets that are within the scope of HKAS39 Financial Instruments: Recognition and Measurement to be measured at either

amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might not affect the classification and measurement of the leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on financial statements.

### 3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), issued by HKICPA. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial instruments and intangible assets, which have been measured at fair value as explained in the accounting policies set in note 4.

#### Going concern

The Group had net current liabilities and loss attributable to owners of the Company of approximately HK\$145,487,000 and HK\$48,942,000 respectively as at 31 December 2009. The directors of the Company endeavor to improve the Group's financial position and had taken measures to reduce overheads and costs. Furthermore, the directors of the Company are currently exploring various options, which include the issue of new shares, in order to provide additional equity funding to the Group. In addition, the ultimate holding company has agreed to provide continuing financial support for the Group to meet its liabilities as they fall due and the directors consider the new business operation acquired previously would generate sufficient working capital to support the Group's operations.

The directors are of the view that the above measures will enable the Group to continue as a going concern and that the Group will have sufficient working capital for its present requirements. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on the going concern basis.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of consolidation

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

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

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

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

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

**(b) Business combinations**

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognized at their fair values at the acquisition date.

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

The non-controlling interests in the acquiree are initially measured at the non-controlling interests' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized

**(c) Subsidiaries**

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's balance sheet, investment in subsidiaries is stated at cost less any impairment losses, unless it is classified as held for sale.

**(d) Goodwill**

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is

allocated to reduce the carrying amount of any goodwill allocated of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

**(e) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represent amounts receivable for services provided in the course of the ordinary activities, net of discounts and sales related taxes.

- (i) Income from the provision of project consultancy services, internet solution services, content services and logistic services is recognised in accordance with the terms of the underlying contracts and when the underlying services are rendered;
- (ii) Income from the provision of internet protocol television services is recognized in accordance with the terms of the underlying subscription agreement and when the underlying services are rendered;
- (iii) Interest income from bank deposits is recognised on a time-apportioned basis that takes into account the effective yield on the assets; and
- (iv) Dividend income from investments excluding financial assets at fair value through profit or loss is recognised when the shareholder's right to receive payment has been established.

**(f) Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairments losses. The cost of assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment, after taking into account of their estimated residual value, if any, using the straight line method over their estimated useful lives. The principal annual rates used for this purpose are as follows:

Leasehold improvement	:	20% – 33% or over the remaining lease terms, whichever is shorter
Furniture and fixtures	:	20% – 50%
Computer and equipment	:	20% – 33%
Motor vehicles	:	33%

Assets held under finance lease are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

**(g) Intangible assets other than goodwill**

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and any accumulated impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group with finite useful lives are stated in the statement of financial position at cost less accumulated amortization and any accumulated impairment losses. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

**(h) Impairment of tangible and intangible assets other than goodwill**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is indication that they may be impaired.

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

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

**(i) Financial instruments**

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

*Effective interest method*

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

Interest income for financial assets and interest expense for financial liabilities are recognized on an effective interest basis.

(i) Financial assets

The financial assets include loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For financial asset, such as trade receivables, are assessed for impairment on an individual basis. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments that pass the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

(ii) Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

Financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(iii) Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

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

**(j) Related parties**

A party is considered to be related to the Group if:

- (i) The party, directly or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;
- (ii) The party is an associate;
- (iii) The party is a jointly controlled entity;
- (iv) The party is a member of the key management personnel of the Group or its parent;
- (v) The party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides, with directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) The party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

**(k) Leases**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

**(l) Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

**(m) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

**(n) Income tax**

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

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

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

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

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

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

(o) **Employee benefits**

(i) *Short term employee benefits*

Salaries, bonuses, paid leaves and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Retirement benefits schemes*

The Company's PRC subsidiaries participate in defined contribution retirement schemes organised by the local government authorities in the PRC. All of the PRC employees are entitled to an annual pension equivalent to a fixed portion of their basic salaries at their retirement dates. The Company's PRC subsidiaries are required to contribute certain percentage ranged from 11% to 15% of the basic salaries of their PRC employees to the retirement schemes and have no further obligation for post-retirement benefits. The contributions are charged to the consolidated income statement of the Group as they become payable in accordance with the rules of schemes.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("the MPF Scheme"), under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(iii) *Share-based payments*

The fair value of the share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based payment reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is included in profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based payment reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iv) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) **Foreign currencies**

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the entity's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing on the balance sheet date. Exchange differences arising are included in the translation reserve.

(q) **Financial guarantees, provision and contingent liabilities**

(i) *Financial guarantees*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 4(p) if and when (1) it becomes probable that the holder of the guarantee will call upon the

Group under the guarantee, and (2) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e. the amount initially recognised less accumulated amortisation.

(ii) *Contingent liabilities acquired in business combination*

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 4(p). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 4(p).

(iii) *Other provisions and contingent liabilities*

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

Present obligation is disclosed as a contingent liability where it is not probable that an outflow of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

(r) **Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

**Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(a) *Critical judgements in applying accounting policies*

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(i) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may effect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(ii) Income taxes

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to profit and loss.

