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# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in G-Prop (Holdings) Limited, you should at once hand this Composite Document together with the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the bank, 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 of Acceptance, the provisions of which form part of the terms of the Offer contained herein.

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 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 of Acceptance.

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**G-PROP (HOLDINGS) LIMITED**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 286)**

**CHAMPION DYNASTY LIMITED**  
*(Incorporated in the British Virgin Islands with limited liability)*

## COMPOSITE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY QUAM SECURITIES COMPANY LIMITED



**ON BEHALF OF CHAMPION DYNASTY LIMITED  
FOR ALL THE ISSUED SHARES OF  
G-PROP (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY  
CHAMPION DYNASTY LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

**Financial adviser to Champion Dynasty Limited**



**Independent financial adviser to the Independent Board Committee**



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

A letter from the Board is set out on pages 9 to 14 of this Composite Document. A letter from Quam Capital containing, among other things, the details of the terms of the Offer is set out on pages 15 to 30 of this Composite Document. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 31 to 32 of this Composite Document. A letter from Guangdong Securities containing its opinion on the Offer and its recommendation to the Independent Board Committee, is set out on pages 33 to 52 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar by no later than 4:00 p.m. on Monday, 3 September 2012 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 of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the paragraph headed "Important Note to the Shareholders Outside Hong Kong" in the "Letter from Quam Capital" of this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including 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. Overseas Shareholders are advised to seek professional advice on deciding whether or not to accept the Offer.

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkex.com.hk> and the Company at <http://www.g-prop.com.hk> as long as the Offer remains open.

13 August 2012

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## EXPECTED TIMETABLE

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*The timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made as and when appropriate. Unless otherwise specified, all times and dates refer to Hong Kong local time and dates.*

2012

Despatch date of this Composite Document and the Form of Acceptance and the commencement date of the Offer ( <i>Note 1</i> ) . . . . .	Monday, 13 August
Latest time and date for acceptance of the Offer ( <i>Notes 2 and 4</i> ) . . . . .	4:00 p.m. on Monday, 3 September
Closing Date ( <i>Note 1</i> ) . . . . .	Monday, 3 September
Announcement of the results of the Offer as at the Closing Date to be posted on the website of the Stock Exchange ( <i>Note 2</i> ) . . . . .	not later than 7:00 p.m. on Monday, 3 September
Latest date for posting of remittances in respect of valid acceptances received under the Offer ( <i>Notes 3 and 4</i> ) . . . . .	Wednesday, 12 September

*Notes:*

- (1) The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in circumstances as set out in the section headed "Right of Withdrawal" in Appendix I to this Composite Document.
- (2) In accordance with the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document was posted. The latest time and date for acceptance of the Offer is 4:00 p.m. on Monday, 3 September 2012. An announcement will be issued through the website of the Stock Exchange by 7:00 p.m. on Monday, 3 September 2012 stating whether the Offer has been extended, revised or expired. In the event that the Offeror decides to extend the Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
- (3) Remittances in respect of the cash consideration payable for the Shares tendered under the Offer will be despatched to the accepting holders of the Offer Shares by ordinary post at their own risk as soon as possible but in any event within seven Business Days after the date of receipt of a duly completed acceptance in accordance with the Takeovers Code.

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## EXPECTED TIMETABLE

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- (4) If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or
  - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day.

Save as mentioned above, if the latest time for the acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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## DEFINITIONS

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

“acting in concert”	the meaning ascribed to it in the Takeovers Code
“associate(s)”	the meaning ascribed to it in the Listing Rules
“Board”	the board of directors of the Offeror or the Company, as applicable
“Business Day”	a day (other than Saturday or Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted on Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon) on which licensed banks are open for business in Hong Kong
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CEHL” or “First Warrantor”	Chinese Estates Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock code: 127), being the sole beneficial owner of the First Vendor
“Closing Date”	Monday, 3 September 2012, being the closing date of the Offer which is 21 days after the date on which this Composite Document is posted or any subsequent closing date(s) as may be determined and announced by the Offeror with the consent of the Executive
“Company”	G-Prop (Holdings) Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock code: 286)
“Completion”	completion of the Share Purchase Agreement

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## DEFINITIONS

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“Completion Date”	the date on which Completion took place, being 6 August 2012
“(this) Composite Document”	this composite offer and response document dated 13 August 2012 jointly issued by the Offeror and the Company to the Shareholders in connection with the Offer
“Director(s)”	director(s) of the Company, including independent non-executive director(s) of the Company
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time or any delegate of the executive director
“Fancy Mark Limited”	Fancy Mark Limited (trading as Fancy Mark Capital Limited in Hong Kong), a company incorporated in the BVI and a wholly-owned subsidiary of the First Warrantor, the borrower of the Fancy Mark Loan Agreement
“Fancy Mark Loan Agreement”	a loan agreement dated 22 September 2011 and entered into among the Company (as lender), Fancy Mark Limited (as borrower) and the First Warrantor (as guarantor of Fancy Mark Limited) in relation to a three-year revolving facility of up to HK\$300 million, whose terms are summarized in the Company’s circular dated 12 October 2011
“First Vendor” or “Mass Rise”	Mass Rise Limited, a company incorporated in the BVI with limited liability and is indirectly wholly-owned by CEHL
“Form of Acceptance”	the form of acceptance and transfer of Share(s) in respect of the Offer accompanying this Composite Document
“Goodtop Tin”	Goodtop Tin International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock code: 195)
“Group”	the Company and its subsidiaries
“HK\$” or “HK cent(s)”	Hong Kong dollar(s) or cent(s), the lawful currency of Hong Kong

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## DEFINITIONS

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“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive Directors, namely Dr. David Chain, Chi-woo, Mr. Lam, Yat-fai and Mr. Leung, Yun-fai, which has been established by the Company to advise the Independent Shareholders in respect of the Offer
“Independent Financial Adviser” or “Guangdong Securities”	Guangdong Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the independent financial adviser to make recommendations to the Independent Board Committee in respect of the Offer
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror, its ultimate beneficial owner and any parties acting in concert with any of them
“Independent Third Party(ies)”	third party(ies) who is/are independent of and not connected with the Company and any connected person(s) of the Company
“Joint Announcement”	the announcement dated 5 July 2012 jointly issued by the Offeror and the Company in relation to, among others, the Share Purchase Agreement and the Offer
“Last Trading Day”	15 June 2012, the last trading day for the Shares prior to the suspension of trading in the Shares on the Stock Exchange on 18 June 2012 pending the release of the Joint Announcement
“Latest Practicable Date”	10 August 2012, being the latest practicable date prior to printing of this Composite Document for ascertaining certain information for inclusion in this Composite Document
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Loan Facility Agreement”	the short term loan facility agreement dated 15 June 2012 (and supplemented by two supplemental agreements dated 27 June 2012 and 5 July 2012 respectively) entered into between the Offeror and Quam Securities whereby the Offeror obtained a loan facility up to HK\$75 million from Quam Securities for a period up to a day which is not later than the seventh Business Day immediately after the final Closing Date
“Mr. Cheung”	Mr. Cheung Wai Kuen, being the sole beneficial owner of the Purchaser and the Offeror, and is the guarantor of the Purchaser under the Share Purchase Agreement
“Mr. HY Cheng”	Mr. Cheng Hau Yan
“Mr. Lau”	Mr. Joseph Lau, Luen-hung, the sole beneficial owner of Asian Kingdom. Mr. Lau is the executive director of CEHL and indirectly held the controlling interest of CEHL
“Offer”	the mandatory unconditional cash offer made by Quam Securities on behalf of the Offeror to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code
“Offer Period”	has the meaning ascribed thereto in the Takeovers Code, being the period commencing from 5 July 2012, being the date of the Joint Announcement, and ending on the Closing Date
“Offer Price”	the cash amount of HK\$0.28019 payable by the Offeror for each Share in respect of the Offer
“Offer Share(s)”	issued Share(s) in respect of which the Offer is made, being Share(s) not already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror” or “Purchaser”	Champion Dynasty Limited, a company incorporated in the BVI with limited liability, being the purchaser under the Share Purchase Agreement and a company wholly and beneficially owned by Mr. Cheung
“Overseas Shareholder(s)”	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong



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## DEFINITIONS

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“Placing Agreement”	the placing agreement dated 6 August 2012 and made between, among other parties, the Offeror and Quam Securities, pursuant to which Quam Securities has agreed to procure placees to take up Shares, on a best effort basis, in order to restore the minimum public float as required under the Listing Rules
“Placing Shares”	the Offer Shares acquired by the Offeror under the Offer and to be placed on a best effort basis by the Placing Agent under the Placing Agreement
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Promissory Note(s)”	means promissory note(s) issued by the Offeror to the First Vendor for settlement of part of the Share Purchase Price under the Share Purchase Agreement
“Quam Capital”	Quam Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to Champion Dynasty Limited
“Quam Securities” or “Placing Agent”	Quam Securities Company Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Registrar”	Tricor Secretaries Limited, being the branch share registrar and transfer office of the Company in Hong Kong, whose address is at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period commencing on 6 January 2012 (being the date falling six months preceding the date of the Joint Announcement), up to and including the Latest Practicable Date
“Sale Shares”	1,512,059,473 Shares acquired by the Offeror from the Vendors pursuant to the Share Purchase Agreement

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## DEFINITIONS

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“Second Vendor” or “Asian Kingdom”	Asian Kingdom Limited, a company incorporated in the BVI with limited liability and is wholly-owned by the Second Warrantor
“Second Warrantor”	Crown Jade Limited, a company incorporated in the BVI with limited liability, being the sole beneficial owner of the Second Vendor, and is wholly-owned by Mr. Lau
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Purchase Agreement”	the share purchase agreement dated 16 June 2012 entered into among the Vendors, the Offeror, the Warrantors and Mr. Cheung in relation to the sale and purchase of the Sale Shares
“Share Purchase Price”	HK\$423,660,973, being the consideration payable by the Offeror to the Vendors for the purchase of the Sale Shares
“Share(s)”	share(s) having a par value of HK\$0.01 each in the Company as at the Latest Practicable Date
“Shareholders”	holder(s) of Share(s)
“Special Dividend”	a special dividend of 4.5 HK cents per Share declared by the Board by a resolution passed on 18 July 2012, the record date for which was 3 August 2012
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“trading day”	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”	collectively, the First Vendor and the Second Vendor
“Warrantors”	collectively, the First Warrantor and the Second Warrantor
“%”	per cent

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## LETTER FROM THE BOARD

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**G-PROP**  
(HOLDINGS) LIMITED

### **G-PROP (HOLDINGS) LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 286)**

*Executive Directors:*

Mr. Kong, Chi-ming  
Mr. Leung, Wing-pong

*Independent non-executive Directors:*

Dr. David Chain, Chi-woo  
Mr. Lam, Yat-fai  
Mr. Leung, Yun-fai

*Registered office:*

Clarendon House,  
2 Church Street,  
Hamilton HM 11,  
Bermuda

*Principal place of business*

*in Hong Kong:*  
Suite 4018, 40/F,  
Jardine House,  
1 Connaught Place,  
Hong Kong

13 August 2012

*To the Shareholders*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
QUAM SECURITIES COMPANY LIMITED  
ON BEHALF OF CHAMPION DYNASTY LIMITED  
FOR ALL THE ISSUED SHARES OF  
G-PROP (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY  
CHAMPION DYNASTY LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

#### **INTRODUCTION**

It was announced on 5 July 2012 that on 16 June 2012, the Vendors and the Offeror (among other parties) entered into the Share Purchase Agreement, pursuant to which the First Vendor and the Second Vendor have agreed to sell or procure the sale of 1,018,380,590 Sale Shares and

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## LETTER FROM THE BOARD

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493,678,883 Sale Shares owned by them respectively, and the Offeror has agreed to acquire 1,512,059,473 Sale Shares in aggregate at a total cash consideration of HK\$423,660,973 (of which HK\$285,338,057 is payable to the First Vendor and HK\$138,322,916 is payable to the Second Vendor), equivalent to a purchase price of approximately HK\$0.28019 per Sale Share. The Sale Shares represent (i) all the Sale Shares held by the Vendors; and (ii) approximately 62.26% of the existing issued share capital of the Company as at the execution date of the Share Purchase Agreement. Completion took place on 6 August 2012. Upon Completion, the Offeror became the owner of approximately 62.26% issued share capital of the Company, and accordingly, the Offeror is required to make the Offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) under Rule 26.1 of the Takeovers Code. Quam Securities, on behalf of the Offeror, is making the Offer.

As a closing condition of the Share Purchase Agreement, the Company is required to obtain all consents and approvals necessary for the Company to declare and pay the Special Dividend of 4.5 HK cents per Share. The Board approved the declaration of the Special Dividend on 18 July 2012 and the Special Dividend will be paid on or about 14 August 2012 to the Shareholders whose names appeared on the register of members of the Company at the close of business on 3 August 2012. To facilitate the payment of the Special Dividend, the Company has called for early repayment of a portion of the loan under the Fancy Mark Loan Agreement in the sum of HK\$80 million. The repayment of such portion of the loan was made on 3 August 2012.

Further terms and the procedures of acceptances of the Offer are set out in the “Letter from Quam Capital” and Appendix I to this Composite Document of which this letter forms part. The purpose of this Composite Document is to provide you with, among other things, information relating to the Company and the Offer, the recommendation of the Independent Board Committee to the Independent Shareholders and the “Letter from Guangdong Securities” to the Independent Board Committee in relation to the Offer.

### **THE OFFER**

As at the Latest Practicable Date, there were 2,428,255,008 Shares in issue. The Company has no outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares.

On the basis of the Offer Price of HK\$0.28019 per Share which is equal to the price per Sale Share under the Share Purchase Agreement and 2,428,255,008 Shares in issue as at the Latest Practicable Date, the entire issued Shares would be valued at approximately HK\$680.37 million. As stated in the “Letter from Quam Capital”, the Offeror and parties acting in concert with it owned 1,512,059,473 Shares as at the Latest Practicable Date, 916,195,535 Shares are subject to the Offer and the total consideration of the Offer would be about HK\$256,708,827 based on the Offer Price.

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## LETTER FROM THE BOARD

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### Principal Terms of the Offer

Quam Securities, on behalf of the Offeror and in compliance with the Takeovers Code, hereby makes a mandatory unconditional cash offer for all the issued Shares, other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it, on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

For each Offer Share. . . . . HK\$0.28019 in cash

The Offer Price will not be affected by the possible downward adjustment on the Share Purchase Price, if any, as stipulated in the section headed “Share Purchase Price – Downward adjustment of the Share Purchase Price” in the Joint Announcement.

The Offer will be unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

The Offer Shares to be acquired under the Offer shall be fully paid, free from all liens, charges, encumbrances, right of pre-emption and any other third party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made (excluding the right to Special Dividend). In this connection, the record date for ascertaining the entitlement to the Special Dividend fell on 3 August 2012. Payment of such Special Dividend is planned to be made on or about 14 August 2012. Accordingly, Shareholders who accept the Offer will not pass their entitlement to receive the Special Dividends.

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

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 of Acceptance.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE COMPANY

The Company is an exempted company incorporated in Bermuda with limited liability and its Shares have been listed on the Stock Exchange since 1990. The principal activities of the Group are property investment, and investment and finance.

The following table is a summary of certain audited financial information of the Group for the two years ended 31 December 2010 and 31 December 2011 respectively.

	<b>Year ended 31 December 2010 HK\$'000</b>	<b>Year ended 31 December 2011 HK\$'000</b>
Turnover	8,483	8,410
Gross profit	8,279	8,248
Profit/(Loss) before taxation	(879)	13,144
Profit/(Loss) for the year	(1,859)	13,094
Consolidated net asset value	485,952	487,536

After the payment of the Special Dividend of 4.5 HK cents on or about 14 August 2012, the Company's consolidated net asset value and cash position would be reduced by approximately HK\$109 million as compared with that as at 31 December 2011. As stated above, the Company's consolidated net asset value as at 31 December 2011 was approximately HK\$487.54 million. As stated in the consolidated statement of financial position as at 31 December 2011, the cash position of the Company was approximately HK\$75.65 million without taking into account of the cash receivable by the Group from the repayment of a portion of the loan under the Fancy Mark Loan Agreement of HK\$80 million.

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## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately before Completion and (ii) immediately after Completion and as at the Latest Practicable Date:

Name of Shareholders	Immediately before Completion		Immediately after Completion and as at the Latest Practicable Date	
	<i>Number of Shares held</i>	<i>% of Shares in issue</i>	<i>Number of Shares held</i>	<i>% of Shares in issue</i>
The Offeror and its concert parties	–	–	1,512,059,473 <sup>(Note 1)</sup>	62.26
First Vendor	1,018,380,590	41.93	–	–
Second Vendor	493,678,883	20.33	–	–
Public	916,195,535	37.74	916,195,535 <sup>(Note 2)</sup>	37.74
<b>Total</b>	<b><u>2,428,255,008</u></b>	<b><u>100.00</u></b>	<b><u>2,428,255,008</u></b>	<b><u>100.00</u></b>

*Note 1:* The Sale Shares were pledged by the Offeror to the First Vendor pursuant to a security agreement dated 6 August 2012 entered into between the Offeror and the First Vendor.

