THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

美亞控股有限公司*

MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1116)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

CONTINUING CONNECTED TRANSACTIONS

Financial adviser to the Company

CAPITAL

CSC Asia Limited

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

KGI Capital Asia Limited

A letter from the Board is set out on pages 7 to 38 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 39 of this circular. A letter from KGI, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 75 of this circular.

A notice convening the EGM to be held at Room 501, 5/F., Aon China Building, 29 Queen's Road Central, Hong Kong on Wednesday, 26 November 2008 at 2:30 p.m. is set out on pages 307 to 309 of this circular.

A proxy form for use in the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and return the same at the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

* *For identification purposes only*

31 October 2008

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DEFINITIONS

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

"Acquisition"	the acquisitions of the Sale Shares from the Vendors and of the Additional Durban Shares from Durban Investment by the Company pursuant to the S&P Agreement
"Additional Durban Shares"	such number of Durban Shares (if any) in addition to the Sale Shares to be sold by Durban Investment to the Company under the S&P Agreement
"Announcement"	the announcement of the Company dated 6 October 2008 in relation to the Acquisition and the Continuing Connected Transactions
"Annual Report"	the Company's annual report for the year ended 31 December 2007
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Bank"	Mega International Commercial Bank Co., Ltd.
"Board"	the board of Directors
"Business Day"	a day (not being a Saturday) on which banks are open for general banking business in Hong Kong and in Taiwan
"BVI Mayer"	Mayer Corporation Development International Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Taiwan Mayer
"Car-park Agreement"	the car-park operation and management agreement dated February 2008 entered into among Du Centre, Tai Chan and Taiwan Mayer in connection with the Master Management Agreement
"Co-operation Agreement"	the co-operation agreement dated 30 July 2007 entered into between Durban and Mr. Huang as supplemented by a supplemental co-operation agreement dated 28 August 2008
"Co-operation Caps"	the maximum annual aggregate value for the transactions between Durban and Mr. Huang as contemplated under the Co-operation Agreement
"Company"	Mayer Holdings Limited, a company incorporated in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange

"Completion"	completion of the sale and purchase of the relevant Vendor Sale Shares or the Additional Durban Shares (as the case may be)
"Completion Date"	the date of each Completion
"Conditions"	the conditions precedent to Completion
"connected person(s)"	have the meaning ascribed to it under the Listing Rules
"Continuing Connected Transactions"	the non-exempt continuing connected transactions (as defined under Rule 14A.14 of the Listing Rules) between members of the Durban Group and connected persons of the Company upon Completion when Durban becomes a subsidiary of the Company
"Da-Chin"	Da-Chin Construction Co., Ltd. (大清營造股份有限公司), a company incorporated in Taiwan and a wholly-owned subsidiary of Durban
"Director(s)"	the director(s) of the Company
"Doisy Trading"	Doisy Trading Co., Ltd. (德際貿易股份有限公司), a company incorporated in Taiwan
"Du Centre"	Du Centre Co., Ltd. (德先股份有限公司), a company incorporated in Taiwan and a subsidiary of Durban whose shares are held by Durban as to approximately 46.20% and by Da-Chin as to approximately 9.75%
"Durban"	Durban Development Co., Ltd. (德安開發股份有限公司), a company incorporated in Taiwan
"Durban CCT Agreements"	the Master Management Agreement, the Joint Construction Agreement, the Mortgage Agreement and the Co-operation Agreement
"Durban Group"	Durban and the Sale Companies
"Durban Interested Companies"	Sincere Department and Doisy Trading
"Durban Investment"	Durban Investment Co., Ltd. (德安投資股份有限公司), a company incorporated in Taiwan
"Durban Property"	Durban Property Management Co., Ltd. (德安國際公寓大廈管理維護股份有限公司), a company incorporated in Taiwan and a wholly-owned subsidiary of Durban
"Durban Shares"	shares with a par value of NT$10 each in the share capital of Durban

"EGM"	an extraordinary general meeting of the Company to be convened for the purpose of, among other things, approving the Acquisition and the Continuing Connected Transactions including their respective annual caps by the Independent Shareholders
"Enlarged Group"	the Group as enlarged by the Acquisition
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HVB"	HVB Hong Kong Limited (香港商裕寶聯合財務顧問有限公司*), a company incorporated in Hong Kong
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors, namely Messrs. Lin Sheng-bin, Huang Jui-hsing and Alvin Chiu has been formed for the purpose of advising and giving recommendation to the Independent Shareholders as to the Acquisition and the Continuing Connected Transactions including their respective annual caps
"Independent Shareholders"	Shareholders other than Taiwan Mayer and its associates
"Joint Construction Agreement"	the agreement dated 14 August 2007 entered into between Durban as the contractor and Taiwan Mayer as the landlord in relation to the joint development of the Project
"Joint Construction Caps"	the maximum annual aggregate value for the transactions between Durban and Taiwan Mayer as contemplated under the Joint Construction Agreement
"KGI"	KGI Capital Asia Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Continuing Connected Transactions including their respective annual caps
"Latest Practicable Date"	28 October 2008, being the latest practicable date for ascertaining certain information referred to this circular prior to the printing of this circular

"Lease Agreement"	the lease agreement dated 27 December 2007 entered into among Du Centre as lessee, and Tai Chan and Taiwan Mayer as lessors, in connection with the Master Management Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Master Management Agreement"	the master management agreement dated 27 December 2007 entered into among Du Centre, Tai Chan and Taiwan Mayer
"Master Management Caps"	the maximum annual aggregate value attributable to Du Centre and Durban for the transactions between Du Centre, Durban and Taiwan Mayer as contemplated under the Master Management Agreement (including the Lease Agreement and the Car-park Agreement)
"Minority Durban Shareholder(s)"	holders of Durban Shares excluding the Sale Shares held by the Vendors
"Miramar"	Miramar Hotel Co., Ltd. (美麗華大飯店股份有限公司), a company incorporated in Taiwan
"Miramar-Pacific"	Miramar-Pacific International Co., Ltd. (美麗華太平洋國際股份有限公司), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Miramar
"Mortgage Agreement"	the mortgage agreement dated 3 December 2007 entered into between Da-Chin and HVB
"Mortgage Caps"	the maximum annual aggregate value for the transactions between Da-Chin and HVB as contemplated under the Mortgage Agreement
"Mr. Huang"	Mr. Huang Chun-fa (黃春發先生), a non-executive Director and one of the Vendors
"Mr. Lai"	Mr. Lai Yueh-hsing (賴粵興先生), chairman of the Company and an executive Director and one of the Vendors
"PRC"	the People's Republic of China which for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Project"	the proposed development of the second phase of Durban Image (德安印象) situated at Land Nos. 103-1, 103-2 and 103-9 in Jiou Zong Section, Nei Hu District Taipei City, Taiwan (台灣台北市內湖區舊宗段103-1、103-2及103-9地號)

"Properties"	all the real properties held by the relevant members of the Durban Group
"S&P Agreement"	the conditional sale and purchase agreement dated 6 October 2008 entered into by the Company and the Vendors in relation to the Acquisition
"Sale Companies"	Durban Property, Da-Chin and Du Centre
"Sale Shares"	120,477,580 Durban Shares representing approximately 88.59% of the entire issued share capital of Durban
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"SKMS Building"	Shin Kong Min Sheng Commercial Building (新光民生商業大樓), located at Minsheng East Road, Jhong-Shan District, Taipei City, Taiwan
"Sincere Department"	The Sincere Department Store Ltd. (先施百貨股份有限公司), a company incorporated in Taiwan
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it under the Listing Rules
"Tai Chan"	Tai Chan Asset Management Co., Ltd (台產資產管理有限公司), a company incorporated in Taiwan
"Taichung Site"	a development site located at GanGotz Section, North District, Taichung City, Taiwan, which comprises 22 parcels of land and that is jointly owned by Durban and Mr. Huang
"Taiwan Mayer"	Mayer Steel Pipe Corporation (美亞鋼管廠股份有限公司), the ultimate controlling Shareholder, a company incorporated in Taiwan, whose shares are listed on the Taiwan Stock Exchange Corporation

"Vendors"	(i) Mr. Lai; (ii) Ms. Chang Heng-chiu (張姮秋女士); (iii) Mr. Huang; (iv) Ms. Huang Shiu-mei (黃秀美女士); (v) Mr. Huang Chun-foo (黃春福先生); (vi) Mr. Huang Chun-wee (黃春偉先生); (vii) Ms. Lu Mei-fung (陸美芳女士); (viii) Ms. Huang Ko-wei (黃可薇女士); (ix) Ms. Huang Ko-hsuan (黃可萱女士); (x) Heng Hsing Development Co., Ltd. (姮興開發股份有限公司); (xi) Chang Chun Teng Construction Co., Ltd. (長春藤建設股份有限公司); (xii) Durban Investment; (xiii) Durwei Investment Co., Ltd. (德威投資股份有限公司); (xiv) Sincere Department; (xv) Yuan Chuan Steel Co., Ltd. (源泉鋼鐵股份有限公司); and (xvi) Taiwan Mayer
"Vendor Sale Shares"	those Sale Shares to be sold by each Vendor under the S&P Agreement
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"NT$"	New Taiwan dollars, the lawful currency of Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"sq.m."	square metres
"%"	Per cent.

* *For identification purpose only*

For the purpose of this circular, all amounts denominated in NT$ and RMB have been converted (for information only) into HK$ using the exchange rates of NT$1.00:HK$0.24175 and RMB1.00: HK$1.13679 respectively. Such conversion shall not be construed as a representation that amounts of NT$ or RMB were or may have been converted.

美亞控股有限公司*
MAYER HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1116)

Executive Directors
Mr. Lai Yueh-hsing
Mr. Lo Haw
Mr. Cheng Dar-terng
Mr. Chiang Jen-chin
Dr. Lin Meng-chang
Mr. Lu Wen-yi

Non-executive Directors
Mr. Hsiao Ming-chih
Mr. Huang Chun-fa

Independent non-executive Directors
Mr. Lin Sheng-bin
Mr. Huang Jui-hsiang
Mr. Alvin Chiu

Registered Office:
P.O.Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands
British West Indies

Principal Office in Hong Kong
501, 5/F, Aon China Building
29 Queen's Road Central
Hong Kong

31 October 2008

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the Announcement. On 6 October 2008, the Company entered into the S&P Agreement with the Vendors, pursuant to which (i) the Vendors have conditionally agreed to sell and the Company has conditionally agreed to purchase or procure its nominee to purchase the Sale Shares, representing approximately 88.59% of the entire issued share capital of Durban at an aggregate consideration of NT$1,397,539,928 (equivalent to approximately HK$337,855,278); and (ii) Durban Investment has conditionally agreed to sell and the Company has conditionally agreed to purchase or procure its nominee to purchase the Additional Durban Shares (if any) at a consideration of NT$11.60 (equivalent to approximately HK$2.80) per Durban Share.

* *For identification purposes only*

As certain of the applicable percentage ratios prescribed under Rule 14.07 of the Listing Rules exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company pursuant to Rule 14.06(5) of the Listing Rules. By virtue of (i) Taiwan Mayer being the ultimate controlling Shareholder; (ii) Mr. Huang being a non-executive Director; (iii) Mr. Lai being an executive Director and the chairman of the Company; and (iv) the remaining Vendors being associates of either Mr. Huang and Mr. Lai, the Vendors are connected persons of the Company within the meanings of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition is therefore subject to the requirements of reporting, announcement and the Independent Shareholders' approval by way of poll at the EGM pursuant to Chapters 14 and 14A of the Listing Rules. Mr. Huang together with his associates, are substantial shareholders (as defined under the Listing Rules) of Taiwan Mayer. Mr. Lai and his associates have indirect equity interests in Taiwan Mayer through Durban. Save and except for their foregoing interests in Taiwan Mayer, Mr. Huang, Mr. Lai and their respective associates do not directly hold any Shares. Save for Taiwan Mayer (being the ultimate controlling Shareholder), none of the Vendors are Shareholders. Accordingly, only Taiwan Mayer and its associates, which are interested in 300,000,000 Shares, representing approximately 52.08% of the total issued share capital of the Company, will be required to abstain from voting at the EGM in respect of the resolution to approve the Acquisition.

Upon Completion when Durban becomes a subsidiary of the Company, any existing transactions between member(s) of the Durban Group and connected person(s) of the Company will become continuing connected transactions of the Company and will be subject to the requirements of the Listing Rules. As certain of the applicable percentage ratios prescribed under Rule 14.07 of the Listing Rules with respect to each of the Master Management Caps, the Joint Construction Caps, the Mortgage Caps and the Co-operation Caps are more than 2.5% and each of the foregoing annual caps exceed HK$10,000,000 respectively, each of the Durban CCT Agreements will, upon Completion when Durban becomes a subsidiary of the Company, constitute non-exempt continuing connected transactions of the Company and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Save for Taiwan Mayer (being the ultimate controlling Shareholder), Miramar-Pacific, Miramar, Mr. Huang and Mr. Lai are not Shareholders. Accordingly, only Taiwan Mayer and its associates, which are interested in 300,000,000 Shares, representing approximately 52.08% of the total issued share capital of the Company, will be required to abstain from voting at the EGM in respect of the resolutions to approve the Continuing Connected Transactions arising from the Durban CCT Agreements and their respective annual caps.

The purpose of this circular is to provide you with (i) further information regarding the Acquisition and the Continuing Connected Transactions including their respective annual caps; (ii) the recommendation from the Independent Board Committee in relation to the Acquisition and the Continuing Connected Transactions including their respective annual caps; (iii) the recommendation from KGI to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Continuing Connected Transactions including their respective annual caps; (iv) an accountants' report on the Durban Group; (v) unaudited pro forma financial information on the Enlarged Group; (vi) property valuation reports relating to the Group and the Durban Group; and (vii) a notice convening the EGM.

The Independent Board Committee, comprising all independent non-executive Directors, namely Messrs. Lin Sheng-bin, Huang Jui-hsing and Alvin Chiu, has been established to advise the Independent Shareholders as to whether the terms under the S&P Agreement and the Durban CCT Agreements including their respective annual caps are fair and reasonable and whether such transactions are in the interests of the Company and the Shareholders as a whole. KGI has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

THE ACQUISITION

The S&P Agreement

Date:	6 October 2008
Parties:	
Purchaser:	the Company
Vendor of the Additional Durban Shares:	Durban Investment
Vendors of the Sale Shares:	(i) Mr. Lai, the chairman of the Company and the executive Director, is interested in 6,536,698 Durban Shares representing approximately 4.81% of the entire issued share capital of Durban;
	(ii) Ms. Chang Heng-chiu (張姮秋女士), the spouse of Mr. Lai, is interested in 90,592 Durban Shares representing approximately 0.07% of the entire issued share capital of Durban;
	(iii) Mr. Huang, a non-executive Director, is interested in 17,488,033 Durban Shares representing approximately 12.86% of the entire issued share capital of Durban;
	(iv) Ms. Huang Shiu-mei (黃秀美女士), the sister of Mr. Huang, is interested in 2,129,726 Durban Shares representing approximately 1.57% of the entire issued share capital of Durban;
	(v) Mr. Huang Chun-foo (黃春福先生), the brother of Mr. Huang, is interested in 6,423,445 Durban Shares representing approximately 4.72% of the entire issued share capital of Durban;

(vi) Mr. Huang Chun-wee (黃春偉先生), the brother of Mr. Huang, is interested in 1,204,395 Durban Shares representing approximately 0.89% of the entire issued share capital of Durban;

(vii) Ms. Lu Mei-fung (陸美芳女士), the sister-in-law of Mr. Huang and the spouse of Mr. Huang Chun-foo, is interested in 2,226,887 Durban Shares representing approximately 1.64% of the entire issued share capital of Durban;

(viii) Ms. Huang Ko-wei (黃可薇女士), the niece of Mr. Huang, is interested in 270,082 Durban Shares representing approximately 0.20% of the entire issued share capital of Durban;

(ix) Ms. Huang Ko-hsuan (黃可萱女士), the niece of Mr. Huang, is interested in 96,788 Durban Shares representing approximately 0.07% of the entire issued share capital of Durban;

(x) Heng Hsing Development Co., Ltd. (姮興開發股份有限公司) is interested in 6,955,031 Durban Shares representing approximately 5.11% of the entire issued share capital of Durban. Mr. Lai together with his associates are directly interested in more than 30% equity interests in Heng Sing Development Co., Ltd.. Heng Sing Development Co., Ltd. is a limited liability company incorporated in Taiwan on 19 November 1997. The principal business activities of Heng Sing Development Co., Ltd. include the development, sale and purchase, lease, brokerage, and management and consultancy service of real properties;

(xi) Chang Chun Teng Construction Co., Ltd. (長春藤建設股份有限公司) is interested in 291,974 Durban Shares representing approximately 0.21% of the entire issued share capital of Durban. Mr. Lai together with his associates are directly interested in more than 30% equity interests in Chang Chun Teng Construction Co., Ltd.. Chang Chun Teng Construction Co., Ltd. is a limited liability company incorporated in Taiwan on 26 November 1987. The principal business activities of Chang Chun Teng Construction Co., Ltd. include manufacture and sale of circuit and electronic parts, management of restaurant and supermarket, trading business, brokerage for sale and lease of building, interior fit-out work, and advertisement;

(xii) Durban Investment is interested in 15,916,874 Durban Shares representing approximately 11.70% of the entire issued share capital of Durban. Mr. Huang is directly interested in more than 30% equity interests in Durban Investment. Durban Investment is a limited liability company incorporated in Taiwan on 22 February 1980. The principal business activity of Durban Investment is investment holding;

(xiii) Durwei Investment Co., Ltd. (德威投資股份有限公司) is interested in 43,944,250 Durban Shares representing approximately 32.31% of the entire issued share capital of Durban. Mr. Huang together with his associates are directly interested in more than 30% equity interests in Durwei Investment Co., Ltd.. Durwei Investment Co., Ltd. is a limited liability company incorporated in Taiwan on 9 September 1991. The principal business activity of Durwei Investment Co., Ltd. is investment holding;

(xiv) Sincere Department is interested in 12,582,722 Durban Shares representing approximately 9.25% of the entire issued share capital of Durban. Mr. Huang together with his associates are directly interested in more than 30% equity interests in Sincere Department. Sincere Department is a limited liability company incorporated in Taiwan on 27 March 1985. Sincere Department is principally engaged in department store business;

(xv) Yuan Chuan Steel Co., Ltd. (源泉鋼鐵股份有限公司) is interested in 2,599,519 Durban Shares representing approximately 1.91% of the entire issued share capital of Durban. Mr. Huang's associates are directly interested in more than 30% equity interests in Yuan Chuan Steel Co., Ltd.. Yuan Chuan Steel Co., Ltd. is a limited liability company incorporated in Taiwan on 3 October 1979. Yuan Chuan Steel Co., Ltd. is principally engaged in iron and steel casting, crowding and refining; and

(xvi) Taiwan Mayer, the ultimate controlling Shareholder, is interested in 1,720,565 Durban Shares representing approximately 1.27% of the entire issued share capital of Durban. Taiwan Mayer is principally engaged in the processing and manufacture of steel pipes substantially for the domestic market in Taiwan.

Given the Company's intention to acquire up to 100% equity interests in Durban and taking into account that there are altogether over 100 Minority Durban Shareholders, in order to be more efficient in terms of time and costs, instead of having the Company acquire from such a large number of Minority Durban Shareholders, it is agreed that Durban Investment shall acquire the Additional Durban Shares first prior to selling the same to the Company. Durban Investment will not be remunerated by the Company for its consolidation of the Additional Durban Shares.

All of the Vendors, except Durban Investment which will maintain and hold one Durban Share after Completion, shall sell their respective Vendor Sale Shares to the Company or its nominee. Apart from selling its Vendor Sale Shares to the Company or its nominee, Durban Investment has agreed to sell the Additional Durban Shares (if any) to the Company or its nominee.

Assets to be acquired:

(a) The Sale Shares, representing approximately 88.59% of the entire issued share capital of Durban; and

(b) the Additional Durban Shares (if any).

Consideration and payment terms:

The aggregate consideration for the acquisition of (i) the Sale Shares at NT$1,397,539,928 (equivalent to approximately HK$337,855,278); and (ii) the Additional Durban Shares at NT$11.60 (equivalent to approximately HK$2.80) per Durban Share have been determined after arm's length negotiations between the Company and the Vendors based on normal commercial terms with reference to the unaudited consolidated net asset value (excluding minority interests) of Durban being approximately NT$1,493.0 million (equivalent to approximately HK$360.9 million) as at 31 December 2007.

In determining the benchmark for the consideration of the Acquisition, the Directors (excluding the independent non-executive Directors) have not only considered the net asset value but also other valuation methods including price-to-earnings and price-to-book ratios. The Directors (excluding the independent non-executive Directors) have made reference to comparable companies listed in Taiwan and are of the view that the consideration for the Acquisition based on net asset value is more favourable to the Group than that based on price-to-earnings ratio or price-to-book ratio. Although an independent professional valuer has been engaged by the Company for the valuation of the Properties, the Directors (excluding independent non-executive Directors) consider that a consideration entirely based on the valuation of the Properties will not reflect the full and true value of the Durban Group. Taking into consideration that Durban is not a listed company, the Directors (excluding the independent non-executive Directors) are of the view that the net value of shareholders' equity is a common benchmark for determining the consideration for acquisition of private companies and such net value accounts for not only the extent of the Durban Group's liabilities but also the value of the Properties since the net worth of the Durban Group is mainly backed by the Properties. Moreover, based on the preliminary valuation of 100% interest of the Properties as of 31 July 2008 provided by an independent professional valuer, the value of the Properties amounted to an indicative value of approximately NT$5.6 billion (equivalent to approximately HK$1.4 billion) which is higher than the unaudited net book value of 100% interest of the Properties of approximately NT$5.0 billion (equivalent to approximately HK$1.2 billion) as at 31 December 2007. The Directors (excluding the independent non-executive Directors) are of the view that the consideration for the Acquisition is fair and reasonable and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Pursuant to the S&P Agreement, the consideration for the acquisition of the Sale Shares and the Additional Durban Shares shall be payable by the Company to the Vendors and Durban Investment by cash in full on Completion after withholding 0.3% of such amount of consideration for payment of securities transaction tax.

The Company currently intends to finance the Acquisition as to approximately 10% from its internal resources and approximately 90% through bank financing. Although debt financing will increase the gearing ratio of the Group, the Board is of the view that given the current volatile market condition, debt financing is considered to be more appropriate and less time constraining than other fund raising methods, such as equity financing. However, the Board will not preclude the possibility of considering equity financing should appropriate opportunities arise.

Conditions precedent to Completion

Unless otherwise waived in writing by the Company (save for condition (a) which cannot be waived by the Company), Completion is conditional upon the fulfilment of the following Conditions:

(a) the S&P Agreement shall be approved by a simple majority of the Shareholders (excluding those Shareholders prohibited by the Listing Rules from voting on the relevant resolution) voting at the EGM to approve, among other things, the Acquisition on the terms specified in the S&P Agreement if such approval is required by the Listing Rules or the Stock Exchange;

(b) each of the Joint Construction Agreement and the Co-operation Agreement shall be approved by a simple majority of the Shareholders (excluding those Shareholders prohibited by the Listing Rules from voting on the relevant resolutions) voting at the EGM to approve, among other things, the terms of each of the Joint Construction Agreement and the Co-operation Agreement and their respective annual caps for the three financial years ending 31 December 2010;

(c) the approval certificate by the relevant approving authority approving the transfer of the Sale Shares and the Additional Durban Shares (as the case may be) shall have been granted;

(d) the warranties and representations made by each of the Vendors in the S&P Agreement shall be true and correct as of the Completion Date, with the same effect as if made on and as of the Completion Date;

(e) each of the Vendors shall have duly performed and complied with all agreements, obligations and conditions contained in the S&P Agreement which are required to be performed or complied with by it on or before the Completion Date, and shall have obtained all approvals, consents and qualifications necessary to comply with or perform such agreements, obligations and conditions;

(f) no change or event or circumstance since the date of the S&P Agreement that has a material and adverse effect on the financial conditions, results, operations or prospects of any member of the Durban Group or any of the Durban Interested Companies shall have occurred on or prior to the Completion Date; and

(g) the Company shall have completed its due diligence investigation of the Durban Group and the results of such investigation shall have been reasonably satisfactory to the Company.

All the Conditions will have to be fulfilled or waived (in the event that the Company considers that non-fulfilment of the Conditions will not be material or will not have a material adverse effect on the Durban Group) on or before 31 December 2008. If the Conditions have not been fulfilled or waived on or before such date or by such later date as may be agreed between the Company and the Vendors then the S&P Agreement shall thereupon become null and void ab initio and the Company's obligations to purchase the Sale Shares and the Additional Durban Shares shall lapse.

As at the Latest Practicable Date, none of the Conditions has been fulfilled.

Completion

Upon satisfaction or waiver of the Conditions, the Company shall forthwith give to the relevant Vendor a notice in writing (which notice must be served on the relevant Vendor at least seven Business Days before the day nominated for Completion), to nominate a day (which must be a Business Day) on which Completion of the relevant Vendor Sale Shares or the Additional Durban Shares (as the case may be) is to take place. Completion in respect of the Vendor Sale Shares held by Durban Investment and the Additional Durban Shares shall take place simultaneously.