(b) *Key sources of estimation uncertainty*

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

(i) Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

## (ii) Income taxes

The Group reviews the carrying amount of deferred tax assets at the end of each reporting period and reduces the amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. This requires an estimation of the future taxable profits. Estimating the future taxable profits requires the Group to make an estimate of the expected future earnings from the Group and also to choose a suitable discount rate in order to calculate the present value of the earnings.

## (iii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year when the estimate is changed and the future period.

## 6. REVENUE

## (a) An analysis of the Group's turnover for the year is as follows:

	2009 HK\$'000	2008 HK\$'000
Content solution service and business consultation		
– project fees	–	27
Logistics service fees	27,395	120,031
	<u>27,395</u>	<u>120,058</u>

## (b) An analysis of the Group's other revenue for the year is as follows:

	2009 HK\$'000	2008 HK\$'000
Other income	418	790
Gain on disposal of property, plant and equipment	–	42
Impairment on other receivable written back	481	–
Interest income	4	24
Exchange gains	19	–
	<u>922</u>	<u>856</u>

## 7. SEGMENTAL INFORMATION

Segment information reported to the chief operating decision maker, directors of the Company, is the type of services rendered by the Group's operating division for the purposes of resources allocation and performance assessment. The Group's operating and reportable segments under HKFRS 8 are as follows:

The Group is currently organized into three major business divisions:

- (i) content solution and business consultation services;

- (ii) logistics services; and
- (iii) internet protocol television services.

For the purposes of assessing segment performance and resources between segments, the group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment revenue represents revenue generated from external customers. There were no inter-segment sales in the year (2008: nil).

Segment result represents the loss incurred by each segment without allocation of corporate income and expense, central administration cost, directors' salaries, interest income, gain/loss on disposal of property, plant and equipment, impairment on (i) trade and other receivables, (ii) related companies and (iii) intangible assets and finance costs.

Segment assets include all tangible, intangible assets and current assets.

Segment liabilities include all trade and other payables other than tax payable.

**(a) Segment revenues and results**

	2009			
	Content solution and business consultation services <i>HK\$'000</i>	Logistics services <i>HK\$'000</i>	Internet protocol television services <i>HK\$'000</i>	Total for reportable segments <i>HK\$'000</i>
Segments revenue	–	27,395	–	27,395
Segments results	(1)	(833)	(5,062)	(5,896)
Interest income				4
Unallocated corporate income				918
Unallocated corporate expenses				(6,275)
Loss on disposal of property, plant and equipment				(408)
Impairment of trade receivables				(9,103)
Impairment of other receivables				(5,353)
Impairment of related companies				(4)
Amortisation of intangible assets				(28,334)
Impairment of intangible assets				(16,338)
Finance costs				(680)
Consolidated loss before taxation				(71,469)

	2008			
	Content solution and business consultation services <i>HK\$'000</i>	Logistics services <i>HK\$'000</i>	Internet protocol television services <i>HK\$'000</i>	Total for reportable segments <i>HK\$'000</i>
Segments revenue	<u>27</u>	<u>120,031</u>	<u>-</u>	<u>120,058</u>
Segments results	<u>(24)</u>	<u>(2,159)</u>	<u>(2,462)</u>	<u>(4,645)</u>
Reconciliation:				
Total loss for reportable segments Interest income				24
Unallocated corporate income				790
Unallocated corporate expenses				(7,561)
Gain on disposal of property, plant and equipment				42
Impairment of trade receivables				(5,875)
Impairment of other receivables				(1,876)
Impairment of goodwill				(35,901)
Amortisation of intangible assets				(7,083)
Finance costs				<u>(425)</u>
Consolidated loss before taxation				<u><u>(62,510)</u></u>

## (b) Segment assets and liabilities

	2009			Total for reportable segments HK\$'000
	Content solution and business consultation services HK\$'000	Logistics services HK\$'000	Internet protocol television services HK\$'000	
Segment assets	<u>–</u>	<u>2,208</u>	<u>184,379</u>	186,587
Unallocated assets				<u>1,512</u>
Consolidated assets				<u>188,099</u>
Segment liabilities	<u>(64)</u>	<u>(29,132)</u>	<u>(33,468)</u>	(62,664)
Unallocated liabilities				<u>(117,012)</u>
Consolidated liabilities				<u>(179,676)</u>
	2008			
	Content solution and business consultation services HK\$'000	Logistics services HK\$'000	Internet protocol television services HK\$'000	Total for reportable segments HK\$'000
Segment assets	<u>68</u>	<u>30,354</u>	<u>226,151</u>	256,573
Unallocated assets				<u>5,684</u>
Consolidated assets				<u>262,257</u>
Segment liabilities	<u>(64)</u>	<u>(43,056)</u>	<u>(25,312)</u>	(68,432)
Unallocated liabilities				<u>(114,936)</u>
Consolidated liabilities				<u>(183,368)</u>

