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

If you have sold or transferred all your securities in the Company, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or 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 contents of which form part of the terms and conditions of the Offer contained herein.

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**The Hong Kong Building and
Loan Agency Limited**

香港建屋貸款有限公司

(Incorporated in Hong Kong

with limited liability)

(Stock code: 145)

Hyde Park Group Limited

(Incorporated in the British Virgin Islands

with limited liability)

COMPOSITE OFFER AND RESPONSE DOCUMENT

RELATING TO

MANDATORY UNCONDITIONAL CASH OFFER BY

SUN HUNG KAI INTERNATIONAL LIMITED

ON BEHALF OF

HYDE PARK GROUP LIMITED

FOR ALL THE ISSUED SHARES IN

THE HONG KONG BUILDING AND LOAN AGENCY LIMITED

(OTHER THAN THOSE ALREADY OWNED

OR AGREED TO BE ACQUIRED

BY HYDE PARK GROUP LIMITED

AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to Hyde Park Group Limited



新鴻基金融集團

SUN HUNG KAI FINANCIAL

Independent financial adviser to the Independent Board Committee of

The Hong Kong Building and Loan Agency Limited



SOMERLEY LIMITED

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 Sun Hung Kai is set out on pages 6 to 15 of this Composite Document. A letter from the Board is set out on pages 16 to 20 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 21 to 22 of this Composite Document. A letter from Somerley containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 23 to 39 of this Composite Document.

The procedures for acceptance and settlement of the Offer are set out on pages 40 to 44 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the share registrar of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Friday, 23 October 2009 or such later time and/or date as the Offeror may determine and announce in accordance with 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 sub-paragraph headed "Overseas Shareholders" under the paragraph headed "The Offer" in the letter from Sun Hung Kai and in the paragraph headed "Overseas Shareholders" in Appendix I to 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 of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

2 October 2009

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EXPECTED TIMETABLE

All references to times and dates contained in this Composite Document refer to Hong Kong times and dates. The timetable set out below is indicative only and any changes to the timetable will be announced by the Offeror.

2009

Despatch date of this Composite Document and the accompanying Form of Acceptance and commencement of the Offer (<i>Note 1</i>)	Friday, 2 October
Latest time and date for acceptance of the Offer (<i>Note 2</i>)	4:00 p.m. on Friday, 23 October
Closing Date of the Offer (<i>Note 2</i>)	Friday, 23 October
Announcement in respect of the results of the Offer, or as to whether the Offer has been revised or extended, published on the Stock Exchange's website.	not later than 7:00 p.m. on Friday, 23 October
Latest date for posting of remittances to the Shareholders in respect of valid acceptances received under the Offer (<i>Note 3</i>)	Monday, 2 November

Notes:

1. The Offer begins on Friday, 2 October 2009, being the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.
2. The Offer, which is unconditional, will be closed on Friday, 23 October 2009. The Offeror reserves its right to revise or extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any revision or extension of the Offer by 7:00 p.m. on Friday, 23 October 2009. In any event, where the Offer is revised or extended, the Offer will remain open for acceptance until further notice in accordance with the Takeovers Code. At least 14 days' notice in writing will be given, before the close of the Offer, to those Shareholders who have not accepted the Offer.
3. Remittances in respect of the cash consideration for the Offer Shares tendered under the Offer will be despatched to the accepting holders of Offer Shares by ordinary post at their own risk as soon as possible, but in any event within 10 days from the date of receipt by the Registrar of all the requisite documents from the holders of Offer Shares accepting the Offer to render the relevant acceptance under the Offer complete and valid.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Agreement”	the sale and purchase agreement dated 21 August 2009 entered into between the Offeror and the Vendor in relation to the sale and purchase of the Sale Share
“associate(s)”	has the meanings ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	23 October 2009 or if the Offer is revised or extended, the closing date of the Offer as revised or extended by the Offeror in accordance with the Takeovers Code
“Company”	The Hong Kong Building and Loan Agency Limited (stock code: 145), a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Share in accordance with the terms of the Agreement
“Completion Date”	the date of Completion, being 25 September 2009 or such earlier date as the Offeror and the Vendor may agree
“Composite Document”	this document jointly issued by the Offeror and the Company in connection with the Offer
“Directors”	directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the executive director
“Form of Acceptance”	the form of acceptance and transfer of Shares in respect of the Offer accompanying this Composite Document

DEFINITIONS

“Further Deposit”	the further deposit in the amount of HK\$92,643,750 paid by the Offeror to the Vendor on 28 August 2009
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors to advise the Independent Shareholders on the terms of the Offer
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Initial Deposit”	the initial deposit in the amount of HK\$30,881,250 paid by the Offeror to the Vendor on the signing of the Agreement
“Island New”	Island New Finance Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Offeror immediately after the Completion and as at the Latest Practicable Date
“Joint Announcement”	the joint announcement dated 28 August 2009 jointly made by the Offeror and the Company in relation to, among other things, the Agreement and the Offer
“Last Trading Day”	18 August 2009, being the last trading day of the Shares immediately prior to their being suspended from trading on the Stock Exchange on 19 August 2009 pending the release of the Joint Announcement
“Latest Practicable Date”	29 September 2009, being the latest practicable date for the purpose of ascertaining certain information in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tang”	Mr. Tang Yu Ming, Nelson, the sole beneficial owner and one of the directors of the Offeror, and who is expected to be appointed as a non-executive Director with effect from the date immediately after this Composite Document has been posted as required by the Takeovers Code

DEFINITIONS

“Offer”	the mandatory unconditional cash offer being made by Sun Hung Kai on behalf of the Offeror 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
“Offeror”	Hyde Park Group Limited, a company incorporated in the BVI with limited liability which is beneficially and wholly-owned by Mr. Tang, being the purchaser of the Sale Share under the Agreement
“Offer Price”	the price at which the Offer is being made, i.e. at HK\$1.83 per Offer Share
“Offer Share(s)”	issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Registrar”	Tricor Tengis Limited, the share registrar of the Company, located at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period commencing from 28 February 2009, being the date falling on six months immediately prior to the date of the Joint Announcement, up to and including the Latest Practicable Date
“Sale Share”	one share of US\$1.00 in the capital of Island New acquired by the Offeror from the Vendor pursuant to the terms and conditions of the Agreement
“SFC”	the Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$1.00 each in the issued share capital of the Company
“Shareholders”	holders of Shares

DEFINITIONS

“Somerley”	Somerley Limited, a corporation licensed to carry out Type 1 (dealing in securities), 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 the Independent Board Committee in relation to the Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun Hung Kai”	Sun Hung Kai International Limited, a licensed corporation under the SFO permitted to engage in Type 1 (dealings in securities) and Type 6 (advising on corporate finance) regulated activities, and the financial adviser to the Offeror
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Vendor”	Mercurius Partners Investments Limited, a company incorporated in the BVI with limited liability, which held the Sale Share immediately prior to Completion
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

LETTER FROM SUN HUNG KAI



2 October 2009

To the Independent Shareholders

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SUN HUNG KAI INTERNATIONAL LIMITED
ON BEHALF OF
HYDE PARK GROUP LIMITED
FOR ALL THE ISSUED SHARES IN
THE HONG KONG BUILDING AND LOAN AGENCY LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED
BY HYDE PARK GROUP LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 28 August 2009, the Offeror and the Company jointly announced that the Offeror and the Vendor entered into the Agreement on 21 August 2009 pursuant to which the Vendor agreed to sell and the Offeror agreed to acquire the Sale Share, representing the entire issued share capital of Island New. The sole asset of Island New is its interests in 168,750,000 Shares, representing 75% of the issued share capital of the Company.

The total consideration for the Sale Share is HK\$308,812,500 which was agreed between the Vendor and the Offeror after arm's length negotiations, and represents a price of HK\$1.83 per Share for the 168,750,000 Shares in which Island New is interested. Completion took place on 25 September 2009.

Prior to Completion, the Offeror and parties acting in concert with it did not hold any Shares. Upon Completion, the Offeror and parties acting in concert with it have become interested in a total of 168,750,000 Shares, representing 75% of the issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is 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.

LETTER FROM SUN HUNG KAI

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. Further details of the terms of the Offer are set out below in this letter, Appendix I to this Composite Document and the Form of Acceptance.

Shareholders are strongly advised to consider carefully the information contained in the letter from the Board set out on pages 16 to 20 of this Composite Document, the letter from the Independent Board Committee set out on pages 21 to 22 of this Composite Document and the letter from Somerley in relation to the Offer set out on pages 23 to 39 of this Composite Document.

THE OFFER

Principal terms of the Offer

Sun Hung Kai, the financial adviser to the Offeror, is making the Offer, which is unconditional in all respects, on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For every Offer Share HK\$1.83 in cash

The Offer Price of HK\$1.83 per Offer Share was made with reference to and is not less than the effective price per Share paid by the Offeror for the acquisition of the Sale Share under the Agreement.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all liens, right of set-off, counter claim charges, mortgages, pledges, encumbrances or security arrangements and other options, restrictions, conditions, claims or third party rights, interest or equity of any kind and together with all rights and benefits now and thereafter attaching thereto as at the date of the Agreement, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the Agreement.

Comparison of value

The Offer Price of HK\$1.83 per Offer Share is equal to the effective price per Share paid by the Offeror for the acquisition of the Sale Share under the Agreement and represents:

- (i) a premium of approximately 47.58% over the closing price of HK\$1.24 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 61.95% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day of approximately HK\$1.13 per Share;
- (iii) a premium of approximately 75.96% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day of HK\$1.04 per Share;
- (iv) a premium of approximately 79.41% over the audited consolidated total equity attributable to Shareholders of approximately HK\$1.02 per Share as at 31 December 2008; and

LETTER FROM SUN HUNG KAI

- (v) a discount of approximately 0.54% to the closing price of HK\$1.84 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$2.16 per Share on 2 September 2009 and HK\$0.55 per Share on 1 April 2009 and 9 April 2009 respectively.

Value of the Offer

On the basis of the Offer Price of HK\$1.83 per Offer Share and 225,000,000 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at HK\$411,750,000. As the Offeror and parties acting in concert with it have held 168,750,000 Shares immediately after Completion, only the remaining 56,250,000 Shares will be subject to the Offer and the Offer is valued at HK\$102,937,500 based on the Offer Price.

Financial resources available to the Offeror

Sun Hung Kai is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptances of the Offer. The Offer is financed by credit facilities provided by Sun Hung Kai Investment Services Limited to the Offeror.

The Offeror confirms that payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the facility referred to above will not depend to any significant extent on the business of the Company.

Effects of accepting the Offer

By accepting the Offer, Shareholders will sell their Shares and together with all rights and benefits now and thereafter attaching thereto as at the date of the Agreement, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the Agreement. There have not been any changes to the rights and benefits of shareholders or distributions declared, made or paid between the date of the Agreement and the Latest Practicable Date.

Stamp duty

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

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as practicable but in any event within 10 days of the date on which the relevant documents of title are received by the Registrar to render each such acceptance complete and valid.

LETTER FROM SUN HUNG KAI

Other arrangements

As at the Latest Practicable Date, save for the Agreement, 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 might be material to the Offer. Save for the Agreement, there is no agreement or arrangement to which the Offeror is a party which relate to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

As at the Latest Practicable Date, none of the Offeror nor the parties acting in concert with it has received any irrevocable commitment to accept the Offer.

Overseas Shareholders

The Offer being made in respect of securities of a company incorporated in Hong Kong and will be subject to the procedure and disclosure requirements of Hong Kong, which may be different from other jurisdictions. The ability of Shareholders outside Hong Kong wishing to participate in the Offer will also be subject to, and may be limited by, the laws and regulations of their respective jurisdictions.

The attention of the Shareholders with a registered address in jurisdiction outside Hong Kong is drawn to the section headed "Overseas Shareholders" in Appendix I to this Composite Document.

TAXATION

It is emphasised that none of the Offeror, Sun Hung Kai, the Company, Somerley or any of their respective directors or any persons involved in the Offer accept responsibility for any taxation effects on or liabilities of any person or persons as a result of their acceptance of the Offer.

This Composite Document does not include any information in respect of overseas taxation. Shareholders who may be subject to overseas tax are urged to consult their tax advisers regarding the relevant jurisdiction of owning and disposing of the Shares.

LETTER FROM SUN HUNG KAI

SHAREHOLDING STRUCTURE

Set out below is a table showing the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately after Completion and as at the Latest Practicable Date:

	Immediately prior to Completion		Immediately after Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Island New and parties acting in concert with it	168,750,000	75	168,750,000	75
Public Shareholders	56,250,000	25	56,250,000	25
Total	<u>225,000,000</u>	<u>100</u>	<u>225,000,000</u>	<u>100</u>

Note:

Immediately prior to Completion, Island New was wholly-owned by the Vendor. Immediately after Completion and as at the Latest Practicable Date, Island New was wholly-owned by the Offeror.

COMPULSORY ACQUISITION

The Offeror does not intend to apply any right which may be available to it to acquire compulsorily any Shares outstanding after closing of the Offer.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company and is beneficially and wholly-owned by Mr. Tang. The principal activity of the Offeror is investment holding. As at the Latest Practicable Date, Mr. Tang and Ms. Wu Hoi Shan are the only directors of the Offeror. Ms. Wu Hoi Shan is the spouse of Mr. Tang.

Further details of Mr. Tang are set out in the paragraph headed “Proposed Change of Board Composition” below.

Save for the shareholding interest in the Company held by the Offeror and parties acting in concert with it as disclosed in the section headed “Shareholding structure” above, the Offeror and its beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Save for the acquisition of the Sale Share, the Offeror and parties acting in concert with it have not dealt in the Shares and the relevant securities (as defined in Note 4 of Rule 22 of the Takeovers Code) directly or indirectly, during the Relevant Period. As at the Latest Practicable Date, the Offeror and parties acting in concert with it have not entered into any contracts in relation to the outstanding derivatives in respect of relevant securities (as defined in Note 4 of Rule 22 of the Takeovers Code) in the Company nor borrowed or lent any relevant securities (as defined in Note 4 of Rule 22 of the Takeovers Code) in the Company.

LETTER FROM SUN HUNG KAI

INFORMATION ON THE GROUP

The Company is an investment holding company with its subsidiaries principally engaged in investment holding, provision of mortgage finance and other related services and treasury investments.

The Group recorded audited loss attributable to equity holders of the Company of approximately HK\$2,711,000 and approximately HK\$1,465,000 for the two financial years ended 31 December 2007 and 2008 respectively. The audited consolidated total equity attributable to equity holders of the Company as at 31 December 2007 and 31 December 2008 were approximately HK\$229,260,000 and approximately HK\$228,580,000 respectively.

OFFEROR'S INTENTION ON THE GROUP

It is the intention of the Offeror that the Group will continue its existing principal activities. The Offeror does not intend to introduce any major changes to the existing operation and business of the Company. The Offeror will explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth. The Offeror will conduct a more detailed review on the operations of the Group with a view to developing a comprehensive corporate strategy. Subject to the results of such review and should suitable investment or business opportunities arise, the Offeror may consider in any major changes to the existing operations and business of the Group with an objective to broaden the income stream of the Group. However, no such investment or business opportunities have been identified as at the Latest Practicable Date. Based on the above, the Offeror considers that the Offer is in its long-term commercial interests. In the event that any of such opportunities materialise, further announcement(s) will be made by the Company as and when required by the Listing Rules. As at the Latest Practicable Date, the Offeror has no intention or concrete plan for any acquisition or disposal of assets and/or business by the Group and/or major employee changes of the Group and the Offeror does not intend to redeploy any fixed assets of the Group.

PROPOSED CHANGE OF BOARD COMPOSITION

The Board is currently made up of seven Directors, comprising four executive Directors and three independent non-executive Directors.

The Offeror intends to nominate, and the Board intends to accept the nomination of, two new executive Directors, being Mr. Chan Chun Wai and Mr. Lau Yu Fung, Wilson, a non-executive Director, being Mr. Tang and three new independent non-executive Directors, being Mr. Yu Kam Kee, Lawrence, Mr. Chan Chi Yuen and Mr. Au Tin Fung, to the Board with effect from the date immediately after this Composite Document has been posted as required by the Takeovers Code. The Offeror has not yet decided any further nomination to the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made accordingly.