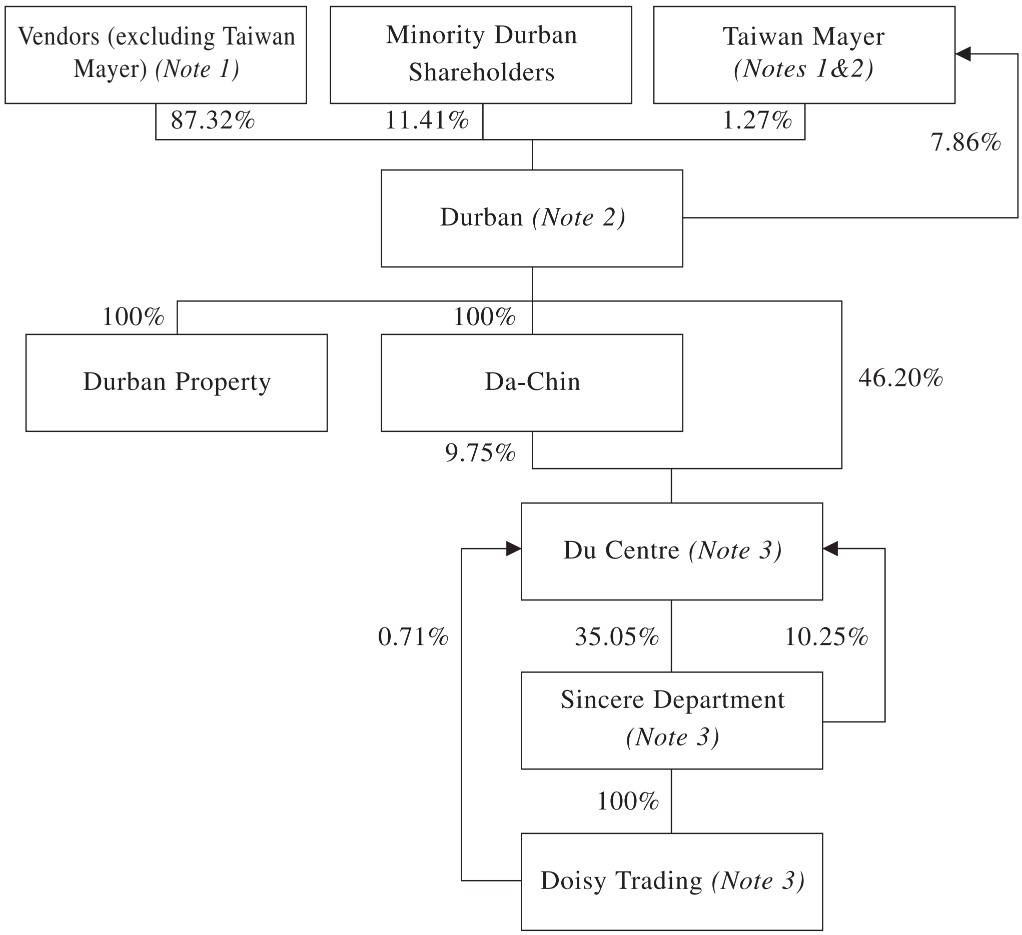
Completion shall take place on each Completion Date at the offices of Lee and Li, Attorneys-at-Law or such other place as the parties may agree.

INFORMATION ON THE DURBAN GROUP

Durban is a company incorporated in Taiwan on 29 January 1988 with limited liability. Durban is principally engaged in building construction, property development and property investment in Taiwan. As at the Latest Practicable Date, the principal assets held by Durban are (i) the entire issued share capital in each of Durban Property and Da-Chin; (ii) approximately 46.20% direct equity interests in Du Centre and approximately 9.75% indirect equity interests in Du Centre through Da-Chin; (iii) approximately 19.61% indirect equity interests in Sincere Department; and (iv) approximately 19.61% indirect equity interests in Doisy Trading. The Directors would like to clarify that as at the date of the Announcement, (i) Durban's direct equity interests in Du Centre should be approximately 46.20% instead of 46.42% as stated in the Announcement; and (ii) Durban's indirect equity interests in each of Sincere Department and Doisy Trading should be approximately 19.61% instead of 19.69% as stated in the Announcement.

As at the Latest Practicable Date, each of Durban and Taiwan Mayer (the ultimate controlling Shareholder) has cross shareholding in one another. As advised by the Company's legal adviser as to Taiwan laws, the cross shareholdings between Taiwan Mayer and Durban as at the Latest Practicable Date are legal according to Taiwan laws. Durban holds approximately 7.86% equity interests in Taiwan Mayer while Taiwan Mayer, being one of the Vendors, holds approximately 1.27% equity interests in Durban. The principal assets held by the Durban Group primarily through Durban, Da-Chin and Du Centre are the Properties.

The following diagram illustrates the shareholding structure of the Durban Group as at the Latest Practicable Date:



Notes:

1. The Vendors (including Taiwan Mayer) are interested in approximately 88.59% of the issued share capital of Durban in aggregate.

2. Each of Durban and Taiwan Mayer has cross shareholding in one another. Durban is interested in approximately 7.86% of the issued share capital of Taiwan Mayer, which is interested in approximately 1.27% of the issued share capital of Durban.

3. Each of Du Centre and Sincere Department has cross shareholding in one another. Du Centre is interested in approximately 35.05% of the issued share capital of Sincere Department, which is interested in approximately 10.25% of the issued share capital of Du Centre. Doisy Trading is interested in approximately 0.71% of the issued share capital of Du Centre.

As at the Latest Practicable Date, Durban is owned as to approximately 88.59% by the Vendors and approximately 11.41% by the Minority Durban Shareholders, who are third parties independent of the Company and its connected persons. During the period from the execution of the S&P Agreement and up to the Latest Practicable Date, no Additional Durban Shares had been acquired by Durban Investment from the Minority Durban Shareholders. The average original cost paid by the Vendors for each Vendor Sale Share was approximately NT$8.88 (equivalent to approximately HK$2.15).

Certain of the Vendors have been shareholders of Durban since its incorporation, while the remaining Vendors have been shareholders of Durban for over five years. Taking into consideration that dividends had been paid out from time to time to shareholders of Durban over the past 20 years, the Board considers that a premium of approximately 30.6% of the consideration per Vendor Sale Share over the average original cost paid by the Vendors is fair and reasonable.

Durban Property, a directly wholly-owned subsidiary of Durban, was incorporated in Taiwan on 3 January 2005 with limited liability and is principally engaged in provision of property management services.

Da-Chin, a directly wholly-owned subsidiary of Durban, was incorporated in Taiwan on 1 November 1977 with limited liability and is principally engaged in (i) project construction; and (ii) sales and purchase of construction materials and related products.

Du Centre is a limited liability company incorporated in Taiwan on 21 October 1998 and is a subsidiary of Durban whose shares are held by Durban as to approximately 46.20% and by Da-Chin as to approximately 9.75%. Du Centre is principally engaged in the business of operating department store, hotels and motels, supermarkets, restaurants, parking garage and providing general advertising services.

Sincere Department, whose shares are held by Du Centre as to approximately 35.05%, was incorporated in Taiwan on 27 March 1985 with limited liability. Sincere Department is principally engaged in department store business. Principal assets of Sincere Department include a department store and certain portions of an office building, namely Sincere Department Store, located in CingCheng Street of Songshan District at the heart of Taipei City. Sincere Department Store comprises five-storey retail premises plus a basement and a 15-storey commercial development erected upon a two-storey basement of car parking spaces. Sincere Department Store is known for its high-end women's apparel.

Doisy Trading, a directly wholly-owned subsidiary of Sincere Department, was incorporated in Taiwan on 17 January 1997 with limited liability and is principally engaged in the retail and trading business.

The Durban Group is one of the leading property developers and investors in Taiwan and has been engaged in property development activities in Taiwan since 1988. The Durban Group has a diversified portfolio of completed properties comprising industrial and commercial use, office use, residential use and car parking spaces, and various sites for future development. The properties are located in strategic locations in various parts of Taiwan including Taipei, Taoyuan, Hsinchu, Taichung and Kaohsiung.

As of 30 September 2008, the total aggregate GFA of completed properties attributable to the Durban Group was approximately 43,000 sq.m. and there were approximately 350 car parking spaces attributable to the Durban Group. With respect to properties held for future development, the Durban Group had an attributable interest in an aggregate site area of approximately 158,000 sq.m. with a proposed GFA of approximately 471,000 sq.m. as of 30 September 2008. The Directors had advised that based on the current land bank of an aggregate site area of approximately 158,000 sq.m., the Durban Group will have sufficient land reserve to meet its development needs for approximately five years.

The following sets out the major properties and development sites of the Durban Group in Taiwan:

Properties held for future development

Set out below are the major development sites of the Durban Group. Based on the current development plans of the Durban Group, the estimated capital commitment for various projects of the Durban Group will be approximately NT$10.0 billion (equivalent to approximately HK$2.4 billion), which will mainly be financed from bank borrowings.

Taichung Site (50% owned by the Durban Group)

The Taichung Site, located in GanGotz Section, North District, Taichung City having a site area of approximately 4,658 sq.m., is currently vacant. The Taichung Site comprising 22 parcels of land, is proposed to be developed as a multi-storey residential building and is jointly owned by Durban and Mr. Huang. The proposed development is expected to be completed in 2012.

The Taichung Site offers convenient transportation links, and is situated close to hotels, major retail shops including Taichung Sogo department store, the National Museum of Natural Sciences and Chung-gang Road (being the major road in the downtown of Taichung).

Durban has 50% interest in the Taichung Site (i.e. 2,329 sq.m. of land area is attributable to the Durban Group).

Durban Scenery (德安麗景) of Districts A, B, C, D and I – development site (100% owned by the Durban Group)

The site is located at Shihliou Section, Douliu City, Yunlin County and near the completed portion of Durban Scenery of Districts E, F and H as mentioned below. The subject property comprises nine parcels of land with a total site area of approximately 11,465 sq.m. and is currently vacant. It has been proposed for the site to be developed as a large scale residential project, and as Districts A, B, C, D and I of Durban Scenery with a proposed GFA upon completion of approximately 27,516 sq.m.. According to the current development plan, construction of the proposed large scale residential project is expected to commence in 2009.

The development site is situated close to the intersection of Jhong-Shan Highway and Douliu, and there are only a few large scale residential projects in Douliu City.

Durban has 100% interest in the development site.

Development site in Ankang Section (100% owned by the Durban Group)

The site is located in Ankang Section, Neihu District, Taipei City with a site area of approximately 3,023 sq.m. and is currently vacant. The site is proposed to be developed as a multi-storey industrial building.

The development site is situated near highways including MacArthur Highway and is close to Nankang Software Park. In addition, the site is conveniently located near public facilities including parks, swimming pool and tennis courts, which amount to additional features to the site.

Durban has 100% interest in the development site.

Development site in Wanli Township (100% owned by the Durban Group)

The site is located in Chun Wan Chia Tou Section, Wanli Township, Taipei County. The subject site comprises three parcels of land with a total site area of approximately 137,419 sq.m. and is proposed to be developed for residential use. The site is currently vacant. According to the management of the Durban Group, the land parcels are currently abandoned agricultural land and conversion of the existing land use of the land parcels to residential use has been preliminarily approved. The total development area of the project is approximately 443,060 sq.m.. Construction of the site is expected to commence in 2009 and to be completed in 2012.

The site is located on a large stretch of natural land on top of a hill and with frontage to the sea. The proposed development site has a panoramic sea view and its natural surroundings will offer a balance of lifestyle to its residents in the future.

Durban has 100% interest in the development site.

Properties held for sale

Durban Scenery (德安麗景) of Districts E, F, and H – completed residential blocks (100% owned by the Durban Group)

The property was completed in 2006 and comprises 47 five-storey residential blocks of Districts E, F and H of Durban Scenery which is located at Shihliou Road, Douliu City, Yunlin County. The total GFA attributable to the property is approximately 10,790 sq.m.. The sale of the property is currently on-going.

Douliu City is undergoing the early phase of growth both in its economy and property market in Taiwan. Durban Scenery is a residential area with well managed and well planned environment featuring a clubhouse with amenities exclusive to residents including a swimming pool, kindergarten, children's playground and reading rooms.

Durban has 100% interest in the property.

Investment properties

Set out below are the major investment properties of the Durban Group. In general, the leases of the investment properties listed below will expire between 2010 and 2012.

Durban Technology Park (德安科技園區) – portions of Phases 1 and 2 (100% owned by the Durban Group)

Durban Technology Park Phases 1 and 2 are located at Guangfu Road, East District, Hsinchu City and are located near National Chiao Tung University and Hsinchu Science Park, a renowned industrial base for high-tech companies engaging in businesses such as semiconductor manufacturing. The Directors are of the view that the excessive demand for properties of industrial use in Hsinchu Science Park will benefit nearby developments, such as developments in the area where Durban Technology Park Phases 1 and 2 are situated. Moreover, these two properties are in close proximity to the Group's investment property in Taiwan.

Durban Technology Park Phase 1 is a three-storey industrial/office building erected upon a three-storey basement of car parking spaces and construction was completed in 1999. Durban has 100% interest in the 1st floor of the property with an attributable GFA of approximately 348 sq.m. and 131 car parking spaces of which 122 car parking spaces are currently leased to various parties.

Durban Technology Park Phase 2 is a 10-storey building erected upon a two-level basement of car parking spaces and construction was completed in 2000. Durban has 100% interest in portions of 3rd and 6th floors of the property with an attributable GFA of approximately 2,198 sq.m., and 25 car parking spaces. The property is currently leased to various parties.

Shan Grila Paradise (香格里拉) – certain portions and car parking spaces (100% owned by the Durban Group)

Shan Grila Paradise is situated at Section 2, Jhonghua Road, Jhongli City, Taoyuan County. The building is a 16-storey residential/commercial building erected upon three basement levels of car parking spaces. Construction of the building was completed in 1994.

Shan Grila Paradise is situated close to Jhongli industrial area and Chung Yuan Christian University and is only 10 minutes drive from Jhongli train station. It is also close to the interchange of Jhong-Shan Highway in Neili District offering convenient transportation.

Durban is interested in 100% of (i) portions of 1st and 2nd floors with an attributable GFA of approximately 8,561 sq.m. and (ii) basement levels one to three with 60 car parking spaces. Currently, an aggregate of 2,598 sq.m. and 22 car parking spaces are leased to various parties, while the remaining GFA of 5,963 sq.m. and 38 car parking spaces are vacant.

SKMS Building – certain floors and car parking spaces (approximately 55.95% owned by the Durban Group)

SKMS Building is located at Minsheng East Road, Jhong-Shan District, Taipei City. The building is a 14-storey commercial building erected upon a six-storey basement and the construction of the building was completed in 2005. SKMS Building is located at the heart of the commercial area of Jhong-Shan District, a prime and convenient area for commercial, international and financial businesses. SKMS Building's tenants are mostly international corporations.

Du Centre, a subsidiary of Durban, owns the whole of 10th to 14th floors (inclusive) and basement level one with an attributable GFA of approximately 12,097.6 sq.m. and 83 car parking spaces in basement level four. Currently, the whole of 10th to 14th floors and basement level one as well as 65 car parking spaces are leased to various parties, while the remaining 18 car parking spaces are vacant.

Durban Treasury (德安臻藏) – certain portions and car parking spaces (100% owned by the Durban Group)

Durban Treasury, a 10-storey residential/commercial building erected upon three basement levels of car parking spaces, is located at Wunsin Road, Situn District, Taichung City. Durban Treasury offers convenient transportation access. The building is located close to the prospective new town centre of Taichung and Feng Chia night market, which is currently the biggest night market in Taiwan. Construction of the building was completed in 2005.

Durban owns the whole of 1st floor and basement level one, and portions of 3rd and 10th floors with an aggregate attributable GFA of approximately 2,289 sq.m. and eight car parking spaces located in basement levels two and three. Currently, an aggregate GFA of approximately 1,699 sq.m. and the eight car parking spaces are leased to various parties, while the remaining GFA of approximately 590 sq.m. is vacant.

Durban Image (德安印象) – retail shop and car parking spaces (100% owned by the Durban Group)

Durban Image is located at Section 1, Jiouzong Road, Neihu District, Taipei City. The building is a 13-storey residential/commercial building erected upon two basement levels of car parking spaces and the construction of the building was completed in 2007. The property located adjacent to the future metro station in Neihu District is only one minute drive from Jhong-Shan Highway, offering convenient transportation. It is also in close proximity to Neihu Technology Park and shopping complexes in Neihu District.

Durban owns the entire ground floor retail shop with a GFA of approximately 766 sq.m. and six car parking spaces in basement levels one and two. The property is vacant.

Kaohsiung Transportation (高雄運通) – certain portions and car parking spaces (100% owned by the Durban Group)

Kaohsiung Transportation is situated at Sinya Road, Cianjhen District, Kaohsiung City. The building is an eight-storey industrial/office building erected upon a basement. The construction of the building was completed in 1990.

Cianjhen District is within Lin-hai Industrial District, which is one of the major industrial areas of Kaohsiung. The demand for industrial and office space in Kaohsiung is currently rising. Furthermore, the property is situated in close proximity to the Dream Mall, the largest shopping mall in Taiwan, and Kaohsiung Multifunctional Commerce and Trade Park.

Durban has 100% interest in portions of the 1st, 6th and 8th floors of the building with an aggregate attributable GFA of approximately 4,053 sq.m. and 13 car parking spaces in the basement. The property is currently leased to various parties.

Hsing Wu Building (醒吾大樓) – two floors of commercial usage and car parking spaces (100% owned by the Durban Group)

Hsing Wu Building, a 22-storey commercial building erected upon a four-storey basement, is located at Hangihou South Road, Jhongjheng District, Taipei City. Construction of the building was completed in 1992.

Hsing Wu Building is strategically located close to Bo-Ai Special Region and Taipei Main Station as well as Shandao Temple metro station. In addition to convenient accessibility, the building is situated in close proximity to Legislative Yuan Building, National Taiwan University College of Law and College of Medicine.

Durban owns the whole of 21st floor while Da-Chin owns the whole of 22nd floor. Both floors are linked up with an internal staircase, with a total attributable GFA of approximately 1,236 sq.m.. The property is currently leased to a tenant.

Details of all of the Properties are included in Appendix VI "Property valuation for the Durban Group" which forms part of this circular.

The following table sets out the audited consolidated financial information of Durban which was prepared in accordance with Hong Kong Financial Reporting Standards for the two years ended 31 December 2007 and the four months ended 30 April 2008:

	For the four months ended 30 April 2008		For the year ended 31 December 2007		2006 (Note 1)	
	NT$ million	*HK$ million*	*NT$ million*	*HK$ million*	*NT$ million*	*HK$ million*
Turnover	999.0	241.5	5,014.2	1,212.2	4,346.0	1,034.8
Net profit/(loss) before taxation	(231.0)	(55.8)	565.8	136.8	(36.3)	(8.6)
Net profit/(loss) after taxation	(233.6)	(56.5)	547.3	132.3	(76.9)	(18.3)

	As at 30 April 2008		**As at 31 December 2007**	
	NT$ million	*HK$ million*	*NT$ million*	*HK$ million*
Total assets	9,017.1	2,179.9	8,779.9	2,122.5
Total liabilities *(Note 2)*	6,851.9	1,656.5	6,607.0	1,597.2
Net current liabilities	1,854.5	448.3	1,675.5	405.1
Net assets (including minority interests)	2,165.3	523.5	2,173.0	525.3
Net assets (excluding minority interests)	1,487.9	359.7	1,493.0	360.9

Notes:

1. The amounts denominated in NT$ for the year ended 31 December 2006 have been converted (for information only) into HK$ based on an exchange rate of NT$1.00:HK$0.2381. Such conversion shall not be construed as a representation that amounts of NT$ were or may have been conversion on such exchange rate.

2. Total liabilities of the Durban Group as at 31 December 2007 mainly comprised trade payables, notes payable, interest-bearing borrowings, and long-term bank loans which in aggregate accounted for over 80% of the total liabilities.

The audited net profit before taxation of the Durban Group for the year ended 31 December 2007 has shown a significant increase as compared to that of the corresponding period in 2006. The increase was mainly attributable to the gain arising from the sale of property, plant and equipment and financial assets in 2007.

As set out in the above table, the Durban Group was in net current liabilities as at 31 December 2007 and 30 April 2008.

As set out in Appendix II of this circular, as at 30 April 2008, the Durban Group recorded properties under development of approximately NT$2,360.8 million (equivalent to approximately HK$570.7 million) under non-current assets. The management of the Company estimates that approximately NT$1,536.0 million (equivalent to approximately HK$371.3 million) of properties under development of the Durban Group will be completed within one year and will be ready for sales, hence, such properties can be transferred from non-current assets to current assets and classified as properties held for sale, thereby reducing the net current liabilities of the Durban Group and generating additional cashflow to the Durban Group.

As set out in Appendix II of this circular, as at 30 April 2008, current portion of the interest-bearing borrowings of the Durban Group of approximately NT$1,380.4 million (equivalent to approximately HK$333.7 million) was a key component of the Durban Group's current liabilities of approximately NT$3,383.2 million (equivalent to approximately HK$817.9 million). Current portion of the interest-bearing borrowings are mainly related to construction loans which can be rolled over when necessary and are subject to the expected timetable of construction projects. Taking into consideration that the Durban Group still has un-utilized banking facilities of approximately NT$3,161.0 million (equivalent to approximately HK$764.2 million) and the undertaking from Mr. Huang to provide continuing financial support to the Durban Group if and when necessary, the management of the Company is of the view that the Durban Group has access to resources to repay its debts as and when they fall due.

The Enlarged Group is engaged in the following three unsettled and/or unsatisfied litigation or arbitration of material importance, details of which are set out in Appendix VII of this circular under the section headed "Litigation":

(a) outstanding payment of NT$6,433,400 with 5% interest per annum to be received by Durban from Hsiang He Insurance Agent Co. Ltd. for uncompensated damages according to the ruling of Taiwan Taipei District Court;

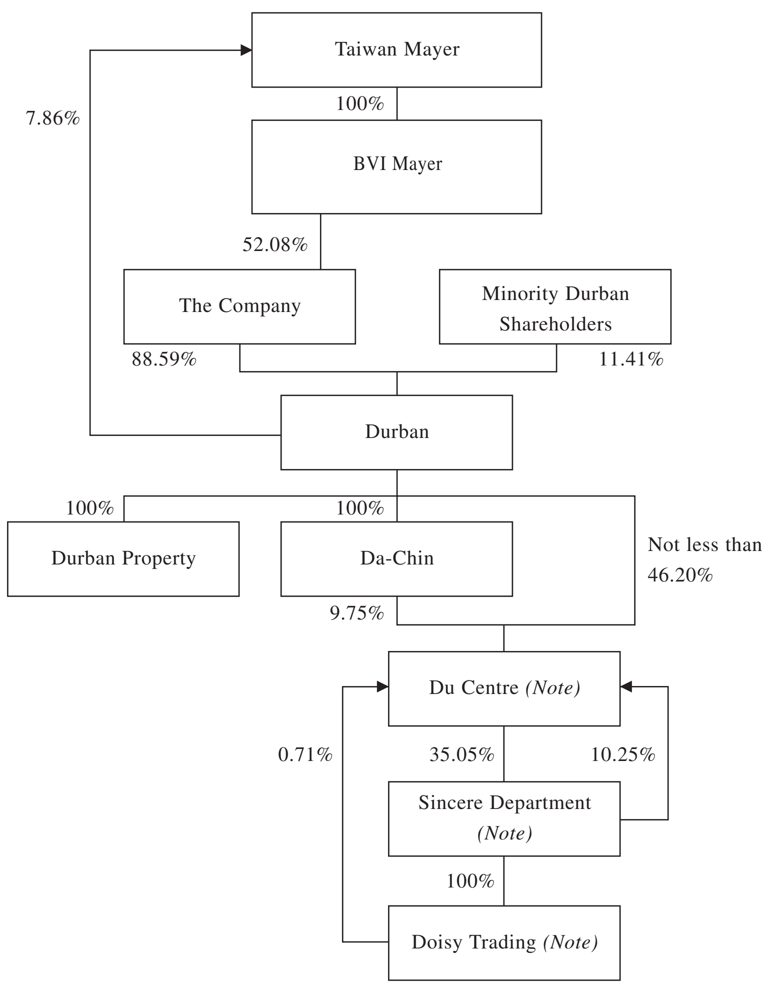
(b) outstanding final payment of NT$9,345,000 with 5% interest per annum to be made by Da-Chin to Lead-Fu Industrials Corporation ("Lead-Fu") for the construction works performed by Lead-Fu according to the ruling of the Taiwan Taipei District Court and the appeal made by Da-Chin to the Taiwan High Court; and

(c) outstanding payment of NT$2,270,468 with 5% interest per annum to be made by Da-Chin to Dah Yaw Engineering Co., Ltd ("Dah Yaw") for the construction and repairs work performed by Dah Yaw according to the ruling of the Taiwan High Court. Da-Chin has appealed to the Supreme Court.

Taking into account that most of the litigations related to Durban and Da-Chin were either in favour of Durban or are immaterial to the Durban Group, the management of the Company considers that the aforementioned litigations outstanding payment of approximately NT$11,615,468 to be made by the Durban Group only accounted for approximately 0.8% and 1.9% of the net assets value and profit attributable to the equity holders of Durban as at 31 December 2007 and for the year ended 31 December 2007 respectively, and therefore should not have significant impact on the Group's operation and financial position to the Group.