*Note 2:* Inclusive of 838,000 Shares held by Mr. HY Cheng (who will become a Director after the despatch of this Composite Document) and his spouse.

### INTENTIONS OF THE OFFEROR IN RELATION TO THE COMPANY

Your attention is drawn to the sections headed “Information on the Offeror” and “Intentions of the Offeror in relation to the Company” in the “Letter from Quam Capital” as set out in this Composite Document. The Board is aware of the intentions of the Offeror in respect of the Company and its employees and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror indicates that it intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. According to the Offeror, the Placing Agreement was made on 6 August 2012 between (among other parties) the Offeror and Quam Securities, pursuant to which Quam Securities has agreed to procure placees to take up such number of Shares, on a best effort basis, at a placing price equal to the Offer Price, in order to restore the minimum public float as required under the Listing Rules.

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## LETTER FROM THE BOARD

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In the event that after completion of the Offer, the public float of the Company still falls below 25%, the new Directors who are nominated by the Offeror to be appointed to the Company and such directors of the Offeror will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules to ensure that sufficient public float exists for the Shares following the close of the Offer.

**The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares.**

The Stock Exchange will also closely monitor all acquisitions or disposals of assets by the Company. Under the Listing Rules, the Stock Exchange has the power pursuant to the Listing Rules to aggregate a series of transactions entered into by the Company within 24 months and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirement for new applicants as set out in the Listing Rules.

### ADVICE

The Independent Board Committee has been established to make recommendations to the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Your attention is drawn to the “Letter from the Independent Board Committee” and the “Letter from Guangdong Securities” as set out in this Composite Document containing their advice and recommendation to the Independent Shareholders and the Independent Board Committee respectively in respect of the Offer.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully the Appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

Yours faithfully,  
On behalf of the Board  
**G-Prop (Holdings) Limited**  
**Leung, Wing-pong**  
*Director*



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## LETTER FROM QUAM CAPITAL

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**Quam Capital Limited**

A Member of The Quam Group

13 August 2012

*To the Independent Shareholders*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
QUAM SECURITIES COMPANY LIMITED  
ON BEHALF OF CHAMPION DYNASTY LIMITED  
FOR ALL THE ISSUED SHARES OF  
G-PROP (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY  
CHAMPION DYNASTY LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

The Joint Announcement dated 5 July 2012 was made jointly by the Company and the Offeror in relation to, among other matters, the Share Purchase Agreement and the Offer.

As mentioned in the Joint Announcement, on 16 June 2012, the Vendors and the Offeror (among other parties) entered into the Share Purchase Agreement, pursuant to which the First Vendor and the Second Vendor agreed to sell or procure the sale of 1,018,380,590 Sale Shares and 493,678,883 Sale Shares owned by them respectively, and the Offeror agreed to acquire 1,512,059,473 Sale Shares in aggregate at a total cash consideration of HK\$423,660,973 (of which HK\$285,338,057 is payable to the First Vendor and HK\$138,322,916 is payable to the Second Vendor), equivalent to a purchase price of approximately HK\$0.28019 per Sale Share. The total consideration for the Sale Shares of HK\$423,660,973 was arrived at after arm's length negotiations between the Offeror and the Vendors with reference to, among others, the net asset value of the Group as of 31 December 2011, the Special Dividend to be declared and the listing status of the Company. The Sale Shares represent (i) all the Sale Shares held by the Vendors; and (ii) approximately 62.26% of the existing issued share capital of the Company as at the execution date of the Share Purchase Agreement. Completion of the Share Purchase Agreement took place on 6 August 2012. Accordingly, the Offeror is required to make the Offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) under Rule 26.1 of the Takeovers Code.

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## LETTER FROM QUAM CAPITAL

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

Independent Shareholders 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 Guangdong Securities” as set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

### THE OFFER

#### Principal terms of the Offer

Quam Securities, on behalf of the Offeror and in compliance with the Takeovers Code, makes the Offer, which is unconditional in all respects on the following terms:

For each Offer Share. . . . . HK\$0.28019 in cash

The Offer Price will not be affected by the possible downward adjustment on the Share Purchase Price, if any, as stipulated in the section headed “Share Purchase Price – Downward adjustment of the Share Purchase Price” in the Joint Announcement.

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

As at the Latest Practicable Date, the Company had 2,428,255,008 Shares in issue and did not have any other outstanding warrants, options, derivatives or securities convertible into Shares and has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

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## LETTER FROM QUAM CAPITAL

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### Comparisons of value

The Offer Price of HK\$0.28019 is equal to the price per Sale Share payable by the Offeror under the Share Purchase Agreement. Pursuant to the Share Purchase Agreement, the Offeror agreed to acquire 1,512,059,473 Shares from the Vendors at HK\$423,660,973, which is equivalent to approximately HK\$0.28019 per Sale Share. Such acquisition was completed on 6 August 2012. The Offer Price represents:

- (i) a premium of approximately 90.61% over the theoretical ex-dividend price of HK\$0.1470 per Share on the Last Trading Day, being the closing price of the Shares on the Last Trading Day as quoted on the Stock Exchange of HK\$0.1920 per Share after deduction of the Special Dividend of HK\$0.045 per Share;
- (ii) a premium of approximately 119.93% over the average theoretical ex-dividend price of approximately HK\$0.1274 per Share for the five trading days immediately prior to and including the Last Trading Day, being the average closing price of approximately HK\$0.1724 per Share as quoted on the Stock Exchange for the five trading days immediately prior to and including the Last Trading Day after deduction of the Special Dividend of HK\$0.045 per Share;
- (iii) a premium of approximately 145.14% over the average theoretical ex-dividend price of approximately HK\$0.1143 per Share for the 30 trading days immediately prior to and including the Last Trading Day, being the average closing price of approximately HK\$0.1593 per Share as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day after deduction of the Special Dividend of HK\$0.045 per Share;
- (iv) a premium of approximately 121.84% over the average theoretical ex-dividend price of approximately HK\$0.1263 per Share for the 90 trading days immediately prior to and including the Last Trading Day, being the average closing price of approximately HK\$0.1713 per Share as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Day after deduction of the Special Dividend of HK\$0.045 per Share;
- (v) a discount of approximately 8.31% to the average closing price of HK\$0.3056 per Share as quoted on the Stock Exchange during the period from the Last Trading Day to the Latest Practicable Date;

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## LETTER FROM QUAM CAPITAL

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- (vi) a discount of approximately 5.02% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vii) a premium of approximately 39.54% over the Group's audited consolidated net assets of approximately HK\$0.2008 per Share calculated based on the Group's audited consolidated net assets of approximately HK\$487.54 million as at 31 December 2011 and 2,428,255,008 Shares in issue as at the Latest Practicable Date;
- (viii) a premium of approximately 81.00% over the Group's consolidated net assets of approximately HK\$0.1548 per Share calculated based on the Group's consolidated net assets of approximately HK\$375.84 million (after payment of the Special Dividend and the final dividend for the year 2011) and 2,428,255,008 Shares in issue as at the Latest Practicable Date; and
- (ix) a premium of approximately 45.93% over HK\$0.1920 per Share, being the closing price on the Last Trading Day as quoted on the Stock Exchange.

### **Total consideration for the Offer**

On the basis of the Offer Price of HK\$0.28019 per Share and 2,428,255,008 Shares in issue as at the Latest Practicable Date, the entire issued Shares would be valued at about HK\$680.37 million. As at the Latest Practicable Date, the Offeror and parties acting in concert with it owned 1,512,059,473 Shares. Accordingly, 916,195,535 Shares are subject to the Offer and the total consideration of the Offer would be about HK\$256,708,827 based on the Offer Price.

### **Highest and lowest Share prices**

The highest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period was HK\$0.390 per Share on 24 July 2012 and the lowest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period was HK\$0.131 per Share on 10 January 2012.

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

The Offeror will satisfy the cash consideration payable under the Offer from (i) internal resources of the Offeror and (ii) the loan facility of up to HK\$75 million under the Loan Facility Agreement. Quam Capital, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptances of the Offer.

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## LETTER FROM QUAM CAPITAL

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### **Payment**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven Business Days (as defined under the Takeovers Code) of the date on which the duly completed acceptances of the Offer and the relevant documents of title of the Shares in respect of such acceptances are received by the Offeror to render each such acceptance complete and valid.

### **Effect of accepting the Offer**

The Offer Shares to be acquired under the Offer shall be fully paid, free from all liens, charges, encumbrances, right of pre-emption and any other third party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made, including the rights to receive in full all dividends and distributions, if any, declared, made or paid on or after the date on which the Offer is made. In this connection, the record date for ascertaining the entitlement to the Special Dividend fell on 3 August 2012. Payment of such Special Dividend is planned to be made on or about 14 August 2012. Accordingly, Shareholders who accept the Offer will not pass their entitlement to receive the Special Dividends.

Acceptance of the Offer by any Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are 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, without limitation, the right to receive dividends and distributions declared, made or paid, if any, on or after the date on which the Offer is made (excluding the right to Special Dividend). Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

### **Hong Kong stamp duty**

Seller's Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.1% (or part thereof) of the consideration payable in respect of the relevant acceptance by the Shareholders or if higher, the market value of the Shares, will be deducted from the amount payable to Shareholders who accept the Offer. The Offeror will bear the buyer's Hong Kong ad valorem stamp duty as purchaser of the Shares and will arrange for the payment of the stamp duty in connection with such sales and purchases.

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## LETTER FROM QUAM CAPITAL

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### **Further terms of the Offer**

Further terms of the Offer including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to this Composite Document and in the Form of Acceptance.

### **Dealing and interests in the Company's securities**

Save for the Sale Shares under the Share Purchase Agreement, none of the Offeror nor parties acting in concert with it has dealt in the Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period. As at the Latest Practicable Date, save for the Sale Shares under the Share Purchase Agreement, the Offeror and parties acting in concert with it did not hold, own or control any Shares, options, derivatives, warrants or other securities convertible into Shares.

As at the Latest Practicable Date:

- (i) save for (aa) a security agreement made by the Offeror in favour of the First Vendor, pursuant to which 1,512,059,473 Sale Shares owned by the Offeror have been charged to the First Vendor to secure the Offeror's obligations to repay the total principal amounts under the Promissory Note(s) or any part thereof, (bb) the Loan Facility Agreement which contains a provision in connection with the provision by the Offeror to Quam Securities of all the Offer Shares tendered for acceptance under the Offer to be accepted by Quam Securities on behalf of the Offeror as collateral, and (cc) the Placing Agreement which contains a provision where the Offeror shall deposit the accepted Shares under the Offer from the commencement of the Offer in the securities account maintained with Quam Securities under the Placing Agreement and shall not withdraw any of the accepted Shares under the Offer for so long as the loan facility under the Loan Facility Agreement is available for drawdown and/or any sum remains due and owing by the Offeror to Quam Securities under the Loan Facility Agreement, whichever is later, there is no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offer;
- (ii) save for the Share Purchase Agreement, there is no agreement or arrangement to which the Offeror, its ultimate beneficial owner and parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;

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## LETTER FROM QUAM CAPITAL

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- (iii) save for the Sale Shares, none of the Offeror, its ultimate beneficial owner and parties acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (iv) none of the Offeror, its ultimate beneficial owner and parties acting in concert with any of them has received any irrevocable commitment to accept or reject the Offer; and
- (v) none of the Offeror nor parties acting in concert with it has entered into any arrangements or contracts in relation to the outstanding derivatives in respect of securities in the Company nor has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company immediately before Completion and immediately after Completion and as at the Latest Practicable Date:

Name of Shareholders	Immediately before Completion		Immediately after Completion and as at the Latest Practicable Date	
	<i>Number of Shares held</i>	<i>% of Shares in issue</i>	<i>Number of Shares held</i>	<i>% of Shares in issue</i>
	The Offeror and its concert parties	–	–	1,512,059,473 <sup>(Note 1)</sup>
First Vendor	1,018,380,590	41.93	–	–
Second Vendor	493,678,883	20.33	–	–
Public	916,195,535	37.74	916,195,535 <sup>(Note 2)</sup>	37.74
<b>Total</b>	<b><u>2,428,255,008</u></b>	<b><u>100.00</u></b>	<b><u>2,428,255,008</u></b>	<b><u>100.00</u></b>

*Note 1:* The Sale Shares were pledged by the Offeror to the First Vendor pursuant to the security agreement dated 6 August 2012 entered into between the Offeror and the First Vendor.

*Note 2:* Inclusive of 838,000 Shares held by Mr. HY Cheng (who will become a Director after the despatch of this Composite Document) and his spouse.

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## LETTER FROM QUAM CAPITAL

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### INFORMATION ON THE GROUP

Details of the information on the Group are set out in the “Letter from the Board” to this Composite Document.

### INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the BVI with limited liability on 13 March 2012. Its entire issued share capital is wholly and beneficially owned by Mr. Cheung.

Mr. Cheung, aged 38, is an executive director of Goodtop Tin. Mr. Cheung has established a number of enterprises in various industries in the PRC since 1997, including property investment, hospital and trading business. He has over 10 years of experience in capital management and corporate management. He was appointed as an executive director of Goodtop Tin on 4 December 2009.

Save for the Share Purchase Agreement, the Offeror, its ultimate beneficial owner and parties acting in concert with any of them have not dealt in nor do they have any shareholding interest in or control any Shares, convertible securities, warrants or options in the Company during the six months immediately prior to the date of the Share Purchase Agreement. As at the Latest Practicable Date, the Offeror (which was solely owned by Mr. Cheung, the sole director of the Offeror) owned 1,512,059,473 Shares. All such Shares owned by the Offeror have been charged by the Offeror in favour of the First Vendor to secure the Offeror’s obligations to repay the total principal amounts under the Promissory Note(s) or any part thereof.

### INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

#### Business

It is the intention of the Offeror that the Group will continue its existing principal business. The Offeror has no intention to introduce any major changes to the existing business and operation of the Group or dispose of the Group’s business after completion of the Offer. The Offeror will, following the completion of the Offer, conduct a detailed review of the operations of the Group with a view to developing corporate strategy to enhance its existing business and asset base and broaden its income stream, which may include further investing in and expansion of existing businesses of the Group should appropriate opportunities arise. As at the Latest Practicable Date, the Offeror had no plan of injecting any of its assets into the Group (but any proposed injection of assets in the future will be made in compliance with the Listing Rules) or redeploying the employees of the Group and fixed assets of the Group other than in the ordinary course of business. The Offeror considers that the existing business of the Group has a stable income base, it therefore considers that the acquisition of the Sale Shares and the Offer are in its long-term commercial interest.



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## LETTER FROM QUAM CAPITAL

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Under the Fancy Mark Loan Agreement dated 22 September 2011 entered into among the Company (as lender), Fancy Mark Limited (as borrower, which is a wholly-owned subsidiary of the First Warrantor) and the First Warrantor (as guarantor of Fancy Mark Limited), a loan facility to the extent of HK\$300 million has been agreed by the Company to be extended to Fancy Mark Limited. On 3 August 2012, the Company has called for early repayment of a portion of the said loan in the sum of HK\$80 million to facilitate the payment of the Special Dividend. After such repayment, the principal amount owing at Completion under the Fancy Mark Loan Agreement amounted to HK\$220 million. It is the Offeror's intention to call for repayment of the remaining balance of HK\$220 million under the loan (or a portion of it) when (i) the Directors consider it is in the interest of the Company to do so and (ii) alternatives to the current investment become available. It is however not the intention of the Offeror to call for repayment of the remaining balance of the loan soon after Completion.

### **Proposed change of the Board composition**

The Board is currently made up of five Directors, comprising two executive Directors, being Mr. Kong, Chi-ming and Mr. Leung, Wing-pong and three independent non-executive Directors, being Dr. David Chain, Chi-woo, Mr. Lam, Yat-fai and Mr. Leung, Yun-fai. The Offeror does not have intention to request for resignation of any independent non-executive Directors. It is expected that the current independent non-executive Directors will continue to remain in their offices after the close of the Offer. It is expected that Mr. Kong, Chi-ming and Mr. Leung, Wing-pong will resign from their offices of executive Directors after the close of the Offer.

The Offeror intends to nominate new Director(s) to the Board with effect from the earliest date permitted under the Takeovers Code, the Listing Rules and laws applicable to the Company.

The Offeror intends to nominate Mr. Cheung and Mr. HY Cheng Hau Yan as executive Directors and Mr. Lam, Kwong-wai as a non-executive Director with effect from the earliest date permitted under the Takeovers Code, the Listing Rules and laws applicable to the Company. Such appointment is expected to take effect from the calendar day immediately after the despatch of this Composite Document.