## (c) Other segment information

	2009		
	Content solution and business consultation services <i>HK\$'000</i>	Logistics services <i>HK\$'000</i>	Internet protocol television services <i>HK\$'000</i>
Capital expenditure	–	63	94
Depreciation of property, plant and equipment	–	319	694
Amortisation of intangible assets	–	28,334	–
Impairment of intangible assets	–	–	16,338
Impairment of trade receivables	–	8,989	114
Impairment of other receivables	69	–	–
Impairment of related companies	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
	2008		
	Content solution and business consultation services <i>HK\$'000</i>	Logistics services <i>HK\$'000</i>	Internet protocol television services <i>HK\$'000</i>
Capital expenditure	–	224	159
Depreciation of property, plant and equipment	–	349	202
Amortisation of intangible assets	–	–	7,083
Impairment of goodwill	–	–	35,901
Impairment of trade receivables	–	5,875	–
Impairment of other receivables	–	1,841	–
	<u>–</u>	<u>–</u>	<u>–</u>

## (d) Geographical information

The Group's operations are mainly located in the PRC.

The Group's revenue from external customers by geographical location are detailed below:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
PRC	27,395	120,031
Hong Kong	–	27
	<u>27,395</u>	<u>120,058</u>

Non-current assets are mainly located in the PRC.

## (e) Information about major customers

The Group's customer base is diversified and no customer (2008: Nil) with whom transactions have exceeded 10% of the group's revenues.

## 8. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Staff costs (excluding directors' remuneration)		
– Wages, salaries and other benefits	2,715	3,546
– Retirement benefits scheme contributions	176	565
Auditors' remuneration		
– current year	550	700
– over-provision in previous year	(120)	–
Depreciation of property, plant and equipment	1,205	688
Amortisation of intangible assets	28,334	7,083
Impairment of trade receivables	9,103	5,875
Impairment of other receivables	5,353	1,876
Impairment of goodwill	–	35,901
Loss on disposal of property, plant and equipment	408	–
Operating lease rentals in respect of land and buildings	1,762	1,910
Legal and professional fees	891	1,932
Net foreign exchange loss	–	6
	<u>          </u>	<u>          </u>

## 9. FINANCE COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Other interest	680	425
	<u>          </u>	<u>          </u>

## 10. DIRECTORS' AND EMPLOYEES' REMUNERATION

## (a) Directors' remuneration

The details of emoluments of each Director are shown below:

Year ended 31 December 2009

Name of Director	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors:</b>				
Xie Xuan	540	-	-	540
Yang Qiulin	-	-	-	-
Qiu Yue	-	-	-	-
<b>Non-executive director:</b>				
Lo Mun Lam, Raymond	24	-	-	24
Chandler Andrew James (note 1)	-	125	3	128
<b>Independent non-executive directors:</b>				
Wu Jixue	30	-	-	30
Zhang Daorong	48	-	-	48
Feng Ke	18	-	-	18
	<u>660</u>	<u>125</u>	<u>3</u>	<u>788</u>

Note:

(1) Appointed on 8 October 2009

Year ended 31 December 2008

Name of Director	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors:</b>				
Xie Xuan	540	-	-	540
Yang Qiulin	-	-	-	-
Qiu Yue (Note 1)	-	-	-	-
<b>Non-executive director:</b>				
Lo Mun Lam, Raymond	24	-	-	24
<b>Independent non-executive directors:</b>				
Wu Jixue	30	-	-	30
Yang Zhenhong (Note 2)	14	-	-	14
Zhang Daorong	48	-	-	48
Feng Ke (Note 1)	-	-	-	-
	<u>656</u>	<u>-</u>	<u>-</u>	<u>656</u>

Notes:

(1) Appointed on 24 October 2008

(2) Resigned on 30 October 2008

**(b) Five highest paid employees**

The five highest paid employees during the year included one (2008: one) executive directors whose remuneration are set out in directors' remuneration in (a) above. Details of remuneration of the remaining four (2008: four) non-director employees are as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Salaries, allowances and other benefits	1,040	1,810
Retirement benefits scheme contributions	37	36
	<u>1,077</u>	<u>1,846</u>

Their emoluments fell within the following band:

	Number of highest paid individuals	
	2009	2008
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>

**11. INCOME TAX EXPENSE**

(a) Taxation in the consolidated statement of comprehensive income represents:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Charge for the year	–	–
Under-provision in previous years	106	–
	106	–
Current tax – PRC Enterprise Income Tax		
Charge for the year	–	39
	106	39
Deferred tax	–	–
Tax charge	<u>106</u>	<u>39</u>

Hong Kong profits tax is calculated at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year.