Shareholding structure of the Durban Group immediately following the Acquisition

The shareholding structure of the Durban Group immediately following the Acquisition is illustrated as follows:



Note: Each of Du Centre and Sincere Department has cross shareholding in one another. Du Centre is interested in approximately 35.05% of the issued share capital of Sincere Department, which is interested in approximately 10.25% of the issued share capital of Du Centre. Doisy Trading is interested in approximately 0.71% of the issued share capital of Du Centre.

As advised by the Company's legal adviser as to Taiwan laws, the cross shareholdings between Taiwan Mayer and Durban immediately following the Acquisition are legal according to Taiwan laws.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in manufacturing and trading of steel sheets, steel pipes and other products made of steel, property investment and leasing of aircrafts for rental purposes.

It is the Group's intention to continue with pursuing its existing businesses of manufacturing and trading of steel sheets, steel pipes and other products made of steel and leasing of aircrafts. As set out in the Annual Report, the Group will seek all sorts of investment opportunities which are beneficial to its long term development with the best return to its Shareholders and investors. In addition, as announced on 11 June 2007 and stated in the Annual Report, the Group had formed a new property investment business segment in the second half of 2007 by acquiring an industrial and commercial building in Taiwan. The Directors consider that the Acquisition is in line with the Group's current business diversification strategy to invest in favourable investments and to broaden the income base of the Group and that the Acquisition will enable the Company to quickly scale up its current property investment business segment and become a property investor player in Taiwan.

Following Taiwan's presidential election, the new president, Mr. Ma Ying-jeou, announced several measures to strengthen the cross-strait relationship between Taiwan and the PRC. The Directors believe that the commencement of direct flights and expansion of cross-strait trade will benefit Taiwan's economy and property investment market. The Directors anticipate that an increase of Chinese investors will flock to Taiwan and that this will enable Taiwan to become an alluring target for property investments.

In anticipation on Taiwan's economic growth, the Directors consider that the Acquisition could enhance momentum and competitive edges for the Group's future development. Leveraging on the extensive experience of the Durban Group which has over 20 years of solid experience in property development and investment in Taiwan, the Group will be well-positioned to take advantage of the growth potential in Taiwan's property market and will be able to further explore its property investment business opportunities in Taiwan. Furthermore, given the diversified portfolio of properties held by the Durban Group which are mainly located in strategically favourable locations or prime areas across Taiwan, the Directors consider that the Acquisition will quickly enhance the assets base of the Group.

Taking into consideration the current performance and prospects of the Durban Group, the Directors believe that the Acquisition will provide the Group with growth potential and boost its financial performance. The Board confirms that there was no change in control of the Company over the past 24 months prior to the Acquisition.

The Directors (excluding the independent non-executive Directors) consider that the terms of the S&P Agreement are fair and reasonable and on normal commercial terms, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE ACQUISITION

Upon completion of the Acquisition, the Company will be interested in approximately 88.59% of the total issued share capital of Durban which will be treated as a subsidiary of the Company and accordingly, the financial results of the Durban Group will be consolidated into the Group's accounts.

Based on the unaudited pro forma financial information of the Enlarged Group illustrated in Appendix IV to this circular, assuming that the Acquisition had been completed as at 30 June 2008, the total assets of the Enlarged Group would be increased by approximately RMB1,977.2 million (equivalent to approximately HK$2,247.7 million), reflecting the total assets of the Durban Group for the transaction. The total liabilities of the Enlarged Group would be increased by approximately RMB1,821.5 million (equivalent to approximately HK$2,070.7 million), comprising the total liabilities of the Durban Group and the bank financing relating to the consideration for the Acquisition.

Based on the unaudited pro forma combined income statement of the Enlarged Group illustrated in Appendix IV to this circular, assuming that the Acquisition had been completed on 1 January 2007, the profit of the Enlarged Group for the year would be increased from approximately RMB13.8 million (equivalent to approximately HK$15.7 million) to approximately RMB251.2 million (equivalent to approximately HK$285.6 million), with the increments being the profit of the Durban Group for the pro forma period of approximately RMB143.5 million (equivalent to approximately HK$163.1 million), estimated negative goodwill of approximately RMB112.8 million (equivalent to approximately HK$128.2 million) arising from acquisition of the Durban Group after taking into account the estimated professional costs and other outgoing expenses for the Acquisition.

For the pro forma financial information of the Enlarged Group, please refer to Appendix IV to this circular.

FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

Looking forward, the Group, after the Acquisition, will have its principal businesses diversified into six major business segments, which are: (i) the manufacture and trade of different kinds of steel sheets, steel pipes and other products made of steel; (ii) the leasing of aircrafts and provision of consultancy services; (iii) the investment and holding of property for rental or capital appreciation purposes; (iv) the building construction and property development; (v) the operation of department stores and concessionaires and (vi) the provision of building management and consultancy services.

The Directors are confident that the existing business segments prior to the Acquisition in the manufacture and trade of steel in the PRC or in Vietnam will remain strong in demand and the leasing of aircrafts will have stable rental returns, despite that the overall economy was overshadowed by the uncertain global financial market.

In anticipation on Taiwan's economic growth, the Directors consider that the Acquisition could enhance momentum and competitive edges for the Group's future development. Leveraging on the extensive experience of the Durban Group which has over 20 years of solid experience in property development and investment in Taiwan, the Group will be well-positioned to take advantage of the growth potential in Taiwan's property market and will be able to further explore its property investment business opportunities in Taiwan. Furthermore, given the diversified portfolio of properties held by the Durban Group which are mainly located in strategically favourable locations or prime areas across Taiwan, the Directors consider that the Acquisition will quickly enhance the assets base of the Group.

The Group will continue to seek new investment opportunities within Taiwan or other Asian countries, such as the PRC or Hong Kong, thereby enhancing the Group's overall competitiveness and improving its business and financial performance.

RECONCILIATION STATEMENTS OF THE VALUE OF THE PROPERTIES

Set out below is a statement of reconciliation between the value of the properties owned by the Group as stated in the valuation report set out in Appendix V of this circular and the net book value as stated in the audited consolidated balance sheet of the Group as at 31 December 2007 set out in Appendix I of this circular. The statement below was prepared in accordance with Rule 5.07 of the Listing Rules.

The Group

	Notes	*HK$'000*	*HK$'000*
Valuation of the property interests as at 30 September 2008 as set out in the valuation report included in Appendix V to this circular			404,829
Net book value of the property interests as at 31 December 2007	1	257,868	
Add: Additions for the period from 1 January 2008 to 30 September 2008	2	7,835	
Less: Depreciation for the period from 1 January 2008 to 30 September 2008		(1,873)	
Net book value of the property interests as at 30 September 2008			263,830
Net revaluation surplus			140,999

Notes:

1. Net book value of the property interests as at 31 December 2007 include net book value of Guangzhou Mayer Corporation Limited of building and factory premises approximately RMB26,281,000 (equivalent to approximately HK$29,876,000), leasehold land and land use rights of approximately RMB8,416,000 (equivalent to approximately HK$9,567,000), deposit paid for acquisition of property of approximately RMB192,142,000 (equivalent to approximately HK$218,425,000).

2. As stated in the valuation report on the property interests of Vietnam Mayer Co., Ltd., a wholly-owned subsidiary of the Company, included in Appendix V to this circular, Cushman & Wakefield Valuation Advisory Services (HK) Limited has attributed no commercial value to land and factory premise of which Vietnam Mayer Co., Ltd. has not yet obtained the Land Use Rights Certificate from the landlord, Vietnam Singapore Industrial Park J.V. Co. Ltd..

Set out below is a statement of reconciliation between the value of the properties owned by the Durban Group as stated in the valuation report set out in Appendix VI of this circular and the net book value as stated in the audited consolidated balance sheet of the Durban Group as at 30 April 2008 set out in Appendix II of this circular. The statement below was prepared in accordance with Rule 5.07 of the Listing Rules.

The Durban Group

	Notes	*HK$'000*	*HK$'000*
Valuation of the property interests as at 30 September 2008 as set out in the valuation report included in Appendix VI to this circular	1		1,356,416
Net book value of the property interests as at 30 April 2008	2	1,164,238	
Less: Adjustments on construction costs for the period from 1 May 2008 to 30 September 2008		(4,323)	
Less: Depreciation for the period from 1 May 2008 to 30 September 2008		(913)	
Net book value of the property interests as at 30 September 2008			1,159,002
Net revaluation surplus			197,414

Notes:

1. The valuation amount of the property interests of the Durban Group as at 30 September 2008 as set out in the valuation report represents 100% attributable interests of Durban and its subsidiaries.

2. Net book value of the property interests as at 30 April 2008 included net book value of freehold land of approximately NT$1,437,000 (equivalent to approximately HK$347,000), investment property of approximately NT$2,905,267,000 (equivalent to approximately HK$702,348,000), property held for sale of approximately NT$896,063,000 (equivalent to approximately HK$216,623,000), and property under development of approximately NT$2,360,768,000 (equivalent to approximately HK$570,716,000). Out of the property under development there was an amount of approximately NT$1,347,657,000 (equivalent to approximately HK$325,796,000) of which the Durban Group did not have property interests as at 30 April 2008.

CONTINUING CONNECTED TRANSACTIONS

Upon Completion when Durban becomes a subsidiary of the Company, any existing transactions between member(s) of the Durban Group and connected person(s) of the Company will become continuing connected transactions of the Company and will be subject to the requirements of the Listing Rules. In this connection, please see below the Continuing Connected Transactions of the Company.

A. Master Management Agreement

On 27 December 2007, Du Centre, Tai Chan and Taiwan Mayer entered into the Master Management Agreement in connection with their purchase of SKMS Building in Taiwan. The Master Management Agreement that authorizes Du Centre or its agent to manage SKMS Building was premised upon Du Centre having the right to lease and sublease SKMS Building. Hence the parties signed the Lease Agreement separately and concurrently, which provides Du Centre with such right together with other detailed terms of the lease and sublease of SKMS Building. The Car-park Agreement signed in February 2008 was required for filing in connection with the Durban Group's application for a car-park operation and management licence with the relevant authorities in Taiwan.

Du Centre, Tai Chan and Taiwan Mayer acquired the entire interests in SKMS Building from Taiwan Shin Kong Commercial Bank Co., Ltd. in the proportion of 35%, 35% and 30% respectively. Tai Chan is an independent third party of the Company and its connected persons. Save and except for entering into the Master Management Agreement (including the Lease Agreement and the Car-park Agreement), as far as the Directors are aware, none of the Durban Group, the Vendors and Taiwan Mayer has any other relationship with Tai Chan. The Master Management Agreement provides that until the date of sale of SKMS Building, all income and expenses related to SKMS Building shall be shared among Du Centre, Tai Chan and Taiwan Mayer in the proportion of 35%, 35% and 30% respectively. In consideration of Durban's obligation to promote and secure execution of leases and subleases for SKMS Building, Durban shall be remunerated with a commission of (a) one month rental for any new lease of a period of three years or less plus half a month rental for any additional year beyond the three years; and (b) one month rental for any renewal lease of a period of three years or less plus half a month rental for any additional two years beyond the three years. No party may unilaterally sell its share of SKMS Building to a third party without consent of the other parties. Any one party may request and oblige all of the parties to sell SKMS Building one year after execution of the Master Management Agreement and the parties shall appoint Durban to handle all matters in relation to the sale of SKMS Building.

According to the Lease Agreement entered in connection with the Master Management Agreement, Tai Chan and Taiwan Mayer shall lease SKMS Building to Du Centre during the period from 27 December 2007 to 26 December 2011. While Du Centre may lease or sublease SKMS Building, Du Centre shall pay to Tai Chan and Taiwan Mayer respectively 35% and 30% of any income arising from the leases and subleases of SKMS Building. In connection with the Master Management Agreement, the parties also entered into the Car-park Agreement in February 2008, whereby Tai Chan and Taiwan Mayer authorize Du Centre to subcontract the operation and management of the car-park at SKMS Building to Durban Property. Hence, Durban Property operates and manages the car-park at SKMS Building and collects parking fees and guarantee money for the car-park on behalf of Du Centre. Du Centre shall pay 35% and 30% of such parking fees and guarantee money to Tai Chan and Taiwan Mayer respectively on a monthly basis after deducting the operating expenses of the car-park. As the operation and management of the car-park at SKMS Building have been subcontracted to Durban Property and Du Centre will not be involved in the operation and management of the car-park at SKMS Building, Du Centre will not be entitled to any commission related to the operation and management of the car-park.

Pursuant to the Master Management Agreement, the party which terminates the agreement early and fails to perform its duties continuously will be in default and shall indemnify the other parties the higher of their actual damages or damages in the amount NT$10.0 million (equivalent to approximately HK$2.4 million). Accordingly, in the event that the Master Management Agreement and the Master Management Caps are not approved by the Independent Shareholders at the EGM, Du Centre will have to terminate the Master Management Agreement early and indemnify the other parties the damages as aforementioned above.

Master Management Caps

The Master Management Caps comprise commission payable to Durban under the Master Management Agreement together with the annual income payable to Du Centre and Taiwan Mayer arising from the leases and subleases of SKMS Building under the Lease Agreement (which include the annual parking fees and guarantee money under the Car-park Agreement) for each of the three years ending 31 December 2008, 2009 and 2010.

The proposed Master Management Caps for each of the three years ending 31 December 2008, 2009 and 2010 are as follows:

	Year ending 31 December		
	2008 *(Note)*	**2009**	**2010**
	NT$ million	*NT$ million*	*NT$ million*
Master Management Caps	39.8 (equivalent to approximately HK$9.6 million)	239.0 (equivalent to approximately HK$57.8 million)	249.0 (equivalent to approximately HK$60.2 million)

Note: From the date of Completion when Durban becomes a subsidiary of the Company

The Master Management Caps are determined with reference to (i) the anticipated annual income arising from the leases and subleases of SKMS Building; (ii) the anticipated vacancy rate of SKMS Building; and (iii) the expected lease term of the existing and anticipated leases and subleases of SKMS Building; and (iv) prevailing market rate of comparable leases and subleases in Jhong-Shan District.

B. Joint Construction Agreement

On 14 August 2007, Durban as the contractor and Taiwan Mayer as the landlord entered into the Joint Construction Agreement for the joint development of the Project. As at the Latest Practicable Date, the Durban Group does not have any title interests in the Project. Pursuant to the Joint Construction Agreement, Durban will apply for the construction permit and commence construction within 30 days of receipt of the construction permit; and Durban will obtain the building occupancy permit within 750 days from commencement of construction, and the building possession rights within 90 days of receipt of the building occupancy permit.

Taiwan Mayer, being the landlord, provides the land for the joint development of the Project, and Durban, being the contractor, is responsible for its construction. Taiwan Mayer and Durban will share the sales proceeds from the sale of the Project in the proportion of 62% and 38% respectively. Such ratio was determined on the basis on the value of the land and estimated construction costs, which the Directors (excluding the independent non-executive Directors) consider as fair and reasonable.

Under the Joint Construction Agreement, each party shall bear its respective costs and taxes, and the cost of construction will be borne by Durban. To secure Durban's performance of its obligations under the Joint Construction Agreement, Durban will provide a guarantee to Taiwan Mayer in the aggregate amount of NT$42.0 million (equivalent to approximately HK$10.2 million) through (a) one guarantee cheque dated 14 August 2009 in the amount of NT$21.0 million (equivalent to approximately HK$5.1 million) payable by Durban on execution of the Joint Construction Agreement and to be returned to Durban within 10 days of completion of the infrastructure for the basement of the building, and (b) another guarantee cheque dated 14 August 2010 in the amount of NT$21.0 million (equivalent to approximately HK$5.1 million) payable by Durban on completion of construction and to be returned to Durban within 10 days of obtaining the building occupancy permit.

Construction of the Project was commenced in August 2007. As at the Latest Practicable Date, total accumulated construction costs and construction financing arising from the development of the Project amounted to more than NT$250 million (equivalent to approximately HK$60.4 million).

Pursuant to the Joint Construction Agreement, Durban's early termination of the agreement and its failure of continuous performance of its duties thereunder will constitute a breach of the agreement by Durban. As a result of Durban's breach of the Joint Construction Agreement, the guarantee cheques in the aggregate amount of NT$42.0 million (equivalent to approximately HK$10.2 million) shall be confiscated by Taiwan Mayer and all the completed construction works of Durban will be taken over by Taiwan Mayer unconditionally. Furthermore, Durban shall bear all construction costs incurred and the construction financing.

Taking into account of the material costs already incurred and estimated to be incurred by Durban, and Durban's loss of rights to its share of potential sales proceeds and over its completed construction works upon early termination of the Joint Construction Agreement, the Directors (excluding the independent non-executive Directors) are of the view that the costs together with Durban's loss of rights to potential sales proceeds and over the completed construction works may potentially exceed the benefits arising from the Acquisition. Accordingly, should the Joint Construction Agreement and the Joint Construction Caps not be approved by the Independent Shareholders at the EGM, the parties to the S&P Agreement will not proceed with the Acquisition.

Joint Construction Caps

The proposed Joint Construction Caps for each of the three years ending 31 December 2008, 2009 and 2010 are as follows:

	Year ending 31 December		
	2008 *(Note)*	**2009**	**2010**
	NT$ million	*NT$ million*	*NT$ million*
Joint Construction Caps	10.4 (equivalent to approximately HK$2.5 million)	560.0 (equivalent to approximately HK$135.4 million)	21.0 (equivalent to approximately HK$5.1 million)

Note: From the date of Completion when Durban becomes a subsidiary of the Company

The Joint Construction Caps are determined with reference to (i) estimated development construction costs of the second phase of Durban Image according to its planned development schedule; (ii) amount of guarantee provided by Durban to Taiwan Mayer; and (iii) outlook of Taiwan property market.

C. Mortgage Agreement

Pursuant to the Mortgage Agreement, Da-Chin has mortgaged its property comprising eight parcels of land located in Dalien Section, Ping Don City, Taiwan to HVB for securing the repayment of indebtedness for a maximum sum of NT$86,157,622 (equivalent to approximately HK$20,828,605) of Miramar-Pacific, Miramar, Mr. Huang and Mr. Lai (collectively, the "Obligors") under certain promissory notes issued by the Obligors to BAYERISCHE HYPO-UND VEREINSBANK AG, acting through its Hong Kong Branch. Notwithstanding the foregoing contractual obligations, the parties only registered Miramar as the debtor for securing Miramar's obligations under its promissory note with the land authority in Taiwan. As such, HVB may demand Da-Chin to amend the mortgage registration by registering all the other Obligors as debtors pursuant to the Mortgage Agreement if HVB deems it necessary.

Under the Mortgage Agreement, the mortgage will expire on 10 August 2012. However, the land registration transcript indicates that the mortgage will expire on 2 December 2037. The Company's legal adviser as to Taiwan laws has advised that it is local banking practice for banks to extend the mortgage period beyond the contracted time. As the Mortgage Agreement does not contain any change-of-control clause, the Mortgage Agreement will not be released upon Completion. As advised by the Company's legal adviser as to Taiwan law, when the Obligors repay any and all money owing to HVB in 2012, HVB shall release Da-Chin's property from mortgage pursuant to the Mortgage Agreement.

In consideration of Da-Chin's grant of mortgage, the Obligors will pay Da-Chin an annual fee equal to 1.5% per annum of the Obligors' maximum repayment obligation of NT$86,157,622 (equivalent to approximately HK$20,828,605) and the Obligors will also provide to Da-Chin a counter-indemnity against all payments, losses, damages and costs incurred or suffered by Da-Chin in connection with its grant of mortgage under the Mortgage Agreement. Miramar, a company controlled by Mr. Huang and his associates, was incorporated in May 1977 and is principally engaged in investment holding. Miramar's principal assets include investments in listed and unlisted securities in Taiwan. Miramar-Pacific, an investment holding company and a wholly-owned subsidiary of Miramar, was incorporated principally to facilitate borrowings from HVB. Having reviewed and assessed the financial position of Miramar, the Directors (excluding the independent non-executive Directors) are of the view that the risk of the Obligors defaulting on their repayment obligations under the promissory notes is not high. The annual fee of 1.5% payable by the Obligors was arrived at after arm's length negotiations and on normal commercial basis. Moreover, the Directors (excluding the independent non-executive Directors) have made reference to the guarantee fee received by the Group in the past which was only 0.75% per annum. After taking into consideration that an annual fee of 1.5% and a counter-indemnity will be provided by the Obligors to Da-Chin, the Directors (excluding the independent non-executive Directors) are of the view that it is fair and reasonable to continue the Mortgage Agreement.

Discussions had been held between the Board and Miramar regarding the potential release of Da-Chin's property from mortgage. In the event that the Mortgage Agreement and the Mortgage Caps are not approved by the Independent Shareholders at the EGM, Miramar has agreed to replace Da-Chin's property with other assets held by the Obligors as security in favour of HVB.

Mortgage Caps

The proposed Mortgage Caps for each of the three years ending 31 December 2008, 2009 and 2010 are as follows:

	Year ending 31 December		
	2008 *(Note)*	**2009**	**2010**
	NT$ million	*NT$ million*	*NT$ million*
Mortgage Caps	86.2 (equivalent to approximately HK$20.8 million)	86.2 (equivalent to approximately HK$20.8 million)	86.2 (equivalent to approximately HK$20.8 million)

Note: From the date of Completion when Durban becomes a subsidiary of the Company

The Mortgage Caps are determined with reference to the maximum sum of repayment of indebtedness by the Obligors being secured by Da-Chin's mortgage to HVB under the Mortgage Agreement.

D. Co-operation Agreement

Pursuant to the Co-operation Agreement, Durban shall during the period from 27 August 2007 to 27 August 2010 provide to Mr. Huang a revolving loan facility of NT$450.0 million (equivalent to approximately HK$108.8 million) from its loan of NT$900.0 million (equivalent to approximately HK$217.6 million) advanced by the Bank, which is secured by a mortgage of the Taichung Site jointly owned by Durban and Mr. Huang and a joint guarantee from Mr. Lai and Mr. Huang. Durban has 50% interest in the Taichung Site, which is one of the Properties held by the Durban Group. Durban's loan facility with the Bank (including Mr. Huang's portion of the loan facility with Durban) was made for the purpose of the joint development of the Taichung Site by Durban and Mr. Huang. As at the Latest Practicable Date, Mr. Huang has made a drawdown of NT$450.0 million (equivalent to approximately HK$108.8 million) from his loan facility with Durban.

Pursuant to the Co-operation Agreement, Mr. Huang shall repay (i) the principal within 180 days from the date of drawdown and (ii) interest on a monthly basis at the rate of Taiwan Mail Two Year Savings Rate (台灣郵政二年期定儲機動利率) plus 0.715% per annum provided that if the New Taiwan Dollar United Bank Rate (新台幣聯行息) is higher than Taiwan Mail Two Year Savings Rate, Durban may charge Mr. Huang the New Taiwan Dollar United Bank Rate plus 0.715% per annum as the interest rate (the "Interest Rate"). Under the Co-operation Agreement, Mr. Huang shall pay Durban a default payment of (a) 10% of the Interest Rate with respect to any late payment of principal or interest within six months' delay, and (b) 20% of the Interest Rate with respect to any late payment of principal or interest beyond six months' delay. Mr. Huang also agrees to pay Durban an additional interest of 1% per annum over the Interest Rate with respect to any late payment of the principal.

Furthermore, Mr. Huang agrees to unconditionally provide the Taichung Site for mortgage to the Bank and be the joint guarantor for Durban's loan with the Bank. Should Mr. Huang be in breach of the Co-operation Agreement, Durban may transfer the portion of the Taichung Site owned by Mr. Huang to its name and Mr. Huang shall pay Durban NT$22.5 million (equivalent to approximately HK$5.4 million) as a default payment in addition to any damages suffered by Durban.

There is no termination clause under the Co-operation Agreement. However, if Durban intends to unilaterally terminate the Co-operation Agreement early, Mr. Huang may not be able to repay in time money owing from his drawdown under the Co-operation Agreement. As such, Durban may be required to repay on its own to the Bank Mr. Huang's portion of the loan facility in the amount of NT$450.0 million (equivalent to approximately HK$108.8 million) together with any applicable interests and default payments.

In the event that the Co-operation Agreement and the Co-operation Caps are not approved by the Independent Shareholders at the EGM, the Directors (excluding the independent non-executive Directors) are of the view that the potential repayment of Mr. Huang's portion of the loan facility in the amount of NT$450.0 million (equivalent to approximately HK$108.8 million) together with any applicable interests and default payments arising from the early termination of the Co-operation Agreement amounts to a material and onerous obligation and may exceed the benefits arising from the Acquisition. Accordingly, should the Co-operation Agreement and the Co-operation Caps not be approved by the Independent Shareholders at the EGM, the parties to the S&P Agreement will not proceed with the Acquisition.