### **Biographies of new Directors to be nominated by the Offeror**

#### ***Mr. Cheung Wai Kuen***

Please refer to the section headed "Information on the Offeror" for the biography of Mr. Cheung in this letter.

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## LETTER FROM QUAM CAPITAL

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### ***Mr. Cheng Hau Yan***

Mr. HY Cheng, aged 65, was the deputy division chief of the Finance and Planning Division of Yunnan Provincial Geology and Mining Bureau from October 1984 to March 1986, and deputy director of the Economic Commission of Kunming for the period from April 1986 to April 1988. From May 1988 to 1996, he was the president of the Yunnan Branch of Bank of Communications. Mr. HY Cheng was an executive director of Yunnan Enterprises Holdings Limited, a company listed on the main board of the Stock Exchange (Stock Code: 455) from April 1998 to March 2006, and west China regional director of CEHL from 2006 to 2010. Mr. HY Cheng obtained a master degree in Business Administration from the Shanghai Jiao Tong University in 1983. He was appointed an independent non-executive director of Goodtop Tin on 23 December 2009 and re-designated as its executive director on 10 December 2010. As at the Latest Practicable Date, Mr. HY Cheng was an executive director of Goodtop Tin. As at the Latest Practicable Date, Mr. HY Cheng was the owner of 538,000 Shares and was deemed to be interested in 300,000 additional Shares which were owned by his spouse. These Shares were acquired by Mr. HY Cheng and his spouse before the commencement of the Relevant Period.

Save for (i) Mr. HY Cheng's role in Goodtop Tin as disclosed above, of which Mr. HY Cheng is an executive director and (ii) Mr. HY Cheng was a former employee of CEHL, the First Warrantor, Mr. HY Cheng does not have any other relationships with any other directors, senior management, or other substantial or controlling Shareholders.

### ***Mr. Lam, Kwong-wai***

Mr. Lam, aged 56, was the former group financial controller and company secretary of the Company. He is an executive director, group financial controller and company secretary of CEHL. He is the group financial controller and company secretary of Chi Cheung Investment Company, Limited (a subsidiary of CEHL, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 112)). Mr. Lam is a Certified Public Accountant (Practising) in Hong Kong. He holds a Master Degree in Business Administration from the University of Warwick, United Kingdom. Mr. Lam has over 34 years of experience in auditing, finance and accounting. As at the Latest Practicable Date, Mr. Lam did not have any interest in any Shares.

Save as disclosed above, the Offeror does not intend that there would be any material changes to the existing management and employees of the Group following the close of the Offer.

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## LETTER FROM QUAM CAPITAL

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### COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any power of compulsory acquisition of the Shares under the Companies Act 1981 of Bermuda after the close of the Offer.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The Placing Agreement dated 6 August 2012 was entered into between (among other parties) the Offeror and Quam Securities, pursuant to which Quam Securities has agreed to procure placees to take up such number of Shares, on a best effort basis, at a placing price equal to the Offer Price, in order to restore the minimum public float as required under the Listing Rules.

Under the Placing Agreement, Quam Securities (as placing agent) has agreed to effect the best effort placing for the above purpose on the principal terms as summarized below (the “**Placing**”):

Acquisition of the Offer Shares	:	The Offeror irrevocably and unconditionally appoints any director of the Placing Agent to be its true and lawful attorney to acquire the Shares which have been tendered for acceptance by the Shareholders under the Offer in accordance with the terms of the Placing Agreement
Appointment of the Placing Agent	:	The Offeror appoints the Placing Agent to the exclusion of all others and the Placing Agent, relying on the representations, warranties and undertakings contained in the Placing Agreement, agrees to act as an agent for the Offeror to procure placees to subscribe for the Placing Shares on a best effort basis
Number of Placing Shares	:	Up to 25% of the issued share capital of the Company
Placing price	:	HK\$0.28019 per Placing Share, being the Offer Price
Rights to the Placing Shares	:	The Placing Shares will be sold free of all liens, charges and encumbrances, and together with all rights attaching thereto as at the date of completion of the Placing, including the right to receive all dividends declared, made or paid the record date for which falls on a date on or after the date of completion of the Placing

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## LETTER FROM QUAM CAPITAL

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Placees : The choice of placees shall be procured and determined solely by the Placing Agent and, subject to the requirements of the Listing Rules, the Placing Agent shall not, as far as it is aware, place any of the Placing Shares to any “connected person” (as defined in the Listing Rules) of the Company or concert parties of the Offeror

The Placing Agent has undertaken to use its reasonable endeavours to obtain prior to completion of the Placing such information relating to the placees and provide the same to the Stock Exchange and/or the SFC in each case as may be reasonably required by them

Placing commission : A non-refundable commission agreed by the parties to the Placing Agreement

Expected completion date : Completion of the Placing is to take place on a date falling within 30 days from the date of close of the Offer

Termination of the Placing Agreement : The Placing Agreement contains force majeure provisions entitling the Placing Agent to terminate the placing obligations under the Placing Agreement on the occurrence of, among other things, certain events, which will materially and adversely affect the business or the financial and trading position of the Group as a whole at any time or prior to the date of completion of the Placing. If the Placing Agent exercises such rights to so terminate the Placing, all obligations of each of the parties to the Placing Agreement shall cease and determine, and no parties shall have any claim against the others in respect of any matter arising out of or in connection with the obligations of the Placing Agent under the Placing Agreement save for, inter alia, any antecedent breach, but in any event the Placing Agent’s obligations pursuant to the above “Acquisition of the Offer Shares” provision under the Placing Agreement shall not be terminable

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## LETTER FROM QUAM CAPITAL

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### Conditions precedent to the Placing

The obligations of the Placing Agent shall be subject to satisfaction or waiver of the following conditions:

- (i) the due and proper completion of the Share Purchase Agreement in accordance with its terms thereof;
- (ii) there being no changes, amendments, variations or modifications to the terms of the Share Purchase Agreement after the date of the Placing Agreement unless previously agreed by the Placing Agent in writing (whose agreement shall not be unreasonably withheld, refused or delayed);
- (iii) the despatch to all holders of the Shares within the time limit as prescribed under the Takeovers Code after Completion or such later date as may be agreed by the SFC, of this Composite Document containing, inter alia, the terms of the Offer substantially upon those terms and conditions as set out in the Joint Announcement;
- (iv) the due and proper close of the Offer (comprising substantially those terms and conditions as set out in the Joint Announcement and this Composite Document) in accordance with the terms thereof;
- (v) there being no changes, amendments, variations or modifications to the terms of the Offer (comprising substantially those terms and conditions as set out in the Joint Announcement) after the date of the Placing Agreement unless previously agreed by the Placing Agent in writing (whose agreement shall not be unreasonably withheld, refused or delayed);
- (vi) there being no changes, amendments, variations or modifications to the issued share capital of the Company (including, inter alia, the total issued share capital and the rights and obligations attaching to the Shares) after the date of the Placing Agreement unless previously agreed by the Placing Agent in writing;

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## LETTER FROM QUAM CAPITAL

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- (vii) the Company not being able to meet the public float requirement (i.e. the requirement of not less than 25% issued Shares being in the public hands) at any time during the period of the Offer and immediately after the close of the Offer; and
- (viii) there not having occurred any events entitling the Placing Agent to terminate the placing obligations in accordance with the terms under the Placing Agreement.

If the aforementioned conditions are not met or waived by the Placing Agent on or before 31 December 2012, the Placing Agent shall be entitled (in addition to and without prejudice to all other rights or remedies available to it) to rescind all their agreements and other obligations under the Placing Agreement.

In the event that after the completion of the Offer, the public float of the Company falls below 25%, the new Directors who are nominated by the Offeror to be appointed to the Company and such directors of the Offeror will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules to ensure that sufficient public float exists for the Shares following the close of the Offer.

**The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares.**

### **IMPORTANT NOTE TO THE SHAREHOLDERS OUTSIDE HONG KONG**

The Offer is made in respect of securities of a company incorporated in Bermuda and is subject to the statutory procedural and disclosure requirements of Hong Kong, which may be different from those of other jurisdictions.

The Offeror intends to make the Offer (or any mandatory unconditional cash offer referred to herein) available to all Shareholders, including those with registered addresses, as shown in the register of members of the Company, outside Hong Kong. The availability of the Offer (or any mandatory unconditional cash offer referred to herein) to persons not resident in Hong Kong and the ability of Shareholders outside of Hong Kong to participate in the Offer will however be subject to, and may be limited by, the laws and regulations of their respective jurisdictions.

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## LETTER FROM QUAM CAPITAL

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The making of the Offer to persons with a registered address in jurisdiction outside Hong Kong may be prohibited or limited by the laws of the relevant jurisdiction. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

### TAX IMPLICATIONS

**The Independent Shareholders 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 Offer. It is emphasised that none of the Offeror and parties acting in concert with it, the Company, Quam Securities, Quam Capital, Guangdong Securities, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Offer or any of their respective agents accepts any responsibility for any tax effect on, or liabilities of, the Independent Shareholders as a result of their acceptance of the Offer.**

### 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 of Acceptance.

### 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 Offer.

Attention of the Overseas Shareholders is drawn to paragraph headed “Important note to the Shareholders outside Hong Kong” above in this letter.

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## LETTER FROM QUAM CAPITAL

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All documents and remittances to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company or in the case of joint Independent Shareholders, to such Independent Shareholder whose name appears first in the register of members of the Company. None of the Offeror and parties acting in concert with it, the Company, Quam Securities, Quam Capital, Guangdong Securities, the Registrar or professional advisers or any of their respective directors or any other parties involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

### **ADDITIONAL INFORMATION**

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

You are reminded to carefully read the “Letter from the Board”, the advice of the Independent Board Committee, the recommendation of the Independent Financial Adviser and other information about the Group which are set out in this Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,  
For and on behalf of  
**Quam Capital Limited**  
**Noelle Hung**  
*Managing Director*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**G-PROP**  
(HOLDINGS) LIMITED

### **G-PROP (HOLDINGS) LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 286)**

13 August 2012

*To the Independent Shareholders*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
QUAM SECURITIES COMPANY LIMITED  
ON BEHALF OF CHAMPION DYNASTY LIMITED  
FOR ALL THE ISSUED SHARES OF  
G-PROP (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY  
CHAMPION DYNASTY LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

We refer to this Composite Document dated 13 August 2012 jointly issued by the Company and the Offeror, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in this Composite Document.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you (i.e. Independent Shareholders) as to whether or not the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. Guangdong Securities has been appointed as the independent financial adviser to make recommendation to us in respect of whether the terms of the Offer are fair and reasonable and as to acceptance of the offer. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the “Letter from Guangdong Securities” on pages 33 to 52 of this Composite Document.

We also wish to draw your attention to the “Letter from the Board”, the “Letter from Quam Capital” and the additional information set out in the appendices to this Composite Document.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Taking into account the terms of the Offer and the independent advice from Guangdong Securities, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer. Independent Shareholders are recommended to read the full text of the “Letter from Guangdong Securities” set out in this Composite Document.

Yours faithfully,

**David Chain, Chi-woo**

**Lam, Yat-fai**

**Leung, Yun-fai**

*Independent Non-executive Directors*

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## LETTER FROM GUANGDONG SECURITIES

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*Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee regarding the Offer for the purpose of inclusion in this Composite Document.*



Units 2505-06, 25/F.  
Low Block of Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

13 August 2012

*To: the independent board committee of G-Prop (Holdings) Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER  
BY QUAM SECURITIES COMPANY LIMITED  
ON BEHALF OF CHAMPION DYNASTY LIMITED  
FOR ALL THE ISSUED SHARES OF G-PROP (HOLDINGS) LIMITED  
(OTHER THAN THOSE OWNED OR AGREED  
TO BE ACQUIRED BY CHAMPION DYNASTY LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Offer, details of which are contained in the Composite Document dated 13 August 2012 jointly issued by the Company and the Offeror to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

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## LETTER FROM GUANGDONG SECURITIES

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On 16 June 2012, the Vendors and the Offeror (among other parties) entered into the Share Purchase Agreement, pursuant to which the First Vendor and the Second Vendor have agreed to sell or procure the sale of 1,018,380,590 Sale Shares and 493,678,883 Sale Shares owned by each of them respectively and the Offeror has agreed to acquire for such 1,512,059,473 Sale Shares in aggregate at a total cash consideration of HK\$423,660,973 (of which HK\$285,338,057 is payable to the First Vendor and HK\$138,322,916 is payable to the Second Vendor), equivalent to a purchase price of approximately HK\$0.28019 per Sale Share. The Sale Shares represent (i) all the Sale Shares held by the Vendors; and (ii) approximately 62.26% of the existing issued share capital of the Company as at the Latest Practicable Date.

As at the date of the Share Purchase Agreement, other than their interests in the Sale Shares under the Share Purchase Agreement, the Offeror and parties acting in concert with it are not interested in the share capital and voting rights of the Company. Completion took place on 6 August 2012. Accordingly, the Offeror and parties acting in concert with it are required to make a mandatory unconditional general offer in cash for all the issued Shares, other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it, pursuant to Rule 26.1 of the Takeovers Code. Under the Takeovers Code, Quam Securities, on behalf of the Offeror, is making the Offer.

An Independent Board Committee comprising Dr. David Chain, Chi-woo, Mr. Lam, Yat-fai and Mr. Leung, Yun-fai (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance of the Offer. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code. The appointment of Guangdong Securities as the Independent Financial Adviser has been approved by the Independent Board Committee.

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## LETTER FROM GUANGDONG SECURITIES

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### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Directors and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors and the Offeror (where applicable), which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the 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 the Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the 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 enquiries, that to the best of his knowledge, opinions expressed in the Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

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## LETTER FROM GUANGDONG SECURITIES

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The Composite Document, for which all Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Offeror and parties acting in concert with it) in compliance with the Listing Rules, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief: (i) the information contained in the Composite Document is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in the Composite Document misleading; and (iii) all opinions expressed in the Composite Document have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Vendors, the Offeror or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Offer. The Company has been separately advised by its own professional advisers with respect to the Offer and the preparation of the Composite Document (other than this letter).

We have assumed that the Offer will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Offer, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offer. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they exist on, and the information made available to us as at the Latest Practicable Date.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources.

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## LETTER FROM GUANGDONG SECURITIES

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Offer, we have taken into consideration the following principal factors and reasons:

#### (1) Background and terms of the Offer

On 16 June 2012, the Vendors and the Offeror (among other parties) entered into the Share Purchase Agreement, pursuant to which the First Vendor and the Second Vendor have agreed to sell or procure the sale of 1,018,380,590 Sale Shares and 493,678,883 Sale Shares owned by each of them respectively and the Offeror has agreed to acquire for such 1,512,059,473 Sale Shares in aggregate at a total cash consideration of HK\$423,660,973 (of which HK\$285,338,057 is payable to the First Vendor and HK\$138,322,916 is payable to the Second Vendor), equivalent to a purchase price of approximately HK\$0.28019 per Sale Share. The Sale Shares represent (i) all the Sale Shares held by the Vendors; and (ii) approximately 62.26% of the existing issued share capital of the Company as at the Latest Practicable Date.

As at the date of the Share Purchase Agreement, other than their interests in the Sale Shares under the Share Purchase Agreement, the Offeror and parties acting in concert with it are not interested in the share capital and voting rights of the Company. Completion took place on 6 August 2012. Accordingly, the Offeror and parties acting in concert with it are required to make a mandatory unconditional general offer in cash for all the issued Shares, other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it, pursuant to Rule 26.1 of the Takeovers Code.

On behalf of the Offeror and in compliance with the Takeovers Code, Quam Securities is making the Offer, which is unconditional in all respects on the following basis:

**For each Share . . . . . HK\$0.28019 in cash**

The Offer Price will not be affected by the possible downward adjustment on the Share Purchase Price, if any.

As confirmed by the Directors, as at the Latest Practicable Date, the Company had 2,428,255,008 Shares in issue and did not have other outstanding warrants, options, derivatives or securities convertible into Shares and has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

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## LETTER FROM GUANGDONG SECURITIES

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Based on the Offer Price and the total number of 916,195,535 Offer Shares subject to the Offer, the total consideration payable by the Offeror under the Offer amounts to approximately HK\$256.71 million.

Further terms of the Offer are set out in the “Letter from Quam Capital” and Appendix I to the Composite Document.

### (2) Financial information on the Group

The Company is an exempted company incorporated in Bermuda with limited liability and its Shares have been listed on the Stock Exchange since 1990. The principal activities of the Group are property investment, and investment and finance.