LETTER FROM SUN HUNG KAI

The brief biographies of the proposed new executive Directors are set out below:

Mr. Chan Chun Wai

Mr. Chan, aged 40, graduated from the University of Central Oklahoma with a bachelor degree in computer sciences and mathematics. He has over 18 years of experience in the field of information technology in Hong Kong and the United States of America. Mr. Chan was an independent non-executive director of Garico Holdings Limited (formerly known as Gorient (Holdings) Limited) from 22 March 2005 to 29 May 2007.

Mr. Chan was also an independent non-executive director and a member of the audit committee and the remuneration committee of China Public Procurement Limited (formerly known as Sunny Global Holdings Limited) from 27 August 2007 to 7 August 2009.

Mr. Chan does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Chan does not have any interest in the Shares within the meaning of Part XV of the SFO.

Mr. Lau Yu Fung, Wilson

Mr. Lau Yu Fung, Wilson, aged 45, graduated from the University of Adelaide with bachelor of laws and South Australian Institute of Technology with graduate diploma in legal practice. He has 20 years of experience in legal and commercial practice in Australia and Hong Kong. Mr. Lau is a partner of Lau Kwong & Hung, a legal firm of Hong Kong.

Mr. Lau does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Lau does not have any interest in the Shares within the meaning of Part XV of the SFO.

The brief biography of the proposed new non-executive Director is set out below:

Mr. Tang Yu Ming, Nelson

Mr. Tang, aged 39, is a managing director of Shikumen Capital Management Limited. He is responsible for its investment activity, operations and business development.

Prior to co-founding Shikumen Capital Management Limited, Mr. Tang, from 1992 to 2007, spent 15 years in financial asset management industry. Mr. Tang was an active investor in publicly traded companies, PIPEs, pre-IPOs, private equities and structured transactions.

Mr. Tang graduated from Wharton School, University of Pennsylvania with a bachelor of science and economics degree majoring in finance and accounting in 1992.

Save for being a director of the Offeror, Mr. Tang does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, save for the 168,750,000 Shares held by Island New, Mr. Tang does not have any interest in the Shares within the meaning of Part XV of the SFO.

LETTER FROM SUN HUNG KAI

The brief biographies of the proposed new independent non-executive Directors are set out below:

Mr. Yu Kam Kee, Lawrence, B.B.S., M.B.E., J.P.

Mr. Yu, aged 64, has undergone training at Bayer AG and Cassella AG in Germany and has accumulated many years of extensive experience in the chemical industry. He is the honorary life president of the Hong Kong Dyestuffs Merchants Association Limited. He also serves on many charitable and social organisations. He is now the co-chairman of the campaign committee of The Community Chest of Hong Kong, governor of the Hong Kong Automobile Association, director of the Hong Kong Football Association Limited and chairman of the campaign committee of the Road Safety Council.

Mr. Yu is the chairman and an executive director of See Corporation Limited, the senior advisor of China Renji Medical Group Limited and an independent non-executive director of both Great China Holdings Limited and Global Flex Holdings Limited. The shares of the above four companies are all listed on the Stock Exchange. He is also the non-executive chairman of Trasy Gold Ex Limited, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Yu does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Yu does not have any interest in the Shares within the meaning of Part XV of the SFO.

Mr. Chan Chi Yuen

Mr. Chan, aged 43, holds a bachelor degree with honours in business administration and a master of science degree in corporate governance and directorship. He is a fellow of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and is an associate of The Institute of Chartered Accountants in England and Wales. Mr. Chan is a practicing certified public accountant and has extensive experience in financial management, corporate finance and corporate governance.

Mr. Chan is currently an executive director of Kong Sun Holdings Limited and an independent non-executive director of China Sciences Conservational Power Limited, Premium Land Limited, Hong Kong Health Check and Laboratory Holdings Company Limited, Superb Summit International Timber Company Limited, Richly Field China Development Limited and China Grand Forestry Green Resources Group Limited. Mr. Chan was an executive director of New Times Energy Corporation Limited since 10 May 2006 and was redesignated as a non-executive director from 25 October 2006 onwards. He was also an executive director of Amax Holdings Limited from August 2005 to January 2009 and China E-Learning Group Limited from July 2007 to September 2008 and an independent non-executive director of Golden Resorts Group Limited from September 2004 to October 2005.

Mr. Chan does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Chan does not have any interest in the Shares within the meaning of Part XV of the SFO.

LETTER FROM SUN HUNG KAI

Mr. Au Tin Fung

Mr. Au, aged 51, is an independent non-executive Director and a member of the audit committee and the remuneration committee of China Public Procurement Limited (formerly known as Sunny Global Holdings Limited) from 27 August 2007 to 30 September 2009. Mr. Au has graduated from the business management department of the Hong Kong Baptist University. He holds a master degree in business administration from the Upper Iowa University, the United States of America. He has worked for Wong's Kong King International (Holdings) Limited as the corporate assistant general manager and the director general of Shenzhen Dengcheng Realities Development Company Limited. Mr. Au was an independent non-executive director of China Conservational Power Holdings Limited, a company listed on the main board of the Stock Exchange, from 23 December 2005 to 10 May 2006.

Mr. Au does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Au does not have any interest in the Shares within the meaning of Part XV of the SFO.

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.

In the event that the compulsory acquisition rights are not available to the Offeror and the Offer closes, the Offeror will use reasonable endeavours to maintain the listing of the Shares on the Stock Exchange and will ensure that not less than 25% of the Shares will be held by the public in compliance with the Listing Rules.

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 issued 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.

FURTHER TERMS OF THE OFFER

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

GENERAL

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

LETTER FROM SUN HUNG KAI

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members or, in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the said register of members, unless otherwise specified in the relevant Forms of Acceptance completed and returned by the Independent Shareholders. None of the Company, the Offeror and the parties acting in concert with it, Sun Hung Kai, Somerley and the Registrar or any of their respective directors or any other person involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof. The attention of the Shareholders with a registered address in jurisdiction outside Hong Kong is drawn to the section headed "Overseas Shareholders" in Appendix I to this Composite Document.

ADDITIONAL INFORMATION

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

Yours faithfully,

For and on behalf of

Sun Hung Kai International Limited

Eric Shum

Managing Director

Edmond Choy

Associate Director

LETTER FROM THE BOARD



The Hong Kong Building and Loan Agency Limited
香港建屋貸款有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 145)

Executive Directors:

Mr. John Zwaanstra

Mr. John Pridjian

Mr. Todd David Zwaanstra

Mr. Jonathon Jarrod Lawless

Registered office:

27th Floor

Entertainment Building

30 Queen's Road Central

Hong Kong

Independent non-executive Directors:

Mr. Alan Howard Smith, *J.P.*

Mr. Stephen King Chang-Min

Mr. Patrick Smulders

2 October 2009

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SUN HUNG KAI INTERNATIONAL LIMITED
ON BEHALF OF
HYDE PARK GROUP LIMITED
FOR ALL THE ISSUED SHARES IN
THE HONG KONG BUILDING AND LOAN AGENCY LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED
BY HYDE PARK GROUP LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 28 August 2009, the Offeror and the Company jointly announced that the Offeror and the Vendor entered into the Agreement on 21 August 2009 pursuant to which the Vendor agreed to sell and the Offeror agreed to acquire the Sale Share, representing the entire issued share capital of Island New. The sole asset of Island New is its interests in 168,750,000 Shares, representing 75% of the issued share capital of the Company.

LETTER FROM THE BOARD

The total consideration for the Sale Share is HK\$308,812,500 which was agreed between the Vendor and the Offeror after arm's length negotiations, and represents a price of HK\$1.83 per Share for the 168,750,000 Shares in which Island New is interested. Completion took place on 25 September 2009. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is 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. Details of the Offer are set out in the letter from Sun Hung Kai on pages 40 to 44 of this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance.

The purpose of this Composite Document is to provide you with, among other things, further information relating to the Group and the Offer, the recommendation of the Independent Board Committee to the Independent Shareholders on the Offer and the advice of Somerley to the Independent Board Committee in relation to the Offer.

SHAREHOLDING STRUCTURE

Set out below is a table showing the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately after Completion and as at the Latest Practicable Date:

	Immediately prior to Completion		Immediately after Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Vendor* and parties acting in concert with it	168,750,000	75	nil	nil
Offeror* and parties acting in concert with it	nil	nil	168,750,000	75
Public Shareholders	56,250,000	25	56,250,000	25
Total	<u>225,000,000</u>	<u>100</u>	<u>225,000,000</u>	<u>100</u>

(* Through Island New, which was wholly-owned by the Vendor immediately before Completion and by the Offeror immediately after Completion and as at the Latest Practicable Date)

THE OFFER

Principal terms of the Offer

Sun Hung Kai, the financial adviser to the Offeror, is making the Offer, which is unconditional in all respects, on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For every Offer Share HK\$1.83 in cash

LETTER FROM THE BOARD

The Offer Price of HK\$1.83 per Offer Share was made with reference to and is not less than the effective price per Share paid by the Offeror for the acquisition of the Sale Share under the Agreement.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, mortgages, pledges, encumbrances or security arrangements and other options, restrictions, conditions, claims or third party rights, interest or equity of any kind and together with all rights and benefits now and thereafter attaching thereto as at the date of the Agreement, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the Agreement.

INFORMATION ON THE GROUP

The Company is an investment holding company with its subsidiaries principally engaged in investment holding, provision of mortgage finance and other related services and treasury investments.

The Group recorded audited loss attributable to equity holders of the Company of approximately HK\$2,711,000 and approximately HK\$1,465,000 for the two financial years ended 31 December 2007 and 2008 respectively. The audited consolidated total equity attributable to equity holders of the Company as at 31 December 2007 and 31 December 2008 were approximately HK\$229,260,000 and approximately HK\$228,580,000 respectively.

OFFEROR'S INTENTION ON THE GROUP

According to the letter from Sun Hung Kai, it is the intention of the Offeror that the Group will continue its existing principal activities. The Offeror does not intend to introduce any major changes to the existing operation and business of the Company. The Offeror will explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth. The Offeror will conduct a more detailed review on the operations of the Group with a view to developing a comprehensive corporate strategy. Subject to the results of such review and should suitable investment or business opportunities arise, the Offeror may consider in any major changes to the existing operations and business of the Group with an objective to broaden the income stream of the Group. However, no such investment or business opportunities have been identified as at the Latest Practicable Date. Based on the above, the Offeror considers that the Offer is in its long-term commercial interests. In the event that any of such opportunities materialise, further announcement(s) will be made by the Company as and when required by the Listing Rules. As at the Latest Practicable Date, the Offeror has no intention or concrete plan for any acquisition or disposal of assets and/or business by the Group and/or major employee changes of the Group and the Offeror does not intend to redeploy any fixed assets of the Group.

Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made accordingly.

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.

LETTER FROM THE BOARD

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 issued 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.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from Sun Hung Kai set out on pages 6 to 15 of this Composite Document which contains details of the Offer.

You are recommended to read this Composite Document and the accompanying Form of Acceptance for details of the Offer.

Your attention is also drawn to the additional information set out in the appendices to this Composite Document.

DEALING DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, the associates (as defined under the Takeovers Code) of the Company and the Offeror (within the meaning of the Takeovers Code) are hereby reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 21 and 22 of this Composite Document which contains its recommendation to the Independent Shareholders in relation to the Offer; and (ii) the letter from Somerley, which contains its advice to the Independent Board Committee in relation to the Offer and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from Somerley is set out on pages 23 to 39 of this Composite Document.

Yours faithfully,

For and on behalf of

The Hong Kong Building and Loan Agency Limited

John Zwaanstra

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



The Hong Kong Building and Loan Agency Limited
香港建屋貸款有限公司
(Incorporated in Hong Kong with limited liability)
(Stock code: 145)

2 October 2009

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SUN HUNG KAI INTERNATIONAL LIMITED
ON BEHALF OF
HYDE PARK GROUP LIMITED
FOR ALL THE ISSUED SHARES IN
THE HONG KONG BUILDING AND LOAN AGENCY LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED
BY HYDE PARK GROUP LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to the composite offer and response document dated 2 October 2009 (the “**Composite Document**”) jointly issued by the Company and the Offeror, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee and to advise you whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and to give a recommendation to the Independent Shareholders as to whether or not to accept the Offer. Somerley has been appointed to advise us in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 23 to 39 of the Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the advice given in the letter from Somerley, we concur with Somerley's advice and consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to accept the Offer, if they no longer wish to retain part or all of their investments in the Company's Shares and believe that the Offer Price is higher than the price Independent Shareholders could obtain in an open market sale on the Stock Exchange or elsewhere.

Yours faithfully,
Independent Board Committee

Alan Howard Smith, J.P.
Independent
non-executive Director

Stephen King Chang-Min
Independent
non-executive Director

Patrick Smulders
Independent
non-executive Director

LETTER FROM SOMERLEY

The following is the text of a letter of advice from Somerley to the Independent Board Committee in relation to the Offer for the purpose of incorporation in this Composite Document.



SOMERLEY LIMITED

10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

2 October 2009

To: the Independent Board Committee

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SUN HUNG KAI INTERNATIONAL LIMITED
ON BEHALF OF
HYDE PARK GROUP LIMITED
FOR ALL THE ISSUED SHARES IN
THE HONG KONG BUILDING AND LOAN AGENCY LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED
BY HYDE PARK GROUP LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Offer being made by the Offeror, Hyde Park Group Limited, 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) at a price of HK\$1.83 per Offer Share. Details of the Offer are contained in the Composite Document addressed to the Independent Shareholders dated 2 October 2009, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Composite Document.

On 28 August 2009, the Offeror and the Company made the Joint Announcement in relation to the entering into of the Agreement dated 21 August 2009 in respect of the acquisition of the entire issued share capital of Island New by the Offeror. The sole asset of Island New is its interest in the Company. Upon completion of the Agreement on 25 September 2009, the Offeror together with parties acting in concert with it owned an aggregate of 168,750,000 Shares, representing 75% of the entire issued share capital of the Company as at the Latest Practicable Date. Accordingly, the Offeror is required under Rule 26.1 of the Takeovers Code 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 it and parties acting in concert with it.

LETTER FROM SOMERLEY

The Board currently consists of four executive Directors including the Chairman and the Chief Executive and three independent non-executive Directors. In accordance with Rule 2.8 of the Takeovers Code, members of the Independent Board Committee should comprise all non-executive Directors who have no direct or indirect interest in the Offer. The three independent non-executive Directors, namely Mr. Alan Howard Smith, J.P., Mr. Stephen King Chang-Min and Mr. Patrick Smulders, have been appointed to constitute the Independent Board Committee in respect of the Offer. Somerley has been appointed to advise the Independent Board Committee in this regard, in particular as to whether the terms of the Offer are fair and reasonable, and to give a recommendation as regards acceptance of the Offer.

Somerley is not associated with the Offeror or the Company or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Offeror or the Company or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion and advice, we have relied on the information and facts supplied, and the opinions expressed, by the Board, which we have assumed to be true, accurate and complete. We have sought and received confirmation from the Board that no material facts have been omitted from the information supplied and opinions expressed by them to us in connection with the Group. We consider that the information which we have received is sufficient for us to reach our opinion and give the advice set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have also assumed that all representations contained or referred to in the Composite Document are true at the date of the Composite Document and will continue to be true during the period the Offer is open for acceptance. However, we have not conducted any independent investigation into the businesses and affairs of the Group.

TERMS OF THE OFFER

The terms set out below are summarised from the “Letter from Sun Hung Kai” set out in the Composite Document and Appendix I, with some additional comments from ourselves. Independent Shareholders are encouraged to read the relevant sections in full.