Co-operation Caps

The proposed Co-operation Caps for each of the three years ending 31 December 2008, 2009 and 2010 are as follows:

	Year ending 31 December		
	2008 *(Note)*	**2009**	**2010**
	NT$ million	*NT$ million*	*NT$ million*
Co-operation Caps	453.0 (equivalent to approximately HK$109.5 million)	466.0 (equivalent to approximately HK$112.7 million)	460.2 (equivalent to approximately HK$111.3 million)

Note: From the date of Completion when Durban becomes a subsidiary of the Company

The Co-operation Caps are determined with reference to (i) the maximum amount of revolving loan facility provided by Durban to Mr. Huang pursuant to the Co-operation Agreement; (ii) the anticipated capital needs of Mr. Huang with regards to the proposed development of the Taichung Site; (iii) the anticipated repayment schedule of the revolving loan facility by Mr. Huang; and (iv) the interest payable by Mr. Huang in respect of the revolving loan facility.

Reasons for the Continuing Connected Transactions

The Durban CCT Agreements have been in place prior to the proposed Acquisition. The Directors intend to continue the Continuing Connected Transactions following Completion when Durban becomes a subsidiary of the Company in order to maintain the existing business arrangements of the Durban Group and to avoid any unnecessary disruption to the business operations of the Durban Group. The terms of the Durban CCT Agreements will not be amended after Completion. The Directors (excluding the independent non-executive Directors) consider that the terms of each of the Durban CCT Agreements are on normal commercial terms, and the terms of each of the Durban CCT Agreements and its respective annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Acquisition

As certain of the applicable percentage ratios prescribed under Rule 14.07 of the Listing Rules exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company pursuant to Rule 14.06(5) of the Listing Rules. By virtue of (i) Taiwan Mayer being the ultimate controlling Shareholder; (ii) Mr. Huang being a non-executive Director; (iii) Mr. Lai being an executive Director and the chairman of the Company; and (iv) the remaining Vendors being associates of either Mr. Huang and Mr. Lai, the Vendors are connected persons of the Company within the meanings of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition is therefore subject to the requirements of reporting, announcement and the Independent Shareholders' approval by way of poll at the EGM pursuant to Chapters 14 and 14A of the Listing Rules. Mr. Huang together with his associates, are substantial shareholders (as defined under the Listing Rules) of Taiwan Mayer. Mr. Lai and his associates have indirect equity interests in Taiwan Mayer through Durban. Save and except for their foregoing interests in Taiwan Mayer, Mr. Huang, Mr. Lai and their respective associates do not directly hold any Shares. Save for Taiwan Mayer (being the ultimate controlling Shareholder), none of the Vendors are Shareholders. Accordingly, only Taiwan Mayer and its associates, which are interested in 300,000,000 Shares, representing approximately 52.08% of the total issued share capital of the Company, will be required to abstain from voting at the EGM in respect of the resolution to approve the Acquisition.

The Continuing Connected Transactions

As at the Latest Practicable Date, Taiwan Mayer indirectly holds approximately 52.08% shareholding interest in the Company, and is the ultimate controlling Shareholder and hence a connected person of the Company under the Listing Rules. Upon Completion when Durban becomes a subsidiary of the Company, the Master Management Agreement (including the Lease Agreement and the Car-park Agreement) and the Joint Construction Agreement, and the transactions contemplated thereby constitute continuing connected transactions of the Company under the Listing Rules.

Da-Chin is a wholly-owned subsidiary of Durban. Mr. Lai and Mr. Huang are the Directors. As at the Latest Practicable Date, Mr. Huang and his associates together are interested in more than 30% equity interests in Miramar. Miramar is an associate of Mr. Huang and hence a connected person of the Company under the Listing Rules. Miramar-Pacific is a wholly-owned subsidiary of Miramar and hence is an associate of Mr. Huang and a connected person of the Company under the Listing Rules. Upon Completion when Durban becomes a subsidiary of the Company, the Mortgage Agreement and the transactions contemplated thereby constitute non-exempt financial assistance provided by Da-Chin and hence continuing connected transactions of the Company under the Listing Rules.

Mr. Huang is a non-executive Director and hence a connected person of the Company under the Listing Rules. Upon Completion when Durban becomes a subsidiary of the Company, the Co-operation Agreement and the transactions contemplated thereby constitute continuing connected transactions of the Company under the Listing Rules.

As certain of the applicable percentage ratios prescribed under Rule 14.07 of the Listing Rules with respect to each of the Master Management Caps, the Joint Construction Caps, the Mortgage Caps and the Co-operation Caps are more than 2.5% and each of the foregoing annual caps exceed HK$10,000,000 respectively, each of the Durban CCT Agreements will, upon Completion when Durban becomes a subsidiary of the Company, constitute non-exempt continuing connected transactions of the Company and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Save for Taiwan Mayer (being the ultimate controlling Shareholder), Miramar-Pacific, Miramar, Mr. Huang and Mr. Lai are not Shareholders. Accordingly, only Taiwan Mayer and its associates, which are interested in 300,000,000 Shares, representing approximately 52.08% of the total issued share capital of the Company, will be required to abstain from voting at the EGM in respect of the resolutions to approve the Continuing Connected Transactions arising from the Durban CCT Agreements and their respective annual caps.

EGM

The EGM will be convened for the purpose of, among other things, approving the Acquisition and the Continuing Connected Transactions including their respective annual caps by the Independent Shareholders. A notice convening the EGM to be held at Room 501, 5/F., Aon China Building, 29 Queen's Road Central, Hong Kong on Wednesday, 26 November 2008 at 2:30 p.m. is set out on pages 307 to 309 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PROCEDURES BY WHICH A POLL MAY BE DEMANDED

Pursuant to Article 76 of the Company, a resolution put to vote at a general meeting of the Company shall be decided on a show of hands unless a poll is required under the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded. A poll may be demanded by:

(a) the chairman of the meeting; or

(b) at least five Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote, or

(c) any Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or

(d) any Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or

(e) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of shares in the Company representing five per cent (5%) or more of the total voting rights of all the Shareholders having the right to vote at the meeting.

RECOMMENDATION

The Directors (excluding the independent non-executive Directors) consider that the terms of the S&P Agreement and the Durban CCT Agreements are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and the Acquisition and the Continuing Connected Transactions including their respective annual caps are in the interests of the Shareholders and the Group as a whole. Accordingly, the Directors (excluding the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Acquisition and the Continuing Connected Transactions including their respective annual caps.

Your attention is drawn to the letter from the Independent Board Committee set out on page 39 of this circular. Your attention is also drawn to the letter of advice from KGI which set out its recommendation in respect of the Acquisition and the Continuing Connected Transactions including their respective annual caps, and the principal factors and reasons considered by it in arriving at such advice. The text of the letter from KGI is set out on pages 40 to 75 of this circular.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Mayer Holdings Limited
LAI Yueh-hsing
Chairman

美亞控股有限公司*
MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1116)

31 October 2008

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 31 October 2008 (the "Circular"), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the Acquisition and the Continuing Connected Transactions including their respective annual caps

KGI has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving such advice, are set out from pages 40 to 75 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the S&P Agreement and the Durban CCT Agreements and taking into account of the independent advice of KGI, in particular the principal factors, reasons and recommendation as set out in its letter from pages 40 to 75 of the Circular, we consider that the Acquisition is not in the interests of the Company and the Shareholders as a whole and is not fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote against the ordinary resolutions to be proposed at the EGM to approve the Acquisition and the Continuing Connected Transactions including their respective annual caps.

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

Mr. Lin Sheng-bin	**Mr. Huang Jui-hsiang**	**Mr. Alvin Chiu**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

* *For identification purposes only*

Set out below is the text of the letter of advice from KGI Capital Asia Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders prepared for inclusion in this circular.

KGI Capital Asia Limited

27/F, ICBC Tower
Citibank Plaza
3 Garden Road
Central, Hong Kong

Tel: 2878 6888
Fax: 2970 0080

31 October 2008

To the Independent Board Committee and the Independent Shareholders
Mayer Holdings Limited
Room 501, 5th Floor
Aon China Building
29 Queen's Road Central
Hong Kong

Dear Sirs and Madams,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the terms of the Master Management Agreement, the Joint Construction Agreement, the Mortgage Agreement and the Co-operation Agreement and their relevant proposed caps. Details of which are set out in the "Letter from the Board" (the "Letter") contained in the circular to the Shareholders dated 31 October 2008 (the "Circular"), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

On 6 October 2008, the Company entered into the S&P Agreement with the Vendors, pursuant to which (i) the Vendors have conditionally agreed to sell and the Company has conditionally agreed to purchase or procure its nominee to purchase the Sale Shares, representing approximately 88.59% of the entire issued share capital of Durban at an aggregate consideration of NT$1,397,539,928 (equivalent to approximately HK$337,855,278); and (ii) Durban Investment has conditionally agreed to sell and the Company has conditionally agreed to purchase or procure its nominee to purchase the Additional Durban Shares (if any) at a consideration of NT$11.60 (equivalent to approximately HK$2.80) per Durban Share.

As certain of the applicable percentage ratios prescribed under Rule 14.07 of the Listing Rules exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company pursuant to Rule 14.06(5) of the Listing Rules. By virtue of (i) Taiwan Mayer being the ultimate controlling Shareholder; (ii) Mr. Huang being a non-executive Director; (iii) Mr. Lai being an executive Director and the chairman of the Company; and (iv) the remaining Vendors being associates of either Mr. Huang or Mr. Lai, the Vendors are connected persons of the Company within the meanings of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition is therefore subject to the requirements of reporting, announcement and the Independent Shareholders' approval by way of poll at the EGM pursuant to Chapters 14 and 14A of the Listing Rules. Mr. Huang together with his associates, are substantial shareholders (as defined under the Listing Rules) of Taiwan Mayer. Mr. Lai and his associates have indirect equity interests in Taiwan Mayer through Durban. Save and except for their foregoing interests in Taiwan Mayer, Mr. Huang, Mr. Lai and their respective associates do not directly hold any Shares. Save for Taiwan Mayer (being the ultimate controlling Shareholder), none of the Vendors are Shareholders. Accordingly, only Taiwan Mayer and its associates will be required to abstain from voting at the EGM in respect of the resolution to approve the Acquisition.

Upon Completion when Durban becomes a subsidiary of the Company, any existing transactions between member(s) of the Durban Group and connected person(s) of the Company will become continuing connected transactions of the Company and will be subject to the requirements of the Listing Rules. As certain of the applicable percentage ratios prescribed under Rule 14.07 of the Listing Rules with respect to each of the Master Management Caps, the Joint Construction Caps, the Mortgage Caps and the Co-operation Caps are more than 2.5% and each of the foregoing annual caps exceed HK$10,000,000 respectively, each of the Durban CCT Agreements will, upon Completion when Durban becomes a subsidiary of the Company, constitute non-exempt continuing connected transactions of the Company and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Save for Taiwan Mayer (being the ultimate controlling Shareholder), Miramar-Pacific, Miramar, Mr. Huang and Mr. Lai are not Shareholders. Accordingly, only Taiwan Mayer and its associates will be required to abstain from voting at the EGM in respect of the resolutions to approve the Continuing Connected Transactions arising from the Durban CCT Agreements and their respective annual caps.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Lin Sheng-bin, Mr. Huang Jui-hsiang and Mr. Alvin Chiu has been established to consider the terms of the Acquisition and the terms of the transactions contemplated under the Master Management Agreement, the Joint Construction Agreement, the Mortgage Agreement and the Co-operation Agreement and their relevant proposed caps and to advise the Independent Shareholders thereon.

We, KGI Capital Asia Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Acquisition and the terms of the transactions contemplated under the Master Management Agreement, the Joint Construction Agreement, the Mortgage Agreement and the Co-operation Agreement are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information, financial information and facts supplied, and the opinions and representations expressed to us by the Company, its Directors and management of the Company. We have also assumed that all such information, financial information, facts, statements of belief, opinion and intention and representation made to us by the Directors or referred to in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations referred to in the Circular and provided to us by the Company, its Directors and its management. We have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We have also assumed that all statement of intention of the Company, its Directors and management of the Company as set out in the Circular will be implemented. We have assumed that all information and representations made or referred to in the Circular and provided to us by the Company, its Directors and its management, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and shall continue to be true, complete and accurate at the date of the EGM.

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Company, its Directors and its management in connection with the transactions and discussed with the management of the Company so as to assess the fairness and reasonableness of the terms of the Acquisition and the terms of the transactions contemplated under the Master Management Agreement, the Joint Construction Agreement, the Mortgage Agreement and the Co-operation Agreement and their relevant proposed caps. Relevant information and documents included, among other things, the Annual Report, the S&P Agreement, the Master Management Agreement, the Lease Agreement, the Car-park Agreement, the Joint Construction Agreement, the Mortgage Agreement, the Co-operation Agreement, the financial information of the Durban Group audited by CCIF CPA Limited and the unaudited pro forma financial information of the Enlarged Group. We believe that we have reviewed sufficient information to enable us to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion regarding the terms of the Acquisition and the terms of the transactions contemplated under the Master Management Agreement, the Joint Construction Agreement, the Mortgage Agreement and the Co-operation Agreement and their respective proposed annual caps. We consider that we have taken all reasonable steps as required under the Rule 13.80 of the Listing Rules including its notes to formulate our opinion and advice. We have not, however, carried out any independent verification of the information and representations provided to us by the management of the Company and the Directors nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company, Taiwan Mayer, Durban, Durban Property, Da-Chin, Du Centre, Sincere Department, Doisy Trading, the Vendors, Miramar, Miramar-Pacific or Durban Investment or their respective subsidiaries or associated companies. We have not studied, investigated nor verified the validity of all legal aspects of, and procedural aspects for, the Acquisition. We have not investigated nor verified the title/ownership of the Properties and the rights to transfer the assets and liabilities nor have we scrutinized the original documents to verify ownership or to verify any amendments which may not appear on the copies of the documents. We have further assumed that all material governmental, regulatory or other consents, waivers, authorisations, clearances and approvals necessary for the effectiveness and implementation of the Acquisition will be obtained without any adverse effect on the Group or the contemplated benefits to the Group as derived from the Acquisition.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the entering into the S&P Agreement, the Master Management Agreement, the Joint Construction Agreement, the Mortgage Agreement and the Co-operation Agreement and to determine the respective relevant proposed caps. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at out opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:

1. Background of the Acquisition

The Acquisition

On 6 October 2008, the Company entered into the S&P Agreement with the Vendors, pursuant to which (i) the Vendors have conditionally agreed to sell and the Company has conditionally agreed to purchase or procure its nominee to purchase the Sale Shares, representing approximately 88.59% of the entire issued share capital of Durban at an aggregate consideration of NT$1,397,539,928 (equivalent to approximately HK$337,855,278) and (ii) Durban Investment has conditionally agreed to sell and the Company has conditionally agreed to purchase or procure its nominee to purchase the Additional Durban Shares (if any) at a consideration of NT$11.60 (equivalent to approximately HK$2.80) per Durban Share.

Background of the Company

The Company is an investment holding company. The principal activities of its subsidiaries consist of manufacturing and trading of steel pipes, steel sheets and other products made of steel, property investment and leasing of aircrafts for rental purposes.

Background of the Vendors

Vendor of the Additional Durban Shares:	Durban Investment
Vendors of the Sale: Shares	(i) Mr. Lai, the chairman of the Company and the executive Director, is interested in 6,536,698 Durban Shares, representing approximately 4.81% of the entire issued share capital of Durban;
	(ii) Ms. Chang Heng-chiu (張姮秋女士), the spouse of Mr. Lai, is interested in 90,592 Durban Shares, representing approximately 0.07% of the entire issued share capital of Durban;
	(iii) Mr. Huang, a non-executive Director, is interested in 17,488,033 Durban Shares, representing approximately 12.86% of the entire issued share capital of Durban;
	(iv) Ms. Huang Hsiu-mei (黃秀美女士), the elder sister of Mr. Huang, is interested in 2,129,726 Durban Shares, representing approximately 1.57% of the entire issued share capital of Durban;
	(v) Mr. Huang Chun-foo (黃春福先生), the brother of Mr. Huang, is interested in 6,423,445 Durban Shares, representing approximately 4.72% of the entire issued share capital of Durban;
	(vi) Mr. Huang Chun-wee (黃春偉先生), the brother of Mr. Huang, is interested in 1,204,395 Durban Shares, representing approximately 0.89% of the entire issued share capital of Durban;
	(vii) Ms. Lu Mei-fang (陸美芳女士), the sister-in-law of Mr. Huang, being the spouse of Mr. Huang Chun-foo, is interested in 2,226,887 Durban Shares, representing approximately 1.64% of the entire issued share capital of Durban;
	(viii) Ms. Huang Ko-wei (黃可薇女士), the niece of Mr. Huang, is interested in 270,082 Durban Shares, representing approximately 0.20% of the entire issued share capital of Durban;
	(ix) Ms. Huang Ko-hsuan (黃可萱女士), the niece of Mr. Huang, is interested in 96,788 Durban Shares, representing approximately 0.07% of the entire issued share capital of Durban;

(x) Heng Hsing Development Co., Ltd. (姮興開發股份有限公司) is interested in 6,955,031 Durban Shares, representing approximately 5.11% of the entire issued share capital of Durban. Mr. Lai together with his associates are directly interested in more than 30% equity interests in Heng Sing Development Co., Ltd.. Heng Sing Development Co., Ltd. is a limited liability company incorporated in Taiwan on 19 November 1997. The principal business activities of Heng Sing Development Co., Ltd. include the development, sale and purchase, lease, brokerage, and management and consultancy service of real properties;

(xi) Chang Chun Teng Construction Co., Ltd. (長春藤建設股份有限公司) is interested in 291,974 Durban Shares, representing approximately 0.21% of the entire issued share capital of Durban. Mr. Lai together with his associates are directly interested in more than 30% equity interests in Chang Chun Teng Construction Co., Ltd.. Chang Chun Teng Construction Co., Ltd. is a limited liability company incorporated in Taiwan on 26 November 1987. The principal business activities of Chang Chun Teng Construction Co., Ltd. include manufacture and sale of circuit and electronic parts, management of restaurant and supermarket, trading business, brokerage for sale and lease of building, interior fit-out work, and advertisement;

(xii) Durban Investment is interested in 15,916,874 Durban Shares, representing approximately 11.70% of the entire issued share capital of Durban. Mr. Huang is directly interested in more than 30% equity interests in Durban Investment. Durban Investment is a limited liability company incorporated in Taiwan on 22 February 1980. The principal business activity of Durban Investment is investment holding;

(xiii) Durwei Investment Co., Ltd. (德威投資股份有限公司) is interested in 43,944,250 Durban Shares, representing approximately 32.31% of the entire issued share capital of Durban. Mr. Huang together with his associates are directly interested in more than 30% equity interest in Durwei Investment Co., Ltd.. Durwei Investment Co., Ltd. is a limited liability company incorporated in Taiwan on 9 September 1991. The principal business activity of Durwei Investment Co., Ltd. is investment holding;

(xiv) Sincere Department is interested in 12,582,722 Durban Shares, representing approximately 9.25% of the entire issued share capital of Durban. Mr. Huang together with his associates are directly interested in more than 30% equity interests in Sincere Department. Sincere Department is a limited liability company incorporated in Taiwan on 27 March 1985. Sincere Department is principally engaged in department store business;

(xv) Yuan Chuan Steel Co., Ltd. (源泉鋼鐵股份有限公司) is interested in 2,599,519 Durban Shares, representing approximately 1.91% of the entire issued share capital of Durban. Mr. Huang's associates are directly interested in more than 30% equity interests in Yuan Chuan Steel Co., Ltd.. Yuan Chuan Steel Co., Ltd. is a limited liability company incorporated in Taiwan on 3 October 1979. Yuan Chuan Steel Co., Ltd. is principally engaged in iron and steel casting, crowding and refining; and

(xvi) Taiwan Mayer, the ultimate controlling Shareholder, is interested in 1,720,565 Durban Shares, representing approximately 1.27% of the entire issued share capital of Durban. Taiwan Mayer is principally engaged in the processing and manufacture of steel pipes substantially for the domestic market in Taiwan.

Given the Company's intention to acquire up to 100% equity interests in Durban and taking into account that there are altogether over 100 Minority Durban Shareholders, in order to be more efficient in terms of time and costs, instead of having the Company acquire from such a large number of Minority Durban Shareholders, it is agreed that Durban Investment shall acquire the Additional Durban Shares first prior to selling the same to the Company. Durban Investment will not be remunerated by the Company for its consolidation of the Additional Durban Shares.

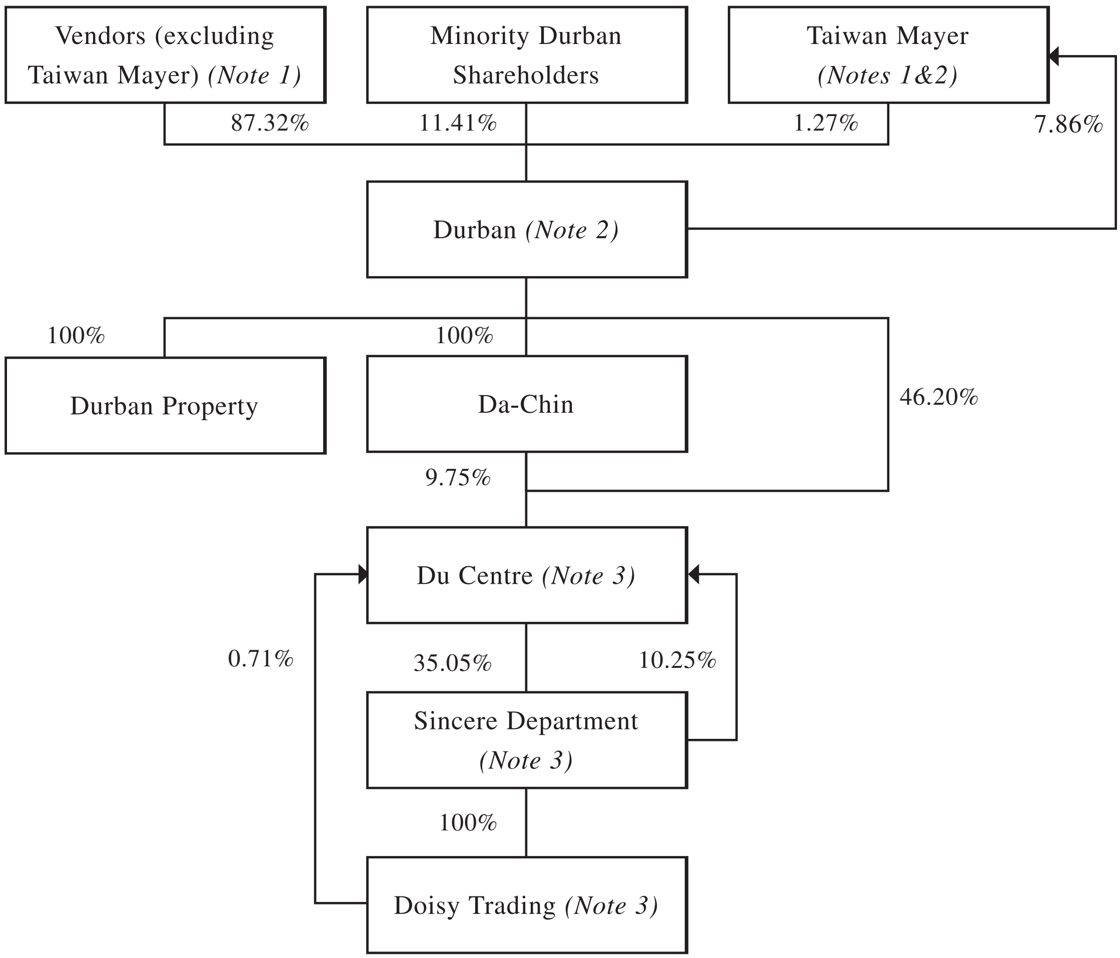
All of the Vendors, except Durban Investment which will maintain and hold one Durban Share after Completion, shall sell their respective Vendor Sale Shares to the Company or its nominee. Apart from selling its Vendor Sale Shares to the Company or its nominee, Durban Investment has agreed to sell the Additional Durban Shares (if any) to the Company or its nominee.

2. Information of the Durban Group

Background

Durban is a company incorporated in Taiwan on 29 January 1988 with limited liability. Durban is principally engaged in building construction, property development and property investment in Taiwan. As stated in the Letter, as at the Latest Practicable Date, the principal assets held by Durban are (i) the entire issued share capital in each of Durban Property and Da-Chin; (ii) approximately 46.20% direct equity interests in Du Centre and approximately 9.75% indirect equity interests in Du Centre through Da-Chin; (iii) approximately 19.61% indirect equity interests in Sincere Department; and (iv) approximately 19.61% indirect equity interests in Doisy Trading. As at the Latest Practicable Date, each of Durban and Taiwan Mayer (the ultimate controlling Shareholder) has cross shareholding in one another. Durban holds approximately 7.86% equity interests in Taiwan Mayer while Taiwan Mayer, being one of the Vendors, holds approximately 1.27% equity interests in Durban. The principal assets held by the Durban Group primarily through Durban, Da-Chin and Du Centre are the Properties.

The following diagram illustrates the shareholding structure of the Durban Group as at the Latest Practicable Date:



Notes:

1. The Vendors (including Taiwan Mayer) are interested in approximately 88.59% of the issued share capital of Durban in aggregate.

2. Each of Durban and Taiwan Mayer has cross shareholding in one another. Durban is interested in approximately 7.86% of the issued share capital of Taiwan Mayer, which is interested in approximately 1.27% of the issued share capital of Durban.