PRC subsidiaries are subject to PRC Enterprise Tax at the rate of 25% (2008: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

- (b) Reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Loss before taxation	<u>(71,363)</u>	<u>(62,510)</u>
Notional tax on loss before tax, calculated at the rates applicable to profits in the jurisdictions concerned	(15,068)	(7,754)
Income not subject to tax	(121)	(58)
Expenses not deductible for tax purposes	5,536	4,966
Unrecognised tax losses	9,653	2,885
Tax under-provision in previous years	<u>106</u>	<u>-</u>
Income tax expense for the year	<u>106</u>	<u>39</u>

- (c) Deferred tax asset has not been recognised for the year (2008: Nil) in respect of the unused tax losses due to the unpredictability stream of future taxable profits that will be available against which the tax losses can be utilised.

There are no material unrecognized deferred tax assets and liabilities for the year.

#### 12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Amount of consolidated loss attributable to owners of the Company dealt with in the Company's financial statements	(2,134)	(2,145)
Impairment loss on amount due from subsidiaries	(7,532)	-
Impairment loss on investment in subsidiary	<u>(391)</u>	<u>-</u>
Company's loss for the year	<u>(10,057)</u>	<u>(2,145)</u>

The consolidated loss attributable to the owners of the Company for the year ended 31 December 2009 includes a loss of approximately HK\$2,134,000 (2008: HK\$2,145,000) which has been dealt with in the financial statements of the Company.

#### 13. DIVIDEND

The directors do not recommend the payment of any dividends for the year ended 31 December 2009 (2008: Nil).

#### 14. LOSS PER SHARE

- (a) The basic loss per share is calculated based on the Group's loss attributable to shareholders of approximately HK\$48,942,000 (2008: HK\$58,120,000) and the weighted average number of 963,417,986 shares (2008: 726,349,368 shares) in issue during the year.
- (b) No diluted loss per share is presented as there are no dilutive potential ordinary shares in issue for each of the year ended 31 December 2009 and 2008.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At 1 January 2008	824	823	4,058	957	6,662
Additions	6	65	310	109	490
Acquired on business combination	766	333	1,745	–	2,844
Disposal	–	–	(32)	(143)	(175)
Exchange difference	48	56	208	97	409
At 31 December 2008 and at 1 January 2009	1,644	1,277	6,289	1,020	10,230
Additions	16	–	154	–	170
Disposal	(1,346)	(617)	(2,282)	(431)	(4,676)
Exchange difference	(22)	(14)	(49)	(52)	(137)
At 31 December 2009	292	646	4,112	537	5,587
Accumulated depreciation and impairment losses:					
At 1 January 2008	481	675	3,753	814	5,723
Charge for the year	194	122	316	56	688
Acquired on business combination	128	115	117	–	360
Disposal	–	–	(23)	(95)	(118)
Exchange difference	24	49	205	84	362
At 31 December 2008 and at 1 January 2009	827	961	4,368	859	7,015
Charge for the year	320	180	620	85	1,205
Disposal	(913)	(595)	(2,148)	(360)	(4,016)
Exchange difference	7	(15)	(62)	(51)	(135)
At 31 December 2009	227	531	2,778	533	4,069
Net carrying amount:					
As at 31 December 2009	65	115	1,334	4	1,518
As at 31 December 2008	817	316	1,921	161	3,215

## 16. DEVELOPMENT COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Cost:		
At 1 January and 31 December	<u>1,352</u>	<u>1,352</u>
Accumulated amortisation:		
At 1 January and 31 December	<u>1,352</u>	<u>1,352</u>
Net carrying amount:		
As at 31 December	<u><u>–</u></u>	<u><u>–</u></u>

The amount represents direct development costs incurred for the development of “Advanced Distribution and Transportation Systems” less government grant, and is amortised on a straight-line basis over three years.

## 17. INTANGIBLE ASSETS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Cost/valuation:		
At 1 January	226,668	–
Acquired on acquisition of a subsidiary	<u>–</u>	<u>226,668</u>
At 31 December	<u>226,668</u>	<u>226,668</u>
Accumulated amortisation and impairment losses:		
At 1 January	7,083	–
Amortisation for the year	28,334	7,083
Impairment for the year	<u>16,338</u>	<u>–</u>
At 31 December	<u>51,755</u>	<u>7,083</u>
Net carrying amount:		
As at 31 December	<u><u>174,913</u></u>	<u><u>219,585</u></u>

The intangible assets represent an exclusive right of usage of Broadcast of Audio-Video Program On Web Permit (信息網絡傳播視聽節目許可證) (the “Permit”) granted by the holder of the Permit (the “Holder”) to a subsidiary of the Company under an exclusive agreement entered into between that subsidiary of the Company and the Holder. The Permit commenced on 1 October 2007 and will expire on 30 September 2015. The fair value of the Permit on the date of acquisition of that subsidiary by the Company has been arrived at on the basis of a valuation carried out by Messrs. BMI Appraisals Limited, an independent qualified professional valuer not connected with the Group. Messrs. BMI Appraisals Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar assets. The valuation was arrived at by reference to market evidence of recent transaction prices for similar assets. The intangible asset is amortised on a straight-line basis over 8 years.