1. The Offer

The Offer is being made for all the 56,250,000 issued Shares not held by the Offeror and parties acting in concert with it on the following basis:

For every Offer Share HK\$1.83 in cash

The Offer Price of HK\$1.83 per Offer Share was made with reference to and is not less than the effective purchase price per Share paid by the Offeror for the acquisition of the Sale Share under the Agreement.

LETTER FROM SOMERLEY

The Offer Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, mortgages, pledges, encumbrances or security arrangements and other options, restrictions, conditions, claims or third party rights, interest or equity of any kind and together with all rights and benefits now and thereafter attaching thereto as at the date of the Agreement, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the Agreement.

The Directors have confirmed that the Company did not have any options, warrants or convertible securities outstanding as at the date of the Agreement and the Latest Practicable Date.

2. Stamp duty

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

3. Maintaining of the listing of the Company

As at the Latest Practicable Date, the Offeror together with parties acting in concert with it hold 75% of the issued share capital of the Company. Shareholders should be aware that, if the number of Shares held by the public, as defined in the Listing Rules, falls below 25% of the issued shares of the Company, trading in the Shares may be suspended. It is stated in the "Letter from Sun Hung Kai" of the Composite Document that the Offeror will use reasonable endeavors to maintain the listing of the Shares on the Stock Exchange and will ensure that not less than 25% of the Shares will be held by the public in compliance with the Listing Rules. The Offeror intends to maintain the listing of the Shares after closing of the Offer.

4. The Offeror and its intentions for the Group

The Offeror is an investment holding company and is beneficially and wholly-owned by Mr. Tang. The principal activity of the Offeror is investment holding. As at the Latest Practicable Date, Mr. Tang and Ms. Wu Hoi Shan are the only directors of the Offeror. Ms. Wu Hoi Shan is the spouse of Mr. Tang.

It is the intention of the Offeror that the Group will continue its existing principal activities. The Offeror does not intend to introduce any major changes to the existing operation and business of the Company. The Offeror will explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth. The Offeror will conduct a more detailed review on the operations of the Group with a view to developing a comprehensive corporate strategy. Subject to the results of such review and should suitable investment or business opportunities arise, the Offeror may consider in any major changes to the existing operations and business of the Group with an objective to broaden the income stream of the Group. However, no such investment

LETTER FROM SOMERLEY

or business opportunities have been identified as at the Latest Practicable Date. Based on the above, the Offeror considers that the Offer is in its long-term commercial interests. In the event that any of such opportunities materialise, further announcement(s) will be made by the Company as and when required by the Listing Rules. As at the Latest Practicable Date, the Offeror has no intention or concrete plan for any acquisition or disposal of assets and/or business by the Group and/or major employee changes of the Group and the Offeror does not intend to redeploy any fixed assets of the Group.

The Offeror intends to nominate two new executive Directors, being Mr. Lau Yu Fung, Wilson and Mr. Chan Chun Wai, a non-executive Director, being Mr. Tang and three new independent non-executive Directors, being Mr. Yu Kam Kee, Lawrence, Mr. Chan Chi Yuen and Mr. Au Tin Fung, to the Board with effect from the date immediately after this Composite Document has been posted as required by the Takeovers Code. The Offeror has not yet decided any further nomination to the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made accordingly. The brief biographies of the proposed new Directors are set out in the “Letter from Sun Hung Kai”.

5. Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as practicable but in any event within 10 days of the date on which the relevant documents of title are received by the Registrar to render each such acceptance complete and valid.

6. Timetable and procedures under the Offer

The Offer is unconditional. The Closing Date of the Offer is Friday, 23 October 2009. This date may be extended at the option of the Offeror, but not beyond 60 days after the posting of the Composite Document, except with the consent of the Executive.

Procedures for acceptance of the Offer are set out in Appendix I to the Composite Document and in the accompanying Form of Acceptance. Most Shareholders hold their Shares through CCASS established and operated by Hong Kong Securities Clearing Company Limited (“HKSCC”), in which case some prior action needs to be taken to ensure acceptance on time. If Shares are lodged with a broker/custodian bank through CCASS, subject to the terms of the agreement between Shareholders and their broker/custodian bank, or lodged with an Investor Participant Account with CCASS, instructions should be given to them to authorise HKSCC to take the necessary action on or before the deadline set by HKSCC.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee with regard to the Offer, we have taken into account the following principal factors and reasons:

1. Business and prospects of the Group

The business of the Group commenced in 1964 and the Shares were listed on the Main Board of the Stock Exchange in 1972. The principal activities of the Group are investment holdings, treasury investments and the provision of mortgage finance and other related services. The Group had invested in equity securities, convertible bonds and mortgage-backed securities.

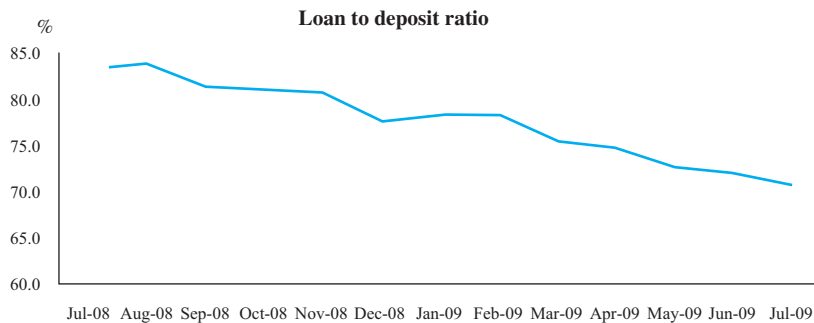
LETTER FROM SOMERLEY

The financial crisis slowed down the property market and the environment for the Group's mortgage loan business became tougher. According to the Hong Kong Monetary Authority, the year-on-year growth rate in property lending plummeted from 15.2% in the 3rd quarter of 2008 to 3.4% in the 2nd quarter of 2009.



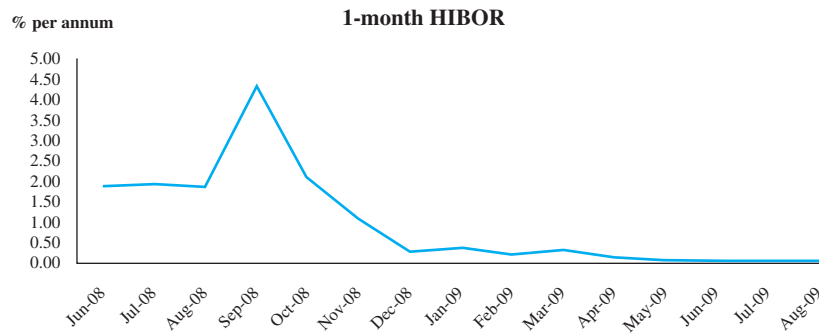
Source: Hong Kong Monetary Authority

The economy and financial activities diminished amid the worldwide recession. The loan to deposit ratio in Hong Kong dropped from 83.2% in July 2008 to 70.8% in July 2009. The interest rate also declined substantially, with the 1-month HIBOR crashing from 4.01% per annum in September 2008 to 0.33% per annum in January 2009. It has remained at around 0.1% during the period from February 2009 to August 2009 as illustrated in the chart below.



Source: Hong Kong Monetary Authority

LETTER FROM SOMERLEY



Source: Hong Kong Monetary Authority

The “Half-yearly economic report 2009 and updated economic forecast for 2009” issued by the Hong Kong SAR Government on 14 August 2009 predicted that the Hong Kong economy will contract by between 3.5% and 4.5% in 2009.

The Directors consider that there are still uncertainties relating to the future course of interest rates and that the implementation of economic stimulus measures in the PRC in response to its changing economic situation will continue to have a significant impact on the outlook for the Hong Kong economy. The Group will continue to exercise caution in the extension of credit and remain cautiously optimistic about prospects. The aftermath of the U.S. sub-prime crisis and the global tidal waves it triggered is still lingering. We consider that the future performance of the Group will be uncertain as it is highly subject to the financial market and property transaction volumes, which are affected by the pace of recovery of the global economy.

LETTER FROM SOMERLEY

2. Past results of the Group

Consolidated income statement

A full statement of the financial results of the Group with accompanying notes is set out in Appendix II to the Composite Document, to which Independent Shareholders' attention is drawn. Some principal points are summarised below:

	For the year ended 31 December			For the six months ended 30 June	
	2008 <i>(HK\$'000)</i> <i>Audited</i>	2007 <i>(HK\$'000)</i> <i>Audited</i>	2006 <i>(HK\$'000)</i> <i>Audited</i> <i>(restated)</i>	2009 <i>(HK\$'000)</i> <i>Unaudited</i>	2008 <i>(HK\$'000)</i> <i>Unaudited</i>
Revenue	7,553	11,556	12,939	2,082	4,001
<i>Mortgage finance</i>	1,779	1,199	1,381	780	797
<i>Treasury investments</i>	5,774	10,357	11,558	1,302	3,204
Other income	73	–	182	78	50
Realised gain on available-for-sale investments	22	2	–	28	13
Change in fair value of held-for-trading investments	(2,106)	3	2,790	3,401	(1,594)
Net realised loss on held-for-trading investments	–	(335)	–	–	–
Operating expenses	(6,589)	(11,321)	(3,856)	(2,635)	(2,640)
Net exchange losses	(333)	(4)	–	–	–
(Loss)/Profit before taxation	(1,380)	(99)	12,055	2,954	(170)
(Loss)/Profit after taxation	(1,465)	(2,711)	11,271	2,941	(170)
(Loss)/Earning per Share – Basic (HK cents)	(0.7)	(1.2)	5.0	1.3	(0.1)
Dividends per Share	Nil	Nil	Nil	Nil	Nil

LETTER FROM SOMERLEY

Revenue of the Group derived from interest income on mortgage loans, dividend income from equity securities, interest income from bank deposits, available-for-sale investments and held-for-trading investments and net realised gain on held-for-trading investments.

For the year ended 31 December 2006, the Group recorded a revenue of approximately HK\$12.9 million, comprising interest income of HK\$7.8 million (60.5%), dividend income of HK\$1.2 million (9.3%) and net realised gain on held-for-trading investments of HK\$3.9 million (30.2%). Among the HK\$7.8 million interest income, HK\$6.4 million was from bank deposits and the remaining HK\$1.4 million was from mortgage loans. The Company recorded a gain from change in fair value of held-for-trading investments of approximately HK\$2.8 million. As mentioned in the Company's 2006 annual report, benefiting from the stock market boom and thriving economic growth in the Mainland China, the Hong Kong economy has shown a strengthened consumer spending and job market. The Group recorded a net profit after taxation of HK\$11.3 million in 2006, representing a growth of approximately 8.4 times as compared to HK\$1.2 million in 2005.

Attributable to the decrease in securities trading activities, the Group's revenue for the year ended 31 December 2007 dropped by 10.7% to HK\$11.6 million when compared to 2006. For the treasury investments segment, the Group recorded a net realised loss of HK\$0.3 million on held-for-trading investments as compared to the net realised gain of HK\$3.9 million in 2006. Competition in mortgage finance market remained keen and the interest margin stayed low. The Group's mortgage finance business kept at a modest level. Taking into account the incurrence of legal and professional fees in relation to the change in management and abandoned geographical expansion of the business, the Group recorded a loss for the year of HK\$2.7 million.

The Group recorded revenue of HK\$7.6 million and loss attributable to equity holders of the Company of HK\$1.5 million for the year ended 31 December 2008. The revenue contributed by the treasury investments shrank by 44% to HK\$5.8 million when compared to 2007 as a result of decrease in securities trading activities. The Group's mortgage finance generated a revenue of HK\$1.8 million. The investment portfolio of the Company was composed of securities listed on the Stock Exchange. The stock market was volatile and the fair value of held-for-trading investments was impaired by HK\$2.1 million as at 31 December 2008.

For the six months ended 30 June 2009, the Group posted a 48% fall in revenue from HK\$4.0 million to HK\$2.1 million when compared to the corresponding period in 2008. Such a decrease was attributable to the continuing low interest rate which caused the Group's interest income from bank deposits to decline to HK\$0.23 million from HK\$1.8 million in the first half of 2008. The Group recorded interest income on available-for-sale investments of HK\$1.0 million and on mortgage loans of approximately HK\$0.8 million, which were comparable to the first six months of 2008. The Group booked a gain in fair value on held-for-trading investments of HK\$3.4 million which resulted in the Group recognising a profit after tax of HK\$2.9 million, turning around from its loss of HK\$0.2 million in the first half of 2008.

No dividend has been declared by the Company since 2002.

LETTER FROM SOMERLEY

3. Net assets value of the Group

The following is a summary of the Group's balance sheet as at 31 December 2008 and 30 June 2009 respectively, which is set out in full in Appendix II to the Composite Document:

	30 June 2009 <i>(HK\$'000)</i> <i>Unaudited</i>	31 December 2008 <i>(HK\$'000)</i> <i>Audited</i>
Bank balances	189,161	122,507
Held-for-trading investments	–	40,256
Available-for-sale investments	34,024	39,179
Mortgage loans	7,838	10,008
Other assets	1,460	18,414
Total liabilities	(831)	(1,784)
Net assets value	231,652	228,580

Bank balances

Bank balances of HK\$122.5million (representing 53.6% of total assets), accounted for the largest portion of the Group's assets as at 31 December 2008. Bank balances of the Group mainly were short-term bank deposits with maturity of three months or less. Bank balances amounted to approximately HK\$189.2 million as at 30 June 2009 and remained the Group's largest asset.

Held-for-trading investments

As at 31 December 2008, held-for-trading investments of HK\$40.3 million principally were equity securities listed in Hong Kong and convertible bonds. The convertible bonds include zero coupon bonds and bonds with coupon rates ranging from 1% to 2% which were denominated in Singapore dollars, United States dollars and RMB. The Group had disposed of all its held-for-trading investments during the first half of 2009. As at 30 June 2009, the Group did not have any held-for-trading investments.

Available-for-sale investments

Available-for-sale investments, amounting to HK\$39.2 million as at 31 December 2008, were mortgage-backed securities denominated in the United States dollars. The underlying assets of the securities are pooled residential mortgages located in the United States of America. The contractual interest rate of the available-for-sale investment was 5.5% per annum and with maturity date of February 2035. The available-for-sale investments decreased to HK\$34.0 million as at 30 June 2009 after the regular repayment of principal by the mortgagor.

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Mortgage loans

Mortgage loans of HK\$10.0 million included fixed-rate and variable-rate loan receivables which were secured by residential properties in Hong Kong. The interest charges were either prime rate plus a margin or at a fixed rate. The variable-rate loans bear interest at market interest rates. As at 30 June 2009, the mortgage loans balance was HK\$7.8 million.

Cash and borrowings

The Group had a strong liquidity position, being debt-free as at 31 December 2008 and with a net cash position of HK\$122.5 million. The Group had no material capital commitment or contingent liabilities as at 31 December 2008. The cash and borrowings position remained similar as at 30 June 2009, except the Group's net cash position grew to HK\$189.2 million.

Indebtedness

According to the indebtedness statement as set out in the Appendix II to the Composite Document, the Group did not have any bank borrowings or other similar indebtedness, material capital commitment or contingent liabilities as at 31 August 2009.

4. Comparison of the Offer Price

Based on the audited consolidated net assets of the Group as at 31 December 2008 and the 225,000,000 Shares then in issue as at the Latest Practicable Date, the net book value per Share as at 31 December 2008 amounted to HK\$1.02 per Share. On this basis, the Offer Price of HK\$1.83 per Share represents a price to book ratio ("PBR") of approximately 1.79 times. The table below sets out the comparison of the Group's net assets with the Offer Price:

	<i>HK\$' 000</i>	Per Share <i>HK\$</i> <i>(Note)</i>
Net assets value of the Group as at 31 December 2008	228,580	1.02
Value of the issued Shares at the Offer Price of HK\$1.83	411,750	1.83
Premium of Offer Price over net assets value	183,170	0.81
Percentage of premium over net assets	80%	80%

Note: Based on 225,000,000 Shares in issue as at the Latest Practicable Date

As shown in the above table, the Offer Price of HK\$1.83 per Share values the Company at a premium of HK\$183.2 million (approximately 80%) over the net assets value of the Group.