Set out below is a summary of the audited consolidated financial information on the Group for each of the two years ended 31 December 2011 as extracted from the annual report of the Company for the year ended 31 December 2011 (the “**2011 Annual Report**”):

	<b>For the year ended 31 December 2010 HK\$'000</b>	<b>For the year ended 31 December 2011 HK\$'000</b>
Revenue		
– Property rental income	1,695	1,764
– Interest income from investment and finance	6,788	6,646
Subtotal	8,483	8,410
Gross profit	8,279	8,248
Exchange gain, net	–	2,658
Fair value changes on investment properties	(4,150)	3,800
(Loss)/Profit for the year	(1,859)	13,094
Total comprehensive income for the year attributable to owners of the Company	3,556	8,869



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## LETTER FROM GUANGDONG SECURITIES

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	<b>As at 31 December 2010 HK\$'000</b>	<b>As at 31 December 2011 HK\$'000</b>
Non-current assets	110,966	70,067
Current assets	376,978	418,619
Non-current liabilities	(106)	(107)
Current liabilities	(1,886)	(1,043)
Net assets	485,952	487,536

As depicted by the above table, the Group's revenue which comprises property rental income and interest income from investment and finance had been relatively steady for each of the two years ended 31 December 2011. With reference to the 2011 Annual Report, the Group held 31 car parking spaces with five adjoining spaces and a carport basement situated in Wanchai and Central, Hong Kong, which contributed to the Group's revenue from property rental income. As for the revenue from interest income, the Group mainly derived it from (i) its loan advanced to Fancy Mark Limited (a subsidiary of CEHL); and (ii) its investment in various floating rate notes. As further confirmed by the Directors, the increase in total comprehensive income of the Group for the year ended 31 December 2011 as compared to the prior year was mainly due to (i) the increase in fair value of investment properties which the Group holds; and (ii) the exchange gain upon conversion of cash, received upon maturity of Euro-denominated floating rate note, in foreign currency into HK\$.

As at 31 December 2011, the Group had net assets of approximately HK\$487.54 million, of which short-term available-for-sale financial assets (being the club debentures and unlisted floating rate notes denominated in US dollars) and time deposits and bank balances amounted to approximately HK\$41.91 million and HK\$75.65 million respectively. Moreover, the Group did not incur any borrowings as at 31 December 2011.

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## LETTER FROM GUANGDONG SECURITIES

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The Company, as lender, entered into the Fancy Mark Loan Agreement with Fancy Mark Limited, as borrower, and CEHL, as guarantor, to renew a three-year revolving loan (the “**Loan**”) in the revised principal of HK\$300 million at an interest rate of HIBOR plus 1.5% per annum. For the year ended 31 December 2011, the Company accrued an interest income totalling approximately HK\$2.84 million from the Loan. As referred to in the Joint Announcement, the First Vendor and the First Warrantor undertook to the Offeror that, amongst others: (i) immediately after Completion, the First Warrantor shall use its best endeavours to procure Fancy Mark Limited to give an undertaking not to exercise its rights to re-borrow the loan facility after any repayment and other relevant provisions under the Fancy Mark Loan Agreement, unless the Company has given its prior written consent to such proposed re-borrowing; and (ii) immediate after Completion, upon serving a written repayment notice by the Company with Fancy Mark Limited, the First Warrantor shall use its best endeavours to procure Fancy Mark Limited to fully or partially repay the sum (together with the interest payment) then owing under the Fancy Mark Loan Agreement as stated in the repayment notice within 30 days from the date of the repayment notice.

According to the 2011 Annual Report, the Directors expected that the US dollars denominated floating rate notes which the Group holds would remain stable in light of the slight improvement in the US economy; while the Group’s revenue from the car parking spaces letting would also be stable. As confirmed by the Directors, the Company strives to maintain a prudent but flexible business model in the getting harsh business environment, and will continue to take a conservative and cautious stand to face the future business and economic challenges in short run, barring any unforeseeable event or development.

### **(3) Information on the Offeror and Mr. Cheung**

Set out below is the information on the Offeror and Mr. Cheung as extracted from “Letter from Quam Capital” of the Composite Document:

The Offeror is a company incorporated in the BVI with limited liability on 13 March 2012. Its entire issued share capital is wholly and beneficially owned by Mr. Cheung.

Mr. Cheung, aged 38, is an executive director of Goodtop Tin, a company listed on the main board of the Stock Exchange (Stock code: 195). Mr. Cheung has established a number of enterprises in various industries in the PRC since 1997, including property investment, hospital and trading business. He has over ten years of experience in capital management and corporate management. He was appointed as an executive director of Goodtop Tin on 4 December 2009.

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## LETTER FROM GUANGDONG SECURITIES

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### (4) Intentions of the Offeror in relation to the Group

#### *Business*

We understand from “Letter from Quam Capital” of the Composite Document that it is the intention that the Group will continue its existing principal business. The Offeror has no intention to introduce any major changes to the existing business and operations of the Group or dispose of the Group’s business after completion of the Offer. The Offeror will, following completion of the Offer, conduct a detailed review of the operations of the Group with a view to developing corporate strategy to enhance its existing business and asset base and broaden its income stream, which may include further investing in and expansion of existing business of the Group should appropriate opportunities arise. As at the Latest Practicable Date, the Offeror had no plan of injecting any of its assets into the Group (but any proposed injection of assets in the future will be made in compliance with the Listing Rules) or redeploying the employees and fixed assets of the Group other than in the ordinary course of business. The Offeror considers that the existing business of the Group has a stable income base, it therefore considers that the acquisition of the Sale Shares and the Offer are in its long-term commercial interest.

As further disclosed in “Letter from Quam Capital” of the Composite Documents, on 3 August 2012, the Company called for early repayment of a portion of the Loan in the sum of HK\$80 million to facilitate the payment of the Special Dividend. After such repayment, the principal amount owing at Completion under the Fancy Mark Loan Agreement amounts to HK\$220 million. It is the Offeror’s intention to call for repayment of the remaining balance of HK\$220 million of the Loan (or a portion of it) when (i) the Directors consider it is in the interest of the Company to do so; and (ii) alternatives to the current investment become available. It is however not the intention of the Offeror to call for repayment of the remaining balance of the Loan soon after Completion.

As referred to in “Letter from the Board” of the Composite Document, the Board is aware of the intentions of the Offeror in respect of the Company and its employees and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM GUANGDONG SECURITIES

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### *Proposed change of the Board composition*

The Board is currently made up of five Directors, comprising two executive Directors, being Mr. Kong, Chi-ming and Mr. Leung, Wing-pong and three independent non-executive Directors, being Dr. David Chain, Chi-woo, Mr. Lam, Yat-fai and Mr. Leung, Yun-fai. The Offeror does not have intention to request for resignation of any independent non-executive Directors. It is expected that the current independent non-executive Directors will continue to remain in their offices after the close of the Offer. Nevertheless, it is expected that Mr. Kong, Chi-ming and Mr. Leung, Wing-pong will resign from their offices after the close of the Offer.

As extracted from “Letter from Quam Capital” of the Composite Document, the Offeror intends to nominate new Director(s) to the Board with effect from the earliest date permitted under the Takeovers Code, the Listing Rules and laws applicable to the Company. Furthermore, the Offeror intends to nominate Mr. Cheung and Mr. HY Cheng as executive Directors and Mr. Lam, Kwong-wai (“**Mr. Lam**”) as a non-executive Director with effect from the earliest date permitted under the Takeovers Code, the Listing Rules and laws applicable to the Company. Such appointment is expected to take effect from the calendar day immediately after the despatch of the Composite Document. Save as disclosed above, the Offeror does not intend that there would be any material changes to the existing management and employees of the Group following the close of the Offer.

The biography of Mr. Cheung is disclosed under the above section headed “Information on the Offeror and Mr. Cheung”.

The biographies of Mr. HY Cheng and Mr. Lam, as extracted from “Letter from Quam Capital” of the Composite Document, are disclosed as below:

Mr. HY Cheng, aged 65, was the deputy division chief of the Finance and Planning Division of Yunnan Provincial Geology and Mining Bureau from October 1984 to March 1986, and deputy director of the Economic Commission of Kunming for the period from April 1986 to April 1988. From May 1988 to 1996, he was the president of the Yunnan Branch of Bank of Communications. Mr. HY Cheng was an executive director of Yunnan Enterprises Holdings Limited, a company listed on the main board of the Stock Exchange (Stock Code: 455) from April 1998 to March 2006, and west China regional director of CEHL from 2006 to 2010. Mr. HY Cheng obtained a master degree in Business Administration from the Shanghai Jiao Tong University in 1983. He was appointed an independent non-executive director of Goodtop Tin on 23 December 2009 and has been re-designated as its executive director since 10 December 2010. As at the Latest Practicable Date, Mr. HY Cheng was the owner of 538,000 Shares and was deemed to be interested in 300,000 additional Shares which were owned by his spouse. These Shares were acquired by Mr. HY Cheng and his spouse before the commencement of the Relevant Period.

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## LETTER FROM GUANGDONG SECURITIES

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Mr. Lam, aged 56, was the former group financial controller and company secretary of the Company. He is an executive director, group financial controller and company secretary of CEHL. He is the group financial controller and company secretary of Chi Cheung Investment Company, Limited (a subsidiary of CEHL, the shares of which are listed on the main board of the Stock Exchange (Stock code: 112)). Mr. Lam is a Certified Public Accountant (Practising) in Hong Kong. He holds a Master Degree in Business Administration from the University of Warwick, United Kingdom. Mr. Lam has over 34 years of experience in auditing, finance and accounting. As at the Latest Practicable Date, Mr. Lam did not have any interest in any Shares.

### **(5) Maintaining the listing status of the Company**

The Offeror intends to maintain listing of the Shares on the Stock Exchange after the close of the Offer. The Placing Agreement was entered into on 6 August 2012 between (among other parties) the Offeror and Quam Securities, pursuant to which Quam Securities has agreed to procure places to take up such number of Shares, on a best effort basis, at a placing price equal to the Offer Price, in order to restore the minimum public float as required under the Listing Rules.

In the event that after completion of the Offer, the public float of the Company falls below 25%, the new proposed Directors who are nominated by the Offeror and such director(s) of the Offeror will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float of the Company as required under the Listing Rules as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Shares following the close of the Offer.

### **(6) Offer Price**

The Offer Price of HK\$0.28019 per Share represents:

- (a) a discount of approximately 5.02% to the closing price of HK\$0.2950 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (b) a premium of approximately 45.93% over the closing price of HK\$0.1920 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 62.52% over the average closing price of HK\$0.1724 per Share as quoted on the Stock Exchange for the five trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 75.89% over the average closing price of HK\$0.1593 per Share as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 63.57% over the average closing price of HK\$0.1713 per Share as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Day;

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## LETTER FROM GUANGDONG SECURITIES

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- (f) a premium of approximately 12.08% over the theoretical ex-dividend price of HK\$0.2500 per Share as at the Latest Practicable Date, being the closing price of the Shares as at the Latest Practicable Date quoted on the Stock Exchange of HK\$0.2950 per Share after deduction of the Special Dividend of HK\$0.045 per Share;
- (g) a premium of approximately 90.61% over the theoretical ex-dividend price of HK\$0.1470 per Share on the Last Trading Day, being the closing price of the Shares on the Last Trading Day quoted on the Stock Exchange of HK\$0.1920 per Share after deduction of the Special Dividend of HK\$0.045 per Share;
- (h) a premium of approximately 119.93% over the average theoretical ex-dividend price of approximately HK\$0.1274 per Share for the five trading days immediately prior to and including the Last Trading Day, being the average closing price of approximately HK\$0.1724 per Share as quoted on the Stock Exchange for the five trading days immediately prior to and including the Last Trading Day after deduction of the Special Dividend of HK\$0.045 per Share;
- (i) a premium of approximately 145.14% over the average theoretical ex-dividend price of approximately HK\$0.1143 per Share for the 30 trading days immediately prior to and including the Last Trading Day, being the average closing price of approximately HK\$0.1593 per Share as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day after deduction of the Special Dividend of HK\$0.045 per Share;
- (j) a premium of approximately 121.84% over the average theoretical ex-dividend price of approximately HK\$0.1263 per Share for the 90 trading days immediately prior to and including the Last Trading Day, being the average closing price of approximately HK\$0.1713 per Share as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Day after deduction of the Special Dividend of HK\$0.045 per Share;
- (k) a premium of approximately 39.54% over the Group's consolidated net assets of approximately HK\$0.2008 per Share calculated based on the Group's audited consolidated net assets of approximately HK\$487.54 million as at 31 December 2011 and 2,428,255,008 Shares in issue as at the Latest Practicable Date; and
- (l) a premium of approximately 81.00% over the Group's consolidated net assets of approximately HK\$0.1548 per Share calculated based on the Company's consolidated net assets of approximately HK\$375.84 million (with reference to the Group's audited consolidated net assets of approximately HK\$487.54 million as at 31 December 2011 and after payment of the Special Dividend and the final dividend for the year 2011 and 2,428,255,008 Shares in issue as at the Latest Practicable Date.

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## LETTER FROM GUANGDONG SECURITIES

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### *Historical price performance of the Shares*

The highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each month during the period commencing from 1 July 2011 up to and including the Latest Practicable Date (the “**Review Period**”) are shown as follows:

Month	Highest closing price (HK\$)	Lowest closing price (HK\$)	Average daily closing price (HK\$)	No. of trading days in each month
<b>2011</b>				
July	0.2600	0.2260	0.2384	20
August	0.2330	0.1730	0.1972	23
September	0.1810	0.1440	0.1676	20
October	0.1690	0.1370	0.1531	20
November	0.1650	0.1380	0.1505	22
December	0.1480	0.1360	0.1433	20
<b>2012</b>				
January	0.1540	0.1310	0.1421	18
February	0.1960	0.1520	0.1841	21
March	0.1930	0.1600	0.1805	22
April	0.1780	0.1520	0.1634	18
May	0.1700	0.1510	0.1596	22
June (Note)	0.1920	0.1460	0.1605	11
July (Note)	0.3900	0.2800	0.3219	18
August (up to and including the Latest Practicable Date)	0.2950	0.2800	0.2831	8

Source: the Stock Exchange web-site ([www.hkex.com.hk](http://www.hkex.com.hk))

Note:

Trading in the Shares was suspended from 18 June 2012 to 5 July 2012 (both days inclusive) pending the release of the Joint Announcement.

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## LETTER FROM GUANGDONG SECURITIES

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As illustrated by the above table, the Offer Price was above the historical closing prices of the Shares, which ranged from HK\$0.1310 to HK\$0.2600 per Share, for the period from 1 July 2011 to the Last Trading Day (the “**Historical Period**”). After the publication of the Joint Announcement and up till the Latest Practicable Date, the closing prices of the Shares surged to the highest of HK\$0.3900 per Share on 24 July 2012. As confirmed by the Directors, the Company was not aware of any events which would have led to such surge in Share price save for the announcement of the Offer. The Directors are thus of the view that the aforesaid surge in Share price after the publication of the Joint Announcement may serve as a proof for the positive market perception towards the Offer.

### ***Historical trading liquidity of the Shares***

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares’ monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as below:

Month	No. of trading days in each month	Average daily trading volume (the “Average Volume”)	% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date	% of the Average Volume to total number of issued Shares as at the Latest Practicable Date
			(Note 2)	(Note 3)
		<i>Number of Shares</i>	%	%
<b>2011</b>				
July	20	1,426,499	0.16	0.06
August	23	672,270	0.07	0.03
September	20	594,635	0.06	0.02
October	20	507,604	0.06	0.02
November	22	554,551	0.06	0.02
December	20	300,816	0.03	0.01



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## LETTER FROM GUANGDONG SECURITIES

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Month	No. of trading days in each month	Average daily trading volume (the "Average Volume")	% of	% of
			the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date (Note 2)	the Average Volume to total number of issued Shares as at the Latest Practicable Date (Note 3)
		Number of Shares	%	%
<b>2012</b>				
January	18	311,795	0.03	0.01
February	21	1,097,448	0.12	0.05
March	22	256,287	0.03	0.01
April	18	318,023	0.03	0.01
May	22	412,996	0.05	0.02
June (Note 1)	11	1,034,727	0.11	0.04
July (Note 1)	18	26,298,104	2.87	1.08
August (up to and including the Latest Practicable Date)	8	4,971,516	0.54	0.20

Source: the Stock Exchange web-site ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

1. Trading in the Shares was suspended from 18 June 2012 to 5 July 2012 (both days inclusive) pending the release of the Joint Announcement.
2. Based on 916,195,535 Shares held by the public as at the Latest Practicable Date.
3. Based on 2,428,255,008 Shares in issue as at the Latest Practicable Date.

We noted from the above table that trading in the Shares had been very thin during the Review Period, especially during the Historical Period. Given that the Shares are highly illiquid, the disposal of large block of Shares held by the Shareholders in the open market would likely to trigger price slump of the Shares.

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## LETTER FROM GUANGDONG SECURITIES

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For the above reason, there is no guarantee that the surge in Share price after the publication of the Joint Announcement as highlighted under the sub-section headed “Historical price performance of the Shares” of this letter will sustain and the Independent Shareholders will be able to realise their investments in the Shares (especially those with relatively sizeable shareholdings) at a price higher than the Offer Price. We, therefore, consider that the Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares.