#### 4. INDEBTEDNESS

At the close of business on 30 April 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, except for the contingent liabilities that might have been incurred in respect of the litigation as set out in paragraph 9 on page III-9 of Appendix III to this Composite Document, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other contingent liabilities.

Save as aforesaid, the Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 30 April 2010.

#### 5. MATERIAL CHANGES

The Directors confirm that there are no material changes in the financial or trading position or outlook of the Group since 31 December 2009, the date to which the latest published audited financial statements of the Group were made up, save as for the following:

- (i) As disclosed in the first quarterly report of the Company for the three months ended 31 March 2010, the Group has not derived any revenue from the Group's logistics division since 31 December 2009;
- (ii) the Group will not derive any revenue from its existing logistics platform in the forthcoming financial reporting periods;
- (iii) the Group's expected future revenue will be derived from the media and valued added services of the Group's internet protocol television services division, and other businesses that have synergy with the logistics and internet protocol television media value added services sectors, which the Board intends to introduce into the Group in the near future. Further details of the revenue derived from the Group's existing operations since 31 December 2009, and the expected revenue to be derived from the Group's existing operations in the forthcoming financial reporting periods, are set out in the section "Management Discussion and Analysis" in the Company's first quarterly report for the three months ended 31 March 2010;

- (iv) As set out in the section entitled “9. Material litigation and contingent liabilities” in Appendix III – General Information, below, on 27 April 2010, Union Resources Educational Development (Yanjiao) Company Limited (“UREDY”), as the first plaintiff, and Union Resources (Educational Development) Limited (“UR”), as the second plaintiff, initiated legal proceedings against the Company, as the first defendant, and four other persons, being the second to fifth defendants; and
- (v) The Directors estimate the Group’s share of the total fees and expenses arising from appointing the professional parties in connection with the Offers would be not more than HK\$1,000,000, based on data available up to the Latest Practicable Date.

## 1. RESPONSIBILITY STATEMENT

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Offeror and parties acting in concert with it), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement (other than those relating to the Offeror and parties acting in concert with it) contained in this Composite Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Group, the Vendors and parties acting in concert with any of them), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, the Vendors and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement (other than those relating to the Group, the Vendors and parties acting in concert with any of them) contained in this Composite Document misleading.

## 2. CORPORATE INFORMATION OF THE COMPANY

### **Board of Directors**

#### *Executive Directors*

Mr. Xie Xuan (*Chairman*)  
Mr. Yang Qiulin  
Mr. Qiu Yue

#### *Non-executive Directors*

Mr. Lo Mun Lam, Raymond (*Vice Chairman*)  
Mr. Andrew James Chandler

#### *Independent Non-executive Directors*

Mr. Wu Jixue  
Dr. Feng Ke  
Mr. Zhang Daorong

### **Compliance Officer**

Mr. Xie Xuan

**Company Secretary**

Mr. Kong Yeuk Hon, John

**Audit Committee**

Mr. Wu Jixue  
Dr. Feng Ke  
Mr. Zhang Daorong

**Remuneration Committee**

Dr. Feng Ke  
Mr. Wu Jixue

**Auditors**

Pan-China (H.K.) CPA Limited

**Solicitors**

*As to Cayman Islands Law*

Conyers Dill & Pearman

**Head Office and Principal Place of Business**

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Wanchai  
Hong Kong

**Website**

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**Stock Code**

8025

**Registered Office**

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

**Principal Share Registrar and Transfer Office**

Butterfield Fulcrum Group (Cayman) Limited  
 Butterfield House  
 Fort Street  
 P. O. Box 705  
 George Town  
 Grand Cayman  
 Cayman Islands

**Hong Kong Branch Share Registrar and Transfer Office**

Hong Kong Registrars Limited  
 Shop 1712-1716, 17th Floor  
 Hopewell Centre  
 183 Queen's Road East  
 Hong Kong

**Principal Banker**

Industrial and Commercial Bank of China (Asia) Limited

**3. SHARE CAPITAL AND SHARE OPTIONS OF THE COMPANY**

The authorised share capital of the Company as at the Latest Practical Date was HK\$200,000,000 comprised of 2,000,000,000 Shares of par value HK\$0.10 each.

The issued share capital of the Company as at the Latest Practicable Date comprised:

	<b>Number of Shares held as at the Latest Practicable Date</b>	<b>Approximate percentage of shareholding (%)</b>
Asian Dynamics ( <i>Note 1</i> )	546,846,132	56.76
The Offeror and parties acting in concert with it	546,846,132	56.76
<b>Subtotal</b>	<b>546,846,132</b>	<b>56.76</b>
Public Shareholders	416,571,854	43.24
<b>Total</b>	<b>963,417,986</b>	<b>100</b>

*Note 1:* Asian Dynamics is a company incorporated in the British Virgin Islands and immediately after Completion is beneficially owned by Asian Wealth (as to 21.88%), Glamour House (as to 67.18%), and Mr. Chau (as to 10.94%).