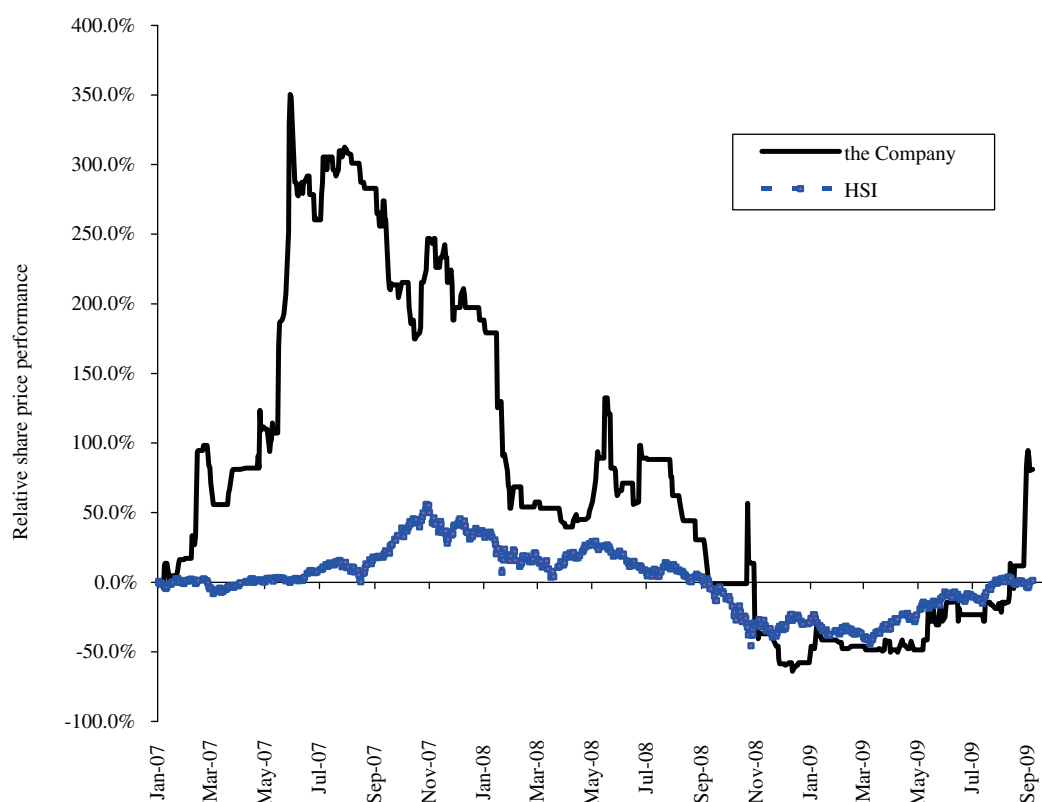
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In assessing the fairness of the Offer Price, it is a common approach to compare the price-to-earnings ratio (“PER”) and PBR as implied by the Offer Price with those of similar companies listed on the Stock Exchange. However, the mortgage finance business of the Group has remained modest, generating a yearly revenue of less than HK\$2 million in the last three years with bank balances and treasury assets constitute approximately 88% of each of the net assets and total assets of the Group. The assets of other Hong Kong listed money lenders and consumer financiers mainly consist of loans and advances receivables, while bank balances and treasury assets only represent a relatively small portion of their total assets. On the other hand, other money lenders and consumer financiers mainly focus on personal instalment loan and credit card businesses, which are different sectors as compared to the modest level of mortgage finance activities of the Group. As such, we do not consider it appropriate to compare the value of the Offer with the market value of other listed money lenders and consumer financiers in Hong Kong.

5. Historical market price and liquidity of the Shares

(i) Share price

The charts below illustrate the performance of the Shares against the Hang Seng Index (“HSI”) and the movement of the closing price for the Shares from 1 January 2007 up to the Latest Practicable Date (the “Review Period”):



Source: Bloomberg

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Source: Bloomberg

The Share price has significantly out-performed the HSI during the period from 1 January 2007 up to 14 May 2007 by recording a growth of 107.2% from HK\$1.11 per Share to HK\$2.30 per Share. During the same period, HSI recorded a slight increase of 3.3% and closed at 20,979 points on 14 May 2007.

Following the release of the announcement in relation to the unconditional mandatory cash offer made by Mercurius Partners Investments Limited (“Mercurius Offer”) for the Company on 15 May 2007, the Share price rose substantially by 116.5% from HK\$2.3 per Share on 14 May 2007 to HK\$4.98 on 31 May 2007. The Mercurius Offer closed on 3 July 2007 and the Shares finished the day at HK\$4.

The global stock markets were then affected by the U.S. subprime mortgage crisis, the HSI shedding 3,086 points or approximately 13.1% from 23,473 points on 24 July 2007 to 20,387 points on 17 August 2007. During the same period, the closing price of the Shares dropped by approximately 5.5% from HK\$4.55 to HK\$4.3.

The Shares did not reflect the recovery of stock markets whereby the HSI jumped by 55.2% from 20,387 points on 17 August 2007 to 31,638 points on 30 October 2007. The closing price of the Shares dropped by 14.0% from HK\$4.3 to HK\$3.7 during the same period.

The Shares then traded between HK\$3.2 and HK\$3.85 for the rest of the 2007 and ended the year at HK\$3.2. During the same period, HSI was down by 12.1% from 31,638 points on 30 October 2007 and closed at 27,813 points on 31 December 2007.

The Share price continued to fall in the first quarter of 2008 and reached a quarter low of HK\$1.58 per Share on 31 March 2008. The HSI plunged by 23.5% from 27,561 points on 1 January 2008 to a quarter low of 21,085 points on 17 March 2008. Following the publication of the Group’s annual results for 2007 on 25 April 2008, the Shares remained at the level of HK\$1.61.

The worldwide financial tsunami occurred following the bankruptcy of Lehman Brothers and the collapse of AIG Group in the United States in September 2008. Major banks in United States and Europe went into an unprecedented financial crisis. The global markets remained shaky despite the US

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government's US\$700 billion bailout plan. HSI dropped 47.6% from 21,042 points on 2 September 2008 to a low of 11,016 points on 27 October 2008. During the same period, the Shares slid by 13.1% from HK\$1.45 to HK\$1.26. Following the decline, rescue plans including provision of credit guarantees and capital injection offers to the major commercial banks announced by European governments including Britain, France and Germany stimulated a rebound in the global stock markets. The HSI surged by 30.6% from 11,016 points on 27 October 2008 to 14,387 points on 31 December 2008. However, the Share price remained on its downward trend and dropped 62.7% from HK\$1.26 on 27 October 2008 to HK\$0.47 on 31 December 2008.

On 26 March 2009, the Company announced its annual results for the financial year ended 31 December 2008 with a decrease of 34.6% in turnover and a reduction in net loss after tax of 46%, respectively, when compared to 2007. The price of the Share dropped by 1.5% from HK\$0.65 to HK\$0.64 on 27 March 2009. Hong Kong's economy in the 2nd quarter of 2009 was better than expected and the HSI went up approximately 43.0% from 14,387 points on 31 December 2008 to 20,573 points on 31 July 2009. During the same period, the closing price of the Shares rose by approximately 100% from HK\$0.47 to HK\$0.94.

The Shares price increased by 42.5% from HK\$0.87 per Share on 3 August 2009 to HK\$1.24 per Share on the Last Trading Day. After the publication of the announcement in relation to the Offer, the Share price surged by 63.7% to HK\$2.03 on 31 August 2009 and closed within the range of HK\$1.83 and HK\$2.16 up to 24 September 2009, the date on which the Company's interim results for the six months ended 30 June 2009 with a profit of HK\$2.9 million as compared to a loss of HK\$0.2 million in 2008 was released. The share price rose by 1.6% to HK\$1.86 on 25 September 2009 and closed at HK\$1.84 on the Latest Practicable Date.

The Share price traded below the Offer Price of HK\$1.83 per Share since 31 July 2008, up to 18 August 2009, the last trading day prior the release of the Announcement.

The Offer Price of HK\$1.83 is equal to the effective purchase price per Share paid by the Offeror under the Agreement and represents:

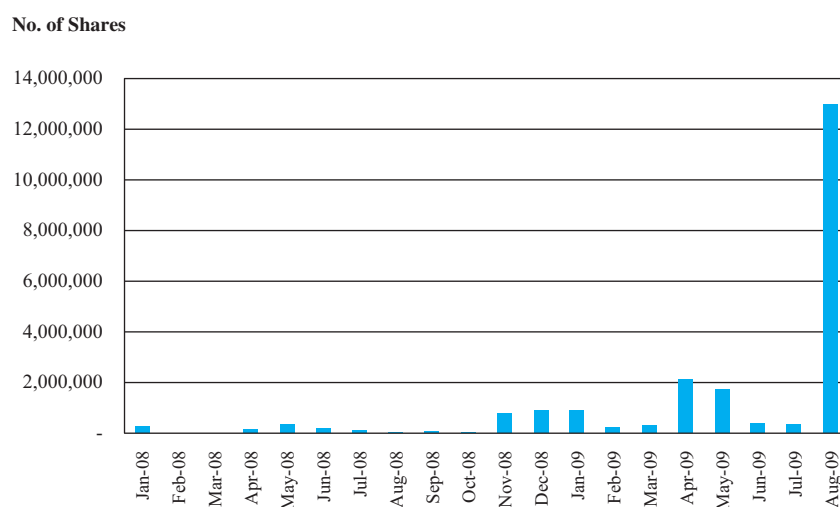
- (a) a premium of approximately 47.58% over the closing price of HK\$1.24 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 61.95% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day of approximately HK\$1.13 per Share;
- (c) a premium of approximately 75.96% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day of HK\$1.04 per Share;
- (d) a premium of approximately 92.63% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day of HK\$0.95 per Share;

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- (e) a premium of approximately 101.10% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day of HK\$0.91 per Share;
- (f) a premium of approximately 120.48% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day of HK\$0.83 per Share;
- (g) a discount of approximately 0.54% to the closing price of HK\$1.84 per Share as quoted on the Stock Exchange on the Last Practicable Date;
- (h) a premium of approximately 79.41% over the audited consolidated total equity attributable to Shareholders of approximately HK\$1.02 per Share as at 31 December 2008; and
- (i) a premium of approximately 77.67% over the unaudited consolidated total equity attributable to Shareholders of approximately HK\$1.03 per Share as at 30 June 2009.

(ii) *Trading volume of the Shares from 1 January 2008 to 31 August 2009*

The chart below shows the monthly trading volume of the Shares from 1 January 2008 to 31 August 2009:



Source: Bloomberg

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The following tables sets out the monthly trading volume of the Shares on the Stock Exchange as compared to the issued Shares of the Company and to the Company's public float for the period commencing from January 2008 to August 2009:

	Monthly trading volume <i>Number of Shares</i>	Monthly trading volume to public float <i>%</i> <i>Note 1</i>	Monthly trading volume to the total issued Shares <i>%</i> <i>Note 2</i>
2008			
January	273,000	0.49	0.12
February	116,288	0.21	0.05
March	15,000	0.03	0.01
April	175,000	0.31	0.08
May	348,000	0.62	0.15
June	208,000	0.37	0.09
July	122,000	0.22	0.05
August	67,000	0.12	0.03
September	82,000	0.15	0.04
October	53,000	0.09	0.02
November	789,000	1.40	0.35
December	914,000	1.62	0.41
2009			
January	924,000	1.64	0.41
February	222,000	0.39	0.10
March	313,000	0.56	0.14
April	2,132,000	3.79	0.95
May	1,732,000	3.08	0.77
June	373,065	0.66	0.17
July	339,000	0.60	0.15
August	12,949,000	23.02	5.76

Notes:

1. Based on the number of total issued Shares held by public Shareholders at the end of each month (January 2008 to August 2009: 56,250,000).
2. Based on the number to total issued Shares at the end of each month (January 2008 to August 2009: 225,000,000).

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Except for August 2009, the Shares were in general thinly traded on the Stock Exchange with the monthly trading volume varying between 0.03% to 3.79% of the Company's public float as at the end of each corresponding month. The trading volume in August 2009 increased to 12.9 million Shares with the single highest daily trading volume of approximately 5.4 million Shares (representing approximately 41.9% of the total trading volume of August 2009) recorded on 31 August 2009, being the first trading day after the release of the Joint Announcement. Based on the trading volume over the last year as a whole, it is not likely in our opinion that the relatively active trading volume as recorded in August 2009 will continue in view of the level of liquidity in the past year and a half up to July 2009. The normal level of liquidity would not be sufficient for the Independent Shareholders to sell significant numbers of their Shares in the market without a substantial discount to the market price of the Shares. The Offer represents an opportunity for Independent Shareholders to dispose of their entire holdings at the Offer Price if they so wish.

DISCUSSION AND ANALYSIS

The Company was founded in 1964 and the Shares were listed on the Stock Exchange in 1972. The market environment of the Group became more challenging following the credit crunch in US which sparked the global financial tsunami. The Group's principal activities of mortgage finance and treasury investments were severely hit. The competition in the credit market became stiffer and interest margin remains low. The global equity market has been volatile amid the financial crisis. The Group became more cautious and reduced its securities trading activities. The revenue and profit contributed by treasury investments kept decreasing. The Group has recorded losses in both 2007 and 2008. The Group turned around and booked a net profit after tax of HK\$2.9 million for the first half of 2009, which was mainly driven by a gain in fair value on held-for-trading investments. Though the market sentiment seems to be improving, it is difficult to assess when the economy and financial market would fully recover which would directly affect the Group's performance. No dividend has been declared in the past five years. It is uncertain whether there would be any dividend payout in the near future.

The Offer Price is equivalent to the effective purchase price of HK\$1.83 per Share under the Agreement. It represents a substantial premium of approximately 80% over both the audited net asset value per Share of HK\$1.02 as at 31 December 2008 and the unaudited net asset value per Share of HK\$1.03 as at 30 June 2009. The Offer Price represents a premium of 92.63% over the 30 days' average closing price of the Shares before the Offer was announced and a premium of over 100% when compared to the 60-day and 90-day averages. The Shares have been trading below the Offer Price since 31 July 2008 up to the date the Offer was announced on 31 August 2009. We consider that the Offer Price includes a premium for control which does not apply to a minority Shareholder. In addition, the volume of trading in the Shares has been low, with monthly trading generally less than 3.8% of the free float of the Shares. Shareholders who intend to dispose of a large number of Shares may not be able to do so without exerting a downward pressure on the price of the Shares. Consequently, we consider the Offer provides the Independent Shareholders an opportunity to realise their investment in the Shares at a substantial premium over the historical market prices before the Offer was announced. However, the market price of the Shares has in general exceeded the Offer Price in the period since the Joint Announcement was released on 28 August 2009 and up to the Latest Practicable Date, during which the average closing price has been HK\$1.94, representing a premium of 6.0% over the Offer Price. On the Latest Practicable Date, the closing price of the Shares was HK\$1.84, equating to a premium of 0.55% over the Offer Price.

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OPINION AND ADVICE

Our opinion and advice to the Independent Board Committee and the Independent Shareholders is as follows:

- Based on the financial fundamentals of the Group, we consider the terms of the Offer are fair and reasonable to the Independent Shareholders.
- Independent Shareholders who prefer to dispose of their investment in the Company should not accept the Offer but take advantage of the strong market price of the Shares, which closed at HK\$1.84 at the Latest Practicable Date, and sell in the market. Such Independent Shareholders are encouraged to monitor the market closely in the current volatile market conditions.
- Independent Shareholders who wish to sell but have not done so in the market at prices higher than the Offer Price should consider accepting the Offer as the Closing Date of 23 October 2009 approaches if the market price of the Shares has dropped close to the Offer Price of HK\$1.83. Turnover in the market was relatively thin before the Offer and may be thin again once the Offer closes.
- Independent Shareholders who, after considering the information on the Offeror and the intention of the Offeror regarding the Group contained in the “Letter from Sun Hung Kai” of the Composite Document, are attracted by the future prospects of the Group following the Offers should consider retaining some or all of their Shares.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Maggie Chan
Director

1. PROCEDURES FOR ACCEPTANCE

- (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 are in your name, and you wish to accept the Offer, you must send the duly completed relevant 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, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in any event not later than 4:00 p.m. on Friday, 23 October 2009 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 some name other than your own, and you wish to accept the Offer whether in full or in respect of part of your holding of 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, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the relevant Form of Acceptance duly completed 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 send the relevant Form of Acceptance duly completed 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/custodian bank through CCASS, instruct your licensed securities dealer/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 in your securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System 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 HKSCC Nominees Limited for the timing on processing of your instruction, and submit your instruction via the CCASS Phone System or CCASS Internet System as required by it.