Nonetheless, if any Independent Shareholders who would like to realise their investments in the Shares are able to identify potential purchaser(s) to acquire for their Shares at a price higher than the Offer Price, those Independent Shareholders may consider not accepting the Offer but selling their Shares to such potential purchaser(s), as they wish to do so and as they think fit having regard to their own circumstances, in case the net proceeds from the sale of their Shares to such potential purchaser(s) would exceed the net amount receivable under the Offer.

Furthermore, those Independent Shareholders who, after reading through the Composite Document and this letter, in particular the financial information on the Group, the information on the Offeror and the future intentions of the Offeror in relation to the Company, are optimistic about the prospects of the Group after the Offer, may, having regard to their own circumstances, consider retaining all or any part of their Shares. Nonetheless, as the Offeror will, following completion of the Offer, conduct a detailed review of the operations of the Company with a view to developing corporate strategy, we consider that the prospects of the Group after the Offer would be uncertain. Accordingly, the Independent Shareholders should carefully consider the relevant risks and uncertainties based on their risk preference and tolerance level.

### ***Comparison with other comparable companies***

To further assess the fairness and reasonableness of the Offer Price, we have researched for Hong Kong listed companies with size of market capitalisation being comparable to the Company, i.e. below HK\$1,000 million, and are engaged in similar lines of business as the Company (for details, please refer to the below table). To the best of our knowledge and as far as we are aware of, there are six comparable listed companies which met our selection criteria (the “**Comparable Companies**”) and we consider those Comparable Companies to be fair, representative and exhaustive samples. Nevertheless, it should be noted that the operations and prospects of the Comparable Companies are not the same as the Company and we have not conducted any in-depth investigation into the businesses, operations and prospects of the Comparable Companies.

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## LETTER FROM GUANGDONG SECURITIES

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The following table sets out (a) the price to book ratio (“**P/B**”) and price to earnings ratio (“**P/E**”) of the Comparable Companies based on their closing price as at the Latest Practicable Date and their latest published financial information; and (b) the implied P/B and P/E of the Company based on the Offer Price and its latest published financial information:

Company name (Stock code)	Principal business	Year end date	P/B <i>(times)</i>	P/E <i>(times)</i>	Market capitalisation based on closing price of shares as at the Latest Practicable Date <i>(HK\$ million)</i>
Chi Cheung Investment Company, Limited (112)	Property development, property leasing, securities investments and finance.	31/12/2011	0.56 <i>(Note 1)</i>	35.61	599.62
Gemini Investments (Holdings) Limited (174)	Investment in securities and other investment.	31/12/2011	0.83 <i>(Note 1)</i>	N/A <i>(Note 2)</i>	392.04
Tern Properties Company Limited (277)	Property leasing and securities investment.	31/3/2012	0.35	2.34	920.20
Winfair Investment Company Limited (287)	Securities investments, property leasing and property development.	31/3/2012	0.41	5.78	191.20
Yugang International Limited (613)	Trading of scrap metals and other materials, treasury investment and property and other investment.	31/12/2011	0.19	N/A <i>(Note 2)</i>	390.82
Henry Group Holdings Limited (859)	Property leasing and development, provision of property agency and consultancy services and securities investment.	31/3/2012	0.31	0.44	315.22
<b>The Company</b>	<b>Property investment, and investment and finance.</b>	<b>31/12/2011</b>	<b>1.40</b> <i>(Note 3)</i>	<b>51.89</b> <i>(Note 3)</i>	<b>716.34</b>

Source: the Stock Exchange web-site ([www.hkex.com.hk](http://www.hkex.com.hk))

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## LETTER FROM GUANGDONG SECURITIES

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*Notes:*

- 1. The P/Bs of the selected companies were calculated based on their latest published interim results announcements for the six months ended 30 June 2012.*
- 2. The selected companies were loss making during the relevant latest financial year.*
- 3. Calculated based on the Offer Price.*

As shown by the above table, the Comparable Companies were trading at P/B ranging from approximately 0.19 times to approximately 0.83 times. The implied P/B of the Company (based on the Offer Price) of approximately 1.40 times is hence above the said market range. With regard to P/E, the Comparable Companies were trading at P/E ranging from approximately 0.44 times to approximately 35.61 times. The implied P/E of the Company (based on the Offer Price) of approximately 51.89 times is hence also above the said market range.

As mentioned under the section headed “Financial information on the Group” of this letter, the Group mainly derived its revenue from interest income from (i) its loan advanced to Fancy Mark Limited (represented approximately 27.75% and 33.80% of the Group’s revenue for the year ended 31 December 2010 and the year ended 31 December 2011 respectively); and (ii) its investment in various floating rate notes. With regard to item (i), it is expected that the remaining balance of the Loan under the Fancy Mark Loan Agreement will be settled after Completion when (a) the Directors consider it is in the interest of the Company to call for repayment of all or a portion of it; and (b) alternatives to the current investment (the “**Alternative Investments**”) become available. Consequently, the interest income/revenue of the Group may be reduced if the Company is unable to generate immediate income/revenue from the Alternative Investments. Besides that, as mentioned, the Directors also confirmed that the increase in total comprehensive income of the Group in 2011 as compared to 2010 was mainly due to (i) the increase in fair value of investment properties which the Group holds; and (ii) the exchange gain upon conversion of cash, received upon maturity of Euro-denominated floating rate notes, in foreign currency into HK\$, the movement of both of which may or may not continue to be favourable to the Company in the future. Taking into account all of the above, it is uncertain as to whether (i) the Group’s profitability would be enhanced; and (ii) the Group’s businesses would be expanded, in the future. In light of the foregoing together with the results of the market comparison as set forth above, we consider that the terms of the Offer (including the Offer Price), based on the current market condition, are fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM GUANGDONG SECURITIES

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### RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular:

- (i) the uncertainty on whether (a) the Group's profitability would be enhanced; and (b) the Group's businesses would be expanded in the future;
- (ii) the Offer Price was above the historical closing prices of the Shares during the Historical Period;
- (iii) the disposal of large block of Shares held by the Independent Shareholders in the open market may trigger price slump of the Shares as a result of the thin trading volume of the Shares; and
- (iv) the market comparison as set forth under the sub-section headed "Comparison with other comparable companies" of this letter (i.e. the implied P/B and P/E of the Company (based on the Offer Price) are above the market ranges of the P/Bs and P/Es of the Comparable Companies),

we consider that the terms of the Offer (including the Offer Price) are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

**However, we would also like to remind the Independent Board Committee to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period and consider selling their Shares in the open market, where possible, instead of accepting the Offer, if the net proceeds from such sales exceed the net amount receivable under the Offer.**

Those Independent Shareholders who decide to retain part or all of their investments in the Shares should carefully monitor the intentions of the Offeror in relation to the Company in the future and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer. Further terms and conditions of the Offer are set out in the "Letter from Quam Capital" and Appendix I to the Composite Document.

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## LETTER FROM GUANGDONG SECURITIES

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As different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,  
For and on behalf of  
**Guangdong Securities Limited**  
**Graham Lam**  
*Managing Director*

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

To accept the Offer, you should complete and sign the Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the Offer.

- (a) 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 your name, and you wish to accept the Offer, you must send the completed 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, being Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by post or by hand, marked "**G-Prop (Holdings) Limited General Offer**" on the envelope, in any event not 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.
  
- (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 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 Offer on your behalf and requesting it to deliver in an envelope marked "**G-Prop (Holdings) Limited General Offer**" with the completed 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 "**G-Prop (Holdings) Limited General Offer**" with the completed 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 Offer on your behalf on or before the deadline set by HKSCC Nominees 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 Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered in an envelope marked **“G-Prop (Holdings) Limited General 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 Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and deliver it in an envelope marked **“G-Prop (Holdings) Limited General 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 Quam 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 Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.



- (e) Acceptance of the Offer will be treated as valid only if the completed 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 Takeovers Code and the Registrar has recorded that the 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 subparagraph of this paragraph (e)); or
  - (iii) certified by the Registrar or the Stock Exchange.

If the 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 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 Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholder accepting the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares.
- (g) No acknowledgement of receipt of any 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) The address of the Registrar is at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

**2. SETTLEMENT**

- (a) Provided that the 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/her/it under the Offer, less seller's ad valorem stamp duty payable by him/her/it, will be despatched to each accepting Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven Business Days after 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 Offer will be implemented in full in accordance with the terms of the 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.

**3. ACCEPTANCE PERIOD AND REVISIONS**

- (a) Unless the Offer has previously been revised or extended with the consent of the Executive, all acceptances of the Offer must be received by the Registrar by 4:00 p.m. on Monday, 3 September 2012, being the Closing Date. The Offer is unconditional.
- (b) If the Offer is extended or revised and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer and, unless previously extended or revised, shall be closed on the subsequent closing date. If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.

- (c) In order to be valid, acceptances must be received by the Registrar in accordance with the instructions printed on the Form of Acceptance by no later than 4:00 p.m. on the Closing Date, unless the Offer is extended or revised.
- (d) If the closing date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.
- (e) It should be noted that pursuant to section 102(2) of the Companies Act 1981 of Bermuda, in the event that the Shares transferred to the Offeror pursuant to the Offer, together with any other Shares held by the Offeror, its subsidiaries and nominees of the Offeror, comprise 90% or more in value of the Shares, then the Offeror is required within one month from the date of the transfer to give notice (the “Section 102(2) Notice”) of that fact to the holders of the remaining Shares who have not accepted the Offer, and any such Shareholders who did not accept the Offer may within three months from the giving of the Section 102(2) Notice to him, himself give notice requiring the Offeror to acquire his Shares. Where a Shareholder gives such notice to the Offeror, the Offeror is entitled and bound to acquire those Shares on the same terms of the Offer or on such other terms as may be agreed or as the Court on the application of either the Offeror or the Shareholder thinks fit to order.

#### **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 Offer.

#### **5. ANNOUNCEMENTS**

- (a) By 6:00 p.m. on Monday, 3 September 2012 (or such later time and/or date as the Executive may in exceptional circumstances permit) which is the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the expiry, revision or extension of the Offer. 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 Offer and whether the Offer has been revised or extended.

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

- (i) for which acceptances of the Offer 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 could be counted towards fulfilling the requirements under paragraph 1(e) of this Appendix in accordance with the requirements under Rule 30.2 of the Takeovers Code.
- (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 Main Board Listing Rules.

## **6. RIGHT OF WITHDRAWAL**

Acceptance of the Offer tendered by any Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out below.

As 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 who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, upon the Independent Shareholder(s) withdraw(s) the acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the 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) in respect of the Shares lodged with the Form of Acceptance to the Independent Shareholder(s).

If the Offer is withdrawn, the Offeror must, as soon as possible but in any event within 10 days thereof, post the share certificates lodged with the Form of Acceptance to, or make such share certificates available for collection by, those Independent Shareholders who have accepted the Offer.

## **7. GENERAL**

- (a) All communications, notices, Form of Acceptance, certificates for Shares, 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 Offer to be delivered by or sent to or from the Independent Shareholders 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, Quam Securities, Quam Capital, Guangdong Securities, the Registrar nor any of their respective directors or professional advisers or other parties involved in the Offer 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 of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

- (e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Quam 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 Offer 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 in respect of which such person or persons has/have accepted the Offer.
- (f) Acceptance of the Offer 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 Offer are sold by such person or persons free from all 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 the date on which the Offer is made.
- (g) References to the Offer in this Composite Document and the Form of Acceptance shall include any revision and/or extension thereof.
- (h) The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder who wishes to accept the Offer 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 shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders in respect of the relevant jurisdictions. The Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the Offer.
- (i) Acceptances of the Offer 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 Offer, 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.

- (j) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offer) to all or any Independent Shareholders with registered address(es) outside Hong Kong or whom the Offeror or Quam 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 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 must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance shall not be construed as any legal or business advice on the part of the Offeror, the Company, Quam Securities, Quam Capital or Guangdong Securities or their respective professional advisers. The Independent Shareholders should consult their own professional advisers for professional advice.
  
- (l) The English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.

## 1. THREE YEARS FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for each of the three years ended 31 December 2009, 2010 and 2011; and (ii) the assets and liabilities as at 31 December 2009, 2010 and 2011 as extracted from the audited financial statements of the Group for the financial years ended 31 December 2009, 2010 and 2011. The auditors of the Company, HLB Hodgson Impey Cheng Limited, Chartered Accountants, Certified Public Accountants, Hong Kong, did not issue any qualified opinion on the financial statements of the Group for the three years ended 31 December 2009, 2010 and 2011. The Group had no exceptional or extraordinary items for each of the three years ended 31 December 2009, 2010 and 2011. The Group did not record any non-controlling interests for each of the three years ended 31 December 2009, 2010 and 2011, all profit (loss) of the Group for each of the three years ended 31 December 2009, 2010 and 2011 was attributable to owners of the Company.

Special dividend of approximately HK\$109.27 million, representing 4.5 HK cents per Share, has been announced by the Company to be paid on or about 14 August 2012 to the Shareholders on 18 July 2012. Details of the special dividend were disclosed in the Company's announcement on 18 July 2012.

	<b>Year ended 31 December</b>		
	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i> (restated)
<b>(1) Result</b>			
Revenue	<u>8,410</u>	<u>8,483</u>	<u>9,099</u>
Profit (loss) before tax	13,144	(879)	12,267
Income tax (expense) credit	<u>(50)</u>	<u>(980)</u>	<u>379</u>
Profit (loss) for the year	13,094	(1,859)	12,646
<b>Other comprehensive (expense) income</b>			
Fair value changes on available- for-sale financial assets	<u>(4,225)</u>	<u>5,415</u>	<u>26,941</u>
<b>Total comprehensive income for the year</b>	<u>8,869</u>	<u>3,556</u>	<u>39,587</u>



	Year ended 31 December		
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (restated)
<b>Profit (loss) for the year attributable to owners of the Company</b>	<u>13,094</u>	<u>(1,859)</u>	<u>12,646</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<u>8,869</u>	<u>3,556</u>	<u>39,587</u>
<b>Earnings (loss) per share</b> <i>(HK cents)</i>			
Basic and diluted	<u>0.54</u>	<u>(0.08)</u>	<u>0.56</u>
<b>Dividends per share</b> <i>(HK cents)</i>	<u>0.2</u>	<u>0.2</u>	<u>0.1</u>
<b>Dividends</b>	<u>4,857</u>	<u>4,857</u>	<u>2,428</u>
<b>(2) Assets and liabilities</b>			
Total assets	488,686	487,944	486,772
Total liabilities	<u>(1,150)</u>	<u>(1,992)</u>	<u>(1,948)</u>
	<u>487,536</u>	<u>485,952</u>	<u>484,824</u>

For the year ended 31 December 2010, the Group has early adopted HKAS 12 (Amendment), “Deferred Tax: Recovery of Underlying Assets” which is effective for annual periods beginning on or after 1 January 2012. This change in accounting policy has been applied retrospectively with consequential adjustments to financial information of the Group for the year ended 31 December 2009. Details of the adoption of this accounting policy were disclosed in the Company’s annual report for the year ended 31 December 2010.