3. Each of Du Centre and Sincere Department has cross shareholding in one another. Du Centre is interested in approximately 35.05% of the issued share capital of Sincere Department, which is interested in approximately 10.25% of the issued share capital of Du Centre. Doisy Trading is interested in approximately 0.71% of the issued share capital of Du Centre.

As at the Latest Practicable Date, Durban is owned as to approximately 88.59% by the Vendors and approximately 11.41% by the Minority Durban Shareholders, who are third parties independent of the Company and its connected persons. As stated in the Letter, during the period from the execution of the S&P Agreement and up to the Latest Practicable Date, Durban Investment had not acquired any Additional Durban Shares from the Minority Durban Shareholders. The average original cost paid by the Vendors for each Vendor Sale Share was approximately NT$8.88 (equivalent to approximately HK$2.15).

Durban Property, a directly wholly-owned subsidiary of Durban, was incorporated in Taiwan on 3 January 2005 with limited liability and is principally engaged in provision of property management services.

Da-Chin, a directly wholly-owned subsidiary of Durban, was incorporated in Taiwan on 1 November 1977 with limited liability and is principally engaged in (i) project construction; and (ii) sales and purchase of construction materials and related products.

Du Centre, a subsidiary of Durban, is a limited liability company incorporated in Taiwan on 21 October 1998 whose shares are held by Durban as to approximately 46.42% and by Da-Chin as to approximately 9.75%. Du Centre is principally engaged in the business of operating department store, hotels and motels, supermarkets, restaurants, parking garage and providing general advertising services.

Sincere Department, whose shares are held by Du Centre as to approximately 35.05%, was incorporated in Taiwan on 27 March 1985 with limited liability. Sincere Department is principally engaged in department store business. Principal assets of Sincere Department include a department store and certain portions of an office building, namely Sincere Department Store, located in CingCheng Street of Songshan District at the heart of Taipei City. Sincere Department Store comprises five-storey retail premises plus a basement and a 15-storey commercial development erected upon a two storey basement of car parking spaces. Sincere Department Store is known for its high-end women's apparel.

Doisy Trading, a directly wholly-owned subsidiary of Sincere Department, was incorporated in Taiwan on 17 January 1997 with limited liability and is principally engaged in the retail and trading businesses.

The Durban Group is one of the leading property developers and investors in Taiwan and has been engaged in property development activities in Taiwan since 1988. The Durban Group has a diversified portfolio of completed properties comprising industrial and commercial use, office use, residential use and car parking spaces, and various sites for future development. The properties are located in strategic locations in various parts of Taiwan including Taipei, Taoyuan, Hsinchu, Taichung and Kaohsiung.

As stated in the Letter, as of 30 September 2008, the total aggregate GFA of completed properties attributable to the Durban Group was approximately 43,000 sq.m. and there were approximately 350 car parking spaces attributable to the Durban Group. With respect to properties held for future development, the Durban Group had an attributable interest in an aggregate site area of approximately 158,000 sq.m. with a proposed GFA of approximately 471,000 sq.m. as of 30 September 2008. The Directors had advised that based on the current land bank with an aggregate site area of approximately 158,000 sq.m., the Durban Group will have sufficient land reserve to meet its development needs for approximately five years.

The major properties and development sites of the Durban Group in Taiwan are set out under the section headed "Information of the Durban Group" in the Letter. As state in the Letter, based on the current development plans of the Durban Group, the estimated capital commitment for various projects of the Durban Group will be approximately NT$10.0 billion (equivalent to approximately HK$2.4 billion), which will mainly be financed from bank borrowings.

Financial information of the Durban Group

According to the financial information of the Durban Group as stated in Appendix II to the Circular, the following table sets out the audited consolidated financial information of the Durban Group for the two years ended 31 December 2007 and for the four months ended 30 April 2008:

	For the year ended 31 December 2006	**For the year ended 31 December 2007**	**For the four months ended 30 April 2008**
	NT$ million	*NT$ million*	*NT$ million*
Turnover	4,346.0	5,014.2	999.0
Net profit/(loss) before taxation	(36.3)	565.8	(231.0)
Net profit/(loss) attributable to equity holders of Durban	45.4	621.1	(166.8)

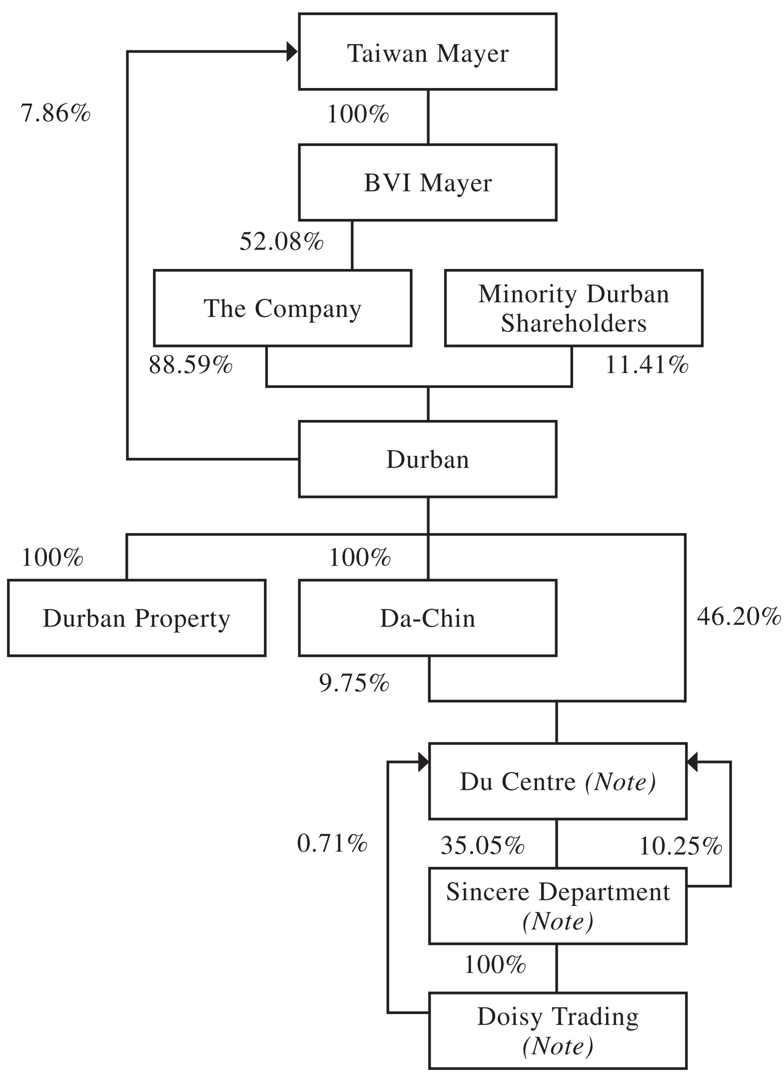
	As at 31 December 2006	**As at 31 December 2007**	**As at 30 April 2008**
	NT$ million	*NT$ million*	*NT$ million*
Total assets	9,508.2	8,779.9	9,017.1
Total liabilities	7,380.8	6,607.0	6,851.9
Net assets (including minority interests)	2,127.4	2,173.0	2,165.3
Net assets (excluding minority interests)	1,072.3	1,493.0	1,487.9

The net profit attributable to equity holders of Durban for the year ended 31 December 2007 has shown a significant increase as compared to that of the corresponding period in 2006. As stated in Appendix III headed "Management Discussion and Analysis of the Group and the Durban Group" to the Circular, the increase in the net profit attributable to equity holders of Durban for the year ended 31 December 2007 as compared to year 2006 was mainly attributable to: (i) for the year ended 31 December 2007, income from property sales was NT$2,141,732,000, representing an increase as compared with approximately NT$1,339,449,000 for 2006. The gross profit of the business segment of property sales in 2007 was approximately NT$402,116,000, representing an increase as compared with approximately NT$89,155,000 in 2006 due to the recognized completion of construction projects with higher gross profit margins such as Durban Jia Kang (德安家康), Durban Image and Dazhi Star (大直之星); and (ii) profit of NT$419,455,000 arising from the recognized disposal of a major business building located in Fusing Road, Section 4, Taichung City in 2007.

During the four months ended 30 April 2008, Durban recorded a loss attributable to equity holders of Durban of approximately NT$166,823,000. It was mainly due to the falling consumer confidence that affected the department store segment and the Durban Group has postponed a pre-sales of a project of Durban Image, since the Durban Group recognized its revenue and profit only upon completion of the development projects and hence there was no project completed and no respective profit recognized in the first half of 2008.

Shareholding structure of the Enlarged Group immediately following the Acquisition

The shareholding structure of the Enlarged Group immediately following the Acquisition is illustrated as follows:



Note: Each of Du Centre and Sincere Department has cross shareholding in one another. Du Centre is interested in approximately 35.05% of the issued share capital of Sincere Department which is interested in approximately 10.25% of the issued share capital of Du Centre. Doisy Trading is interested in approximately 0.71% of the issued share capital of Du Centre.

As advised by the Company's legal adviser as to Taiwan laws, the cross shareholdings between Taiwan Mayer and Durban immediately following the Acquisition are legal according to Taiwan laws.

The Company's ultimate shareholding in Durban upon Completion will depend on the number of the Additional Durban Shares (if any) being acquired by the Company or its nominee. As stated in the Letter, during the period from the execution of the S&P Agreement and up to the Latest Practicable Date, Durban Investment had not acquired any Additional Durban Shares from the Minority Durban Shareholders. Upon Completion, Durban will be treated as a subsidiary of the Company and the financial results of the Durban Group will be consolidated into the Group's accounts.

3. Reasons for and benefits of the Acquisition

We have discussed with the management of the Company and we have considered the followings:

In line with the Group's long-term development strategy

The Directors confirmed that it is the Group's intention to continue with pursuing its existing businesses of manufacturing and trading of steel sheets, steel pipes and other products made of steel and leasing of aircrafts. As set out in the Annual Report, the Group will seek all sorts of investment opportunities which are beneficial to its long term development with the best return to its Shareholders and investors. In addition, as stated in the Annual Report, the Group had formed a new property investment business segment in the second half of 2007 by acquiring an industrial and commercial building in Taiwan. The Directors consider that the Acquisition is in line with the Group's current business diversification strategy to invest in favourable investments and to broaden the income base of the Group and that the Acquisition will enable the Company to quickly scale up its current property investment business segment and become a property developer and investor player in Taiwan. As such, we consider that the Acquisition is in line with the Group's long-term development strategy by having an opportunity of business diversification to property development and property investment in Taiwan.

Steady long term growth of Taiwan's economy

After the presidential election in May 2008, Mr. Ma Ying-jeou, the new president of Taiwan, has been trying hard to improve cross-strait relations. Such a move is expected to further boost up the prices of commercial real estate. The anticipated arrival of mainland China visitors is expected to increase the offices demand from the tourism industry. Moreover, it is observed that business centre owners have increased their sale spots in preparation for the anticipated potential influx of multi-national companies and mainland China companies' investment. Expectations of a more prosperous economy and the opening of the links between China and Taiwan stimulated real estate transactions after the presidential election, while luxury residential and commercial properties remained as the major targets of investors.

In anticipation on Taiwan's long-term economic growth, the Directors consider that the Acquisition could enhance momentum and competitive edges for the Group's future development. Leveraging on the extensive experience of the Durban Group which has over 20 years of solid experience in property developing and investment in Taiwan, the Group, through the Acquisition, will be well-positioned to take advantage of the long term growth potential in Taiwan's property market and will be able to further explore its property investment business opportunities in Taiwan. Furthermore, given the diversified portfolio of properties held by the Durban Group which are mainly located in the strategically favourable locations or prime areas across Taiwan, the Directors consider that the Acquisition will enhance the assets base of the Group.

In assessing the Directors' view, we have obtained a material namely Taiwan's Economic Situation and Outlook issued by Council for Economic Planning and Development in August 2008 (the "Material"). As stated in the Material, due to weakness in private consumption, Taiwan's real GDP grew only approximately 4.3% in the second quarter of 2008, compared with that of approximately 5.7% in the full year 2007. Despite lingering gloom in the global economic outlook such that the Taiwan's economy displays some signs of weakness and the export growth is expected to slow down in the second half of 2008, Taiwan's economy is estimated to have a moderate growth in 2009, contributed mainly by improving private consumption and the resilient export growth attributable to closer economic ties with China and stable demand from other emerging economies. In this regard, it is considered that the Taiwan's economy is relatively robust compared with the global economy given its long-term GDP growth is still positive.

In terms of export growth, due to sub-prime mortgage crisis and credit crisis in the United States and Europe, exports to these regions has slowed down. Throughout 2007 and the first seven months of 2008, export to the United States has shown a negative growth of approximately 0.9% and 1.7% respectively. Nevertheless, export to China (including Hong Kong) and Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam, jointly referred to ASEAN, have increased. China (including Hong Kong) and ASEAN have become increasingly important trade partners to Taiwan since 2000. Currently, China (including Hong Kong) has become one of the Taiwan's largest importers.

According to the Material, the Taiwan government has drawn up certain measures including the relaxation of cross-strait policy for boosting domestic demand to keep the economy growing at a steady pace. These measures, including but not limited to, are as follows:

1. On 13 June 2008, Taiwan's Straits Exchange Foundation ("SEF") and mainland China's Association for Relations Across the Taiwan Strait ("ARATS") signed an agreement on the implementation of cross-strait weekend passenger charter flights. The flights commenced on 4 July 2008, with each side initially operating 18 two-way flights per week, from Fridays through the following Mondays.

2. In addition to Taoyuan and Kaohsiung International Airports, as previously used for festival charter flights, Taiwan opened six other airports for the weekend charter flights (Taipei Songshan, Taichung, Hualien, Penghu Makung, Kinmen, and Taitung), while the mainland initially opened five airports (Beijing, Shanghai, Guangzhou, Xiamen and Nanjing).

3. The two sides will include the expansion of these charter flights (increasing the number of flights, opening additional airports, adding weekday flights, etc.) on the agenda for follow-up talks between the SEF and ARATS later.

4. Also on 13 June 2008, the SEF and ARATS signed an agreement on visits to Taiwan by mainland Chinese tourists. The agreement, which came into effect on 20 June 2008, opened the way for the daily arrival of 3,000 mainland Chinese tourists.

5. The mainland Chinese tourists are required to enter and leave Taiwan in groups of 10 to 40 members, and may stay in Taiwan for up to ten days per visit. Later, the two sides may negotiate adjustment of the daily quota of arrivals as circumstances dictate.

However, we wish to draw the attention of the Independent Shareholders that the current turmoil in the international financial and capital markets and the current global credit crisis may have an adverse impact on the Taiwan's economy.

Experience and expertise of key personnel within the Durban Group

We have discussed with and are advised by the Directors that, upon Completion, the Group will retain certain key personnel and staff from the Durban Group. Given the Durban Group is one of the leading property developers and investors in Taiwan and has been engaged in property development activities in Taiwan since 1988, the management of the Durban Group possesses a wealth of experience and expertise which are relevant to the property development and investment industry in Taiwan. As the Group has formed the new property investment business segment since the second half of 2007, we concur with the Directors' views that by gaining experience and expertise of key personnel from the Durban Group, the Acquisition will enable the Group to scale up its current property investment business segment and become a property developer and investor player in Taiwan.

Taking into consideration of (i) the Group's long term development strategy, (ii) the anticipated steady long term growth of Taiwan's economy, and (iii) the experience and expertise of key personnel within the Durban Group, we concur with the Directors' views that the Acquisition may provide an opportunity to the Group to enjoy abovementioned potential benefits arising from the business diversification to the property development and property investment in Taiwan.

4. Consideration and payment terms for the Acquisition

The aggregate consideration for the acquisition of (i) the Sale Shares at NT$1,397,539,928 (equivalent to approximately HK$337,855,278); and (ii) the Additional Durban Shares at NT$11.60 (equivalent to approximately HK$2.80) per Durban Share have been determined after arm's length negotiations between the Company and the Vendors based on normal commercial terms with reference to the unaudited consolidated net asset value (excluding minority interests) of Durban of approximately NT$1,493.0 million (equivalent to approximately HK$360.9 million) as at 31 December 2007.

In determining the benchmark for the consideration of the Acquisition, the Directors (excluding the independent non-executive Directors) have not only considered the net asset value but also other valuation methods including price-to-earnings ratios. The Directors (excluding the independent non-executive Directors) have made reference to comparable companies listed in Taiwan. Although Cushman & Wakefield Valuation Advisory Services (HK) Limited (the "Valuer"), an independent professional valuer, has been engaged by the Company for the valuation of the Properties, the Directors (excluding independent non-executive Directors) consider that a consideration entirely based on the valuation of the Properties will not reflect the full and true value of the Durban Group. Taking into consideration that Durban is not a listed company, the Directors (excluding the independent non-executive Directors) are of the view that the net value of shareholders' equity is a common benchmark for determining the consideration for acquisition of private companies and such net value accounts for not only the extent of the Durban Group's liabilities but also the value of the Properties since the net worth of the Durban Group is mainly backed by the Properties. Moreover, based on the preliminary valuation of 100% interest of the Properties as of 31 July 2008 provided by Valuer, the indicative value of the Properties amounted to approximately NT$5.6 billion (equivalent to approximately HK$1.4 billion) which is higher than the unaudited net book value of 100% interest of the Properties of approximately NT$5.0 billion (equivalent to approximately HK$1.2 billion) as at 31 December 2007. The Directors (excluding the independent non-executive Directors) are of the view that the consideration for the Acquisition is fair and reasonable and on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Pursuant to the S&P Agreement, the consideration for the acquisition of the Sale Shares and the Additional Durban Shares shall be payable by the Company to the Vendors and Durban Investment by cash in full on Completion after withholding 0.3% of such amount of consideration for payment of securities transaction tax.

As stated in the Letter, the Company currently intends to finance the Acquisition approximately 10% by its internal resources and approximately 90% by bank financing. Although debt financing will increase the gearing ratio of the Group, the Board is of the view that given the current volatile market condition, debt financing is considered to be more appropriate and less time constraining than other fund raising methods, such as equity financing. However, the Board will not preclude the possibility of considering equity financing should appropriate opportunities arise.

In forming our opinion on the consideration for the Acquisition, we have considered the following approaches, namely price-to-earnings approach, dividends approach and net assets approach, which are commonly adopted in evaluation of a company.

Price-to-earnings approach

As the Durban Group recorded net loss attributable to its equity holders for the four months ended 30 April 2008, we consider that the price-to-earnings approach is not applicable for assessing the value of the Durban Group. In addition, it is generally in line with market practice to assess the value of companies which are principally engaged in property development and property investment, like the Durban Group, by using the net assets approach, rather than the price-to-earnings approach.

Dividends approach

According to the consolidated income statements of the Durban Group as set out in Appendix II to the Circular, as at 30 April 2008, the Durban Group did not declare any dividend to its shareholders during the three years ended 31 December 2007. As such, we consider that the dividends approach is not applicable for assessing the value of the Durban Group.

Net assets approach

Based on the financial information of the Durban Group as set out in Appendix II to the Circular, the audited consolidated net asset value attributable to the shareholders of the Durban Group as at 30 April 2008 amounted to approximately NT$1,487,879,000. Accordingly, the price-to-book ratio of the Durban Group implied by the consideration of the Sale Shares of NT$1,397,539,928, representing approximately 88.59% of the entire issued share capital of Durban, is approximately 1.06 times.

Based on the website of the Taiwan Stock Exchange, we have identified all companies (with a total of 33 companies) listed on the Taiwan Stock Exchange under the category of building material and construction, property development and/or property investment (the "Comparables"). For the sake of having a comprehensive comparison, we use all 33 companies for our analysis, despite the net asset values of the Comparables are generally higher than those of the Durban Group. We have, to the best of our knowledge, reviewed the price-to-book ratio of the Comparables, whose principal businesses include building material and construction, property development and/or property investment in Taiwan which are similar to those of the Durban Group, as valuation benchmarks. We have considered the price-to-book ratios of the Comparables based on the closing price of the date of the S&P Agreement in our analysis. Their price-to-book ratios as at 6 October 2008, being the date of the S&P Agreement, are set out in below table. In the absence of any public information on private companies which carry similar businesses as the Durban Group, we use the Comparables running similar businesses as the Durban Group for the purpose of our analysis.

Trading multiples of the Comparables – Table 1

Stock code in Taiwan Stock Exchange	Company name	Gearing ratio[3]	Closing price as at 6 October 2008, being the date of the S&P Agreement *(NT$)*	NAV[2] *(NT$ million)*	Price/ NAV[1][2] *(Times)*
1436	Fu I Industrial Co Ltd	-49.3%	7.00	3,587.6	0.66
1442	Advancetek Enterprise Co Ltd	47.6%	14.60	1,608.0	1.30
1808	Kobin Environmental Enterprise Co., Ltd.	41.2%	18.20	1,236.4	1.20
2501	Cathay Real Estate Development Co Ltd	26.9%	8.47	19,810.9	0.71
2504	Goldsun Dev. & Construction Co., Ltd.	21.3%	7.99	18,055.0	0.54
2505	Kuo Yang Construction Co., Ltd.	50.8%	8.05	5,309.9	0.67
2506	Pacific Construction Co., Ltd.	66.4%	2.68	3,873.1	0.51
2509	Chainqui Development Co., Ltd.	22.0%	12.45	2,764.3	0.65
2511	Prince Housing & Development Corp.	70.5%	6.21	9,864.2	0.59
2515	BES Engineering Co.	16.7%	5.95	18,680.0	0.49
2516	New Asia Construction & Development Corp	34.9%	3.61	1,726.7	0.44
2520	Kindom Construction Corp.	46.9%	6.98	7,085.3	0.48
2524	King's Town Construction Co. LTD.	44.8%	15.20	4,824.1	0.92
2526	Continental Engineering Corporation	41.2%	9.26	15,443.1	0.52
2527	Hung Ching Development & Construction	36.5%	6.70	4,199.5	0.43
2530	Delpha Construction Co Ltd	46.3%	3.96	2,978.9	0.44
2534	Hung Sheng Construction Ltd.	35.7%	8.16	9,812.1	0.46
2535	Da Cin Construction Co Ltd	9.7%	11.45	3,539.5	0.92
2536	Hung Poo Real Estate Dev. Co., Ltd.	40.1%	18.15	8,069.5	0.64
2538	Kee Tai Properties Co., Ltd.	31.2%	8.55	4,751.0	0.58
2542	Highwealth Construction Corp.	59.2%	16.95	8,301.8	1.13
2543	Hwang Chang General Contractor Co Ltd	46.3%	3.95	2,034.6	0.33
2545	Huang Hsiang Construction Corporation	75.4%	15.45	5,826.6	0.58
2546	Kedge Construction Co., Ltd	–1.8%	7.77	829.5	0.62
2547	Radium Life Tech Co Ltd	29.8%	11.80	8,304.3	0.64
2548	Huaku Development Co., Ltd.	68.1%	37.70	5,301.3	1.43
2841	Taiwan Development Corporation	71.6%	9.00	3,077.1	0.88
5515	Chien Kuo Construction Co., Ltd.	13.5%	12.00	2,819.8	0.74
5522	Farglory Land Development Co., Ltd.	41.2%	27.75	15,321.0	1.26
5525	Sweeten Construction Co., Ltd.	37.6%	13.35	2,722.0	0.77
5531	Shining Building Business Co., Ltd	46.3%	17.30	4,829.3	1.00
5533	Founding Construction Development Co Ltd	41.3%	10.00	2,607.3	0.64
5534	Chong Hong Construction Co. Ltd.	53.9%	25.90	4,885.8	0.96
Lowest		-49.3%			0.33
Highest		75.4%			1.43
Average		38.3%			0.73
The Durban Group				**1,487.9**[5]	
The Enlarged Group		**80.7%**[4]			
The Acquisition					**1.06**

Note:

1. Based on the closing price of the shares of the Comparables as quoted on Taiwan Stock Exchange on 6 October 2008, being the date of the S&P Agreement.

2. NAV represents the consolidated net asset value attributable to the shareholders of the Comparables as at the date of their respective balance sheet date (being 30 June 2008).

3. The gearing ratio is defined as net debt divided by total capital. Net debt is calculated as total bank borrowings less cash and bank deposits. Total capital is calculated as shareholders' funds (i.e. total equity attributable to equity shareholders of the company) plus net debt.

4. The figure represents gearing ratio of the Enlarged Group calculated with reference to the unaudited pro forma financial information of the Enlarged Group as stated in Appendix IV to the Circular.

5. The figure represents the audited consolidated net asset value attributable to the shareholders of the Durban Group as at 30 April 2008.

As shown in the above table, the price-to-book ratios of the Comparables based on their respective closing prices as at 6 October 2008 ranged from approximately 0.33 times to 1.43 times, with an average of approximately 0.73 times. Although the implied price-to-book ratio of the consideration for the Sale Shares under the Acquisition is higher than the average of the Comparables of 0.73 times, it still falls within the range of the price-to-book ratio of the Comparables.

Based on the above, we are of the view that the consideration for the Acquisition is justifiable. However, we wish to draw the attention of the Independent Shareholders that given the assets of the Durban Group are mainly composed of properties, financial assets and listed securities in Taiwan, the current turmoil in the international financial and capital markets and the current global credit crisis may result in a material adverse impact on the existing market value of the assets of the Durban Group.