- (c) 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 not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your 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) or that it/they is/are not readily available. If you find such document(s) or if it/they become available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s), you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instruction 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, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to any of Sun Hung Kai, the Company, the Offeror or 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 Share 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/they were delivered to the Registrar with the relevant Form of Acceptance.
- (e) An acceptance may not be counted as valid unless the duly completed Form of Acceptance is received by the Registrar on or before the latest time for acceptance at 4:00 p.m. on Friday, 23 October 2009 or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, and is:
- (i) accompanied by Share certificate(s) in respect of the relevant Shares and, if that/those Share certificate(s) is/are not in the name of the acceptor, such other documents (e.g. a duly stamped transfer of the relevant Shares in blank or in favour of the acceptor executed by the registered holder) in order to establish the right of the acceptor to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other sub-paragraph of this paragraph(e)); or
 - (iii) certified by the Registrar or the Stock Exchange.

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

- (f) 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.

2. SETTLEMENT

Provided that the Form of Acceptance and relevant Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the Registrar by not later than 4:00 p.m. on the Closing Date, or if the Offer is revised or extended, the closing date of the Offer as revised or extended by the Offeror in accordance with the Takeovers Code, a cheque for the amount due to the accepting Shareholders in respect of the Shares tendered by them under the Offer, less seller's ad valorem stamp duty payable by them, will be despatched to the accepting Shareholders to the addresses specified on the Forms of Acceptance by ordinary post at their own risk within 10 days from the date of receipt of all the relevant documents by the Registrar to render such acceptance complete and valid.

The settlement of the consideration to which any accepting Shareholder(s) is/are 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 accepting Shareholder(s).

3. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offer has been revised or extended in accordance with the Takeovers Code, the latest time and date for acceptance will be 4:00 p.m. on Friday, 23 October 2009. In order to be valid, Form of Acceptance for the Offer must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on Friday, 23 October 2009.

The Offeror reserves the right to revise the Offer after the despatch of this Composite Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises its terms, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. If the Offer is revised, the announcement of such revision will state the next closing date. If the Offer is revised, it will remain open for acceptance for a period of not less than 14 days from the posting of the revised offer document.

4. ANNOUNCEMENTS

By 6:00 p.m. on Friday, 23 October 2009, which is the closing date of the Offer, or such later time and/or date as the Executive may in exceptional circumstances permit, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to revision, extension, expiry and closing of the Offer. The Offeror shall publish an announcement to be posted on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offer has been revised or extended as the Executive may approve, or have expired and closed.

The announcement shall specify the number of Shares and rights over Shares (a) for which valid acceptances have been received, (b) held, controlled or directed by the Offeror or persons acting in concert with it before the period of the Offer; and (c) acquired or agreed to be acquired by the Offeror or any person acting in concert with it during the period of the Offer.

The announcement must specify the percentages of the relevant classes of share capital, and the percentages of voting rights of the Company represented by these numbers of Shares.

The announcement must include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and any person acting in concert with it have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

5. RIGHT OF WITHDRAWAL

Acceptances of the Offer by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances as set out in Rule 19.2 of the Takeovers Code which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the section headed “Announcements” above. In such circumstances, the Executive may require that acceptors be granted a right of withdrawal on terms acceptable to the Executive until such requirements can be met.

If the Offer is withdrawn, 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 documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of Shares lodged with the Form of Acceptance to the relevant Independent Shareholder(s) who accepted the Offer.

6. OVERSEAS SHAREHOLDERS

The making of the Offer to persons with a registered address in jurisdiction outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdiction. Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should obtain appropriate legal advice on, inform themselves about and observe any applicable legal requirement. It is the responsibility of each person who wishes to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements.

Any such overseas Shareholder will be responsible for any such issue, transfer, or other taxes by whomsoever payable and the Offeror, the Company, Sun Kung Kai, Somerley and person acting on their behalf shall be entitled to be fully indemnified and held harmless by such overseas Shareholder for any such issue, transfer or other taxes as such person may be required to pay. Acceptance of the Offer by any such overseas Shareholder will constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the Offer and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

7. GENERAL

- (i) Acceptance of the Offer by any person or persons holding Shares will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares. The Shares tendered for acceptance under the Offer shall be fully paid and free from all liens, right of set-off, counter claim charges, mortgages, pledges, encumbrances or security arrangements and other options, restrictions, conditions, claims or third party rights, interest or equity of any kind and together with all rights and benefits now and thereafter attaching thereto as at the date of the Agreement, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the Agreement.

- (ii) All communications, notices, Forms of Acceptance, Share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, through post at their own risk, and none of the Offeror, the Company, Sun Hung Kai, Somerley or the Registrar or any of their respective directors or agents, accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (iii) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (iv) The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the Offer are made will not invalidate the Offer in any way.
- (v) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong. The Offer is made in accordance with the Takeovers Code.
- (vi) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Company, the Offeror, any director of the Offeror, Sun Hung Kai, or such person or persons as the Offeror may direct, to complete 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 Shares in respect of which such person or persons has/have accepted the Offer.
- (vii) References to the Offer in this Composite Document and in the Form of Acceptance shall include any revision and/or extension thereof.
- (viii) The English text of this Composite Document and of the Form of Acceptance shall prevail over their respective Chinese text.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

A summary of the audited consolidated income statement and balance sheet of the Group for each of the three years ended 31 December 2008 extracted from the Company's 2007 and 2008 annual report is set out below. The auditors of the Company for the three years ended 31 December 2008 were Deloitte Touche Tohmatsu. Their opinion on the consolidated financial statements of the Group for each of the aforesaid years were unqualified. There were no extraordinary items and exceptional items in respect of the consolidated income statement of the Group for each of the three years.

Consolidated Income Statement

	For the year ended		
	31st December,		
	2008	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	<u>7,553</u>	<u>11,556</u>	<u>12,939</u>
Interest income	7,129	8,672	7,776
Net realised loss on held-for-trading investments	–	(335)	3,942
Change in fair value of held-for-trading investments	(2,106)	3	2,790
Realised gain on available-for-sale investments	22	2	–
Dividend income	424	2,884	1,221
Other income	73	–	182
Operating expenses	(6,589)	(11,321)	(3,856)
Net exchange losses	(333)	(4)	–
(Loss) profit before taxation	(1,380)	(99)	12,055
Taxation	(85)	(2,612)	(784)
(Loss) profit for the year	<u>(1,465)</u>	<u>(2,711)</u>	<u>11,271</u>
Attributable to:			
Equity holders of the Company	(1,465)	(2,711)	11,271
Minority interests	–	–	–
	<u>(1,465)</u>	<u>(2,711)</u>	<u>11,271</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
(Loss) earnings per share			
Basic	<u>(0.7)</u>	<u>(1.2)</u>	<u>5.0</u>
Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Dividend and dividend per share	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Consolidated Balance Sheet

	At 31st December		
	2008	2007	2006
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
NON-CURRENT ASSETS			
Plant and equipment	114	143	17
Mortgage loans	7,863	4,142	4,839
Available-for-sale investments	39,179	42,480	–
	<u>47,156</u>	<u>46,765</u>	<u>7,468</u>
CURRENT ASSETS			
Mortgage loans	2,145	3,186	3,906
Held-for-trading investments	40,256	8,024	26,060
Prepayments and other receivables	18,300	3,860	3,251
Bank balances	122,507	169,198	192,073
	<u>183,208</u>	<u>184,268</u>	<u>225,290</u>
CURRENT LIABILITIES			
Other creditors and accruals	1,699	1,773	877
Tax payable	85	–	–
	<u>1,784</u>	<u>1,773</u>	<u>877</u>
NET CURRENT ASSETS			
	<u>181,424</u>	<u>182,495</u>	<u>224,413</u>
	<u><u>228,580</u></u>	<u><u>229,260</u></u>	<u><u>231,881</u></u>
CAPITAL AND RESERVES			
Share capital	225,000	225,000	225,000
Reserves	3,580	4,260	6,881
	<u>228,580</u>	<u>229,260</u>	<u>231,881</u>
	<u><u>228,580</u></u>	<u><u>229,260</u></u>	<u><u>231,881</u></u>

2. UNAUDITED INTERIM RESULTS OF THE GROUP FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2009

The following is the unaudited interim financial information of the Group together with explanatory notes as extracted from the interim report of the Company for the six-month period ended 30 June 2009.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Notes	Six months ended 30th June,	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Revenue	5	2,082	4,001
Interest income		2,052	3,692
Fair value changes on held-for-trading investments		3,401	(1,594)
Realised gain on available-for-sale investments		28	13
Dividend income		30	309
Other income		78	50
Operating expenses		(2,635)	(2,640)
Profit (Loss) before taxation	6	2,954	(170)
Taxation	7	(13)	–
Profit (Loss) for the period		2,941	(170)
Other comprehensive income (loss)			
Fair value change on available-for-sale investments		159	(460)
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments		(28)	(13)
Total comprehensive income (loss) for the period		3,072	(643)
Profit (loss) for the period attributable to the owners of the Company		2,941	(170)
Total comprehensive income (loss) attributable to the owners of the Company		3,072	(643)
		<i>HK cents</i>	<i>HK cents</i>
Earnings (Loss) per share	9		
Basic		1.3	(0.1)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2009

		At 30th June, 2009 (Unaudited) HK\$'000	At 31st December, 2008 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Plant and equipment		90	114
Mortgage loans	10	5,688	7,863
Available-for-sale investments	12	34,024	39,179
		<u>39,802</u>	<u>47,156</u>
CURRENT ASSETS			
Mortgage loans	10	2,150	2,145
Held-for-trading investments	11	–	40,256
Prepayments and other receivables		1,370	18,300
Cash and bank balances		189,161	122,507
		<u>192,681</u>	<u>183,208</u>
CURRENT LIABILITIES			
Other creditors and accruals		732	1,699
Tax payable		99	85
		<u>831</u>	<u>1,784</u>
NET CURRENT ASSETS			
		<u>191,850</u>	<u>181,424</u>
		<u>231,652</u>	<u>228,580</u>
CAPITAL AND RESERVES			
Share capital	13	225,000	225,000
Reserves		6,652	3,580
		<u>231,652</u>	<u>228,580</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Attributable to owners of the Company			
	Share capital	Investments revaluation reserve	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2008 (audited)	225,000	90	4,170	229,260
Loss for the period	–	–	(170)	(170)
Fair value changes of available-for-sale investments	–	(460)	–	(460)
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments	–	(13)	–	(13)
Total comprehensive loss for the period	–	(473)	(170)	(643)
At 30th June, 2008 (unaudited)	<u>225,000</u>	<u>(383)</u>	<u>4,000</u>	<u>228,617</u>
At 1st January, 2009 (audited)	225,000	875	2,705	228,580
Profit for the period	–	–	2,941	2,941
Fair value changes of available-for-sale investments	–	159	–	159
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments	–	(28)	–	(28)
Total comprehensive income for the period	–	131	2,941	3,072
At 30th June, 2009 (unaudited)	<u>225,000</u>	<u>1,006</u>	<u>5,646</u>	<u>231,652</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	61,971	1,263
Cash flow from investing activities:		
Principal repayment on available-for-sale investments	4,683	2,425
Net increase in cash and cash equivalents	66,654	3,688
Cash and cash equivalents at 1st January	122,507	169,198
Cash and cash equivalents at 30th June, represented by Cash and bank balances	189,161	172,886

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial information is consistent with those followed in the preparation of the Group’s annual financial information for the year ended 31st December, 2008 except as described in note 3 below.

3. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARD

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st January, 2009.

HKAS 1 (revised 2007) “Presentation of Financial Statements” – HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

HKFRS 8 – “Operating Segments” – HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 – “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 4).

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised in 2008)	Consolidated and Separate Financial Statements ³
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁴
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁴
HKFRS 3 (Revised in 2008)	Business Combinations ³
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC)-Int 18	Transfers of Assets from Customers ⁵

- ¹ Effective for annual periods beginning on or after 1st July 2009.
- ² Amendments that are effective for annual periods beginning on or after 1st July 2009 or 1st January 2010, as appropriate.
- ³ Effective for the annual periods beginning on or after 1st July 2009.
- ⁴ Effective for the annual periods beginning on or after 1st January 2010.
- ⁵ Effective for transfers on or after 1st July 2009.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of directors, in order to allocate resources to segments and to assess their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

	Six months ended 30th June, 2009		
	Mortgage finance	Treasury investments	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	780	1,302	2,082
Segment profit	750	4,617	5,367
Central administration costs			(2,413)
Profit before taxation			2,954

	Six months ended 30th June, 2008		
	Mortgage finance	Treasury investments	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	797	3,204	4,001
Segment profit	444	1,623	2,067
Other income			50
Central administration costs			(2,287)
Loss before taxation			(170)

During the current and prior periods, there were no inter-segment transactions.

Segment profit represents the profit earned by each segment without allocation of central administration costs such as director and staff salaries, operating lease rental, legal and professional fees. This is the measure reported to board of directors for the purposes of resource allocation and performance assessment.

5. REVENUE

Revenue represents interest income on mortgage loans and treasury investments which includes interest income on bank deposits and debt securities, and dividend income.

An analysis of the revenue of the Group by principal activity is as follows:

	Six months ended 30th June,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mortgage finance:		
Interest on mortgage loans	780	797
Treasury investments:		
Interest on bank deposits	226	1,751
Interest on available-for-sale investments	1,003	1,144
Interest on held-for-trading investments	43	–
Dividend income from held-for-trading investments	30	309
	<u>2,082</u>	<u>4,001</u>

6. PROFIT (LOSS) BEFORE TAXATION

Profit (Loss) before taxation has been arrived at after charging (crediting):

	Six months ended 30th June,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Employee benefit expenses		
Wages and salaries	963	787
Retirement benefit costs	18	15
	<u>981</u>	<u>802</u>
Depreciation	24	23
Operating leases payments	499	42
Impairment allowances on mortgage loans	91	11
Legal and professional fees	490	1,191
	<u>490</u>	<u>1,191</u>

7. TAXATION

	Six months ended 30th June,	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong		
– Current tax	13	–
	<u>13</u>	<u>–</u>

Hong Kong Profits tax is calculated at 16.5% of the estimated assessable profit for both periods.

8. INTERIM DIVIDEND

No dividend was paid or declared during the six months ended 30th June, 2009, nor has any dividend been declared since the end of reporting date (2008: Nil).

9. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated based on the profit (loss) for the period attributable to owners of the Company of HK\$2,941,000 (2008: Loss of HK\$170,000) and on 225,000,000 (2008: 225,000,000) ordinary shares in issue during the period.

No diluted earnings (loss) per share is presented as there were no potential dilutive ordinary shares in issue during the periods under review.

10. MORTGAGE LOANS

	At 30th June, 2009 <i>HK\$'000</i>	At 31st December, 2008 <i>HK\$'000</i>
Fixed-rate loans receivable	5,389	7,057
Variable-rate loans receivable	2,449	2,951
	<u>7,838</u>	<u>10,008</u>
Carrying amount analysed for reporting purposes:		
– Current assets (receivable within 12 months from the reporting date)	2,150	2,145
– Non-current assets (receivable after 12 months from the reporting date)	5,688	7,863
	<u>7,838</u>	<u>10,008</u>

Fixed-rate loans receivable and variable-rate loans receivable are secured by mortgage loan properties, bearing interest at market interest rates.