## 2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE COMPANY

The following is the full text of the audited consolidated financial statements of the Company for the year ended 31 December 2010 and 2011 extracted from the annual report of the Company for the year ended 31 December 2011.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2011*

	<i>Notes</i>	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Revenue	7	8,410	8,483
Costs of sales		<u>(162)</u>	<u>(204)</u>
Gross profit		8,248	8,279
Other income	9	3,981	210
Administrative expenses		(2,885)	(5,218)
Fair value changes on investment properties		<u>3,800</u>	<u>(4,150)</u>
Profit (loss) before tax		13,144	(879)
Income tax expense	12	<u>(50)</u>	<u>(980)</u>
Profit (loss) for the year	10	13,094	(1,859)
<b>Other comprehensive (expense) income</b>			
Fair value changes on available-for-sale financial assets		<u>(4,225)</u>	<u>5,415</u>
<b>Total comprehensive income for the year</b>		<u><u>8,869</u></u>	<u><u>3,556</u></u>
<b>Profit (loss) for the year attributable to owners of the Company</b>		<u><u>13,094</u></u>	<u><u>(1,859)</u></u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<u><u>8,869</u></u>	<u><u>3,556</u></u>
<b>Earnings (loss) per share (HK cents)</b>	14		
Basic and diluted		<u><u>0.54</u></u>	<u><u>(0.08)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	<i>Notes</i>	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties	<i>15</i>	32,150	28,350
Goodwill	<i>16</i>	2,939	2,939
Interests in jointly controlled entities	<i>17</i>	–	–
Available-for-sale financial assets	<i>18</i>	34,978	79,677
		<u>70,067</u>	<u>110,966</u>
<b>Current assets</b>			
Available-for-sale financial assets	<i>18</i>	41,908	85,031
Loan to a fellow subsidiary	<i>19</i>	300,000	200,000
Debtors, deposits and prepayments	<i>20</i>	1,061	705
Short-term loans receivable	<i>21</i>	–	–
Time deposits and bank balances	<i>22</i>	75,650	91,242
		<u>418,619</u>	<u>376,978</u>
<b>Current liabilities</b>			
Amount due to ultimate holding company	<i>23</i>	3	–
Amounts due to fellow subsidiaries	<i>24</i>	103	230
Creditors and accruals	<i>25</i>	488	1,220
Deposits and receipts in advance		438	427
Tax liabilities		11	9
		<u>1,043</u>	<u>1,886</u>
<b>Net current assets</b>		<u>417,576</u>	<u>375,092</u>
<b>Total assets less current liabilities</b>		<u><u>487,643</u></u>	<u><u>486,058</u></u>

		2011	2010
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Equity attributable to owners</b>			
<b>of the Company</b>			
Share capital	26	24,282	24,282
Share premium		351,638	351,638
Translation reserve		234	234
Securities investments reserve		(2,907)	1,318
Retained profits			
– Proposed final dividend		2,428	4,857
– Others		111,861	103,623
		<u>487,536</u>	<u>485,952</u>
<b>Total equity</b>		<b>487,536</b>	<b>485,952</b>
<b>Non-current liability</b>			
Deferred tax liabilities	27	107	106
		<u>487,643</u>	<u>486,058</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Securities investments reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2010	24,282	351,638	234	(4,097)	112,767	484,824
Loss for the year	-	-	-	-	(1,859)	(1,859)
Fair value changes on available-for-sale financial assets	-	-	-	5,415	-	5,415
Total comprehensive income (expense) for the year	-	-	-	5,415	(1,859)	3,556
Final dividend paid	-	-	-	-	(2,428)	(2,428)
At 31 December 2010	24,282	351,638	234	1,318	108,480	485,952
Profit for the year	-	-	-	-	13,094	13,094
Fair value changes on available-for-sale financial assets	-	-	-	(4,225)	-	(4,225)
Total comprehensive (expense) income for the year	-	-	-	(4,225)	13,094	8,869
Final dividend paid	-	-	-	-	(4,857)	(4,857)
Interim dividend paid	-	-	-	-	(2,428)	(2,428)
<b>At 31 December 2011</b>	<b>24,282</b>	<b>351,638</b>	<b>234</b>	<b>(2,907)</b>	<b>114,289</b>	<b>487,536</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS***For the year ended 31 December 2011*

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
<b>Operating activities</b>		
Profit (loss) before tax	13,144	(879)
Adjustments for:		
Interest income	(7,225)	(6,881)
Fair value changes on investment properties	(3,800)	4,150
Net exchange (gain) loss	(2,658)	2,451
Operating cash flows before movements in working capital	(539)	(1,159)
(Increase) decrease in debtors, deposits and prepayments	(356)	14
(Decrease) increase in creditors and accruals, deposits and receipts in advance	(721)	9
Cash used in operating activities	(1,616)	(1,136)
Net Hong Kong Profits Tax paid	(47)	(58)
<b>Net cash used in operating activities</b>	<b>(1,663)</b>	<b>(1,194)</b>
<b>Investing activities</b>		
Redemption of available-for-sale financial assets	88,583	–
Interest received	4,631	3,670
Loan to a fellow subsidiary	(100,000)	–
<b>Net cash (used in) generated from investing activities</b>	<b>(6,786)</b>	<b>3,670</b>
<b>Financing activities</b>		
Dividends paid	(7,285)	(2,428)
Net advances from ultimate holding company	3	–
Net (repayment to) advances from fellow subsidiaries	(127)	41
<b>Net cash used in financing activities</b>	<b>(7,409)</b>	<b>(2,387)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(15,858)</b>	<b>89</b>
<b>Cash and cash equivalents at 1 January</b>	<b>91,242</b>	<b>91,242</b>
<b>Effect of foreign exchange rate changes</b>	<b>266</b>	<b>(94)</b>
<b>Cash and cash equivalents at 31 December</b>	<b>75,650</b>	<b>91,242</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Time deposits and bank balances	75,650	91,242

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 1. General information

The Company is an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). Its ultimate holding company is Chinese Estates Holdings Limited (“Chinese Estates”), a company incorporated in Bermuda with its shares listed on the Stock Exchange. The addresses of the Company’s registered office and principal office in Hong Kong are disclosed in the “Corporate Information” section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and its subsidiaries (“Group”) and all values are rounded to the nearest thousand (*HK\$’000*) except otherwise indicated.

The Company’s principal activity is investment holding and the principal activities of its principal subsidiaries and jointly controlled entities are set out in Notes 33 and 17 respectively.

### 2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

The accounting policies adopted in the consolidated financial statements for the year ended 31 December 2011 are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2010 except as described below.

In the current year, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning on 1 January 2011. The new HKFRSs adopted by the Group in the consolidated financial statements are set out below:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transaction with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definition of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

The Group had early adopted the amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets”, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 “Investment Property” for the financial year ended 31 December 2010 and this change in accounting policy has been consistently applied in the consolidated financial statements.

Save as described above, the application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Disclosures – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure <sup>5</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HKFRS 10	Consolidated Financial Statements <sup>3</sup>
HKFRS 11	Joint Arrangements <sup>3</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>3</sup>
HKFRS 13	Fair Value Measurement <sup>3</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>2</sup>
HKAS 19 (Revised in 2011)	Employee Benefits <sup>3</sup>
HKAS 27 (Revised in 2011)	Separate Financial Statements <sup>3</sup>
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures <sup>3</sup>
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities <sup>4</sup>
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>3</sup>



- <sup>1</sup> *Effective for annual periods beginning on or after 1 July 2011*
- <sup>2</sup> *Effective for annual periods beginning on or after 1 July 2012*
- <sup>3</sup> *Effective for annual periods beginning on or after 1 January 2013*
- <sup>4</sup> *Effective for annual periods beginning on or after 1 January 2014*
- <sup>5</sup> *Effective for annual periods beginning on or after 1 January 2015*

HKFRS 9 “Financial Instruments” (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 “Financial Instruments” (as revised in November 2010) adds requirements for the financial liabilities and for derecognition. Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The application of HKFRS 9 might affect the classification, measurement and presentation of the Group’s financial assets and financial liabilities.

The Group is in the process of assessing the potential impact of these new and revised HKFRSs but is not yet in a position to determine whether these new and revised HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new and revised HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

### **3. Summary of significant accounting policies**

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”), and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and by the disclosure requirements of the Hong Kong Companies Ordinance.

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

**(a) *Basis of consolidation***

*Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments within the measurement period (a maximum of 12 months from the acquisition date). Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of comprehensive income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of comprehensive income where appropriate.

**(b) Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Goodwill is measured as the excess of the sum of the consideration transferred, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in the consolidated statement of comprehensive income as a bargain purchase gain.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

**(c) Jointly controlled entities**

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

***(d) Impairment losses***

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 the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**(e) *Investment properties***

Investment properties are properties held to earn rental income and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from the changes in the fair value of the investment properties are included in the consolidated statement of comprehensive income for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income for the year in which the property is derecognised.

**(f) *Financial instruments***

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of comprehensive income.

*Financial assets*

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of such category of financial assets are set out below.

### Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

### Loans and receivables

Loans and receivables (including loan to a fellow subsidiary, debtors and deposits, short-term loans receivable and time deposits and bank balances) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any identified impairment losses.

### Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories under HKAS 39. Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of securities investments reserve, until the financial asset is disposed of or determined to be impaired, at which time, the cumulative gain or loss previously accumulated in securities investments reserve is reclassified to the consolidated statement of comprehensive income (see the accounting policy in respect of impairment loss on financial assets below).

However, interest calculated using the effective interest method is recognised in the consolidated statement of comprehensive income.

### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, 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 the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average 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 loss recognised is as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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



The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, 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 the consolidated statement of comprehensive income.

When available-for-sale financial assets are determined to be impaired, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to the consolidated statement of comprehensive income.

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

In respect of available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### *Financial liabilities and equity*

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 the Group after deducting all of its liabilities. The Group's financial liabilities are classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

#### Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at fair value through profit or loss.

#### Other financial liabilities

Other financial liabilities (including amount due to ultimate holding company, amounts due to fellow subsidiaries, creditors and accruals and deposits received) are subsequently measured at amortised cost, using the effective interest method.

#### Equity instruments

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

#### *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire, or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated statement of comprehensive income.

For financial liabilities, they are removed from the consolidated statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of comprehensive income.

**(g) Revenue recognition**

Rental income, including rental invoiced in advance from properties under operating leases, is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimate future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

**(h) Taxation**

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such 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 on investments in subsidiaries and associates, and interests in joint ventures, 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.

The carrying amount of deferred tax assets is reviewed at the end of each 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 is calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised. Current and deferred tax are recognised to the consolidated statement of comprehensive income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the entity intends to settle its current tax assets and liabilities on a net basis.

**(i) Leasing**

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

*The Group as lessor*

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

**(j) 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 exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated statement of comprehensive income in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

**(k) Retirement benefits costs**

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

**(l) Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

*(m) Related parties*

- (i) A person, or a close member of that person's family, is related to the Group if that person:
  - (1) has control or joint control over the Group;
  - (2) has significant influence over the Group; or
  - (3) is a member of the key management personnel of the Group or the Group's parent.
  
- (ii) An entity is related to the Group if any of the following conditions applies:
  - (1) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (3) both entities are joint ventures of the same third party.
  - (4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (6) the entity is controlled or jointly controlled by a person identified in (i).
  - (7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

#### 4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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.

##### *Critical judgments in applying accounting policies*

The following are the critical judgments, apart from those involving estimations, 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 consolidated financial statements.

##### *Investment properties*

The fair value of each investment property is individually determined at the end of each reporting period based on its market value and by adopting investment method, and/or direct comparison method, as appropriate. The valuation was relied on the discounted cash flow analysis and the capitalisation of income approach. The investment method is based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current term leases, term yield rate, assumptions about rental income from future reversion leases in light of current market conditions, the assumed occupancy rate and reversionary yield rate. Judgment by the valuers is required to determine the principal valuation factors, including term yield rate and reversionary yield rate. Such yield rates were adopted after considering the investment sentiments and market expectations of properties of similar nature. Direct comparison method assumes each of these properties is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets. Should there be changes in assumptions due to change in market conditions, the fair value of the investment properties will change in future.

*Impairment of goodwill*

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in Note 3. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

**5. Financial instruments***(a) Categories of financial instruments:*

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
<b>Financial assets</b>		
Available-for-sale financial assets	76,886	164,708
Loans and receivables (including time deposits and bank balances)	<u>376,270</u>	<u>291,511</u>
<b>Financial liabilities</b>		
Amortised cost	<u>968</u>	<u>1,798</u>

*(b) Financial risk management objectives and policies*

The Group's major financial instruments include available-for-sale financial assets, loan to a fellow subsidiary, debtors and deposits, short-term loans receivable, time deposits and bank balances, amount due to ultimate holding company, amounts due to fellow subsidiaries, creditors and accruals and deposits received. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.



*Market risk*

## (i) Foreign currency risk

The majority of the Group's monetary assets and monetary liabilities by value and the rental income are denominated in HK\$, except the available-for-sale financial assets are denominated in United States dollars ("USD"). The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	<b>2011</b>	<b>2010</b>
<b>Assets</b>	<i>HK\$'000</i>	<i>HK\$'000</i>
EURO ("EUR")	–	40,952
USD	<u>77,166</u>	<u>130,635</u>

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the HK\$ against the relevant foreign currencies. As HK\$ are pegged to USD, it is assumed that there would be no material currency risk exposure between these two currencies and therefore is excluded from the analysis below. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

A positive/negative number below indicates an increase/decrease in profit where the relevant currencies strengthen 5% against HK\$.

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Impact of EUR		
Profit or loss	—	2,048

The Group's sensitivity to foreign currency has decreased during the current year mainly due to the decrease in monetary net assets denominated in EUR.

(ii) Cash flow interest rate risk

The Group does not have any bank borrowings.

The Group has interest-bearing assets including available-for-sale financial assets, loan to a fellow subsidiary and time deposits and bank balances and is therefore exposed to cash flow interest rate risk, details of which have been disclosed in respective notes. The Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rates ("HIBOR") and The London Interbank Offered Rates ("LIBOR").

Sensitivity analysis

If the floating rates had been 50 basis points higher/lower, the Group's:

- profit before tax for the year ended 31 December 2011 would increase/decrease by approximately HK\$2,232,000 (2010: loss before tax decrease/increase HK\$2,225,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate financial assets; and

- no impact to the other component of equity for the years ended 31 December 2011 and 2010.

(iii) Price risk

The Group's investments classified as available-for-sale financial assets are measured at fair value at the end of each reporting period and expose the Group to price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

If prices had been 5% higher/lower, the Group's:

- profit before tax for the years ended 31 December 2011 and 2010 would not increase/decrease; and
- other component of equity for the year ended 31 December 2011 would increase/decrease by approximately HK\$3,844,000 (2010: HK\$8,235,000).

*Credit risk*

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2011 in relation to each class of recognised financial assets are the carrying amounts of those assets. With respect to credit risk arising from loan to a fellow subsidiary, the Group's exposure to risk of default of the counterparty is limited as the counterparty has good history of repayment. The Group's time deposits are deposited with banks of high credit quality in Hong Kong.

The Group made transactions with counterparties with acceptable credit quality in conformance to the Group treasury policies to minimise credit exposure. Acceptable credit ratings from reputable credit rating agencies and scrutiny of financials for non-rated counterparties are two important criteria in the selection of counterparties. The credit quality of counterparties will be closely monitored over the life of the transactions. The Group reviews its financial counterparties periodically in order to reduce credit risk concentrations relative to the underlying size and credit strength of each counterparty.

In an attempt to forestall adverse market movement, the Group also monitors potential exposures to each financial institution counterparty.

Other than concentration of credit risk on the loan to a fellow subsidiary, the Group does not have any other significant concentration of credit risk.

#### *Liquidity risk*

The Group manages liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and intended credit lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term. The liquidity risk is under continuous monitoring by management. Management will raise bank borrowings whenever necessary.

At the end of the reporting period, the Group did not have significant exposure to liquidity risk.

The contractual maturities at the end of the reporting period of the Group's financial liabilities which are required to be repaid within one year or on demand amounted to HK\$968,000 (2010: HK\$1,798,000).

#### *(c) Fair value estimation*

The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

The directors of the Company (“Directors”) consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1:	fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2:	fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3:	fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the Group’s analysis of financial instruments recorded at fair value by the fair value hierarchy:

	Level 1 <i>HK\$’000</i>	Level 2 <i>HK\$’000</i>	Level 3 <i>HK\$’000</i>	Total <i>HK\$’000</i>
<b>At 31 December 2011</b>				
Available-for-sale financial assets	76,886	–	–	76,886
<b>At 31 December 2010</b>				
Available-for-sale financial assets	164,708	–	–	164,708

There were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of each reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

## 6. Capital risk management

The Group's primary objectives when managing capital are to safeguard the abilities of the entities in the Group to continue as a going concern, so that it can continue to provide returns for shareholders of the Company and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Directors actively and regularly review and manage the Group's capital structure to maximise the returns to shareholders through the optimisation of the debt afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions. The Group's overall strategy remains unchanged from 2010.

Consistent with others in the industry, the Group monitors its capital structure on the basis of the gearing ratio. At 31 December 2011 and 2010, the Group's gearing ratio was undefined because the Group did not have any borrowings at the end of each reporting period.

## 7. Revenue

	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue represents the aggregate amounts received and receivable, analysed as follows:		
Property rental income	1,764	1,695
Interest income from investment and finance	6,646	6,788
	<u>8,410</u>	<u>8,483</u>

## **8. Operating segments**

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has engaged two reportable segments – (i) investment and finance; and (ii) properties investment. The segmentations are based on the information about the operations of the Group that management uses to make decisions.

Principal activities are as follows:

Investment and finance	–	Investing and financing activities
Properties investment	–	Property leasing

The Group evaluates performance on the basis of profit or loss from operations before tax expense but not including the major non-cash items. The major non-cash item is fair value changes on investment properties. There is no intersegment revenue accountable for in both years.

The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2010.

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business has different markets and requires different marketing strategies.

Included in revenue arising from investment and finance of HK\$6,646,000 (2010: HK\$6,788,000) is revenue of approximately HK\$5,070,000 (2010: HK\$5,961,000) which arose from the Group's three (2010: four) major customers and each customer accounted for more than 10% of the Group's total revenue.