5. Possible financial effects of the Acquisition

Earnings

For the year ended 31 December 2007, the audited consolidated net profit attributable to equity holders of the Company was approximately RMB13.8 million. As extracted from the unaudited pro forma consolidated income statement of the Enlarged Group as stated in the Appendix IV to the Circular, upon Completion, the unaudited pro forma profit attributable to the equity holders of the Enlarged Group amounted to approximately RMB251.2 million. For the four months ended 30 April 2008, the Durban Group recorded an audited loss attributable to the equity holders of Durban of approximately NT$166.8 million. Upon Completion, Durban will become a subsidiary of the Company and the financial results of the Durban Group will be consolidated into the Group's accounts.

Net asset value

According to the unaudited pro forma financial information of the Enlarged Group contained in Appendix IV to the Circular, the unaudited consolidated net assets attributable to the shareholders of the Group would be decreased from approximately RMB408.6 million to approximately RMB372.8 million, representing a decrease of approximately 8.8% upon completion of the Acquisition.

Gearing

As set out in the unaudited pro forma consolidated balance sheet of the Enlarged Group contained in Appendix IV to the Circular, after taking into account of the Acquisition, the net debt (as measured by total bank borrowings less cash and bank deposits) and total capital (as measured by total equity attributable to equity shareholders plus net debt) of the Enlarged Group would be approximately RMB1,559.8 million and RMB1,932.7 million respectively. Accordingly, the gearing ratio (as defined as net debt divided by total capital) of the Enlarged Group would be approximately 80.7%. However, according to the financial information of the Group contained in Appendix I to the Circular, the gearing ratio of the Group as at 30 June 2008 was only approximately 40.6%. As a result, the gearing ratio of the Group will substantially increase from 40.6% to 80.7% upon Completion. This is primarily due to the high gearing ratio of the Durban Group itself of approximately 74.2% as at 31 December 2007 as stated in the financial information of the Durban Group contained in Appendix II to the Circular and the Company's intention that approximately 90% of the consideration of the Acquisition will be financed by bank financing. Compared with the gearing ratio of the Comparables in Table 1, the gearing ratio of the Enlarged Group is significantly higher than the average of the Comparables, which is 38.3%. It is also higher than the maximum gearing ratio of the Comparables of 75.4%. Therefore, we consider that the gearing ratio of the Enlarged Group is very high compared with those companies within the same industry in Taiwan.

Given the adverse change in the gearing of the Enlarged Group upon Completion, it is uncertain whether the high gearing position of the Enlarged Group could be improved or reversed in the sooner future. The Enlarged Group's failure to renew the banks loans or borrowings when they fall due and the Enlarged Group's inability to continue funding its business operation may result in an adverse impact on the operations and financial position of the Enlarged Group which is not in the interests of the Company and the Shareholders as a whole.

Liquidity

As set out in the unaudited pro forma consolidated balance sheet of the Enlarged Group contained in Appendix IV to the Circular, the Group's working capital position would deteriorate from a net current assets position of approximately RMB187.1 million to a net current liabilities position of approximately RMB523.9 million upon Completion. This is principally due to the significant net current liabilities position of the Durban Group of approximately RMB377.3 million as at 31 December 2007 and the Company's intention to fund approximately 90% of the total consideration of the Acquisition of NT$1,257,785,935 (equivalent to approximately HK$304.1 million) by short term bank financing.

In terms of net cash position (as measured by cash and cash equivalents and bank deposits minus total bank borrowings) as computed from the unaudited pro forma consolidated balance sheet of the Enlarged Group, the Group's net cash position will deteriorate from approximately negative RMB279.4 million to approximately negative RMB1,559.8 million upon Completion. This is primarily due to the adverse net cash position of the Durban Group as at 31 December 2007 of approximately negative RMB965.7 million.

Based on the financial information of the Durban Group as stated in Appendix II to the Circular, we note that the Durban Group recorded a net current liabilities position of approximately NT$1,659.8 million, NT$1,675.5 million and NT$1,854.5 million as at 31 December 2006, 31 December 2007 and 30 April 2008 respectively. As to the net current liabilities and negative net cash position, we have discussed with and are confirmed by the Directors that the Durban Group intends to improve the current liabilities mainly through sales of properties and bank re-financing. Should the Durban Group not be able to generate sufficient working capital, the Durban Group's working capital will remain tight and cash flow from operation and current assets on hand alone will be insufficient to service the repayment of bank loans and borrowings upon maturity. In addition, in view of the current global financial and credit crisis, it is uncertain whether the relevant banks and financial institutions will continue to re-finance their respective bank loans or borrowings to the Durban Group when they fall due.

Based on the above, the Acquisition will have a negative effect to the Group's net asset value. The Group's gearing and liquidity position will also significantly deteriorate upon Completion. In addition, together with the current global financial and credit crisis, it is uncertain whether the relevant banks and financial institutions will continue to re-finance their respective bank loans or borrowings to the Enlarged Group when they fall due. The Enlarged Group's failure to renew the loans or borrowings, when they fall due, may adversely affect the Enlarged Group's liquidity and cash flow position as well as its ability to continue funding its business operation, and therefore may result in an adverse impact on the financial position and operations of the Enlarged Group which is not in the interests of the Company and the Shareholders as a whole. Accordingly, in this regards, we are of the view that the Acquisition is not in the interests of the Company and the Shareholders as a whole.

RISK FACTORS

We would like to draw Shareholders' attention that, the Acquisition itself involves certain level of risks, including, inter alia:

1. Risks associated with the property development business

In view of the fact that Durban is principally engaged in building construction, property development and property investment in Taiwan, and the majority of the Durban's assets are property development and investment, the property development business may involve various risks including the risks that (i) relevant government approvals may take more time and resources to obtain than expected; (ii) construction may not be completed on schedule or within budget; and (iii) properties may not achieve anticipated sales, rent or occupancy levels. No assurance can be given that such events will not occur which can adversely affect the business, operations and results of the Durban Group. In general, construction projects, such as those properties of the Durban Group held for future development in Taiwan as stated in the Letter, typically require substantial capital expenditure during construction. The project developments of the Durban Group are financed primarily through a combination of cash flow from operations and bank borrowings. However, the Durban Group's ability to obtain adequate financing in the future is subject to a variety of uncertainties, including its future financial condition, results of operations and cash flows and general market conditions for capital raising in property development industry in Taiwan. The Durban Group's failure to obtain funds on acceptable terms to finance project developments or failure to service its financing obligations may have a material adverse impact on the business, financial condition and results of operations of the Durban Group. In many cases, it may take many months, and sometimes years, before the projects can be pre-sold, pre-leased or completed to generate positive cash flow. The time taken and costs involved in completing the construction projects can be hindered by many factors like, among other things, shortage of materials, equipments or skilled labours, poor weather conditions, natural disasters, adequacy of financing, disputes with labours or subcontractors, industrial accidents and changes in government policies and regulations. Any of these could give rise to delays in the completion of a project and result in cost overruns. Delays or failures in the process of obtaining requisite relevant governmental licenses, consents, permits or approvals can also increase the unexpected cost, or delay or undesirable results in the pre-sale or lapse of a project. Construction delays can result in the loss of income and the failure to complete construction of a project to its planned specifications or on schedule may result in liabilities and/or less desirable returns.

Apart from the above risks, the profitability and value of the investment properties of the Durban Group are affected by other factors beyond management controls such as international, regional and local economic climate, real estate conditions, perceptions by businessmen, retailers or shoppers or residents as to the convenience and attractiveness of the development projects, the proximity and quality of competing projects and changes in market rates for rentals and sales of comparable projects. In addition, property investment projects are also affected by fluctuations in interest rates and exchange rates, the availability of financing, changes in governmental regulations, charges in tax laws or rates, and potential environmental or other legal liabilities. In particular, the recent global financial and credit crisis may adversely affect the future profitability and results of pre-sale of the properties held by the Durban Group, and the anticipated growth of Taiwan's economy is not ascertained and uncertain.

2. Risks relating to the Acquisition

(i) Current financial position of the Durban Group

According to the financial information of the Durban Group as set out in the Appendix II to the Circular, we note that, as at 31 December 2005, 2006 and 2007 and 30 April 2008, the current liabilities of the Durban Group exceeded its current assets by approximately NT$1,583.5 million, NT$1,659.8 million, NT$1,675.5 million and NT$1,854.5 million respectively (equivalent to approximately HK$382.8 million, HK$401.3 million, HK$405.1 million and HK$448.3 million respectively). In addition, the total interest-bearing borrowings, including current and non-current portions, of the Durban Group was approximately NT$4.75 billion (equivalent to approximately HK$1.15 billion) as at 30 April 2008. As such, upon Completion and taking into account that approximately 90% of the consideration of the Acquisition will be financed by bank financing, we note that the gearing ratio of the Group will be significantly increased from approximately 40.6% to 80.7% upon Completion as mentioned in the section headed "Possible financial effects of the Acquisition" above.

In addition, the Durban Group recorded an unaudited net loss attributable to equity holders of Durban of approximately NT$166.8 million (equivalent to approximately HK$40.3 million) for the four months ended 30 April 2008.

As disclosed in the financial information of the Durban Group set out in Appendix II to the Circular and as confirmed by the Directors, with a view to maintain sufficient working capital of the Durban Group, Mr. Huang has undertaken to provide continuing financial support to the Durban Group so as to enable it to meet its debts as and when they fall due and to carry on its business for the foreseeable future and the Durban Group's liquidity risk management policy is to maintain sufficient cash and cash equivalents and adequate funding by mainly sales of properties and banking facilities granted by banks and its shareholders to fund its daily operation including commitments in respect to construction of properties. Upon Completion, the Group will bear the existing debts, loans and borrowings and loss of the Durban Group which will have a negative impact on the profit and loss result as well as the financial position of the Group. Although the directors of the Durban Group and the Directors will endeavour to run the business of the Durban Group in an effective and efficient manner, it is difficult to ascertain as to the payback period of the investment of the Durban Group and when the financial position, the liquidity and the cash flow of the Durban Group can be improved, given that the recent global financial and credit crisis may adversely affect the business and operations of the Durban Group and the Durban Group exposes to liquidity risk that it may not be able to meet its financial obligations as they fall due. It indicates the existence of an uncertainty and unpredictability which may cast significant doubt on the Durban Group's ability to continue as a going concern.

(ii) Incurred substantial bank financing for the Acquisition

According to the Letter, the Company intends to finance the Acquisition as to approximately 10% from its internal resources and approximately 90%, representing approximately NT$1,257,785,935 (equivalent to approximately HK$304,069,750) through bank financing. As confirmed by the Directors, the Group is negotiating with banks for obtaining short term loans (within 1 year term) for the bank financing. On the assumption that such short term loan(s) are granted to the Group, we are advised by the Directors that the Company may consider to raise funds through equity financing in the future for repaying such short term loans should appropriate opportunities arise. Therefore, we consider that the satisfaction of the 90% of the consideration for the Acquisition by short term bank financing over the going concern status of the Group may undermine the ability of the Group to provide continuing financial support to the future operations of the Durban Group, in the event where either the Company or the Durban Group were unable to procure or obtain adequate financing or funding. In the event that the Company raises funds through equity financing in the future, the Independent Shareholders should note the risk on subsequent possible potential dilution of shareholdings of the Shareholders.

(iii) Potential reduction in the existing market value of the assets of the Durban Group

According to the financial information of the Durban Group, we note that the assets of the Durban Group are mainly composed of properties, financial assets and listed securities in Taiwan. In view that the Taiwan Taiex Index had dropped from 8919.92 on 30 April 2008 to 5719.28 on 30 September 2008 as quoted from Bloomberg, representing a decrease of approximately 35.9%, and the recent turmoil in the international capital and financial markets and the recent global credit crisis may result in a material adverse impact on the existing market value of the assets of the Durban Group, hence the consolidated net asset value of the Durban Group as at 30 April 2008 may not reflect the true existing market value of the assets of the Durban Group.

In view of the abovementioned risk factors associated with the Acquisition, we are of the opinion that, on balance, the Acquisition is not in the interests of the Company and the Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Master Management Agreement, the Lease Agreement, the Car-park Agreement, the Joint Construction Agreement, the Mortgage Agreement and the Co-operation Agreement and their respective proposed annual caps, we have taken the following principal factors and reasons into consideration:

A. Master Management Agreement

1. Background and principal terms of the Master Management Agreement, the Lease Agreement and the Car-park Agreement

On 27 December 2007, Du Centre, Tai Chan and Taiwan Mayer entered into the Master Management Agreement in connection with their purchase of SKMS Building in Taiwan. The Master Management Agreement provides that until the date of sale of SKMS Building, all income and expenses related to SKMS Building shall be shared among Du Centre, Tai Chan and Taiwan Mayer in the proportion of 35% for Du Centre, 35% for Tai Chan and 30% for Taiwan Mayer respectively. In consideration of Durban's obligation to promote and secure execution of leases and subleases for SKMS Building, Durban shall be remunerated with a commission of (a) one month rental for any new lease of a period of three years or less plus half a month rental for any additional year beyond the three years; and (b) one month rental for any renewal lease of a period of three years or less plus half a month rental for any additional two years beyond the three years. No party may unilaterally sell its share of SKMS Building to a third party without consent of the other parties. Any one party may request and oblige all of the parties to sell SKMS Building one year after execution of the Master Management Agreement and the parties shall appoint Durban to handle all matters in relation to the sale of SKMS Building.

In connection with the Master Management Agreement, Tai Chan, Taiwan Mayer and Du Centre entered into the Lease Agreement on 27 December 2007. According to the Lease Agreement, Tai Chan and Taiwan Mayer shall lease SKMS Building to Du Centre during the period from 27 December 2007 to 26 December 2011. While Du Centre may lease or sublease SKMS Building, Du Centre shall pay to Tai Chan and Taiwan Mayer respectively 35% and 30% of any income arising from the leases and subleases of SKMS Building. In connection with the Master Management Agreement, the parties also entered into the Car-park Agreement in February 2008, whereby Tai Chan and Taiwan Mayer authorize Du Centre to subcontract the operation and management of the car-park at SKMS Building to Durban Property. Hence, Durban Property operates and manages the car-park at SKMS Building and collects parking fees and guarantee money for the car-park. Du Centre shall pay 35% and 30% of such parking fees and guarantee money to Tai Chan and Taiwan Mayer respectively on a monthly basis after deducting the operating expenses of the car-park. As the operation and management of the car-park at SKMS Building have been subcontracted to Durban Property and Du Centre will not be involved in the operation and management of the car-park at SKMS Building, Du Centre will not be entitled to any commission related to the operation and management of the car-park.

2. *Reasons for and the benefits of entering into the Master Management Agreement, the Lease Agreement and the Car-park Agreement*

In order to consider the fairness and reasonableness of the Master Management Agreement, we have taken into consideration of the following aspects:

(i) As SKMS Building was jointly acquired by Du Centre, Tai Chan and Taiwan Mayer in the proportion of 35%, 35% and 30% respectively, we consider it is reasonable for the three parties to share the income and expenses throughout the lease period until the date of sale of SKMS Building in accordance with their percentage ownership in SKMS Building;

(ii) as confirmed by the Company, a significant proportion of the floor area of SKMS Building has already been leased out as at the Latest Practicable Date and the expiry dates of the majority of such lease agreements range from 2010 to 2013. As such, the entering into the Master Management Agreement could ensure the Group a steady revenue and cash flow from the rental income of SKMS Building during the said period;

(iii) in consideration of Durban's effort to promote and secure execution of leases and subleases for SKMS Building, Durban will be remunerated with a commission of (a) one month rental for any new lease of a period of three years or less plus half a month rental for any additional year beyond the three years; and (b) one month rental for any renewal lease of a period of three years or less plus half a month rental for any additional two years beyond the three years. We were not able to find the remuneration terms of similar transactions in Taiwan property market for comparison. The Directors confirmed that the remuneration of Durban was determined between the parties on arm's length basis negotiation and was in line with the market practice in Taiwan property market; and

(iv) pursuant to the Master Management Agreement, the party which terminates the agreement early and fails to perform its duties continuously will be in default and shall indemnify the other parties the higher of their actual damages or damages in the amount NT$10.0 million (equivalent to approximately HK$2.4 million). Accordingly, in the event that the Acquisition is proceeded and that the Master Management Agreement and the Master Management Caps are not approved by the Independent Shareholders at the EGM, Du Centre will have to terminate the Master Management Agreement early and indemnify the other parties the damages as aforementioned.

Having considered the above factors, we are of the view that the terms of the Master Management Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

In order to consider the fairness and reasonableness of the Lease Agreement and the Car-park Agreement, we have taken into consideration of the following aspects:

(i) As stated in the Letter, the Master Management Agreement that authorizes Du Centre or its agent to manage SKMS Building was premised upon Du Centre having the right to lease and sublease SKMS Building. By entering into the Lease Agreement, Du Centre was given the right to lease and sublease SKMS Building from 27 December 2007 to 26 December 2011 on behalf of both Tai Chan and Taiwan Mayer;

(ii) as confirmed by the Directors, certain license issued by the Taiwan government is required for a company to conduct car-park management business in Taiwan. As Durban Property has the necessary license to conduct car-park management business, the Directors consider that it is reasonable for Du Centre to enter into the Car-park Agreement to subcontract the operation and management of the car-park at SKMS Building to Durban Property;

(iii) as stated in the Letter, as the operation and management of the car-park at SKMS Building have been subcontracted to Durban Property and Du Centre will not be involved in the operation and management of the car-park at SKMS Building, we consider it is reasonable that Du Centre will not be entitled to any commission related to the operation and management of the car-park; and

(iv) according to the Lease Agreement, Du Centre shall pay to Tai Chan and Taiwan Mayer respectively 35% and 30% of any income arising from the leases and subleases of SKMS Building. According to the Car-park Agreement, Du Centre shall pay 35% and 30% of the parking fees and guarantee money to Tai Chan and Taiwan Mayer respectively on a monthly basis after deducting the operating expenses of the car-park. As SKMS Building was jointly acquired by Du Centre, Tai Chan and Taiwan Mayer in the proportion of 35%, 35% and 30% respectively, we consider it is reasonable for the three parties to share the income and expenses arising from the leases and subleases of SKMS Building and parking fees income in accordance with their respective percentage ownership in SKMS Building.

Having considered the above factors, we are of the view that the terms of the Lease Agreement and the Car-park Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

3. Master Management Caps

As stated in the Letter, the Master Management Caps comprise commission payable to Durban under the Master Management Agreement together with the annual income payable to Du Centre and Taiwan Mayer arising from the leases and subleases of SKMS Building under the Lease Agreement (which include the annual parking fees and guarantee money under the Car-park Agreement) for each of the three years ending 31 December 2008, 2009 and 2010 respectively.

The proposed Master Management Caps for each of the three years ending 31 December 2008, 2009 and 2010 are NT$39.8 million (equivalent to approximately HK$9.6 million), NT$239.0 million (equivalent to approximately HK$57.8 million) and NT$249.0 million (equivalent to approximately HK$60.2 million) respectively. As discussed with the management of the Company, the Master Management Caps were determined based on the following factors:

(i) The Company's internal estimation of the rental income arising from the leases and subleases of SKMS Building for each of the three years ending 31 December 2010;

(ii) the Company's internal estimation of the commission payable to Durban, for its promoting and securing execution of leases and subleases for SKMS Building, for each of the three years ending 31 December 2010;

(iii) the vacancy rate of SKMS Building as anticipated by the Company to be approximately 5-10%;

(iv) the expected lease term of the existing and anticipated leases and subleases of SKMS Building; and

(v) prevailing market rate of comparable leases and subleases in Jhong-Shan District, Taipei City, Taiwan.

In order to consider the fairness and reasonableness of the Master Management Caps, we have taken into consideration of the following aspects:

(i) According to the Company's internal estimation, the total rental income arising from the leases and subleases of SKMS Building for each of the three years ending 31 December 2010 was estimated to be approximately NT$205 million, NT$235 million and NT$245 million respectively. However, we note that the total rental income arising from the leases and subleases of SKMS Building should be shared among Du Centre, Tai Chan and Taiwan Mayer in the proportion of 35%, 35% and 30% respectively, of which only Du Centre and Taiwan Mayer are the connected persons of the Company within the meanings of Listing Rules. Pursuant to the Master Management Agreement and the Lease Agreement, Du Centre and Taiwan Mayer, should be entitled to 35% and 30% of the total rental income from the leases and subleases of SKMS Building respectively. As such, only the transactions in relation to the rental incomes payable to Du Centre and Taiwan Mayer constitute connected transactions under the Listing Rules, which is estimated to be around NT$24 million (based on the estimated rental for the last two months of 2008), NT$153 million and NT$159 million for each of the three years ending 31 December 2008, 2009 and 2010 respectively. Given that Tai Chan is an independent third party to the Company and its connected persons and does not have any relationship with the Durban Group, the Vendors and Taiwan Mayer as stated in the Letter, we consider that the rental revenue payable to Tai Chan should not be subject to the Master Management Caps;

(ii) the Company's internal estimation of the commission payable to Durban for each of the three years ending 31 December 2008, 2009 and 2010 is nil, NT$4 million and NT$4 million respectively;

(iii) as confirmed by the Directors, a significant portion of the existing lease agreements of SKMS Building will not expire until 2012. We have obtained from the Company a list of the existing lease agreements and have checked and reviewed, on a sample basis, some of the existing lease agreements. Therefore, we are of the view of that the Company's internal estimation of the total rental income from the leases and subleases of SKMS Building for each of the three years ending 31 December 2010 was reasonable; and

(iv) we have reviewed and compared, on a sample basis, the unit rental of existing lease agreements of SKMS building with the unit rental of comparable properties located in the same district and noted that the unit rental that the Company's internal estimation of the rental income for each of the three years ending 31 December 2010 was based on was comparable to prevailing market rates and thus reasonable.

As stated in points (iii) and (iv) above, we are of the view that the Company's internal estimation of the total rental income from the leases of SKMS Building for each of the three years ending 31 December 2010 was reasonable and the unit rental of the existing lease agreements of SKMS building was comparable to prevailing market rates. However, as set out in points (i) and (ii) above, we consider the Company's internal estimated transaction amount which shall be subject to the Master Management Caps was lower than the proposed amounts of the Master Management Caps of NT$39.8 million, NT$239.0 million and NT$249.0 million for each of the three years ending 31 December 2008, 2009 and 2010. Therefore, we are of the opinion that the Master Management Caps are not justifiable.

The Independent Shareholders are reminded that in the event that the Acquisition is proceeded and the Master Management Agreement and the Master Management Caps are not approved at the EGM, Du Centre will have to terminate the Master Management Agreement early and indemnify the other parties the damages as mentioned before.

B. Joint Construction Agreement

1. Background and principal terms of the Joint Construction Agreement

On 14 August 2007, Durban as the contractor and Taiwan Mayer as the landlord entered into the Joint Construction Agreement for the joint development of the second phase of Durban Image (德安印象). As at the Latest Practicable Date, the Durban Group does not have any title interests in the second phase of Durban Image. Pursuant to the Joint Construction Agreement, Durban will apply for the construction permit and commence construction within 30 days of receipt of the construction permit; and Durban will obtain the operation permit within 750 days from commencement of construction, and the building possession rights within 90 days of receipt of the operation permit. Taiwan Mayer, being the landlord, provides the land for joint development of the second phase of the Durban Image, and Durban, being the contractor, is responsible for its construction. Taiwan Mayer and Durban will share the sales proceeds from the sale of the second phase of Durban Image in the proportion of 62% and 38% respectively. Under the Joint Construction Agreement, each party shall bear its respective costs and taxes, and the cost of construction will be borne by Durban. To secure Durban's performance of its obligations under the Joint Construction Agreement, Durban will provide a guarantee to Taiwan Mayer in the aggregate amount of NT$42.0 million (equivalent to approximately HK$10.2 million) through (a) one guarantee cheque dated 14 August 2009 in the amount of NT$21.0 million payable by Durban on execution of the Joint Construction Agreement and to be returned to Durban within 10 days of completion of the infrastructure for the basement of the building, and (b) the other guarantee cheque dated 14 August 2010 in the amount of NT$21.0 million payable by Durban on completion of construction and to be returned to Durban within 10 days of obtaining the building occupancy permit.