Balance of mortgage loans at 30th June, 2009 is net of accumulated impairment allowances of HK\$311,000 (at 31st December, 2008: HK\$220,000).

The maturity profile of mortgage loans, net of impairment allowances, at the reporting date is analysed by the remaining periods to their contractual maturity dates as follows:

	At 30th June, 2009 <i>HK\$'000</i>	At 31st December, 2008 <i>HK\$'000</i>
Repayable:		
Within 3 months	973	937
Between 3 months and 1 year	1,177	1,208
Between 1 and 5 years	4,817	5,998
After 5 years	871	1,865
	<u>7,838</u>	<u>10,008</u>

11. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	At 30th June, 2009 <i>HK\$'000</i>	At 31st December, 2008 <i>HK\$'000</i>
Equity securities listed in Hong Kong	–	3,859
Convertible bonds	–	36,397
	<u>–</u>	<u>40,256</u>

The fair value of the equity securities was determined based on the quoted market bid prices available on the Hong Kong Stock Exchange.

During 2008, the Company purchased convertible bonds with zero coupon, or with coupon rates ranging from 1% to 2%. The equity conversion options attached to the convertible bonds were embedded derivatives granting the right to the Company to convert the debt securities into equity shares of the issuer before maturity. The fair value of the convertible bonds was determined based on the market prices obtained from brokers and with reference to those of price servicing agencies. The carrying amount of the convertible bonds, amounting to HK\$5,371,000, HK\$16,144,000 and HK\$9,001,000 were denominated in USD, SGD and RMB respectively. All the convertible bonds were disposed of during the period.

12. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments include:

	At 30th June, 2009 <i>HK\$'000</i>	At 31st December, 2008 <i>HK\$'000</i>
Mortgage-backed securities quoted in the United States of America	<u>34,024</u>	<u>39,179</u>

As of 30th June, 2009, the available-for-sale investments are denominated in United States dollars. The underlying assets of the securities are pooled residential mortgages located in the United States of America. The fair value of the above available-for-sale investments is based on the market prices obtained from brokers and with reference to those of price servicing agencies. The contractual interest rate of the available-for-sale investments was 5.5% per annum with maturity in February 2035.

13. SHARE CAPITAL OF THE COMPANY

	At 30th June, 2009 & 31st December, 2008 <i>HK\$'000</i>
Authorised:	
300,000,000 ordinary shares of HK\$1.00 each	<u>300,000</u>
Issued and fully paid:	
225,000,000 ordinary shares of HK\$1.00 each	<u>225,000</u>

14. OPERATING LEASE COMMITMENTS

At the reporting date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30th June, 2009 <i>HK\$'000</i>	At 31st December, 2008 <i>HK\$'000</i>
Within one year	36	–

15. POST BALANCE SHEET EVENT

Subsequent to the end of reporting date on 30th June, 2009, the controlling shareholder entered into a sale and purchase agreement to dispose of its entire shareholding in the Company to an independent third party and the expected date of completion is on 25th September, 2009.

3. AUDITED FINANCIAL STATEMENTS OF THE GROUP

The following is the audited financial statements of the Group together with accompanying notes as extracted from the annual report of the Company for the year ended 31 December 2008.

Consolidated Income Statement

For the year ended 31st December, 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue	5	7,553	11,556
Interest income		7,129	8,672
Net realised loss on held-for-trading investments		–	(335)
Change in fair value of held-for-trading investments		(2,106)	3
Realised gain on available-for-sale investments		22	2
Dividend income		424	2,884
Other income		73	–
Operating expenses	7	(6,589)	(11,321)
Net exchange losses		(333)	(4)
Loss before taxation	7	(1,380)	(99)
Taxation	8	(85)	(2,612)
Loss for the year		(1,465)	(2,711)
Attributable to:			
Equity holders of the Company		(1,465)	(2,711)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	12		
Basic		(0.7)	(1.2)
Diluted		N/A	N/A

Consolidated Balance Sheet*At 31st December, 2008*

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Plant and equipment	13	114	143
Mortgage loans	14	7,863	4,142
Available-for-sale investments	17	39,179	42,480
		<u>47,156</u>	<u>46,765</u>
CURRENT ASSETS			
Mortgage loans	14	2,145	3,186
Held-for-trading investments	16	40,256	8,024
Prepayments and other receivables		18,300	3,860
Bank balances	18	122,507	169,198
		<u>183,208</u>	<u>184,268</u>
CURRENT LIABILITIES			
Other creditors and accruals		1,699	1,773
Tax payable		85	–
		<u>1,784</u>	<u>1,773</u>
NET CURRENT ASSETS			
		<u>181,424</u>	<u>182,495</u>
		<u>228,580</u>	<u>229,260</u>
CAPITAL AND RESERVES			
Share capital	19	225,000	225,000
Reserves		3,580	4,260
		<u>228,580</u>	<u>229,260</u>

Balance Sheet

At 31st December, 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Plant and equipment	13	110	136
Mortgage loans	14	148	207
Available-for-sale investments	17	39,179	42,480
Interests in subsidiaries	23	152	152
		<hr/>	<hr/>
		39,589	42,975
		<hr/>	<hr/>
CURRENT ASSETS			
Mortgage loans	14	57	1,475
Held-for-trading investments	16	40,256	8,024
Amounts due from subsidiaries	24	12,015	8,511
Prepayments and other receivables		18,234	3,819
Bank balances	18	119,908	167,127
		<hr/>	<hr/>
		190,470	188,956
		<hr/>	<hr/>
CURRENT LIABILITIES			
Other creditors and accruals		1,673	1,681
		<hr/>	<hr/>
NET CURRENT ASSETS			
		188,797	187,275
		<hr/>	<hr/>
		228,386	230,250
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Share capital	19	225,000	225,000
Reserves	20	3,386	5,250
		<hr/>	<hr/>
		228,386	230,250
		<hr/> <hr/>	<hr/> <hr/>

Consolidated Statement of Changes in Equity*For the year ended 31st December, 2008*

	Attributable to equity holders of the Company			
	Share capital	Investments revaluation reserve	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2007	225,000	–	6,881	231,881
Fair value changes of available-for-sale investments directly recognised in equity	–	90	–	90
Loss for the year	–	–	(2,711)	(2,711)
Total recognised income and expense for the year	–	90	(2,711)	(2,621)
At 31st December, 2007 and 1st January, 2008	225,000	90	4,170	229,260
Fair value changes of available-for-sale investments directly recognised in equity	–	807	–	807
Transfer to profit or loss on disposal of available-for-sale investments	–	(22)	–	(22)
Loss for the year	–	–	(1,465)	(1,465)
Total recognised income and expense for the year	–	785	(1,465)	(680)
At 31st December, 2008	<u>225,000</u>	<u>875</u>	<u>2,705</u>	<u>228,580</u>

Consolidated Cash Flow Statement*For the year ended 31st December, 2008*

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
OPERATING ACTIVITIES		
Loss before taxation	(1,380)	(99)
Adjustments for:		
Dividend income	(424)	(2,884)
Depreciation	47	24
Impairment allowances on mortgage loans	24	28
Loss (gain) on fair value changes of held-for-trading investments	2,106	(3)
Realised gain on available-for-sale investments	(22)	(2)
Unrealised exchange loss on available-for-sale investments	–	15
Unrealised exchange loss of financial assets	333	–
	<hr/>	<hr/>
Operating cash flows before movements in working capital	684	(2,921)
(Increase) decrease in mortgage loans	(2,704)	1,389
(Increase) decrease in held-for-trading investments	(34,570)	18,039
Increase in prepayments and other receivables	(14,614)	(262)
Decrease in other creditors and accruals	(75)	896
	<hr/>	<hr/>
NET CASH FLOW (USED IN) FROM OPERATING ACTIVITIES	(51,279)	17,141
	<hr/>	<hr/>
CASH USED IN INVESTING ACTIVITIES		
Purchase of plant and equipment	(18)	(150)
Purchase of available-for-sale investments	–	(42,750)
Principal repayment of available-for-sale investments	4,185	–
Dividend received	424	2,884
	<hr/>	<hr/>
NET CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	4,591	(40,016)
	<hr/>	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT 1ST JANUARY	(46,688)	(22,875)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	169,198	192,073
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER, represented by Bank balances	(3)	–
	<hr/>	<hr/>
	122,507	169,198
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements*For the year ended 31st December, 2008***1. GENERAL**

The Company is a limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its parent company is Island New Finance Limited, a limited company incorporated in the British Virgin Islands. The address of the registered office of the Company is disclosed in the corporate information of the annual report. The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company. The principal activities of the Company and its subsidiaries (the “Group”) are investment holding, treasury investments and the provision of mortgage finance and other related services.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption 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 period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible hedged items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendment)	Improving disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 9 & HKAS 39 (Amendment)	Embedded Derivatives ⁶
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ³
HK(IFRIC) – Int 18	Transfer of Assets from Customers ⁷

- ¹ Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, which are effective for annual periods beginning on or after 1st July, 2009
- ² Effective for annual periods beginning on or after 1st January, 2009
- ³ Effective for annual periods beginning on or after 1st July, 2009
- ⁴ Effective for annual periods beginning on or after 1st July, 2008
- ⁵ Effective for annual periods beginning on or after 1st October, 2008
- ⁶ Effective for annual periods beginning on or after 30th June, 2009
- ⁷ Effective for transfers of assets from customers received on or after 1st July, 2009

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition.

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

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

Interests in subsidiaries

Interests in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) interest income from a financial asset excluding financial assets at fair value through profit and loss is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable;
- (ii) dealings in held-for-trading securities and disposals of investments are recognised on a trade date basis when the relevant contract notes are exchanged; and
- (iii) dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method.

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

Foreign currencies

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

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

Financial instruments

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

Financial assets

The Group's and the Company's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), 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.

Effective interest method

The effective interest rate 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 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.

Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

The financial assets at FVTPL of the Group and the Company comprise financial assets held-for-trading.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including mortgage loans, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group classified those debt securities as available-for-sale financial assets.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial assets are disposed of or are determined to be impaired, at which time, the cumulative gains or losses previously recognised in equity are removed from equity and recognised in profit or loss (see accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. 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 impaired.

For all financial assets, objective evidence of impairment could include:

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

For certain categories of financial assets, such as mortgage loans, assets that are assessed not to be impaired individually are subsequently 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.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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 losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For 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

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities, representing other creditors are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

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

Derecognition

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

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

Operating leases

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

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

Taxation

At 31st December, 2008, no deferred tax assets have been recognised in the Group's and the Company's balance sheets (2007: Nil) respectively in relation to deductible temporary differences and unused tax losses. No deferred tax assets have been recognised on the tax losses of HK\$53,690,000 (2007: HK\$44,387,000) in the Group's and HK\$53,690,000 (2007: HK\$43,534,000) in the Company's balance sheets due to unpredictability of future assessable profit streams. The realisability of the deferred tax assets mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more than expected, a recognition of deferred tax asset may arise, which would be recognised in the consolidated income statement for the period in which such a recognition takes place.

Impairment allowances on mortgage loans

The Group and the Company establish, through charges against profit, impairment allowances in respect of estimated incurred loss in mortgage loans. The allowances consist of individual impairment allowances and collective impairment allowances. The overall impairment allowances represent the aggregate amount by which management considers necessary to write down its loan portfolio in order to state it in the balance sheet at its estimated net recoverable value.

In determining individual impairment allowances, management considers objective evidence of impairment. When a loan is impaired, an individual impairment allowance is assessed by a discounted cash flow method, measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The quantum of the allowance is also impacted by the collateral value and this, in turn, may be discounted in certain circumstances to recognise the impact of forced sale or quick liquidation.

In determining collective impairment allowances, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio adjusted for current conditions.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5. REVENUE

Revenue represents interest income on mortgage loans and net gain on treasury investments, which includes interest income on bank deposits and debt securities and dividend income.

An analysis of the revenue of the Group by principal activity is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Mortgage finance:		
Interest on mortgage loans	1,779	1,199
Treasury investments:		
Interest on bank deposits	3,111	7,388
Interest on available-for-sale investments	2,230	85
Interest on held-for-trading investments	9	–
Dividend income	424	2,884
	<u>7,553</u>	<u>11,556</u>

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions – mortgage finance and treasury investments. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows:

- (a) the mortgage finance segment engages in the provision of mortgage finance and other related services; and

- (b) the treasury investments segment includes interest income on bank deposits, securities trading and dividend income.

Segment information about these businesses is presented below:

	Mortgage finance <i>HK\$'000</i>	2008 Treasury investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	1,779	5,774	7,553
Segment result	1,361	3,356	4,717
Unallocated expenses			(6,097)
Loss before taxation			(1,380)
Taxation			(85)
Loss for the year			(1,465)
Segment assets	12,541	217,268	229,809
Unallocated assets			555
Total assets			230,364
Segment liabilities	2	-	2
Unallocated liabilities			1,782
Total liabilities			1,784
Other information:			
Impairment allowances on mortgage loans	(24)	-	(24)
Net exchange loss	-	(333)	(333)
Loss on fair value of held-for-trading investments	-	(2,106)	(2,106)
Unallocated:			
Capital additions		-	(18)
Depreciation		-	(47)

	Mortgage finance <i>HK\$'000</i>	2007 Treasury investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	1,199	10,357	11,556
Segment result	1,171	10,027	11,198
Unallocated expenses			(11,297)
Profit before taxation			(99)
Taxation			(2,612)
Profit for the year			(2,711)
Segment assets	9,297	221,200	230,497
Unallocated assets			536
Total assets			231,033
Segment liabilities	4	–	4
Unallocated liabilities			1,769
Total liabilities			1,773
Other information:			
Impairment allowances on mortgage loans	(28)	–	(28)
Net loss on held-for-trading investments	–	(332)	(332)
Unallocated:			
Capital additions		–	(150)
Depreciation		–	(24)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the assets:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong	4,689	11,471
Singapore	9	–
European Union countries	625	–
United States of America	2,230	85
	7,553	11,556

Segment assets and capital expenditure are based on the geographical location in which the assets are located at the balance sheet date:

	Carrying amount of segment assets		Additions to plant and equipment	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Hong Kong	142,550	188,009	18	150
People's Republic of China	9,001	–	–	–
Singapore	16,183	–	–	–
European Union countries	17,537	–	–	–
United States of America	45,093	43,024	–	–
	<u>230,364</u>	<u>231,033</u>	<u>18</u>	<u>150</u>

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2008 HK\$'000	2007 HK\$'000
Employee benefits expense (including Directors' emoluments (<i>note 9</i>):		
Wages, salaries and bonus	2,794	4,178
Retirement benefit costs (<i>note 27</i>)	34	30
	<u>2,828</u>	<u>4,208</u>
Depreciation	47	24
Auditor's remuneration	460	460
Operating lease payments	85	85
Impairment allowances on mortgage loans	24	28
Legal and professional fees	1,365	4,870
	<u>1,365</u>	<u>4,870</u>

8. TAXATION

	2008 HK\$'000	2007 HK\$'000
Hong Kong		
Current tax	85	–
Deferred tax: (<i>note 25</i>)		
Current year	–	2,612
	<u>85</u>	<u>2,612</u>

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year. The tax charge for prior year represents the reversal of deferred tax assets arising from unused tax losses in previous years as the management of the Company is uncertain as to the timing on the utilisation of tax losses.

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Loss before taxation	(1,380)	(99)
Tax at the domestic income tax rate of 16.5% (2007: 17.5%)	(228)	(17)
Tax effect of income not taxable for tax purpose	(1,310)	(1,832)
Tax effect of expenses not deductible for tax purpose	82	518
Tax effect of tax losses/deductible temporary difference not recognised	1,541	1,331
Reversal of deductible temporary difference previously recognised	–	2,612
Tax charge for the year	85	2,612

9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 7 (2007: 14) Directors were as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Directors' fee		
Executive Directors:		
John Zwaanstra (<i>Chairman</i>)	–	–
John Pridjian (<i>Chief Executive</i>)	–	–
Todd David Zwaanstra	–	–
Jonathon Jarrod Lawless	–	–
Akihiro Nagahara*	N/A	5
Stephen Lo Kam Fai*	N/A	5
Poon Mo Yiu*	N/A	5
Edwin Lo King Yau*	N/A	–
Independent Non-Executive Directors:		
Alan Howard Smith, <i>J.P.</i>	100	100
Stephen King Chang-Min	100	100
Patrick Smulders	100	100
Chan Bo Ching*	N/A	51
Li Chak Hung*	N/A	41
Yuen Wai Ho*	N/A	41
Total Directors' fee	300	448
Other emoluments		
Executive Director:		
Akihiro Nagahara*	N/A	1,300
Total emoluments	300	1,748

There were no arrangements under which a Director waived or agreed to waive any emoluments.