Operating segment information is presented below:

**Consolidated Statement of Comprehensive Income**

*For the year ended 31 December 2011*

	Investment and finance <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue</b>			
Revenue from external customers	6,646	1,764	8,410
<b>Results</b>			
Segment results for reportable segments	9,304	1,619	10,923
Unallocated items			
Interest income			579
Unallocated corporate expenses, net			(2,158)
Income tax expense			(50)
<b>Core profit (excluding major non-cash item)</b>			9,294
Major non-cash item			
– fair value changes on investment properties			3,800
<b>Profit for the year attributable to owners of the Company</b>			13,094



**Consolidated Statement of Financial Position***At 31 December 2011*

	Investment and finance <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Assets</b>			
Segment assets for reportable segments	448,279	37,468	485,747
Unallocated corporate assets			2,939
Consolidated total assets			488,686
<b>Liabilities</b>			
Segment liabilities for reportable segments	536	496	1,032
Unallocated corporate liabilities			118
Consolidated total liabilities			1,150

**Consolidated Statement of Comprehensive Income***For the year ended 31 December 2010*

	Investment and finance <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue</b>			
Revenue from external customers	6,788	1,695	8,483
<b>Results</b>			
Segment results for reportable segments	4,437	1,508	5,945
Unallocated items			
Interest income			93
Unallocated corporate expenses			(2,767)
Income tax expense			(980)
<b>Core profit (excluding major non-cash item)</b>			2,291
Major non-cash item			
– fair value changes on investment properties			(4,150)
<b>Loss for the year attributable to owners of the Company</b>			(1,859)

**Consolidated Statement of Financial Position***At 31 December 2010*

	<b>Investment and finance</b> <i>HK\$'000</i>	<b>Properties investment</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>Assets</b>			
Segment assets for reportable segments	<u>452,846</u>	<u>32,159</u>	485,005
Unallocated corporate assets			<u>2,939</u>
Consolidated total assets			<u><u>487,944</u></u>
<b>Liabilities</b>			
Segment liabilities for reportable segments	<u>1,326</u>	<u>551</u>	1,877
Unallocated corporate liabilities			<u>115</u>
Consolidated total liabilities			<u><u>1,992</u></u>

***Geographical information***

For the years ended 31 December 2011 and 2010, all the Group's operations are located in Hong Kong. The Group's revenue is all derived from Hong Kong for both years.

## 9. Other income

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Included in other income are:		
Interest income	579	93
Exchange gain, net	<u>2,658</u>	<u>–</u>

## 10. Profit (loss) for the year

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit (loss) for the year has been arrived at after (charging) crediting:		
Total staff costs:		
Directors' emoluments	(470)	(410)
Salaries and other benefits	(989)	(899)
Retirement benefit scheme contributions	(52)	(40)
	(1,511)	(1,349)
Auditors' remuneration	(300)	(300)
Exchange loss, net	–	(2,451)
Gross rental income from investment properties	1,764	1,695
Less: Direct operating expenses from investment properties that generated rental income during the year	(146)	(187)
Direct operating expenses from investment properties that did not generate rental income during the year	(16)	(17)
	<u>1,602</u>	<u>1,491</u>

## 11. Directors' and employees' emoluments

### (a) Directors' emoluments

Fees and other emoluments paid or payable to the Directors for the years ended 31 December 2011 and 2010 were as follows:

	2011			2010		
	Salaries and other		Total	Salaries and other		Total
	Fee	emoluments		Fee	emoluments	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Mr. Kong, Chi-ming	10	–	10	10	–	10
Mr. Leung, Wing-pong	10	–	10	10	–	10
Dr. David Chain, Chi-woo	150	–	150	130	–	130
Mr. Lam, Yat-fai	150	–	150	130	–	130
Mr. Leung, Yun-fai	150	–	150	130	–	130
	<u>470</u>	<u>–</u>	<u>470</u>	<u>410</u>	<u>–</u>	<u>410</u>

No Directors waived any emoluments for the years ended 31 December 2011 and 2010.

### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, all (2010: all) were Directors whose emoluments were included in (a).

During the years ended 31 December 2011 and 2010, no emoluments were paid by the Group to the Directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

## 12. Income tax expense

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
The charge comprises:		
Current tax:		
Hong Kong	49	51
Deferred tax	<u>1</u>	<u>929</u>
	<u><u>50</u></u>	<u><u>980</u></u>

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the year.

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

	2011		2010	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit (loss) before tax	<u>13,144</u>		<u>(879)</u>	
Tax at the Hong Kong Profits				
Tax rate of 16.5%				
(2010: 16.5%)	2,169	16.5	(145)	16.5
Tax effect of income not taxable for tax purpose	(12)	(0.1)	(556)	63.3
Tax effect of expenses not deductible for tax purpose	(1,466)	(11.1)	950	(108.1)
Tax effect of tax losses not recognised	382	2.9	1,619	(184.2)
Utilisation of tax losses previously not recognised	<u>(1,023)</u>	<u>(7.8)</u>	<u>(888)</u>	<u>101.0</u>
Tax charge for the year	<u><u>50</u></u>	<u><u>0.4</u></u>	<u><u>980</u></u>	<u><u>(111.5)</u></u>

**13. Dividends**

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
(a) Final dividend for 2010 paid on 17 June 2011 of HK0.2 cents (2009: HK0.1 cent) per share	4,857	2,428
(b) Interim dividend for 2011 paid on 28 September 2011 of HK0.1 cent (2010: Nil) per share	<u>2,428</u>	<u>–</u>
Total dividends paid	<u><u>7,285</u></u>	<u><u>2,428</u></u>

Final dividend of HK0.1 cent (2010: HK0.2 cents) per ordinary share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

**14. Earnings (loss) per share**

The calculation of the basic and diluted earnings (loss) per share is based on the profit attributable to owners of the Company of HK\$13,094,000 (2010: loss of HK\$1,859,000) and on the weighted average number of 2,428,255,008 (2010: 2,428,255,008) ordinary shares in issue during the year.

Diluted earnings (loss) per share for the years ended 31 December 2011 and 2010 was the same as the basic earnings (loss) per share as there were no diluting events during both years.

**15. Investment properties**

	<i>HK\$'000</i>
<b>Fair value</b>	
At 1 January 2010	32,500
Decrease in fair value recognised in the consolidated statement of comprehensive income	<u>(4,150)</u>
At 31 December 2010	28,350
Increase in fair value recognised in the consolidated statement of comprehensive income	<u>3,800</u>
<b>At 31 December 2011</b>	<b><u><u>32,150</u></u></b>

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

Property valuations as at 31 December 2011 and 2010 were carried out by B.I. Appraisals Limited ("B.I. Appraisals"), independent qualified professional valuers, who hold a recognised professional qualification and have recent relevant experience. Property valuation was arrived at by reference to market evidence of transaction prices for similar properties at similar locations.

The valuation report for the investment properties as at 31 December 2011 is signed by a director of B.I. Appraisals, who is a member of The Hong Kong Institute of Surveyors. The valuation is performed in accordance with The Hong Kong Institute of Surveyors Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors.

The Group's investment properties are under long-term leases in Hong Kong as at 31 December 2011 and 2010.

## 16. Goodwill

HK\$'000

**Cost**

At 1 January 2010, 31 December 2010 and 31 December 2011 2,939

**Impairment**At 1 January 2010, 31 December 2010 and 31 December 2011 –**Carrying amounts**At 31 December 2010 and 31 December 2011 2,939***Impairment testing of goodwill***

For the purpose of impairment testing, goodwill has been allocated to the following cash-generating unit (“CGU”). The carrying amount of goodwill (net of accumulated impairment losses) as at 31 December 2011 and 2010 was allocated as follow:

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Investment properties	<u><u>2,939</u></u>	<u><u>2,939</u></u>

The recoverable amount for the CGU has been determined based on value-in-use calculation using five-year cash flow projection approved by the Directors. The pre-tax discount rate of approximately 8.96% (2010: 11.67%) per annum was applied to the cash flow projection when assessing the recoverability of the CGU containing goodwill.



There are a number of assumptions and estimates involved for the preparation of the cash flow projection. Key assumptions included gross margin and discount rate which are determined by the Directors based on past performance and its expectation for market development. The values assigned to key assumptions are based on historical experience, current market condition, approved forecasts and consistent with external information sources. Gross margin are budgeted gross margin. The discount rate used was determined with reference to weighted average cost of capital of similar companies in the industry reflected specific risks relating to the industry. The Directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the CGU to exceed the recoverable amounts of CGU. During the years ended 31 December 2011 and 2010, the Directors determine that there is no impairment of the goodwill.

#### 17. Interests in jointly controlled entities

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Share of net assets of jointly controlled entities	—	—

Details of the Group's jointly controlled entities, which are held indirectly by the Company as at 31 December 2011, are as follows:

Name of jointly controlled entity	Form of business and structure	Place of incorporation	Proportion of nominal value of issued share capital held	Principal activities
Golden Royce Investment Limited	Incorporated	Hong Kong	40%	Dormant
Top Grade Assets Limited	Incorporated	British Virgin Islands	50%	Dormant
Upgrade Properties Limited	Incorporated	British Virgin Islands	50%	Dormant

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

The summarised financial information in respect of the Group's jointly controlled entities is set out below:

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Total assets	–	–
Total liabilities	<u>(160,145)</u>	<u>(160,138)</u>
Net liabilities	<u><u>(160,145)</u></u>	<u><u>(160,138)</u></u>
Net assets attributable to the Group	<u><u>–</u></u>	<u><u>–</u></u>
Revenue	<u><u>–</u></u>	<u><u>–</u></u>
Loss for the year	<u><u>(7)</u></u>	<u><u>(3,990)</u></u>
Profit for the year attributable to the Group	<u><u>–</u></u>	<u><u>–</u></u>

**18. Available-for-sale financial assets**

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Available-for-sale financial assets comprise:		
Club debentures ( <i>Note 1</i> )	–	–
Floating rate notes		
Listed ( <i>Note 2</i> )	–	38,976
Unlisted ( <i>Note 3</i> )	<u>76,886</u>	<u>125,732</u>
	<u><u>76,886</u></u>	<u><u>164,708</u></u>
Analysis for reporting purposes as:		
Non-current assets	34,978	79,677
Current assets	<u>41,908</u>	<u>85,031</u>
	<u><u>76,886</u></u>	<u><u>164,708</u></u>

*Notes:*

- (1) The club debentures classified as available-for-sale financial assets are stated at cost less accumulated impairment losses. The costs of club debentures were HK\$220,000 and a full provision for impairment have been made during the year of 2007.
- (2) At 31 December 2010, the listed floating rate note which carried interest at Euro Interbank Offered Rates plus 0.2% per annum, payable on quarterly basis, was denominated in EUR.
- (3) The unlisted floating rate notes with maturity dates in 2012 and 2014 carry interest at LIBOR plus 0.3% to 0.35% per annum, payable on quarterly basis, and the balances with maturity date in 2012 were classified as current assets. At the end of the reporting period, the unlisted floating rate notes are denominated in USD.

**19. Loan to a fellow subsidiary**

On 4 November 2008, the Company, as lender, entered into a loan agreement with Fancy Mark Limited (“Fancy Mark”), a subsidiary of Chinese Estates, as borrower, and Chinese Estates, as guarantor, to grant a three-year revolving facility of up to HK\$200 million to Fancy Mark at an interest rate of HIBOR plus 1% per annum (“First Revolving Loan”).

On 22 September 2011, the Company, as lender, entered into a new loan agreement to renew the First Revolving Loan with revised principal of HK\$300 million with the same parties for three-year commenced from 3 November 2011 at an interest rate of HIBOR plus 1.5% per annum (“Second Revolving Loan”).

For further details of the Second Revolving Loan, please refer to the Company’s circular dated 12 October 2011.

Name of fellow subsidiary	Highest balance during the year	2011	2010
	HK\$’000	HK\$’000	HK\$’000
Fancy Mark			
– First Revolving loan	200,000	–	200,000
– Second Revolving loan	300,000	300,000	–

**20. Debtors, deposits and prepayments**

Included in debtors, deposits and prepayments are trade receivables of HK\$8,400 (2010: Nil) comprised rental receivables billed in advance and settlements from tenants are expected upon receipts of billings.

The Group maintains a defined credit policy to assess the credit quality of each counterparty. The collection is closely monitored to minimise any credit risk associated with these trade receivables. Rental in respect of leased properties are payable in advance by the tenants.

The following is the aged analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting period:

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
0 – 30 days	4	–
31 – 60 days	4	–
	<u>8</u>	<u>–</u>
	<u><u>8</u></u>	<u><u>–</u></u>

Total trade receivables as at 31 December 2011 were past due but not impaired.

Despite the fact that no collateral is held, the Group has assessed the creditworthiness, past payment history and settlement after the end of the reporting period, and considered that the amounts are still recoverable and no allowance for doubtful debts is required.

**21. Short-term loans receivable**

	<b>2011</b> <i>HK\$'000</i>	<b>2010</b> <i>HK\$'000</i>
Loans receivable	3,203	3,203
<i>Less:</i> Allowance for bad and doubtful debts	–	(3,203)
<i>Less:</i> Amounts written off as uncollectible during the year	(3,203)	–
	<u>–</u>	<u>–</u>
	<u><u>–</u></u>	<u><u>–</u></u>

The Group maintained a defined credit policy in accordance with respective loan agreements and the Group did not hold any collateral over these balances.

## 22. Time deposits and bank balances

The time deposits carry interests at prevailing market deposit rates and mature within one month. The Group does not hold collateral over the balances.

## 23. Amount due to ultimate holding company

The amount due to ultimate holding company is unsecured, interest-free and repayable on demand.

## 24. Amounts due to fellow subsidiaries

The amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand.

## 25. Creditors and accruals

There were no trade payables included in creditors and accruals as at 31 December 2011 and 2010.

## 26. Share capital

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 January 2010, 31 December 2010 and 31 December 2011	<u>80,000,000,000</u>	<u>800,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2010, 31 December 2010 and 31 December 2011	<u>2,428,255,008</u>	<u>24,282</u>

**27. Deferred tax liabilities**

The following is the major deferred tax liabilities provided (assets recognised) by the Group and movements thereon during the current and prior reporting periods:

	<b>Investment properties</b> <i>HK\$'000</i>	<b>Tax losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2010	105	(928)	(823)
Charged to the consolidated statement of comprehensive income	1	928	929
At 31 December 2010	106	–	106
Charged to the consolidated statement of comprehensive income	1	–	1
<b>At 31 December 2011</b>	<b>107</b>	<b>–</b>	<b>107</b>

For the purpose of the presentation in the consolidated statement of financial position, certain deferred tax liabilities and assets have been offset.

At 31 December 2011, the Group has unused tax losses of HK\$702,362,000 (2010: HK\$705,677,000) available for offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams. All unused tax losses may be carried forward indefinitely.

**28. Share option scheme**

The Company adopted a share option scheme on 15 February 2002 (“2002 Scheme”) for the primary purpose of providing incentives to Directors and eligible employees. Pursuant to the terms of the 2002 Scheme, the Company may grant options to Directors and full time employees of the Company or its subsidiaries to subscribe for ordinary shares in the Company at a consideration of HK\$10 per grant. The subscription price for the shares under the 2002 Scheme shall be a price determined by the Directors being at least the higher of the closing price of the shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant, or the average closing price of the shares stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant. Options granted are exercisable at any time during a period to be notified by the Directors but limited to a maximum period of ten years after the date the options are granted. Options granted should be accepted within 21 days from date of offer.

There were no outstanding options at the beginning and at the end of the year. No option was granted, exercised, cancelled or lapsed during the year and the said scheme expired on 14 February 2012.

### 29. Capital commitments and contingent liabilities

At 31 December 2011 and 2010, the Group did not have any material capital commitments and contingent liabilities.

### 30. Operating leases

At 31 December 2011 and 2010, the Group did not have any material operating lease commitments.

### 31. Retirement benefit schemes

The Group operates defined contribution retirement schemes in Hong Kong, namely the Occupational Retirement Scheme (“ORSO Scheme”) and the Mandatory Provident Fund Scheme (“MPF Scheme”). Contributions to the ORSO Scheme are based on a percentage of employees’ salaries ranging from 5% to 10%, depending upon the length of service of the employees. From 1 December 2000, newly joined employees are compulsorily required to join the MPF Scheme. The employer and its employees are each required to make contributions to the scheme at rates specified in the rules of the MPF Scheme.

The total costs charged to the consolidated statement of comprehensive income of approximately HK\$52,000 (2010: HK\$40,000) represented contributions payable to these schemes by the Group for the year.

### 32. Material related party transactions

#### *Transactions:*

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

	2011 HK\$’000	2010 HK\$’000
Interest income on loan to a fellow subsidiary ( <i>Note 1</i> )	2,843	2,354
Management fee paid to a fellow subsidiary ( <i>Note 2</i> )	90	132
	<u>          </u>	<u>          </u>

*Notes:*

- (1) Interest income was charged on outstanding balance during the year, details are set out in Note 19.
- (2) Management fee was based on the terms mutually agreed by both parties.

***Balances:***

Details of the balances with related parties at the end of reporting period are set out in Notes 19, 23 and 24.

***Key management personnel emoluments:***

Remuneration for key management personnel is disclosed in Note 11(a).