2. Reasons for and the benefits of entering into the Joint Construction Agreement

To consider the fairness and reasonableness of the Joint Construction Agreement, we have taken into consideration the following aspects:

(i) As stated in the Letter, the determination of the ratio of sharing of the sales proceeds from the sale of the second phase of Durban Image between Taiwan Mayer and Durban is based on the value of the land and estimated construction costs. Pursuant to a valuation report issued by an independent valuer in Taiwan dated 23 May 2008, the total construction cost to Durban was estimated to be approximately NT$316.1 million and the land cost to the land owner was estimated to be NT$515.7 million. Such estimation of the total construction costs and the value of the land was in the ratio of approximately 38% to 62%. Therefore, we consider that the sharing percentage of the sales proceeds from the sale of the second phase of Durban Image between Durban and Taiwan Mayer was reasonably determined;

(ii) in respect of the provision of guarantee by Durban to Taiwan Mayer, the aggregate amount of the guarantee to Taiwan Mayer of NT$42.0 million represented approximately 13.3% of the total estimated construction costs to be incurred by Durban. The Directors confirmed that it was a common practice in Taiwan for contractors to provide guarantee to the land owner in construction projects, in order to prevent contractors from non-performance of their obligations. The Directors further confirmed that the amount of the guarantee cheque was determined after arm's length negotiation between Durban and Taiwan Mayer;

(iii) under the Joint Construction Agreement, Durban will provide two guarantee cheques each in the amount of NT$21 million to Taiwan Mayer dated 14 August 2009 and 14 August 2010 respectively. Each of such amount will be returned to Durban within 10 days upon (i) completion of the infrastructure for the basement of the building and (ii) obtaining the building occupancy permit respectively;

(iv) pursuant to the Joint Construction Agreement, Durban's early termination of the agreement and its failure of continuous performance of its duties thereunder will constitute a breach of the agreement by Durban. As a result of Durban's breach of the Joint Construction Agreement, the guarantee cheques in the aggregate amount of NT$42 million (equivalent to HK$10.2 million) shall be confiscated by Taiwan Mayer and all the completed construction works of Durban will be taken over by Taiwan Mayer unconditionally. Furthermore, Durban shall bear all construction costs incurred and the construction financing. As confirmed by the Directors, the total accumulated construction costs and construction financing arising from the development of the second phase of Durban Image amounted to more than NT$250 million as at the Latest Practicable Date. In view of the above, we are of the opinion that Durban's non-performance of its duties in respect of the Joint Construction Agreement would result in material loss for the Durban Group; and

(v) as stated in the Letter, should the Joint Construction Agreement and the Joint Construction Caps not be approved by the Independent Shareholders at the EGM, the parties to the S&P Agreement will not proceed with the Acquisition.

Based on the above, in opining the terms of the transactions contemplated under the Joint Construction Agreement itself only, we are of the opinion that the transactions contemplated under the Joint Construction Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

3. Joint Construction Caps

The proposed Joint Construction Caps for each of the three years ending 31 December 2010 are NT$10.4 million (equivalent to approximately HK$2.5 million), NT$560 million (equivalent to approximately HK$135.4 million) and NT$21.0 million (equivalent to approximately HK$5.1 million) respectively. As discussed with the management of the Company, the Joint Construction Caps were determined based on the following factors:

(i) the estimated development construction costs of the second phase of Durban Image according to its planned development schedule;

(ii) the amount of guarantee provided by Durban to Taiwan Mayer; and

(iii) the anticipated positive long term outlook of Taiwan property market.

In order to consider the fairness and reasonableness of the Joint Construction Caps, we have taken into consideration of the following aspects:

(i) as discussed above, we consider the sharing percentage of the sales proceeds from the sale of the second phase of Durban Image between Durban and Taiwan Mayer, which is in the proportion of 38% and 62% is reasonably determined;

(ii) we have reviewed the internal sales projection of the second phase of Durban Image prepared by the Company. As confirmed by the Directors, it is anticipated by the Company that the second phase of Durban Image will be fully sold out in 2009. Based on such projection, the Company's internal estimation of the amount of sales proceeds of the second phase of Durban Image for each of the three years ending 31 December 2010 is approximately NT$27.2 million, NT$1,417.7 million and nil respectively and, based on that, the amounts attributable to Durban would be approximately NT$10.34 million, NT$538.7 million and nil respectively; and

(iii) the amount of guarantee provided by Durban to Taiwan Mayer was through two guarantee cheques each in the amount of NT$21.0 million, dated 14 August 2009 and 14 August 2010 respectively.

We set out below a table showing the breakdown of the Joint Construction Caps:

	Year ending 31 December		
	2008	**2009**	**2010**
	NT$ million	*NT$ million*	*NT$ million*
Guarantee cheque	–	21.0	21.0
Sale proceeds of the second phase of Durban Image attributable to Durban	10.34	538.7	–
Total	10.34	559.7	21.0
Joint Construction Caps	10.4	560.0	21.0

Based on the above, in opining the Joint Construction Caps itself only, we consider that the Joint Construction Caps are fairly and reasonably determined.

C. Mortgage Agreement

1. Background and principal terms of the Mortgage Agreement

Pursuant to the Mortgage Agreement, Da-Chin has mortgaged its property comprising eight parcels of land located in Dalien Section, Ping Don City, Taiwan (the "Mortgaged Property") to HVB for securing the repayment of indebtedness for a maximum sum of NT$86,157,622 (equivalent to approximately HK$20,828,605) of Miramar-Pacific, Miramar, Mr. Huang and Mr. Lai (collectively, the "Obligors") under certain promissory notes issued by the Obligors to BAYERISCHE HYPO-UND VEREINSBANK AG, acting through its Hong Kong Branch. Notwithstanding the foregoing contractual obligations, the parties only registered Miramar as the debtor for securing Miramar's obligations under its promissory note with the land authority in Taiwan. As such, HVB may demand Da-Chin to amend the mortgage registration by registering all the other Obligors as debtors pursuant to the Mortgage Agreement if HVB deems it necessary.

In consideration of Da-Chin's grant of mortgage, the Obligors will pay Da-Chin an annual fee equal to 1.5% per annum of the Obligors' maximum repayment obligation of NT$86,157,622 (equivalent to approximately HK$20,828,605) and the Obligors will also provide to Da-Chin a counter-indemnity against all payments, losses, damages and costs incurred or suffered by Da-Chin in connection with its grant of mortgage under the Mortgage Agreement. The annual fee of 1.5% payable by the Obligors was arrived at after arm's length negotiations and on normal commercial basis.

2. Reasons for and the benefits of entering into the Mortgage Agreement

To consider the fairness and reasonableness of the Mortgage Agreement, we have taken into consideration the following aspects:

(i) according to the terms of the Mortgage Agreement, the Da-Chin's grant of the Mortgaged Property as mortgage to HVB will bring a contingent situation which include, inter alia, the situation that the Mortgaged Property will be foreclosed by HVB in the event of default on the repayment of indebtedness under certain promissory notes by the Obligors and Da-Chin is also required to pay HVB the shortfall, which is the difference between the outstanding indebtedness and the net proceeds of the realization of the Mortgaged Property by HVB. According to the property valuation of the Durban Group as set out in Appendix VI to the Circular, we noted that the valuation of the Mortgaged Property as at 30 September 2008 was approximately NT$34.0 million (equivalent to approximately HK$8.2 million);

(ii) in consideration of Da-Chin's grant of mortgage, the Obligors will pay Da-Chin an annual fee equal to 1.5% per annum of the Obligors' maximum repayment obligation of NT$86,157,622. The Directors confirm that the annual fee of 1.5% payable by the Obligors was arrived at after arm's length negotiations and on normal commercial basis. The annual fee of approximately NT$1.29 million (equivalent to approximately RMB0.28 million) represents approximately 2% of the audited consolidated net profit attributable to equity holders of the Group for the year ended 31 December 2007 of approximately RMB13.8 million, which we consider to be not material;

(iii) the Directors (excluding the independent non-executive Directors), having reviewed and assessed the financial position of Miramar, are of the view that the risk of the Obligors defaulting on their repayment obligations under the promissory notes is not high. We have obtained a copy of the balance sheet of Miramar as at 31 December 2007 and noted that the net asset value attributable to shareholders of Miramar as at 31 December 2007 was substantially greater than the Obligors' maximum repayment obligation of NT$86,157,622. In addition, the Obligors also provide to Da-Chin a counter-indemnity against all payments, losses, damages and costs incurred or suffered by Da-Chin in connection with its grant of mortgage under the Mortgage Agreement; and

(iv) under the Mortgage Agreement, the mortgage will expire on 10 August 2012. However, the land registration transcript indicates that the mortgage will expire on 2 December 2037. The Company's legal adviser as to Taiwan laws has advised that it is local banking practice for banks to extend the mortgage period beyond the contracted time. As the Mortgage Agreement does not contain any change-of-control clause, the Mortgage Agreement will not be released upon Completion. As advised by the Company's legal adviser as to Taiwan law, when the Obligors repay any and all money owing to HVB in 2012, HVB shall release Da-Chin's property from mortgage pursuant to the Mortgage Agreement. In the event that the Acquisition is proceeded and that the Mortgage Agreement and the Mortgage Caps are not approved by the Independent Shareholders at the EGM, Miramar has agreed to replace Da-Chin's property with other assets held by the Obligors as security in favour of HVB.

Based on the above, weighting between the immaterial amount of the annual guarantee fee receivable by Da-Chin and the potential downside to Da-Chin in relation to the grant of the Mortgaged Property as mortgage to HVB pursuant to the Mortgage Agreement and, in particular, under the circumstances of the very high gearing ratio and the net current liabilities position of the Enlarged Group upon Completion and the Mortgaged Property would be of other better alternative use by the Enlarged Group for its own benefit directly, we are of the opinion that it is not justifiable for Da-Chin for having such obligations pursuant to the Mortgage Agreement so far as the Company and the Shareholders are concerned.

3. Mortgage Caps

In respect of the grant of mortgage, a proposed annual cap of NT$86.2 million (equivalent to approximately HK$20.8 million) is set under the Mortgage Agreement for each of the three years ending 31 December 2008, 2009 and 2010. The Mortgage Caps are determined with reference to the maximum sum of repayment of indebtedness by the Obligors being secured by Da-Chin's mortgage to HVB under the Mortgage Agreement. As such, we consider that the Mortgage Caps are reasonably determined.

D. Co-operation Agreement

1. Background and principal terms of the Co-operation Agreement

Pursuant to the Co-operation Agreement, Durban shall during the period from 27 August 2007 to 27 August 2010 provide to Mr. Huang a revolving loan facility of NT$450.0 million (equivalent to approximately HK$108.8 million) from its loan of NT$900.0 million (equivalent to approximately HK$217.6 million) advanced by the Bank, which is secured by a mortgage of the Taichung Site jointly owned by Durban and Mr. Huang and a joint guarantee from Mr. Lai and Mr. Huang. Durban has 50% interest in the Taichung Site, which is one of the Properties held by the Durban Group. Durban's loan facility with the Bank (including Mr. Huang's portion of the loan facility with Durban) was made for the purpose of the joint development of the Taichung Site by Durban and Mr. Huang. As of the date of the Announcement, Mr. Huang has made a drawdown of NT$450.0 million (equivalent to approximately HK$108.8 million) from his loan facility with Durban.

Pursuant to the Co-operation Agreement, Mr. Huang shall repay (i) the principal within 180 days from the date of drawdown and (ii) interest on a monthly basis at the rate of Taiwan Mail Two Year Savings Rate (台灣郵政二年期定儲機動利率) plus 0.715% per annum provided that if the New Taiwan Dollar United Bank Rate (新台幣聯行息) is higher than Taiwan Mail Two Year Savings Rate, Durban may charge Mr. Huang the New Taiwan Dollar United Bank Rate plus 0.715% per annum as the interest rate (the "Interest Rate"). Under the Co-operation Agreement, Mr. Huang shall pay Durban a default payment of (a) 10% of the principal and accrued interest with respect to any late payment of principal or interest within six months' delay, and (b) 20% of the principal and accrued interest with respect to any late payment of principal or interest beyond six months' delay. Mr. Huang also agrees to pay Durban an additional interest of 1% per annum over the Interest Rate with respect to any late payment of the principal.

2. Reasons for and the benefits of entering into the Co-operation Agreement

To consider the fairness and reasonableness of the Co-operation Agreement, we have taken into consideration the following aspects:

(i) the loan of NT$900.0 million provided by the Bank to Durban is secured by a mortgage of the Taichung Site which is jointly owned by Durban and Mr. Huang and a joint guarantee from Mr. Lai and Mr. Huang. Durban is interested in 50% interest of the Taichung Site with the remaining 50% interest being held by Mr. Huang;

(ii) as stated in the Letter, the Durban's loan facility with the Bank (including Mr. Huang's portion of the loan facility with Durban) was made for the purpose of the joint development of the Taichung Site by Durban and Mr. Huang. We have discussed with the management of the Company and are advised that the revolving loan facility granted to Mr. Huang provides Mr. Huang more flexibility in the joint development of the Taichung Site and the Directors confirm that Mr. Huang will not use the loan for his own private purpose or purposes other than in relation to the joint development of the Taichung Site;

(iii) by entering into the Co-operation Agreement, Durban will charge Mr. Huang an interest on a monthly basis at the rate of Taiwan Mail Two Year Savings Rate or New Taiwan Dollar United Bank Rate, whichever is higher, plus 0.715% per annum. The Directors confirm to us that the determination of interest rate charged to Mr. Huang is arrived at arm's length negotiations and on normal commercial basis. We have obtained a copy of the NT$900.0 million loan agreement between the Bank and Durban and noted that the interest rate charged to Durban by the Bank under the loan agreement is the same as the Interest Rate. As such, we concur with the Directors' views that the Interest Rate charged to Mr. Huang under the Co-operation Agreement is justifiable;

(iv) in case of any late repayment, Mr. Huang shall pay Durban a default payment of (a) 10% of the principal and accrued interest with respect to any late payment of principal or interest within six months' delay, and (b) 20% of the principal and accrued interest with respect to any late payment of principal or interest beyond six months' delay. Mr. Huang also has to pay Durban an additional interest of 1% per annum over the Interest Rate with respect to any late payment of the principal. In addition, Mr. Huang agrees to unconditionally provide the Taichung Site for mortgage to the Bank and be the joint guarantor for Durban's loan with the Bank. Should Mr. Huang be in breach of the Co-operation Agreement, Durban may transfer the portion of the Taichung Site owned by Mr. Huang to its name and Mr. Huang shall pay Durban a default payment of NT$22.5 million in addition to any damages suffered by Durban. We have discussed with the management of the Company and are advised that such amount represent 5% of NT$450 million and was determined by Durban and Mr. Huang based on arm's length negotiation. According to the property valuation of the Durban Group as set out in Appendix VI to the Circular, we noted that the valuation of 50% interest in the Taichung Site as at 30 September 2008 was approximately NT$801.1 million, which is higher than the amount of loan granted to Mr. Huang of NT$450 million. In view of the 50% interest of the Taichung Site held and provided by Mr. Huang as security together with the joint guarantee from Mr. Lai and Mr. Huang for the Durban's loan with the Bank, we concur with the Directors' views that the above arrangement provide a reasonable protection to the Enlarged Group should Mr. Huang be in breach of the Co-operation Agreement; and

(v) as stated in the Letter, should the Co-operation Agreement and the Co-operation Caps not be approved by the Independent Shareholders at the EGM, the parties to the S&P Agreement will not proceed with the Acquisition.

Based on the above, in opining the terms of the transactions contemplated under the Co-operation Agreement itself only, we are of the opinion that the transactions contemplated under the Co-operation Agreement are fair and reasonable so far as the Company and the Shareholders are concerned.

3. Co-operation Caps

The proposed Co-operation Caps for each of the three years ending 31 December 2008, 2009 and 2010 are NT$453.0 million (equivalent to approximately HK$109.5 million), NT$466.0 million (equivalent to approximately HK$112.7 million) and NT$460.2 million (equivalent to approximately HK$111.3 million) respectively. As discussed with the management of the Company, the Co-operation Caps were determined based on the following factors:

(i) the maximum amount of revolving loan facility provided by Durban to Mr. Huang pursuant to the Co-operation Agreement;

(ii) the anticipated capital needs of Mr. Huang with regards to the proposed development of the Taichung Site;

(iii) the anticipated repayment schedule of the revolving loan facility by Mr. Huang; and

(iv) the interest payable by Mr. Huang in respect of the revolving loan facility.

In order to consider the fairness and reasonableness of the Co-operation Caps, we have taken into consideration of the following aspects:

(i) the maximum amount of the total revolving loan facility of NT$450.0 million provided to Mr. Huang; and

(ii) the Company's internal estimation of accrued interest payable by Mr. Huang to Durban in respect of the revolving loan facility for each of the three years ending 31 December 2008, 2009 and 2010 is approximately NT$2.6 million, NT$15.58 million and NT$10.1 million respectively. We have checked the calculation of the accrued interest payable by Mr. Huang to Durban in respect of the revolving loan facility during such period. The Directors confirm that the Co-operation Caps for each of the three years ending 31 December 2010 are determined with reference to the sum of the maximum amount of the total revolving loan facility of NT$450.0 million provided to Mr. Huang and the accrued interest payable by Mr. Huang to Durban in respect of the revolving loan facility.

Based on the above, in opining the Co-operation Caps itself only, we consider that the Co-operation Caps are fairly and reasonably determined.

RECOMMENDATION

In the course of the Independent Shareholders' evaluation of their decision as to whether or not to approve the Acquisition and the underlying continuing connected transactions and their respective proposed caps at the EGM, we strongly recommend the Independent Shareholders to weigh carefully as to their acceptances between the contemplated benefits and risk factors inherent in the Acquisition as referred to above. We consider that there is a possibility whereby any or all of the risk factors as identified above may or may not materialize.

Weighing between the contemplated merits and risk factors inherent in the Acquisition as mentioned above and having taken into account the principal factors and reasons referred to above in this letter, in particular (i) the negative financial impacts of the Acquisition; (2) the uncertainly on the sufficiency of income and cash flow to be generated to fund the working capital of the Enlarged Group; (3) the risks associated with the uncertainty on whether the relevant banks or financial institutions will continue to re-finance their respective loans or borrowings to the Enlarged Group when they fall due. The Enlarged Group's failure to renew the loans or borrowings, when they fall due, may adversely affect the financial position, liquidity, cash flow and business operations of the Enlarged Group; (4) the current turmoil in the international financial and capital markets and the current global credit crisis may result in a material adverse impact on the existing market value of the assets of the Durban Group; (5) as mentioned above, the transaction amount which shall be subject to the Master Management Caps was lower than the proposed amounts of the Master Management Caps; and (6) as discussed before, we consider that it is not justifiable for Da-Chin for having its obligations pursuant to the Mortgage Agreement, we consider that although the consideration of the Acquisition and certain terms of the transactions contemplated under the Master Management Agreement, the Joint Construction Agreement and the Co-operation Agreement themselves are justifiable, the Acquisition is not in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and recommend the Independent Shareholders to vote against the ordinary resolutions to be proposed at the EGM in respect of the Acquisition and the Continuing Connected Transactions and their respective proposed caps.

As confirmed by the Directors, in the circumstances that the Acquisition is not proceeded, the transactions under the Durban CCT Agreements will continue and are not transactions to the Group, and therefore, they will not constitute as connected transactions of the Company under the Listing Rules.

The Independent Shareholders are reminded that should the Acquisition not be proceeded, the Group may miss the opportunities to enjoy the contemplated benefits arising from the business diversification to property development and property investment in Taiwan.

Yours faithfully,

For and on behalf of
KGI Capital Asia Limited

Leung Kin Cheong, Laurent	**Chan Chun Kit**
Director	*Senior Vice President*

1. SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the audited financial information of the Group for the three financial years ended 31 December 2005, 2006 and 2007 and unaudited financial information of the Group for the six months ended 30 June 2007 and 2008 as extracted from the relevant annual reports and interim reports of the Company.

CONSOLIDATED INCOME STATEMENTS

	Year ended 31 December			Six months period ended	
	2005	2006	2007	2007	2008
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(as restated)	(as restated)		(as restated)	
Continuing operations					
Turnover	1,048,532	944,622	1,253,230	610,752	405,152
Cost of sales	(1,007,465)	(883,072)	(1,197,423)	(569,278)	(346,571)
Gross profit	41,067	61,550	55,807	41,474	58,581
Other revenue	4,162	6,162	11,340	3,722	5,666
Other income	13,435	6,725	11,745	3,988	12,600
Distribution costs	(9,391)	(12,828)	(13,681)	(17,075)	(5,308)
Administrative expenses	(29,419)	(27,540)	(34,696)	(14,271)	(17,618)
Other operating expenses	(1,800)	(2,030)	(2,899)	(1,735)	(4,024)
Operating profit	18,054	32,039	27,616	16,103	49,897
Valuation gain on investment property	–	–	–	–	88,377
Finance costs	(13,133)	(15,967)	(19,233)	(9,541)	(11,797)
Profit before taxation	4,921	16,072	8,383	6,562	126,477
Taxation	(878)	(2,426)	(3,106)	(1,220)	(20,617)
Profit from continuing operations	4,043	13,646	5,277	5,342	105,860
Discontinued operations					
Profit/(Loss) from discontinued operations	(1,768)	(2,203)	11,634	2,067	–
Profit for the year/period	2,275	11,443	16,911	7,409	105,860
Attributable to:					
Equity holders of the Company	308	12,042	13,802	4,736	97,721
Minority interests	1,965	(599)	3,109	2,673	8,139
	2,275	11,443	16,911	7,409	105,860
Dividends	4,000	9,600	11,520	–	–
Earnings/(Loss) per share for profit attributable to the equity holders of the Company during the year/period					
From continuing operations					
– Basic	0.52 cent	2.61 cents	0.83 cent	0.86 cent	17 cents
– Diluted	N/A	N/A	N/A	N/A	N/A
From discontinued operations					
– Basic	(0.44 cent)	0.38 cent	1.86 cents	0.13 cent	–
– Diluted	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEETS

	As at 31 December			As at 30 June
	2005	2006	2007	2008
	(audited)	(audited)	(audited)	(unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(as restated)		
ASSETS				
Non-current assets				
Property, plant and equipment	195,160	207,796	117,110	112,929
Investment property	–	–	–	283,534
Leasehold land and land use rights for own use under operating lease	8,860	8,638	8,416	10,460
Deposit for acquisition of property	–	–	192,142	–
Available-for-sale financial assets	720	720	–	14,685
Goodwill	12,708	4,719	–	–
Deferred tax assets	27	27	–	–
	217,475	221,900	317,668	421,608
Current assets				
Inventories	212,867	217,615	169,214	120,546
Trade receivables	299,529	370,155	373,538	220,716
Prepayments, deposits and other receivables	16,340	23,421	16,683	31,870
Financial assets at fair value through profit or loss	–	–	15,633	–
Amount due from a related company	2,733	2,736	6,473	11,056
Taxation recoverable	1,596	–	–	–
Pledged bank deposits	8,194	8,652	46,537	58,978
Bank deposits	87,553	21,800	–	–
Cash and cash equivalents	27,136	45,689	67,461	103,713
	655,948	690,068	695,539	546,879
LIABILITIES				
Current liabilities				
Trade payables	135,171	139,488	144,626	9,335
Other payables and accruals	29,648	35,322	181,852	26,576
Tax payable	–	763	2,368	3,258
Borrowings	379,025	345,771	311,402	320,657
	543,844	521,344	640,248	359,826
Net current assets	112,104	168,724	55,291	187,053
Total assets less current liabilities	329,579	390,624	372,959	608,661
Non-current liabilities				
Deferred tax liabilities	–	–	–	12,922
Borrowings	48,486	28,832	–	121,409
	48,486	28,832	–	134,331
NET ASSETS	281,093	361,792	372,959	474,330

	As at 31 December			As at 30 June
	2005	**2006**	**2007**	**2008**
	(audited)	(audited)	(audited)	(unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(as restated)		
CAPITAL AND RESERVES				
Issued capital	42,480	50,480	59,460	59,460
Reserves	168,744	203,866	245,143	337,578
Proposed final dividend	4,000	9,600	11,520	11,520
Equity attributable to equity holders of the Company	215,224	263,946	316,123	408,558
Minority interests	65,869	97,846	56,836	65,772
TOTAL EQUITY	281,093	361,792	372,959	474,330

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below are the audited consolidated financial statements together with the relevant notes to the financial statements of the Group as extracted from the annual report of the Company for the year ended 31 December 2007. The page numbers referred to in this section are the page numbers of the annual report of the Company for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Note	2007 *RMB'000*	2006 *RMB'000* (as restated)
Continuing operations			
Turnover	6	1,253,230	944,622
Cost of sales		(1,197,423)	(883,072)
Gross profit		55,807	61,550
Other revenue	6	11,340	6,162
Other income	7	11,745	6,725
Distribution costs		(13,681)	(12,828)
Administrative expenses		(34,696)	(27,540)
Other operating expenses		(2,899)	(2,030)
Operating profit	8	27,616	32,039
Finance costs	10	(19,233)	(15,967)
Profit before taxation		8,383	16,072
Taxation	11	(3,106)	(2,426)
Profit from continuing operations		5,277	13,646
Discontinued operations			
Profit/(Loss) from discontinued operations	12	11,634	(2,203)
Profit for the year		16,911	11,443

	Note	2007 *RMB'000*	2006 *RMB'000* (as restated)
Attributable to:			
Equity holders of the Company	13	13,802	12,042
Minority interests		3,109	(599)
		16,911	11,443
Dividends	14	11,520	9,600
Earnings per share for profit attributable to the equity holders of the Company during the year	15		
From continuing operations			
– Basic		0.83 cents	2.61 cents
– Diluted		N/A	N/A
From discontinued operations			
– Basic		1.86 cents	0.38 cents
– Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET
As at 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	117,110	207,796
Leasehold land and land use rights for own use under operating lease	19	8,416	8,638
Deposit for acquisition of property	20	192,142	–
Available-for-sale financial assets	21	–	720
Goodwill	22	–	4,719
Deferred tax assets	24	–	27
		317,668	221,900
Current assets			
Inventories	25	169,214	217,615
Trade receivables	26	373,538	370,155
Prepayments, deposits and other receivables	27	16,683	23,421
Financial assets at fair value through profit or loss	28	15,633	–
Amount due from a related company	29	6,473	2,736
Pledged bank deposits	30	46,537	8,652
Bank deposits	30	–	21,800
Cash and cash equivalents	31	67,461	45,689
		695,539	690,068
LIABILITIES			
Current liabilities			
Trade payables	32	144,626	139,488
Other payables and accruals	33	181,852	35,322
Taxation payable		2,368	763
Borrowings	34	311,402	345,771
		640,248	521,344
Net current assets		55,291	168,724
Total assets less current liabilities		372,959	390,624
Non-current liabilities			
Borrowings	34	–	28,832
NET ASSETS		372,959	361,792