* The Directors resigned during the year 2007.

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2007: one) were Directors of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the remaining three (2007: four) individuals were as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Basic salaries, allowances and benefits in kind	2,401	2,187
Retirement benefit costs	33	20
	<u>2,434</u>	<u>2,207</u>

Their emoluments were within the following band:

	2008 <i>Number of employees</i>	2007 <i>Number of employees</i>
Nil – HK\$1,000,000	2	3
HK\$1,000,001 – HK\$1,500,000	<u>1</u>	<u>1</u>

11. DIVIDENDS

No dividend was paid or proposed during 2008, nor has any dividend been proposed since the balance sheet date (2007: Nil).

12. LOSS PER SHARE

Basic loss per share is calculated based on the loss for the year attributable to equity holders of the Company of HK\$1,465,000 (2007: HK\$2,711,000) and on 225,000,000 (2007: 225,000,000) ordinary shares in issue during the year.

No diluted loss per share is presented as there were no potential ordinary shares during the years.

13. PLANT AND EQUIPMENT

	The Group Furniture and equipment <i>HK\$'000</i>
COST	
At 1st January, 2007	23
Additions	150
	<hr/>
At 31st December, 2007 and 1st January, 2008	173
Additions	18
	<hr/>
At 31st December, 2008	191
	<hr/>
DEPRECIATION	
At 1st January, 2007	6
Provided for the year	24
	<hr/>
At 31st December, 2007 and 1st January, 2008	30
Provided for the year	47
	<hr/>
At 31st December, 2008	77
	<hr/>
CARRYING AMOUNT	
At 31st December, 2008	114
	<hr/> <hr/>
At 31st December, 2007	143
	<hr/> <hr/>

Furniture and equipment are depreciated on a straight-line basis at 20% to 33 $\frac{1}{3}$ % per annum.

	The Company Furniture and equipment <i>HK\$'000</i>
COST	
At 1st January, 2007	11
Additions	150
	<hr/>
At 31st December, 2007 and 1st January, 2008	161
Additions	18
	<hr/>
At 31st December, 2008	179
	<hr/>
DEPRECIATION	
At 1st January, 2007	4
Provided for the year	21
	<hr/>
At 31st December, 2007 and 1st January, 2008	25
Provided for the year	44
	<hr/>
At 31st December, 2008	69
	<hr/>
CARRYING AMOUNT	
At 31st December, 2008	110
	<hr/> <hr/>
At 31st December, 2007	136
	<hr/> <hr/>

Furniture and equipment are depreciated on a straight-line basis at 20% to 33 $\frac{1}{3}$ % per annum.

14. MORTGAGE LOANS

	The Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed-rate loan receivables	7,057	4,854
Variable-rate loan receivables	2,951	2,474
	<hr/>	<hr/>
	10,008	7,328
	<hr/> <hr/>	<hr/> <hr/>
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	2,145	3,186
Non-current assets (receivable after 12 months from the balance sheet date)	7,863	4,142
	<hr/>	<hr/>
	10,008	7,328
	<hr/> <hr/>	<hr/> <hr/>

Fixed-rate loan receivables and variable-rate loan receivables are secured by mortgage properties and bearing interest at market interest rates.

Balance of mortgage loans at 31st December, 2008 is net of accumulated impairment allowances of HK\$220,000 (2007: HK\$196,000).

The maturity profile of mortgage loans, net of impairment allowances, at the balance sheet date is analysed by the remaining periods to their contractual maturity dates as follows:

	The Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable:		
Within 3 months	937	2,631
Between 3 months and 1 year	1,208	555
Between 1 and 5 years	5,998	3,201
After 5 years	1,865	941
	10,008	7,328
	10,008	7,328

Before accepting any new customer, the Group uses internal assessment system to assess the potential customer's credit quality and defines credit limits by customer. The mortgage loans that are neither past due nor impaired have timely repayment of principal.

The ageing of mortgage loans, net of impairment allowances, which are past due but not impaired, at the balance sheet date is analysed as follows:

	The Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	563	2,462
	563	2,462

The fair value of the Group's mortgage loans, determined based on the present value of the estimated future cash flows discounted using the current applicable interest rate at 31st December, 2008, approximates to the carrying amount of mortgage loans.

	The Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Variable-rate loan receivables	205	1,682
	205	1,682
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	57	1,475
Non-current assets (receivable after 12 months from the balance sheet date)	148	207
Variable-rate loan receivables	205	1,682
	205	1,682

Variable-rate loan receivables are secured by mortgage properties and bearing interest at market interest rates.

Balance of mortgage loans at 31st December, 2008 is net of accumulated impairment allowances of HK\$Nil (2007: HK\$40,000).

The maturity profile of variable-rate mortgage loans, net of impairment allowances, at the balance sheet date is analysed by the remaining periods to their contractual maturity dates as follows:

	The Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable:		
Within 3 months	10	1,434
Between 3 months and 1 year	47	41
Between 1 and 5 years	148	207
	<u>205</u>	<u>1,682</u>

Before accepting any new customer, the Company uses internal assessment system to assess the potential customer's credit quality and defines credit limits by customer. The mortgage loans that are neither past due nor impaired have timely repayment of principal.

The ageing of mortgage loans, net of impairment allowances, which are past due but not impaired, at the balance sheet date is analysed as follows:

	The Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	<u>–</u>	<u>1,420</u>

The fair value of the Company's mortgage loans, determined based on the present value of the estimated future cash flows discounted using the current applicable interest rate at 31st December, 2008, approximates the carrying amount of the mortgage loans.

15. IMPAIRMENT ALLOWANCES ON MORTGAGE LOANS

	The Group		
	Impairment allowances		
	Individual	Collective	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2007	–	168	168
Charge during the year	–	28	28
	<hr/>	<hr/>	<hr/>
At 31st December, 2007 and 1st January, 2008	–	196	196
Charge during the year	–	24	24
	<hr/>	<hr/>	<hr/>
At 31st December, 2008	–	220	220
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	The Company		
	Impairment allowances		
	Individual	Collective	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2007	–	80	80
Written back during the year	–	(40)	(40)
	<hr/>	<hr/>	<hr/>
At 31st December, 2007 and 1st January, 2008	–	40	40
Written back during the year	–	(40)	(40)
	<hr/>	<hr/>	<hr/>
At 31st December, 2008	–	–	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Individual impairment is made when the mortgage loans borrowers in unable to repay the principal on time and the present value of the collateral held by the Group and the Company is not sufficient to cover the carrying amount of the receivables.

In addition to the individually assessed impairment allowance, the Group and the Company have also provided collectively assessed mortgage loans impairment allowances on the basis of historical loss experience.

16. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	The Group and the Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong	3,859	8,024
Convertible bonds	36,397	–
	<u>40,256</u>	<u>8,024</u>

The fair value of the equity securities is determined based on the quoted market bid prices available on the Hong Kong Stock Exchange.

During the year, the Company purchased convertible bonds with zero coupon, or with coupon rates ranging from 1% to 2%. The equity conversion options attached to the convertible bonds are embedded derivatives granting the right to the Company to convert the debt securities into equity shares of the issuer before maturity. The fair value of the convertible bonds is determined based on the market prices obtained from brokers and with reference to those of price servicing agencies.

The convertible bonds amounting to HK\$5,371,000, HK\$16,144,000 and HK\$9,001,000 are denominated in USD, SGD and RMB respectively.

17. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments include:

	The Group and the Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mortgage-backed securities quoted in the United States of America	<u>39,179</u>	<u>42,480</u>

As of 31st December, 2008, the available-for-sale investments, which are denominated in United States dollar. The underlying assets of the securities are pooled residential mortgages located in the United States of America. The fair value of the above available-for-sale investments is based on the market prices obtained from brokers and with reference to those price servicing agencies. The contractual interest rate of the available-for-sale investments was 5.5% per annum and with maturity date of February 2035.

18. BANK BALANCES

The amounts comprise bank balances held by the Group and the Company and short-term bank deposits at market interest rates with an original maturity of three months or less. The fair value of these assets at 31st December, 2008 approximates the corresponding carrying amount.

19. SHARE CAPITAL OF THE COMPANY

	2008 & 2007
	<i>HK\$'000</i>
Authorised:	
300,000,000 ordinary shares of HK\$1.00 each	<u>300,000</u>
Issued and fully paid:	
225,000,000 ordinary shares of HK\$1.00 each	<u>225,000</u>

20. RESERVES

	Investments revaluation reserve <i>HK\$'000</i>	The Company	
		Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2007	–	7,892	7,892
Fair value changes of available-for-sale investments directly recognised in equity	90	–	90
Loss for the year	–	(2,732)	(2,732)
At 31st December, 2007 and 1st January, 2008	90	5,160	5,250
Fair value changes of available-for-sale investments directly recognised in equity	807	–	807
Transfer to profit or loss on disposal of available-for-sale investments	(22)	–	(22)
Loss for the year	–	(2,649)	(2,649)
At 31st December, 2008	875	2,511	3,386

21. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The Capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and retained profits. The management reviews the capital structure by considering the cost of capital. In view of this, the Group manages its overall capital structure through monitoring the cash level, payment of dividends and issuance of share capital if the need arise.

22. FINANCIAL INSTRUMENTS

(A) Categories of financial instruments

	The Group	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Financial assets		
Fair value through profit or loss		
Held-for-trading	40,256	8,204
Loans and receivables (including cash and cash equivalents)	150,506	180,135
Available-for-sale investments	39,179	42,480
Financial liabilities		
Amortised cost	1,681	1,667

	The Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets		
Fair value through profit or loss		
Held-for-trading	40,256	8,024
Loans and receivables (including cash and cash equivalents)	150,054	180,887
Available-for-sale investments	39,179	42,480
	<u> </u>	<u> </u>
Financial liabilities		
Amortised cost	1,673	1,659
	<u> </u>	<u> </u>

(B) Financial risk management objectives and policies

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. These risks include market risks (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's and the Company's activities expose it primarily to the financial risks of change in foreign currency exchange rates, interest rates and prices of equity on held-for-trading investments and available-for-sale investments.

Foreign currency risk management

The Group and the Company have foreign currency denominated bank balances, available-for-sale investments, other financial assets and other receivables, which expose the Group and the Company to foreign currency risk.

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets at the reporting date are as follows:

	The Group and the Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
United States Dollar	62,595	43,024
Singapore Dollar	16,144	–
Chinese Renminbi Yuan	9,001	–
	<u> </u>	<u> </u>

Sensitivity analysis

The Group and the Company are mainly exposed to the effects of fluctuation in Singapore Dollar ("SGD"), Chinese Renminbi Yuan ("RMB") and United States Dollar ("USD").

The following table details the Group's and the Company's sensitivity to a 5% (2007: N/A) increase/decrease in the Hong Kong Dollars ("HKD") against SGD and RMB and 1% (2007: 1%) increase/decrease in HKD against USD respectively. As a result of the volatile financial market in 2008, the management adjusted the sensitivity rate from 1% to 5% for the purpose of assessing foreign currency risk against SGD and RMB while keeping the sensitivity rate of 1% for USD due to the fact that the USD is pegged with the HKD under the linked exchange rate system in Hong Kong. Hence, 5% and 1% are the sensitivity rates used in the current year when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes outstanding foreign currency denominated monetary assets. A positive number below indicates a decrease in loss before tax where the HKD weaken 5% (2007: N/A) against SGD and RMB and 1% (2007: 1%) against the USD. For a 5% (2007: N/A) strengthening of the HKD against the SGD and RMB and a 1% (2007: 1%) strengthening of the HKD against the USD, there would be an equal and opposite impact on the loss before tax, and the balance below would be negative.

	The Group and the Company	
	2008	2007
Sensitivity rate		
SGD	5%	–
RMB	5%	–
USD	1%	1%
	<u>2008</u>	<u>2007</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax		
SGD	807	–
RMB	450	–
USD	626	430
	<u>626</u>	<u>430</u>

This is mainly attributable to the exposure outstanding on the bank balances, available-for-sale investments, financial assets at FVTPL and other receivables denominated in USD and exposure outstanding on financial assets at FVTPL denominated in SGD and RMB at year end.

The Group's and the Company's sensitivity to foreign currencies have increased during the current year which are mainly due to the purchase of financial assets at FVTPL and the holding of USD. As the Group did not have any investment exposure to SGD and RMB in prior year, no foreign currency risk exposure for the Group and the Company on SGD and RMB was noted in prior year.

Interest rate risk management

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group currently has no hedging approach to the fair value interest rate risk on its fixed-rate mortgage loans, the management of the Group will consider hedging the risk exposure should the need arise. The Group's and the Company's exposure to cash flow interest rate risk is caused by both the variable-rate mortgage loans and bank deposits. Interest income will fluctuate because of changes in market interest rates. The Group and the Company are currently debt-free and the management of the Group believes that the Group's and the Company's exposure to the cash flow interest rate risk is insignificant.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For bank balances and variable-rate mortgage loans, the analysis is prepared assuming the amount of bank balances and mortgage loans at the balance sheet date were outstanding for the whole year. A 200 basis point increase or decrease in the Hong Kong lending rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 200 basis points higher/lower and all other variables were held constant, the Group's and the Company's loss before tax for the year ended 31st December, 2008 would decrease/increase by HK\$2,399,000 (2007: HK\$3,264,000) for the Group, and decrease/increase by HK\$2,344,000 (2007: HK\$3,248,000) for the Company. This is mainly attributable to the Group's exposure to interest rates on its variable-rate mortgage loans and short term bank deposits.

The Group's and the Company's sensitivity to interest rates have decreased during the current year mainly due to the reduction in variable rate mortgage loans and short term bank deposits.

Price risks

The Group and the Company are exposed to price risk through its investment in listed equity securities, convertible bonds and mortgage-backed securities. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. In addition, the price risk was monitored by the management of the Group and the Company and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risk at the reporting date.

If market prices of listed equity securities and convertible bonds had been 20% (2007: 5%) higher/lower, loss before tax for the year ended 31st December, 2008 would decrease/increase by HK\$8,051,000 (2007: HK\$401,000). This is mainly due to the changes in fair value of and increase in held-for-trading investments; and

If market price of mortgage-backed securities had been 10% (2007: 5%) higher/lower, investment revaluation reserve would increase/decrease by HK\$3,918,000 (2007: HK\$2,124,000) as a result of the change in fair value of available-for-sale investments.

The Group's and the Company's sensitivity to prices have increased during the current year mainly due to the purchase of the financial assets at FVTPL.

Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at 31st December, 2008 in relation to each class of recognised financial assets are the carrying amount of those assets as stated in the consolidated balance sheet and balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue loans. In addition, the Group and the Company review the recoverable amount of each individual mortgage loan at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit risk on liquid funds is limited because the counterparties are banks located in Hong Kong subject to the supervision by the Hong Kong Monetary Authority.

The Group and the Company have no significant concentration of credit risk on mortgage loans, with exposures spread over a number of counterparties and customers.

For the investments in convertibles bonds (note 16), the Group and the Company has no significant concentration of credit risk as it had been spread over several investee companies located in People's Republic of China, Hong Kong, Singapore and United States of America. These convertible bonds are unrated by rating agencies.

For the investments in mortgage-backed securities (note 17), the Group and the Company had both concentration of credit risk in single investment and geographical location in the United States of America. The credit quality of mortgage-backed securities is mainly determined by the credit quality of its underlying borrowers and residential mortgages collaterals. The current weighted average credit score of the mortgage borrowers is considered as good according to Fair Issac Corporation Inc. ("FICO") scoring method.