**33. Particulars of principal subsidiaries**

The Directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the following list contains only the subsidiaries as at 31 December 2011 which principally affected the results or assets of the Group.

Name of subsidiary	Place of incorporation/ operation	Class of share/ registered capital held	Fully paid share capital/ registered capital	Proportion of nominal value of paid-up capital/registered capital held by the Company		Principal activities
				Directly	Indirectly	
Grow Wealth Company Ltd (Business name: Grow Wealth Property Investment Limited)	Republic of Liberia/ Hong Kong	Registered	US\$1	–	100%	Property investment
G-Prop Services Limited	Hong Kong	Ordinary	HK\$2	–	100%	Investment and finance
Minkind Development Limited	Hong Kong	Ordinary	HK\$2	–	100%	Property investment

None of the subsidiaries had issued any debt securities subsisting at the end of the reporting period or at any time during the reporting period.



**34. Information about the statement of financial position of the company**

The Company's statement of financial position at 31 December 2011 and 2010 are as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Non-current asset</b>		
Investments in subsidiaries	61,914	154,260
<b>Current assets</b>		
Loan to a fellow subsidiary	300,000	200,000
Prepayment and other receivables	958	463
Time deposits and bank balances	69,944	80,583
	<u>370,902</u>	<u>281,046</u>
<b>Current liabilities</b>		
Amount due to ultimate holding company	3	–
Amounts due to fellow subsidiaries	87	149
Accruals and other payables	352	359
	<u>442</u>	<u>508</u>
<b>Net current assets</b>	<u>370,460</u>	<u>280,538</u>
<b>Total assets less current liabilities</b>	<u><u>432,374</u></u>	<u><u>434,798</u></u>
<b>Equity attributable to owners of the Company</b>		
Share capital ( <i>Note 26</i> )	24,282	24,282
Share premium	351,638	351,638
Retained profits		
– Proposed final dividend	2,428	4,857
– Others	53,688	53,601
	<u>432,036</u>	<u>434,378</u>
<b>Total equity</b>	<u>432,036</u>	<u>434,378</u>
<b>Non-current liability</b>		
Amounts due to subsidiaries	338	420
	<u>432,374</u>	<u>434,798</u>

- (a) The HKICPA has issued the new HKFRSs which are effective for the Company's financial year beginning 1 January 2011. The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

The Company has undertaken to provide necessary financial resources to support the future operations of the subsidiaries. The Directors are of the opinion that the subsidiaries are financially resourceful in settling obligations.

- (b) The carrying amount of the investment in subsidiaries is reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.
- (c) Except for an amount due from subsidiary of HK\$40,852,000 (2010: HK\$36,507,000) is interest-bearing, the amounts due from (to) subsidiaries are unsecured, interest-free and have no fixed repayment terms.
- (d) Profit of the Company for the year ended 31 December 2011 amounted to approximately HK\$4,943,000 (2010: HK\$3,665,000).

### **35. Events after the reporting period**

The Group does not have material events after the end of the reporting period.

### **36. Authorisation for issue of the consolidated financial statements**

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 9 March 2012.

**3. INDEBTEDNESS STATEMENT**

Save as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptances credits or hire purchase commitments, guarantees or any material contingent liabilities as at the close of business on 30 June 2012. The Directors confirmed that there had been no material change in the indebtedness of the Group since 30 June 2012.

**4. MATERIAL CHANGE**

The Directors confirm that save as and except for the below, there was no material change in the financial or trading position or outlook of the Group since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date:

- (i) the Company announced on 18 July 2012 regarding the declaration of the Special Dividend totaling approximately HK\$109 million. The Special Dividend will be paid on or about 14 August 2012 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on 3 August 2012. It is expected that payment of the Special Dividend will reduce the working capital and net asset value of the Group by the same amount during the year ending 31 December 2012 but the Group shall have adequate distributable profits and available cash to satisfy the proposed Special Dividend payment;
- (ii) the Company expected that the Group will record a positive change in “Fair value changes on investment properties” in its condensed consolidated statement of comprehensive income for the first half of 2012 due to the increase in fair values of the car parks owned by the Group given the growing property market of Hong Kong in the first half of 2012; and
- (iii) the Company is aware of the challenges of the European debt crisis, the slowdown of the economic growth in the PRC and Hong Kong as well as the problem brought by the quantitative easing measures adopted by various countries which have had an impact on the financial and trading environment of the Group since 31 December 2011. The Group’s business is subject to the change of general operating and trading environment in Hong Kong and worldwide. As the Group’s current core business is the lending to Fancy Mark Limited, investment in floating rates notes and property investment in carport and car parking spaces, any change in interest rate (like HIBOR) will have material influence on the interest earning capacity of the Group. The European debt crisis will also affect the value of floating rate notes. The more money supply to be brought by the quantitative easing measures by various countries, the lower the interest rate and income would be under the current pegged US-HK foreign exchange system.

**1. RESPONSIBILITY STATEMENT**

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with regard to the Group and the Offer.

All 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 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 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 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 in this Composite Document misleading.

This Composite Document, for which all Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it) in compliance with the Listing Rules, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief: (i) the information contained in this Composite Document is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this Composite Document misleading; and (iii) all opinions expressed in this Composite Document have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.

**2. CORPORATE INFORMATION OF THE COMPANY**

The Company is an investment holding company incorporated in Bermuda and together with its subsidiaries are principally engaged in property investment, and investment and finance.

The Company was incorporated in Bermuda on 11 June 1990 as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its ordinary shares are listed on the main board of the Stock Exchange. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its principal office and principal place of business in Hong Kong are located at Suite 4018, 40/F, Jardine House, 1 Connaught Place, Hong Kong.

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

The authorised share capital and the issued share capital of the Company as at the Latest Practicable Date were HK\$800,000,000 divided into 80,000,000,000 Shares and HK\$24,282,550.08 divided into 2,428,255,008 Shares respectively.

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

As at the Latest Practicable Date, the Company has no outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares.

Since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to the Latest Practicable Date, the Company had not issued any new Shares.

### 4. MARKET PRICES

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

Month	Closing price of Shares (HK\$)
31 January 2012	0.1500
29 February 2012	0.1910
30 March 2012	0.1600
30 April 2012	0.1700
31 May 2012	0.1530
15 June 2012 ( <i>being the Last Trading Day</i> )	0.1920
29 June 2012	0.1920
31 July 2012	0.2800
10 August 2012 ( <i>being the Latest Practicable Date</i> )	0.2950

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing six months preceding the date of the Joint Announcement, and ending on the Latest Practicable Date were HK\$0.2950 on 10 August 2012 and HK\$0.1310 on 10 January 2012, 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, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 and short positions which he was 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 for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors had any interests in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

Mr. HY Cheng, a proposed Director, is the beneficial owner of 538,000 Shares as at the Latest Practicable Date. Ms. Ma Oi Lai, the spouse of Mr. HY Cheng, is the beneficial owner of 300,000 Shares. Mr. HY Cheng has confirmed that neither he nor his spouse had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

**(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:

**Interest in Shares**

As at the Latest Practicable Date, interests of the Offeror and parties acting in concert with it and the directors of the Offeror in the Shares were as follows:

<b>Name</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate % of shareholding</b>
The Offeror ( <i>Note 1</i> )	Beneficial owner	1,512,059,473 ( <i>Note 2</i> )	62.26%
Mr. Cheung ( <i>Note 1</i> )	Interest of controlled corporation	1,512,059,473	62.26%
Mr. Lau ( <i>Note 4</i> )	Founder of trust, beneficiary of trust and interest of controlled corporations	1,512,059,473	62.26%
CEHL ( <i>Note 3</i> )	Interest of controlled corporations	1,512,059,473	62.26%
Global King (PTC) Ltd. ( <i>Note 3</i> )	Trustee	1,512,059,473	62.26%
GZ Trust Corporation ( <i>Note 3</i> )	Trustee, beneficiary of trust and interest of controlled corporations	1,512,059,473	62.26%
First Vendor ( <i>Note 2, 3</i> )	Person having a security interest in Shares	1,512,059,473	62.26%

*Notes:*

1. The Offeror is wholly and beneficially owned by Mr. Cheung.
2. The Sale Shares were pledged by the Offeror to the First Vendor pursuant to a security agreement dated 6 August 2012 entered into between the Offeror and the First Vendor.
3. GZ Trust Corporation as trustee of a discretionary trust holds units in a unit trust of which Global King (PTC) Ltd. is the trustee. Global King (PTC) Ltd. is entitled to exercise more than one-third of the voting power at general meetings of CEHL. CEHL indirectly owns the entire issued share capital of the First Vendor. Accordingly, each of Global King (PTC) Ltd., GZ Trust Corporation and CEHL was deemed to be interested in the same interests stated against the First Vendor.
4. Mr. Lau, by virtue of his 74.99% interests in the issued share capital of CEHL, was deemed to be interested in the same interests stated against CEHL.

Please refer to the section headed “Biographies of new Directors to be nominated by the Offeror” in the “Letter from Quam Capital” for details of the interests held by Mr. HY Cheng, a proposed Director, in the Company.

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

As at the Latest Practicable Date,

- (a) none of the Company and the Directors was interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of the Offeror;
- (b) save as disclosed in section 5 of this Appendix, none of the Offeror, its sole director nor parties acting in concert with the Offeror was interested in or owned or controlled any Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares;
- (c) there was no shareholding in the Company which the Offeror or any party acting in concert with it has borrowed or lent;
- (d) there was no shareholding in the Company which the Company or any Directors has borrowed or lent;



- (e) save for the arrangement of resignation contemplated thereunder as set out under the section headed “Proposed change of the Board composition” in the “Letter from Quam Capital” of this Composite Document, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;
- (f) save for the arrangement of resignation as mentioned under the Joint Announcement and as set out under the section headed “Proposed change of the Board composition” in the “Letter from Quam Capital” of this Composite Document, 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 Offer;
- (g) 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 of the Company;
- (h) 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;
- (i) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by fund managers connected with the Company;
- (j) no Independent Shareholder prior to the posting of this Composite Document had irrevocably committed himself or herself or itself to accept or reject the Offer;
- (k) 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 of the Company;
- (l) none of the Company or any of the Directors has borrowed or lent any Shares or any convertible securities, warrants, options or derivatives issued by the Company;
- (m) 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 Offer; and

- (n) all Shares to be acquired by the Offeror under the Offer will be financed by internal resources of the Offeror and the loan facility of up to HK\$75 million under the Loan Facility Agreement. A security agreement was executed by the Offeror in favour of the First Vendor, pursuant to which 1,512,059,473 Sale Shares owned by the Offeror have been charged to the First Vendor to secure the Offeror's obligations to repay the total principal amounts under the Promissory Note(s) or any part thereof. The Offeror has no intention to transfer, charge or pledge the Shares acquired in pursuance of the Offer to any other persons.

## **7. DEALINGS IN SECURITIES AND ARRANGEMENTS IN RELATION TO DEALINGS**

During the Relevant Period,

- (a) save for the sale and purchase of the Sale Shares under the Share Purchase Agreement as disclosed in the "Letter from Quam Capital" in this Composite Document and the Placing Agreement, 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 of the Company;
- (b) none of the Company or the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror;
- (c) none of the Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company;
- (d) no fund managers who were connected with the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company which were managed on a discretionary basis;
- (e) 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 of the Company; and
- (f) 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 of the Company.

The Offeror confirms that as at the Latest Practicable Date,

- (i) the Offeror, its ultimate beneficial owner, and parties acting in concert with any of them did not receive any irrevocable commitment to accept or reject the Offer;
- (ii) there was no outstanding derivative in respect of securities in the Company, which was entered by the Offeror, its ultimate beneficial owner or any person acting in concert with any of them;
- (iii) save for (aa) the security agreement made by the Offeror in favour of the First Vendor, pursuant to which 1,512,059,473 Sale Shares owned by the Offeror have been charged to the First Vendor to secure the Offeror's obligations to repay the total principal amounts under the Promissory Note(s) or any part thereof, (bb) the Loan Facility Agreement which contains a provision in connection with the provision by the Offeror to Quam Securities of all the Offer Shares tendered for acceptance under the Offer to be accepted by Quam Securities on behalf of the Offeror as collateral, and (cc) the Placing Agreement which contains a provision where the Offeror shall deposit the accepted Shares under the Offer from the commencement of the Offer in the securities account maintained with Quam Securities under the Placing Agreement and shall not withdraw any of the accepted Shares under the Offer for so long as the loan facility under the Loan Facility Agreement is available for drawdown and/or any sum remains due and owing by the Offeror to Quam Securities under the Loan Facility Agreement, whichever is later, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which may be material to the Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (iv) save for the Sale Shares none of the Offeror, its ultimate beneficial owner and parties acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (v) save for the Share Purchase Agreement, there is no agreement or arrangement to which the Offeror, its ultimate beneficial owner and parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and
- (vi) there is no relevant security (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.

**8. DIRECTORS' SERVICE CONTRACTS AND OTHER INTERESTS**

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 six 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 Offer.

There was no material contract to which the Offeror is a party in which any Director has a material personal interest.

**9. LITIGATION**

Neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

**10. MATERIAL CONTRACT**

The Company or any of its subsidiaries had, within the two years preceding the date of Joint Announcement and up to and including the Latest Practicable Date, entered into the following contract which is or may be material, other than contracts in the ordinary course of business of the Group:

- (a) a loan agreement dated 22 September 2011 entered into among the Company (as lender), Fancy Mark Limited (as borrower) and CEHL (as guarantor of Fancy Mark Limited) in relation to a three-year revolving facility of up to HK\$300 million at an interest rate of HIBOR plus 1.5% per annum.

**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>Qualifications</b>
Guangdong Securities	a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Quam Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Guangdong Securities and Quam Capital 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.

As at the Latest Practicable Date, neither Guangdong Securities nor Quam Capital had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, save for the Shares held and dealt for the accounts of the non-discretionary clients by the brokerage division of Guangdong Securities.

Neither Guangdong Securities nor Quam Capital have any direct or indirect interests in any assets which have been, since 31 December 2011 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

**12. GENERAL**

As at the Latest Practicable Date:

- (a) The registered office of the Offeror is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and the correspondence address of the Offeror is at Room 2, 15/F., Block C, Sun Kwai Hing Garden, Kwai Chung, New Territories, Hong Kong. The sole director and the sole shareholder of the Offeror is Mr. Cheung and his correspondence address is at Room 2, 15/F., Block C, Sun Kwai Hing Garden, Kwai Chung, New Territories, Hong Kong.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company is at Suite 4018, 40/F, Jardine House, 1 Connaught Place, Hong Kong. The Board comprises one deputy chairman, namely Mr. Kong, Chi-ming and one chief executive officer, namely Mr. Leung, Wing-pong, and three independent non-executive Directors, namely Dr. David Chain, Chi-woo, Mr. Lam, Yat-fai, and Mr. Leung, Yun-fai.
- (c) The company secretary of the Company is Miss Wong Yuet Ying.
- (d) The registered office of Quam Capital and Quam Securities is situated at Room 3208, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong.
- (e) The registered office of Guangdong Securities is situated at Units 2505-06, 25/F, Low Block of Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
- (f) In the event of inconsistency, the English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection, during the period from 13 August 2012, being the date of this Composite Document for so long as the Offer remains open for acceptance, at (i) the website of the SFC at <http://www.sfc.hk>; (ii) the website of the Company at <http://www.g-prop.com.hk>, and (iii) (during normal business hours from 9:00 a.m. to 5:00 p.m., except for Saturdays, Sundays and public holidays) the principal place of business of the Company in Hong Kong at Suite 4018, 40/F, Jardine House, 1 Connaught Place, Hong Kong:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the memorandum and articles of association of the Offeror;

- (c) the annual report of the Group for each of the two financial years ended 31 December 2011;
- (d) a copy of this Composite Document;
- (e) the letter dated 13 August 2012 from the Board as set out on pages 9 to 14 of this Composite Document;
- (f) the letter dated 13 August 2012 from Quam Capital as set out on pages 15 to 30 of this Composite Document;
- (g) the letter dated 13 August 2012 from the Independent Board Committee to the Independent Shareholders as set out on pages 31 to 32 of this Composite Document;
- (h) the letter dated 13 August 2012 from Guangdong Securities to the Independent Board Committee as set out on pages 33 to 52 of this Composite Document;
- (i) the letter of consents referred to under the paragraph headed “Consents and qualifications” in this Appendix;
- (j) the material contract referred to under the paragraph headed “Material Contract” in this Appendix;
- (k) the Share Purchase Agreement;
- (l) a security agreement dated 6 August 2012 entered into between the Offeror and the First Vendor, pursuant to which 1,512,059,473 Sale Shares owned by the Offeror have been charged to the First Vendor to secure the Offeror’s obligations to repay the total principal amounts under the Promissory Note(s) or any part thereof;
- (m) the Placing Agreement; and
- (n) the Loan Facility Agreement.