All existing issued Shares rank pari passu in all respect including all rights as to dividends, voting and interests in capital.

No new Shares have been issued since 31 December 2009 (being the date on which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date.

Set out below are details of the Share Options as at the Latest Practicable Date:

<b>Number of Share Options</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price</b>
97,840,073	4 October 2007	On or before 3 October 2011	HK\$0.275

As at the Latest Practicable Date, apart from the Share Options, and the Convertible Notes which fall to be issued by the Company, the Company has no other outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares.

#### 4. MARKET INFORMATION

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (i) the last trading day for each of the calendar months during the Relevant Period on which trading of the Shares took place; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

<b>Date</b>	<b>Closing price per Share</b> <i>HK\$</i>
31 March 2009	0.14
30 April 2009	0.10
29 May 2009	0.11
30 June 2009	0.17
31 July 2009	0.25
31 August 2009	0.15
30 September 2009	0.70
30 October 2009	0.67
30 November 2009	0.70
31 December 2009	0.74
29 January 2010	0.80
26 February 2010	0.90
31 March 2010	1.83
1 April 2010 (being the Last Trading Day)	1.83
30 April 2010	1.83
31 May 2010	1.42
15 June 2010 (being the Latest Practicable Date)	1.29

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$2.08 per Share (on 25 March 2010) and HK\$0.09 per Share (on 13, 14 and 15 May 2009) respectively.

## 5. DISCLOSURE OF INTERESTS

## (a) Interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares, or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) *Interests in the Shares*

	Number of issued shares held, capacity and nature of interest					Total	Percentage of the Company's issued Shares as at the Latest Practicable Date
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust			
<i>Directors</i>							
Mr. Xie	-	-	546,846,132 (Note 1)	-	546,846,132	56.76	
Mr. Qiu Yue	15,600,000	-	18,620,436 (Note 2)	-	34,220,436	3.55	
	<u>15,600,000</u>	<u>-</u>	<u>565,466,568</u>	<u>-</u>	<u>581,066,568</u>	<u>60.31</u>	

*Notes:*

1. The controlled corporation is Glamour House (the Offeror), which is accustomed to acting in accordance with Mr. Xie's instructions as its sole director, and which after Completion is the beneficial owner as to 67.18% of Asian Dynamics.
2. The controlled corporation is Lucky Peace Limited, which is incorporated in Samoa, and which is 100% wholly-owned by Mr. Qiu Yue.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 any interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**(b) Interests and short positions of the Substantial Shareholders in the shares, underlying shares and debentures of the Company**

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, 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 other member of the Group or held any option in respect of such capital were as follows:

*(i) Interest in the Shares*

Name of Shareholder	Capacity	Number of shares	Approximate % issued Shares as at the Latest Practicable Date
Asian Dynamics	Beneficial owner	546,846,132	56.76%
Glamour House ( <i>Note 1</i> )	Interest of a controlled corporation	546,846,132	56.76%
Mr. Chu ( <i>Note 2</i> )	Interest of a controlled corporation	546,846,132	56.76%

*Notes:*

- The controlled corporation is Asian Dynamics, which after Completion is beneficially owned as to 67.18% by Glamour House.
- The controlled corporation is Glamour House (the Offeror), which is beneficially owned as to 90% by Mr. Chu, and which after Completion is the beneficial owner as to 67.18% of Asian Dynamics.
- The interests of Asian Dynamics, Glamour House, and Mr. Chu duplicate with each other as each Substantial Shareholder's interest in the Shares is derived from Asian Dynamics' direct interest in the Shares.

**6. INTEREST IN THE COMPANY AND THE OFFEROR**

As at the Latest Practicable Date,

- (a) save for the fact that Mr. Xie is the beneficial owner of 10% of the issued shares of the Offeror, none of the Company and the Directors were interested in or owned or controlled any shares, convertible securities, warrants options or derivatives in respect of the shares of the Offeror;
- (b) save as disclosed in section 5 of this Appendix, none of the Offeror, its sole director and parties acting in concert with the Offeror were interested in or owned or controlled any Shares, Share Options, derivatives, warrants in respect of the Shares or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares;
- (c) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers;
- (d) save for the Agreement, and save for the verbal agreement between Mr. Chu and Mr. Xie effecting the transfer of 10% of the issued shares of the Offeror from Mr. Chu to Mr. Xie on 6 April 2010, there was no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offers;
- (e) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company owned or controlled any Shares, convertible securities, warrants, options or derivatives in respect of the Shares of the Company;
- (f) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code or with the Offeror or any person acting in concert with it;
- (g) no Shares, convertible securities, warrants, options or derivatives in respect of the Shares of the Company was managed on a discretionary basis by fund managers connected with the Company;
- (h) no Independent Shareholder or Independent Optionholder prior to the posting of this Composite Document had irrevocably committed himself or herself or itself to accept or reject the Offers;

- (i) none of the advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives in respect of the Shares of the Company;
- (j) none of the Company or any of its Directors has borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares issued by the Company;
- (k) Mr. Qiu Yue intended to reject the Share Offer in respect of his own beneficial holdings of Shares and the remaining Directors were not directly interested in any Shares and Share Options; and
- (l) save for the Agreement, there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to the Offers.