In this regard, the Directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

No analysis of maturity profile on financial liabilities is prepared, in the opinion of directors, the Group and the Company's financial liabilities are repayable on demand by virtue of their nature.

Fair value of financial instruments

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

- 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 market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

23. INTERESTS IN SUBSIDIARIES

	The Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	152	152

Particulars of subsidiaries at 31st December, 2008 and 2007 are as follows:

Name of Company	Place of incorporation and operation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Company	Principal activities
The Building and Loan Agency (Asia) Limited	Hong Kong	HK\$2	100%	Money lending
Winbest Holdings Limited	British Virgin Islands	US\$1	100%	Dormant
Alpha Gain Limited	Hong Kong	HK\$2	100%	Dormant

None of the subsidiaries had any debt securities at 31st December, 2008 (2007: Nil) or at any time during the year.

24. AMOUNTS DUE FROM SUBSIDIARIES

	The Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from subsidiaries	19,901	16,392
Allowance for impairment loss	(7,886)	(7,881)
	<u>12,015</u>	<u>8,511</u>
	<u>12,015</u>	<u>8,511</u>

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand and are expected to settle within one year.

Movement in the allowance for impairment loss

	The Company	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of year	7,881	7,876
Charge during the year	5	5
	<u>7,886</u>	<u>7,881</u>
	<u>7,886</u>	<u>7,881</u>

The amounts due from subsidiaries are impaired due to the present value of discounted cash flows being lesser than its carrying amounts.

The amounts due from subsidiaries which are neither past due nor impaired have the repayment ability to settle the outstanding amounts. The Company does not hold any collateral over these balances.

25. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised by the Group and the Company and movements thereon during the current and prior years:

	The Group			Total
	Accelerated tax depreciation	Impairment allowances on mortgage loans	Tax losses	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2007	(1)	15	2,598	2,612
(Charge) credit to income for the year	1	(15)	(2,598)	(2,612)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31st December, 2007 and 2008	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

At the balance sheet date, the Group has unused tax losses of approximately HK\$53,690,000 (2007: HK\$44,387,000) available for offset against future profits.

No deferred tax asset has been recognised in respect of the following balances as it is uncertain that there will be sufficient future profits available to utilise the balances, and the unrecognised tax losses may be carried forward indefinitely.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Unrecognised tax losses	53,690	44,387
Deductible temporary differences	122	72
	<u> </u>	<u> </u>
		The Company
		Tax losses
		<i>HK\$'000</i>
At 1st January, 2007		2,398
Charge to income for the year		(2,398)
		<u> </u>
At 31st December, 2007 and 2008		<u> </u>

At the balance sheet date, the Company has unused tax losses of HK\$53,690,000 (2007: HK\$43,534,000) available for offset against future profits.

No deferred tax asset has been recognised in respect of the following balances as it is uncertain that there will be sufficient future profits available to utilise the balances, and the unrecognised tax losses may be carried forward indefinitely.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Unrecognised tax losses	53,690	43,534
Deductible temporary differences	–	–
	<u> </u>	<u> </u>

26. OPERATING LEASES

At the balance sheet date, the Group and the Company had no commitments for future minimum lease payments under non-cancellable operating lease which fall due within one year.

Operating leases payments represent rentals payable by the Group and the Company for certain of its office properties. Leases are negotiated for an average term of one year and rentals are fixed for the respective lease term.

On 7th January, 2009, the Group and the Company had entered into lease agreements with the former intermediate holding company for the rental of office premises for one year from 1st January, 2009 which will give rise to an annual commitment of HK\$72,000 and HK\$36,000 respectively.

27. RETIREMENT BENEFIT SCHEME

The Group and the Company participate in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group and the Company, in funds under the control of trustee.

For members of the MPF Scheme, the Group and the Company contribute 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The total costs charged to the consolidated income statement of HK\$34,000 (2007: HK\$30,000) represents contributions payable to the scheme by the Group in respect of the current accounting period.

28. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

(A) Expense items:

	The Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental paid to a former intermediate holding company	72	72
Commissions paid to former fellow subsidiaries	–	162
Services fee paid to a former intermediate holding company	546	611
	<u> </u>	<u> </u>

The above transactions were included up to the date of the change in ultimate holding company from Allied Group Limited.

(B) Compensation of key management personnel

The key management of the Group comprises all Directors, details of their remuneration are disclosed in note 9. The remuneration of Directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

4. INDEBTEDNESS STATEMENT

As at 31 August 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, apart from intra-group liabilities, the Group did not have any loan capital issued and/or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

The Company is not aware of any material changes from 31 August 2009 to the Latest Practicable Date in respect of the indebtedness and contingent liabilities position of the Group.

5. MATERIAL CHANGES

Save as disclosed in the Company's unaudited interim financial information for the six-months ended 30 June 2009, set out on pages 47 to 56 of this Composite Document, the Directors are not aware of any material changes in the financial or trading position or outlook of the Group since 31 December 2008, being the date to which the latest audited consolidated financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information 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 the information relating to the Offeror and parties acting in concert with it, the terms and conditions of the Offer and the Offeror's intention regarding the Group), 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 such statement contained in this Composite Document misleading.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the Vendor and parties acting in concert with them but including the Offeror's intention regarding the Group), and confirm, having made all reasonable enquires, 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 such statement contained in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

<i>Authorised</i>	<i>HK\$</i>
<u>300,000,000</u> Shares	<u>300,000,000</u>
 <i>Issued and fully paid</i>	
<u>225,000,000</u> Shares	<u>225,000,000</u>

All the existing issued Shares are fully paid up or credited as fully paid and rank pari passu in all respects with each other including all rights as to dividends, voting and interests in capital.

As at the Latest Practicable Date, there were no outstanding warrants, options, derivatives or securities convertible into Shares.

Since 31 December 2008, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, the Company had not issued any Shares and other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code).

The Shares are listed and traded on the Main Board of the Stock Exchange. The Shares are not listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the Shares being, or proposed to be sought, on any other stock exchange.

3. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors in the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO), as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange or as required by the Takeovers Code.

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

As at the Latest Practicable Date, as far as was known to the Directors and the chief executive of the Company, persons (other than a Director or the chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under 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 had any options in respect of such capital, were as follows:

Name of Shareholder	Capacity	Number or attributable number of Shares held or short positions	Approximate percentage or attributable percentage of shareholdings (%)
Hyde Park Group Limited	Beneficial owner	168,750,000 (L)	75%
Tang Yu Ming, Nelson ("Mr. Tang") ^{Note}	Interest of controlled corporation	168,750,000 (L)	75%

L: Long positions

Note:

Mr. Tang is deemed to be interested in 168,750,000 Shares by virtue of his 100% beneficial holding in Hyde Park Group Limited.

Save as disclosed above, so far as the Directors and chief executive were aware, as at the Latest Practicable Date, no other persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the Shares or 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 were 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 members of the Group, or any options in respect of such share capital.

(c) Interests of the Offeror and its director in the Company

As at the Latest Practicable Date, the Offeror was interested in 168,750,000 Shares, representing 75% of the issued share capital of the Company. Save as aforesaid, the Offeror and parties acting in concert with it did not have any interests in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(d) Interests in the Offeror

As at the Latest Practicable Date, none of the Company, any member of the Group, any Directors or any pension fund of the Company owned or controlled any shares, securities, convertible securities, warrants, options and derivatives of the Offeror.

(e) Other interests

As at the Latest Practicable Date, (i) no subsidiary of the Company, or any pension fund of the Company or any subsidiary of the Company owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; (ii) none of the advisers, including those professional advisers disclosed under the section headed “Experts” in this Appendix, to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; (iii) no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror, or any person acting in concert with it or any person who is an associate of the Offeror by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code; (iv) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code; (v) no shareholding in the Company was managed on a discretionary basis by fund managers connected with the Company; (vi) no person or person acting in concert with the Offeror had irrevocably committed themselves to accept or reject the Offer; (vii) none of the Directors is interested in any Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and (viii) none of the Company or any Director has borrowed or lent any Shares, options, warrants, convertible securities or derivatives of the Company, save for any borrowed Shares which have been on-lent or sold.

(f) Dealings in securities of the Company

During the Relevant Period, save for the Completion on 25 September 2009, none of the Offeror, Mr. Tang, Ms. Wu Hoi Shan and parties acting in concert with any of them had dealt for value in the securities, warrants, options, derivatives or convertible securities of the Company.

During the Relevant Period, save for the sale of the Sale Share by the Vendor of which the executive Directors, Mr. John Zwaanstra and Mr. Todd David Zwaanstra, were deemed to be interested in, none of the Directors had dealt for value in the securities, warrants, options, derivatives or convertible securities of the Company.

During the Relevant Period, none of the subsidiaries of the Company, nor any pension funds of the Company or any of its subsidiaries, nor any of the professional advisers named under the section headed “Experts” in this Appendix, nor any 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 securities of the Company.

During the Relevant Period, no fund managers connected with the Company who managed funds on a discretionary basis had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

During the Relevant Period, no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Offeror, the Company or with any person who is acting in concert with the Offeror, the Company or with any person who is an associate of the Offeror or an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” (as defined in the Takeovers Code) had dealt for value in any securities of the Company.

The Offeror and parties acting in concert with it have not entered into any agreement, arrangement or understanding pursuant to which any securities to be acquired by the Offeror in pursuance of the Offer will be transferred, charged or pledged to any other persons.

Save for the Sale Share held by the Offeror, none of the persons acting in concert with the Offeror had owned or controlled any Shares or interests in the Company.

(g) Dealings in securities of the Offeror

During the Relevant Period, none of the Company or the Directors had any dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror.

(h) Service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries or associated companies in force which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the commencement of the Offer Period; (ii) were continuous contracts with a notice period of 12 months or more; or (iii) were fixed term contracts with term more than 12 months to run irrespective of the notice period.

(i) Directors and management

As stated in the sections headed “Offeror’s intention on the Group” and “Proposed change of Board composition” in the letter from Sun Hung Kai, the Offeror intends to nominate two new executive Directors a non-executive Director and three new independent non-executive Directors to the Board with effect from the date immediately after this Composite Document has been posted as required by the Takeovers Code, it has no intention or concrete plan for any acquisition or disposal of assets and/or business by the Group and/or major employee changes of the Group and it does not intend to redeploy any fixed assets of the Group.

The Directors note that it is the Offeror’s intention that the Group will continue its existing principal activities and the Offeror does not intend to introduce any major changes to the existing operation and business of the Company. In view of the Offeror’s intention on the Group and the proposed change of Board composition, the Directors are of the view that the continuity of the operation of the Group will not be affected.

(j) Others

As at the Latest Practicable Date,

- a) save for the Agreement, no material contracts had been entered into by the Offeror in which any Director has a material personal interest;
- b) except as stated below, no benefit has been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offer. In connection with the termination of their office as Directors and services with the Company expected to take place following completion of the Offer, the Company paid HK\$200,000 to each of the independent non-executive Directors and HK\$250,000 to one executive Director in September 2009;
- c) save for the Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror, any person acting in concert with it and any Director, recent Director, shareholder or recent shareholder of the Company which had any connection with or dependent upon the Offer;
- d) save for the Agreement, there was no agreement or arrangement between any Directors and any other persons which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;
- e) none of (i) the Offeror or any persons acting in concert with it; and (ii) the Company and the Directors, had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- f) save for the Agreement, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the securities of the Offeror or the Company and which might be material to the Offer;
- g) no persons who owned or controlled any interest in the securities of the Company had irrevocable committed themselves to accept or reject the Offer; and

- h) save for the Agreement, there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which it might or might not invoke or seek to invoke a condition to the Offer.

4. MARKET PRICES

The table below sets out the closing prices per Share as quoted on the Stock Exchange on (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last trading day on which trading took place in each of the calendar months commencing six months immediately preceding the date of the Joint Announcement:

Date	Closing price <i>HK\$</i>
27 February 2009	0.60
31 March 2009	0.64
30 April 2009	0.57
29 May 2009	0.80
30 June 2009	0.85
31 July 2009	0.94
18 August 2009 (being the Last Trading Date)	1.24
31 August 2009	2.03
29 September 2009 (being the Latest Practicable Date)	1.84

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

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$2.16 per Share on 2 September 2009 and HK\$0.55 on 1 April 2009 and 9 April 2009 respectively.

5. LITIGATION

As at the Latest Practicable Date, none of the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. CONSENTS AND QUALIFICATIONS

The following are qualifications of experts who have given opinions, letters or advice which are contained in this Composite Document:

Name	Qualification
Sun Hung Kai	a licensed corporation under the SFO permitted to engage in Type 1 (dealings in securities) and Type 6 (advising on corporate finance) regulated activities, and the financial adviser to the Offeror

Somerley a corporation licensed to carry out Type 1 (dealing in securities), 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 the Independent Board Committee in relation to the Offer

As at the Latest Practicable Date, each of Sun Hung Kai and Somerley was not interested, directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, being the date on which the latest published audited consolidated financial statements of the Company were made up.

Each of Sun Hung Kai and Somerley has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of the text of its letters and/or the reference to its name in the form and context in which it appears.

7. MATERIAL CONTRACTS

No material contracts (not being contracts entered into in the ordinary course of business) had been entered into by members of the Group after the date being two years immediately preceding the date of the Joint Announcement and up to the Latest Practicable Date.

8. MISCELLANEOUS

- (a) The registered office of the Company is at 27th Floor, Entertainment Building, 30 Queen's Road Central, Hong Kong.
- (b) The company secretary of the Company is Mr. Brian Ho Chi Yuen. Mr. Ho is a member of the Hong Kong Institute of Certified Public Accountants (CPA) and a fellow member of the Association of Chartered Certified Accountants (FCCA) in the United Kingdom.
- (c) The share registrar of the Company is Tricor Tengis Limited.
- (d) The registered office of Sun Hung Kai is at 12th Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.
- (e) The registered office of Somerley is at 10th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong.
- (f) The registered office of the Offeror is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror is c/o Shikumen Capital Management (HK) Limited, Suite 901, 100 Queen's Road Central, Central, Hong Kong.

- (g) The directors of the Offeror are Mr. Tang and Ms. Wu Hoi Shan. The correspondence address of both Mr. Tang and Ms. Wu Hoi Shan in Hong Kong is c/o Shikumen Capital Management (HK) Limited, Suite 901, 100 Queen's Road Central, Central, Hong Kong.
- (h) As at the Latest Practicable Date, the Board consisted of Mr. John Zwaanstra, Mr. John Pridjian, Mr. Todd David Zwaanstra, Mr. Jonathon Jarrod Lawless, Mr. Alan Howard Smith, *J.P.*, Mr. Stephen King Chang-Min and Mr. Patrick Smulders.
- (i) This Composite Document is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at (i) the registered office of the Company at 27th Floor, Entertainment Building, 30 Queen's Road Central, Hong Kong from 9:00 a.m. to 5:00 p.m. on any weekday, except Saturdays, Sundays and public holidays; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the Company's website at www.hkbla.com.hk during the period from the date of this Composite Document to the Closing Date:

- (a) memorandum and articles of association of the Offeror;
- (b) the memorandum of association and articles of association of the Company;
- (c) the letter from Sun Hung Kai, the text of which is set out on pages 6 to 15 of this Composite Document;
- (d) the letter from the Board as set out on pages 16 to 20 of this Composite Document;
- (e) the letter from the Independent Board Committee as set out on pages 21 to 22 of this Composite Document;
- (f) the letter from Somerley as set out on pages 23 to 39 of this Composite Document;
- (g) the written consents referred to in the paragraph headed "Consents and qualifications" in this Appendix;
- (h) the annual reports of the Company for the two years ended 31 December 2008;
- (i) the interim reports of the Company for the six months ended 30 June 2009; and
- (j) a copy of this Composite Document.

Copies of the above documents will be available for inspection on the website of the SFC at <http://www.sfc.hk> while the Offer remains open.