#### 7. DEALINGS IN SECURITIES

During the Relevant Period,

- (a) save as disclosed in section headed “Dealings in securities of the Company” in the “Letter from Redford Securities” in this Composite Document, none of the Offeror, its sole director nor parties acting in concert with the Offeror had dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares of the Company;
- (b) none of the Company or the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the shares of the Offeror;
- (c) no fund managers who were connected with the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares of the Company which were managed on a discretionary basis;
- (d) none of the advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares of the Company; and
- (e) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares of the Company.

## 8. DIRECTORS' SERVICE CONTRACTS AND OTHER INTERESTS

On 8 October 2009, the Company, through its subsidiary Asian Information Resources Investment Limited, entered into a service contract with Mr. Andrew James Chandler, a non-executive Director of the Company, which is a continuous contract for an undefined term, wherein Mr. Chandler is entitled to a monthly emolument of HK\$45,000 for the performance of the functions of his office as a non-executive director of the Company. Mr. Chandler is also entitled to a discretionary bonus based on his performance and time spent in the discharge of the functions of his office as a non-executive Director.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies (a) which (including continuous or fixed term contracts) were entered into or amended within 6 months before the commencement of the Offer Period; (b) which were continuous contracts with a notice period of 12 months or more, or (c) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

None of the Directors has entered into any service contract or has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No benefit (other than statutory compensation) has been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offers.

Save for the Agreement, there was no material contract to which the Offeror is a party in which any Director has a material personal interest.

## 9. MATERIAL LITIGATION AND CONTINGENT LIABILITIES

### **Writ of Summons issued on 27 April 2010 against the Company**

On 27 April 2010, Union Resources Educational Development (Yanjiao) Company Limited ("UREDY"), as the first plaintiff, and Union Resources (Educational Development) Limited ("UR"), as the second plaintiff, initiated legal proceedings against the Company, as the first defendant, and four other persons, being the second to fifth defendants. The legal proceedings were initiated by way of UREDY and UR filing a writ of summons on 27 April 2010 in the registry of the High Court of the Hong Kong Special Administrative Region which has been allocated the case reference number HCA 589/2010 (the "Writ of Summons").

The Writ of Summons is indorsed with a claim by UREDY and UR against the Company and the other four defendants (the "Indorsement of Claim"). The Indorsement of Claim, as it pertains to the Company, is restated in full in the Company's announcement dated 28 April 2010 (the "Announcement"). The Company denies all of UREDY's claims and allegations of wrongdoing made against the Company in the Indorsement of Claim, as they pertain to the Company (the "Claims").

The Board wishes to advise the Company's shareholders that in the Claims, which have not been particularized, UREDY does not make a claim for either specific, liquidated or quantified sums of monetary damages against the Company. Without making any admissions as to liability on behalf of the Company or any other persons, the Board is given to understand, from a letter from UREDY to the Company dated 10 April 2010, that in the event that UREDY chooses to prosecute the Writ of Summons, that UREDY will claim that by reason of allegations set out against the Company in the Claims that UREDY is entitled to an award of special damages against the Company in the sum of no less than RMB9,744,000.

The Board, after a preliminary assessment of the Writ of Summons, is of the view that in the event that the proposed mediation referred to in the Announcement is unsuccessful in resolving the Claims, and that in the event that UREDY is successful in proving the Claims against the Company, and that if the possible specific damages of RMB9,744,000 and a possible claim for UREDY's legal costs are awarded against the Company, that such an award will not have a material adverse impact on the Group's financial position, in the long term.

Despite UREDY also having expressed to the Company a willingness to attempt mediation to resolve the Claims, UREDY and UR have chosen to issue the Writ of Summons prior to UREDY and the Company reaching agreement on the proposed mediation process and before having undertaken mediation in good faith to resolve the Claims. Despite UREDY and UR having issued the Writ of Summons, the Company is still willing to undertake and participate in good faith in mediation with UREDY in order to resolve the Claims.

Save as disclosed in this paragraph 9, as at the Latest Practicable Date neither the Company nor any of its subsidiaries is involved in any litigation or claim of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

**10. MATERIAL CONTRACTS**

The following contracts (being contracts not entered into in the ordinary course of business of the Group) have been entered into by the members of the Group after the date of two years immediately preceding 15 September 2009, being the date of the initial Announcement, and up to and including the Latest Practicable Date, which are or may be material:

- (a) a supplemental agreement to the conditional share purchase agreement executed on 24 December 2007, executed between Ms. Zhou Yu, Mr. Qiu Yue and the Company, dated 8 April 2009, which provides for the extension of time in which the Company must issue the Convertible Notes to 31 March 2010;
- (b) a deed of assignment of debt, executed between Asian Dynamics and the Company, dated 25 March 2009, for no consideration, which provides for the assignment of part of the total loan of RMB25,000,000 provided by Asian Dynamics to Ms. Zhou Yu and Mr. Qiu Yue to the Company in the sum of RMB14,560,000;
- (c) a supplemental agreement to the conditional share purchase agreement executed on 24 December 2007, executed between Ms. Zhou Yu, Mr. Qiu Yue and the Company, dated 20 June 2008, which provides for the extension of the closing period set out in the conditional share purchase agreement dated 24 December 2007 to 24 September 2008;
- (d) a deferred loan repayment agreement, executed by United Hill Investments Limited and the Company, dated 10 June 2008, which provides for the deferral of the instalment payments due and owing by the Company to United Hill Investments Limited being two sums of HK\$557,814 each, concerning the repayment of the ex-directors' loan to 31 December 2008, and 31 December 2009; and
- (e) a conditional share purchase agreement executed between Ms. Zhou Yu, Mr. Qiu Yue and the Company, dated 24 December 2007, which provided for the transfer of Ms. Zhou Yu and Mr. Qiu Yue's entire shareholding interest in Guangzhou Wavecom Communication and Advertising Limited to a subsidiary of the Company at the total consideration of HK\$157,000,000. Full details of the agreement are out in the Company's circular dated 28 February 2008.

**11. CONSENTS AND QUALIFICATIONS**

The followings are the names and the qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Redford Securities	a corporation licensed to carry on type 1 (dealing in securities) regulated activities under the SFO
Mitsubishi UFJ	a registered institution licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
AsiaVest Partners	a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Pan-China (H.K.) CPA Limited	Certified Public Accountants

Redford Securities, Mitsubishi UFJ, AsiaVest Partners and Pan-China (H.K.) CPA Limited have given and have not withdrawn their respective written consents to the issue of this Composite Document with the inclusion herein of their respective letters, opinions or advice (as the case may be) and references to their names in the form and context in which they respectively appear.

**12. GENERAL**

- (a) The registered office of the Offeror is situated at TrustNet (British Virgin Islands) Limited, TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands and the correspondence address of the Offeror is at 4/F, No. 76, Hua Jing Bei Road, Guangzhou, China. The sole director of the Offeror is Mr. Xie.
- (b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the correspondence address of the Company is at Room 801, 8/F, Dannies House, 20 Luard Road, Wanchai, Hong Kong. The Board comprises three executive Directors, namely Mr. Xie, Mr. Yang Qiulin, and Mr. Qiu Yue; two non-executive Directors, namely Mr. Lo Mun Lam, Raymond, and Mr. Andrew James Chandler; and three independent non-executive Directors, namely Mr. Wu Jixue, Dr. Feng Ke, and Mr. Zhang Daorong.

- (c) The company secretary of the Company is Mr. Kong Yeuk Hon, John.
- (d) The registered office of Redford Securities is situated at Room 2705, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong.
- (e) The registered office of Asiavest Partners is situated at Room 2605, 26/F Universal Trade Centre, 3-5A Arbuthnot Road, Central, Hong Kong.
- (f) The registered office of Mitsubishi UFJ is situated at Level 30, Three Pacific Place, 1 Queen's Road East, Hong Kong.
- (g) The registered office of Pan-China (H.K.) CPA Limited is situated at 20/F, Hong Kong Trade Centre, 161-167 Des Voeux Road Central, Hong Kong.
- (h) In the event of inconsistency, the English texts of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese texts.

### 13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:30 a.m. to 6:00 p.m. on Monday to Friday, except during public holidays) at (i) the principal place of business of the Company in Hong Kong at Room 801, 8/F, Dannies House, 20 Luard Road, Wanchai, Hong Kong; (ii) the website of the SFC at [www.sfc.hk](http://www.sfc.hk); and (iii) the website of the Company at [www.airnet.com.hk](http://www.airnet.com.hk) from 18 June 2010, the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum and articles of association of the Company;
- (c) the annual reports of the Company for the three years ended 31 December 2009;
- (d) the first quarterly report of the Company for the three months ended 31 March 2010;
- (e) the letter dated 18 June 2010 from Redford Securities as set out on pages 9 to 19 of this Composite Document;
- (f) the letter dated 18 June 2010 from the Board as set out on pages 20 to 27 of this Composite Document;
- (g) the letter dated 18 June 2010 from the Independent Board Committee to the Independent Shareholders and Independent Optionholders as set out on page 28 of this Composite Document;

- (h) the letter dated 18 June 2010 from Mitsubishi UFJ to the Independent Board committee as set out on pages 29 to 48 of this Composite Document;
- (i) the letters of consents referred to under the paragraph headed "Consents and qualifications" in this Appendix;
- (j) the service contract referred to under the paragraph headed "Directors' service contracts and other interests" in this Appendix; and
- (k) the material contracts referred to under the paragraph headed "Material contracts" in this Appendix.