	Note	2007 RMB'000	2006 RMB'000
CAPITAL AND RESERVES			
Issued capital	35	59,460	50,480
Reserves	37	245,143	203,866
Proposed final dividend	14	11,520	9,600
Equity attributable to equity shareholders of the Company		316,123	263,946
Minority interests		56,836	97,846
TOTAL EQUITY		372,959	361,792

BALANCE SHEET

As at 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	4	58
Interests in subsidiaries	23	124,378	132,967
		124,382	133,025
Current assets			
Amounts due from subsidiaries	23	73,070	78,774
Other receivables		255	154
Pledged bank deposits	30	4,378	3,904
Cash and cash equivalents	31	10,986	15,812
		88,689	98,644
LIABILITIES			
Current liabilities			
Other payables		1,090	1,475
Borrowings	34	–	41,115
		1,090	42,590
Net current assets		87,599	56,054
NET ASSETS		211,981	189,079
CAPITAL AND RESERVES			
Issued capital	35	59,460	50,480
Reserves	37	141,001	128,999
Proposed final dividend	14, 37	11,520	9,600
TOTAL EQUITY		211,981	189,079

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Issued capital	Share premium	Special reserve	Statutory surplus reserve	Statutory public welfare fund	Translation reserve	Retained profits	Proposed final dividend	Minority interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006	42,480	4,076	67,570	16,645	4,950	(718)	76,221	4,000	65,869	281,093
Purchase of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(7,160)	(7,160)
Deemed and partial disposals of interest in subsidiaries	–	–	–	–	–	–	–	–	3,706	3,706
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(830)	–	–	(1,628)	(2,458)
Issuance of new shares	8,000	33,710	–	–	–	–	–	–	37,658	79,368
Share issue expenses	–	(200)	–	–	–	–	–	–	–	(200)
Appropriations	–	–	–	1,609	–	–	(1,609)	–	–	–
Profit for the year	–	–	–	–	–	–	12,042	–	(599)	11,443
Dividend paid relating to 2005	–	–	–	–	–	–	–	(4,000)	–	(4,000)
Proposed final dividend	–	–	–	–	–	–	(9,600)	9,600	–	–
At 31 December 2006	50,480	37,586	67,570	18,254	4,950	(1,548)	77,054	9,600	97,846	361,792
At 1 January 2007	50,480	37,586	67,570	18,254	4,950	(1,548)	77,054	9,600	97,846	361,792
Capital contribution to a subsidiary	–	–	–	–	–	–	–	–	10,331	10,331
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(53,444)	(53,444)
Exchange differences realised upon disposal of subsidiaries *(note 9)*	–	–	–	–	–	(139)	–	–	–	(139)
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(5,625)	–	–	(1,006)	(6,631)
Issuance of new shares *(note 35)*	8,980	44,909	–	–	–	–	–	–	–	53,889
Share issue expenses	–	(150)	–	–	–	–	–	–	–	(150)
Appropriations	–	–	–	1,271	–	–	(1,271)	–	–	–
Profit for the year	–	–	–	–	–	–	13,802	–	3,109	16,911
Dividend paid relating to 2006	–	–	–	–	–	–	–	(9,600)	–	(9,600)
Proposed final dividend	–	–	–	–	–	–	(11,520)	11,520	–	–
At 31 December 2007	59,460	82,345	67,570	19,525	4,950	(7,312)	78,065	11,520	56,836	372,959

i) Special reserve

The amount represents the paid-in capital of the Company of 1 share of HK$0.1 each and the special reserve of RMB83,570,000 arising from exchange of 1 share of the Company of HK$0.1 for the entire share capital of Bamian Investments Pte Limited pursuant to the reorganisation scheme dated 12 December 2005.

ii) Statutory surplus reserve

The Articles of Association of Guangzhou Mayer Corporation Limited ("Guangzhou Mayer") requires the appropriation of 10% of its profit after taxation, based on its statutory auditors' accounts, each year to the statutory surplus reserve until the balance reaches 50% of the registered capital. According to the provision of the Articles of Association of Guangzhou Mayer, in normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the production and operation of Guangzhou Mayer. For the capitalisation of statutory surplus reserve into share capital, the remaining amount of such reserve shall not be less than 25% of the registered share capital.

iii) Statutory public welfare fund

Pursuant to the PRC Company Law applicable to joint-stock company in previous years, Guangzhou Mayer shall make allocation from its profit after taxation at the rate of 5% to 10% to the statutory public welfare fund, based on its statutory auditors' accounts. The statutory public welfare fund can only be utilised on capital items for employees' collective welfare. Individual employees only have the right to use these facilities, the titles to which will remain with the company. The statutory public welfare fund forms part of the shareholders' equity but is non-distributable other than in liquidation. With effective from 1 January 2006, the appropriation is not a statutory requirement in accordance with the PRC Company Law (2006 Amendment). The appropriation is subject to the shareholders' approval in the annual shareholders meeting of Guangzhou Mayer. Guangzhou Mayer has early adopted the amended Company Law and thus no appropriation has been made during the year.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	38	(4,177)	(19,273)
INVESTING			
Proceeds from disposal of a foreign operation		–	4,131
Proceeds on disposal of property, plant and equipment		1,810	2,417
Purchase of property, plant and equipment		(34,078)	(42,198)
Increase in deposit for acquisition of property		(29,625)	–
Decrease in bank deposits (with original maturities more than 3 months)		21,800	65,753
Increase in financial assets at fair value through profit or loss		(14,644)	–
Interest received		1,907	1,172
Acquisition of a subsidiary		–	(6,989)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(52,830)	24,286
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(57,007)	5,013
FINANCING			
Proceeds from disposals of interests in subsidiaries		28,846	13,948
Proceeds from issue of shares		53,739	79,168
New borrowings raised		96,025	–
Increase in pledged bank deposits		(44,027)	(458)
Repayment of borrowings		(28,823)	(52,908)
Dividend paid		(9,600)	(4,000)
Interest paid		(21,824)	(20,661)
Capital contribution from a minority shareholder		10,331	–
NET CASH INFLOW FROM FINANCING		84,667	15,089
INCREASE IN CASH AND CASH EQUIVALENTS		27,660	20,102
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(5,888)	(1,549)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		45,689	27,136
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		67,461	45,689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. General Information

The Company was incorporated in the Cayman Islands on 9 October 2003 as an exempt company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its register office is PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Company is an investment holding company. The principal activities of its subsidiaries consist of manufacturing and trading of steel pipes, steel sheets and other products made of steel, property investment and leasing of aircrafts for rental purposes.

The consolidated financial statements are presented in Renminbi, which is also the functional currency of the Group.

2. Significant Accounting Policies

a) Statement of compliance

These financial statements of the Group have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set our below.

In accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" issued by the HKICPA, the results and cash flows of the operations of the Fullchamp Group have been presented as discontinued operation. The 2006 comparative figures in the income statement and statement of cash flow were restated to reflect the disposal of Fullchamp Group accordingly.

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods on or after 1 January 2007. The adoption of new/revised HKFRSs did not result in substantial change to the Group's accounting policies. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7 the financial statements include expanded disclosure about the significance of the group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 3.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 47.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK (IFRIC) – Int 8	Scope of HKFRS 2

HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment

The following standards and interpretations to existing standards have been issued but not yet effective in these financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK (IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK (IFRIC) – Int 12	Service Concession Arrangements[3]
HK (IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction[5]

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 March 2007

3 Effective for annual periods beginning on or after 1 January 2008

4 Effective for annual periods beginning on or after 1 July 2008

5 Effective for annual periods beginning on or after 1 January 2008

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historic cost basis except for the available-for-sale assets, financial assets at fair value through profit or loss and financial liabilities, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

c) **Subsidiaries**

A subsidiary is a company in which the Group or Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that this is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and consolidated statement of changes in equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

Where loss applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of loss previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

d) **Goodwill**

Goodwill represents the excess of the cost of a business combination over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in the income statement. On disposal of a cash generating unit, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

e) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Changes arising in the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be charged to the income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising on disposal or retirement of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of disposal or retirement. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, after taking into account an estimated of residual value of 10% of cost, using the straight-line method, at the following rates per annum:

	Depreciation
Building and factory premises	4% – $6^2/_3$%
Leasehold improvements	20%
Furniture, fixtures and office equipment	$6^2/_3$% – 50%
Plant and machinery	10% – $33^1/_3$%
Motor vehicles	20%
Aircrafts	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, of any, are reviewed annually.

f) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale.

g) Available-for-sale financial assets

The Group classified its financial assets as available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. Available-for-sale financial assets are non-derivatives that are either designated as such or not classified as any of the other categories. 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 asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not be reversed in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not be reversed in subsequent periods.

h) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries, and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment In an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

  Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– investments in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

i) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost method and comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories as an expense in the period in which the reversal occurs.

j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

l) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

m) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on all temporary differences arising from the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities.

n) Financial guarantees

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

o) Revenue

Revenue comprises the fair value for the sales of goods and services, net of rebates and discounts and after eliminated transactions within the Group. Revenue is recognised as follows:

i) Sales of goods is recognised when the goods are delivered and title has passed to customer and the customer has accepted the products and collectibility of the related receivables is reasonably assured.

ii) Rental income receivable under operating leases is recognised the income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable.

iii) Consultancy fee and commission income are recognised when the services are rendered.

iv) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and at the interest rate applicable.

v) Dividend income is recognised when the right to receive payment is established.

p) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are stated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit and loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which is recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

q) Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basis salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries in the People's Republic of China (the "PRC") and Taiwan are members of the state-sponsored retirement schemes operated by the government of the PRC and Taiwan.

r) Provisions and contingent liabilities

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

Where it is not probable that an outflow of economics benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economics benefits is remote.

s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intend use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

t) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, segment expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

v) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

3. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and price risk), credit risk, liquidity risk and interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a) Market risk

i) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars, New Taiwan dollars, Vietnam Dong and Hong Kong dollars.

As the estimated foreign currency exposure in respect of committed future sales and purchases and estimated foreign currency exposure in respect of highly probable forecast sales and purchases is not significant, no hedging on foreign currency risk has been carried out during the year under review.

In respect of trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. All the Group's borrowings are denominated in the functional currency of the entity taking out the loan.

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they related.

	2007			
(in million)	**United States dollars**	**New Taiwan dollars**	**Hong Kong dollars**	**Vietnam Dong**
Trade and other receivables	39	51	34	2,453
Financial assets at fair value through profit or loss	1	–	12	–
Cash and bank deposits	3	2	17	–
Bank loan and overdraft	(29)	–	(26)	–
Trade and other payables	(15)	(726)	(1)	(342)
Overall net exposure arising from recognised assets and liabilities	(1)	(673)	36	2,111

	2006			
(in million)	**United States dollars**	**New Taiwan dollars**	**Hong Kong dollars**	**Vietnam Dong**
Trade and other receivables	35	211	31	–
Cash and bank deposits	4	29	19	–
Bank loan and overdraft	(35)	(361)	–	–
Trade and other payables	(16)	(132)	(1)	–
Overall net exposure arising from recognised assets and liabilities	(12)	(253)	49	–

Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and retained earnings in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

	2007		2006	
(RMB million)	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after tax and retained profits**	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after tax and retained profit**
United States dollars	5%/(5%)	(1)/1	5%/(5%)	(5)/5
New Taiwan dollars	5%/(5%)	(8)/8	5%/(5%)	(3)/3
Hong Kong dollars	5%/(5%)	2/(2)	5%/(5%)	2/(2)
Vietnam Dong	5%/(5%)	–/–	5%/(5%)	–/–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the group entities exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities profit after tax measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2006.

ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss as disclosed in note 28.

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss (note 28) as at 31 December 2007. The Group's listed investments are listed in Hong Kong and USA, and are valued at quoted market prices at the balance sheet date.

The following table demonstrates the sensitivity to 5% increase/decrease in the fair values of the equity investments with all other variables held constant and after any impact on tax, based on their carrying amounts at the balance sheet date.

	Increase/ (decrease) in carrying amount of equity investments	**Increase/ (decrease) in profit after income tax**	**Increase/ (decrease) in equity**
	RMB'000	*RMB'000*	*RMB'000*
5% increase in fair values of the equity investments	782	782	782
5% decrease in fair values of the equity investments	(782)	(782)	(782)

The Group did not have any equity investments or significant derivative financial instruments at 31 December 2006. Accordingly, no sensitivity analysis in respect of price risk at 31 December 2006 is presented.

b) Credit risk

The Group's credit risks are primarily attributable to time deposits, trade and other receivables.

The Group's time deposits are deposited with banks of high credit quality in Hong Kong and the Group has limited exposure to any single financial institution.

For trade and other receivables, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-180 days from the date of billing.

Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 92% (2006: 90%) of the total receivables (being the total classified under "Trade receivables" and "Prepayments, deposits and other receivables") as at 31 December 2007. The Group has concentration of credit risk by customers as for 56% (2006: 52%) and 34% (2006: 36%) of the total receivables were due from the Group five largest customers and the largest customer respectively as at 31 December 2007.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

c) **Liquidity risk**

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval by the holding company's board. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from bankers to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

Group

	2007						2006					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	144,626	(144,626)	(144,626)	–	–	–	139,488	(139,488)	(139,488)	–	–	–
Other payables accruals	181,852	(181,852)	(181,852)	–	–	–	35,322	(35,322)	(35,322)	–	–	–
Taxation payable	2,368	(2,368)	(2,368)	–	–	–	763	(763)	(763)	–	–	–
Borrowings	311,402	(317,754)	(317,754)	–	–	–	374,603	(387,858)	(365,814)	(6,685)	(10,757)	(4,602)
	640,248	(646,600)	(646,600)	–	–	–	550,176	(563,431)	(541,387)	(6,685)	(10,757)	(4,602)

Company

	2007			2006		
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	1,090	(1,090)	(1,090)	1,475	(1,475)	(1,475)
Borrowings	–	–	–	41,115	(41,130)	(41,130)
	1,090	(1,090)	(1,090)	42,590	(42,605)	(42,605)

d) **Interest rate risk**

The Group manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility. The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Group's exposure on ongoing basis and will consider hedging the interest rate should the need arise.

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings and bank deposits carrying fixed interest rates and cash flow interest rate risk in relation to borrowings and short-term deposits placed in banks and financial institutions that are interest-bearing at market interest rates. The directors consider the Group's exposure of the bank deposits to fair value interest rate risk is not significant as interest bearing bank deposits are within short maturity period.

Sensitivity analysis

The Sensitivity analyses have been determined based on the exposure to interest rates in its variable-rate borrowings and bank deposits at the balance sheet date. The analysis is prepared assuming the amount of borrowings and deposits outstanding at the balance sheet date were outstanding for the whole year. A 50 basis point increase or decrease is used by the management for the assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would increase/decrease by RMB987,000.

(e) Financial instruments by category

The carrying amounts of each of the categories of financial instruments at the balance sheet date are as follows:

	2007			2006		
Financial assets as per consolidated balance sheet	**Financial assets at fair value through profit or loss (held for trading)**	**Loans and receivables**	**Total**	**Financial assets at fair value through profit or loss (held for trading)**	**Loans and receivables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	373,538	373,538	–	370,155	370,155
Prepayments, deposits and other receivables	–	16,683	16,683	–	23,421	23,421
Amount due from a related company	–	6,473	6,473	–	2,736	2,736
Financial assets at fair value through profit or loss	15,633	–	15,633	–	–	–
Pledged bank deposits	–	46,537	46,537	–	8,652	8,652
Bank deposits	–	–	–	–	21,800	21,800
Cash and cash equivalents	–	67,461	67,461	–	45,689	45,689
	15,633	510,692	526,325	–	472,453	472,453

Financial liabilities as per consolidated balance sheet	**2007 Financial liabilities at amortised cost**	**2006 Financial liabilities at amortised cost**
	RMB'000	*RMB'000*
Trade payables	144,626	139,488
Other payables and accruals	181,852	35,322
Borrowings	311,402	374,603
	637,880	549,413

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, management has made various estimates and judgements (other than those involving estimates) based on past experience, expectations of the future and other information. The key sources of estimation uncertainty and the critical accounting judgements that can significantly affect the amounts recognised in the financial statements are set out below.

(a) Fair values of financial instruments

Financial instruments such as interest rate, foreign exchange and equity derivative instruments are carried at the balance sheet at fair value. The best evidence of fair value is quoted prices in an active market, where quoted prices are not available for a particular financial instrument, the Group uses the market values determined by independent financial institutions or internal or external valuation models to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities is subjective and requires varying degrees of judgement by management, which may result in significantly different fair values and results. All significant financial valuation models are strictly controlled and regularly recalibrated and vetted.

(b) Useful lives and residual values of property, plant and equipment

Useful lives of the Group's property, plant and equipment are defined as the period over which they are expected to be available for use by the Group. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment or similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, and it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciation lives and residue lives and therefore depreciation expense in future periods.

(c) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or market valuations. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which requires significant judgement relating to such items such as level of turnover and amount of operating costs. No impairment was provided during the year.

(d) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of receivables at the balance sheet date.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling and distribution costs. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date.

5. **Segment Reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Segment information

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

a) **Business segments**

The Group comprises the following main business segments:

Steel – the manufacture and trade of steel pipes, steel sheets and other products made of steel.

Aluminum – the design, develop, manufacture and trade of aluminum forged and forged-spun wheels for automobiles. (discontinued on 1 July 2007)

Property Investment – the investment and holding of property to earn rentals or for capital appreciation purposes.

Others – the general trading metal and metal products and leasing of aircrafts for rental purposes.

Unallocated costs represent corporate expenses. Segment assets consist primarily of land use rights, property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as income tax. Capital expenditure comprises additions to inventories and property, plant and equipment.

	2007					
	Continuing operations				Discontinued operations	
	Steel	Property investment	Others	Sub-total	Aluminum	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue						
– External sales	1,200,977	–	52,253	1,253,230	61,478	1,314,708
– Inter-segment sales	–	–	–	–	–	–
	1,200,977	–	52,253	1,253,230	61,478	1,314,708
Segment profit	26,527	74	6,372	32,973	4,244	37,217
Gain on disposal in subsidiaries				–	8,715	8,715
Unallocated operating income and expenses				(5,357)	–	(5,357)
Operating profit				27,616	12,959	40,575
Finance costs				(19,233)	(2,592)	(21,825)
Taxation				(3,106)	1,267	(1,839)
Profit for the year				5,277	11,634	16,911
Attributable to:						
Minority interests				1,022	2,087	3,109
Equity holders of the Company				4,255	9,547	13,802

2007

	Continuing operations				Discontinued operations	
	Steel	**Property investment**	**Others**	**Sub-total**	**Aluminum**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	733,975	199,590	16,136	949,701	–	949,701
Unallocated assets				63,506	–	63,506
Total assets				1,013,207	–	1,013,207
Segment liabilities	472,238	162,769	4,392	639,399	–	639,399
Unallocated liabilities				849	–	849
Total liabilities				640,248	–	640,248
Capital expenditure	22,980	–	11,098	34,078	–	34,078
Depreciation and amortisation	10,789	–	2,052	12,841	6,990	19,831

2006

	Continuing operations				Discontinued operations	
	Steel	**Property investment**	**Others**	**Sub-total**	**Aluminum**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue						
– External sales	936,499	–	8,123	944,622	101,860	1,046,482
– Inter-segment sales	–	–	–	–	–	–
	936,499	–	8,123	944,622	101,860	1,046,482
Segment profit/(loss)	31,390	–	(279)	31,111	(2,513)	28,598
Gain on disposal/deemed disposal of interests in subsidiaries				–	4,673	4,673
Unallocated operating income and expenses				928	–	928
Operating profit				32,039	2,160	34,199
Finance costs				(15,967)	(4,694)	(20,661)
Taxation				(2,426)	331	(2,095)
Profit/(loss) for the year				13,646	(2,203)	11,443
Attributable to:						
Minority interests				3,153	(3,752)	(599)
Equity holders of the Company				10,493	1,549	12,042

	2006					
	Continuing operations				Discontinued operations	
	Steel	Property investment	Others	Sub-total	Aluminum	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	629,858	–	4,784	634,642	239,358	874,000
Unallocated assets				37,968	–	37,968
Total assets				672,610	239,358	911,968
Segment liabilities	386,596	–	2,878	389,474	120,978	510,452
Unallocated liabilities				39,724	–	39,724
Total liabilities				429,198	120,978	550,176
Capital expenditure	9,521	–	–	9,521	32,674	42,195
Unallocated amounts				3	–	3
				9,524	32,674	42,198
Depreciation and amortisation	11,843	–	1,455	13,298	13,095	26,393

b) **Geographical segments**

Segment revenue from external customers by geographical area based on the geographical location of its customers is 90% or more in the PRC and therefore no separate analysis for geographical segment information is presented accordingly.

The geographical location of the total carrying amount of segment assets and capital expenditure incurred during the year under business segment "Steel" are in the PRC and Vietnam.

The geographical location of the total carrying amount of segment assets and capital expenditure incurred during the year under business segment "Aluminum" and "Property investment" are in the Taiwan.

The geographical location of the total carrying amount of segment assets and capital expenditure incurred during the year under business segment "Others" are in the PRC, Hong Kong and other countries.

	Segment assets		Capital expenditure	
	2007	2006	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hong Kong	46,662	19,929	–	3
Mainland China	714,679	634,642	11,183	9,521
Taiwan	231,285	256,084	11,098	32,674
Vietnam	20,581	–	11,797	–
Other countries	–	1,313	–	–
	1,013,207	911,968	34,078	42,198

6. Turnover and Other Revenue – Continuing Operations

Turnover represents the net amounts received and receivable for sale of goods by the Group to outside customers.

An analysis of the Group's turnover and other revenue from continuing operations is as follows:

	2007	**2006**
	RMB'000	*RMB'000*
		(restated)
Turnover		
Sale of goods	1,253,230	944,622
Other revenue		
Interest income	1,837	1,052
Rental income	7,195	4,966
Fair value gain on financial assets at fair value through profit or loss	989	–
Gain on disposal of financial assets	783	–
Consultancy fee	469	144
Dividend income	67	–
	11,340	6,162
	1,264,570	950,784

7. Other Income – Continuing Operations

	2007	**2006**
	RMB'000	*RMB'000*
		(restated)
Scrap sales	6,429	5,111
Exchange gains, net	3,286	1,297
Sundry income	2,030	317
	11,745	6,725

8. Operating Profit – Continuing Operations

Operating profit from continuing operations has been arrived at after charging:

	2007	**2006**
	RMB'000	*RMB'000*
		(restated)
Auditors' remuneration	536	600
Cost of inventories recognised as expenses	1,197,423	883,072
Depreciation	12,619	13,076
Amortisation of operating lease prepayment	222	222
Operating leases in respect of		
– rented premises	3,728	1,390
– motor vehicles	–	541
Impairment of trade receivables	1,558	–
Contribution to defined contribution retirement schemes	1,739	2,103
Staff costs (including directors' remuneration)	18,256	13,500
Impairment loss recognised on available-for-sale financial assets	720	–

9. Gain on Disposal of Subsidiaries

Fullchamp Technologies Co Ltd ("Fullchamp"), a non-wholly-owned subsidiary of the Company was previously regarded as a subsidiary because the Company could control the majority of the voting rights of its board of directors and general meetings, taking into account of the written undertaking from Mayer Steel Pipe Corporation ("Taiwan Mayer") which holds 22.88% of the issued capital of Fullchamp.

During the year, the Group disposed all its remaining 28.51% equity interests in Fullchamp to Taiwan Mayer for a consideration of NT$149,500,000 (equivalent to approximately RMB34.7 million) in cash (the "Disposal"). On the completion date, the Group recognized a total gain arising from the Disposal of RMB8,715,000. The gain has been credited to the consolidated income statement for the current year.

Details of the net assets disposed of and the gain on the Disposal of Fullchamp are as follows:

	2007
	RMB'000
Property, plant and equipment	109,832
Cash and bank balances	5,763
Inventories	75,252
Trade and bill receivable	27,474
Deposits, prepayments and other receivables	2,990
Pledged deposits	6,142
Trade payables	(4,925)
Deposit received	(7,526)
Accrual and other payables	(9,850)
Bank borrowings	(130,394)
Net tangible assets value of subsidiary	74,758
% of ownership	28.51%
Net tangible assets value of subsidiary owned	21,314
Goodwill	4,719
Sales proceeds	(34,609)
Realisation of exchange reserve	(139)
Gain on disposal of Fullchamp	(8,715)
Cash and cash equivalents disposed of	(5,763)
Cash received from Taiwan Mayer	34,609
Net cash inflow from disposal	28,846

10. Finance Costs – Continuing Operations

	2007	**2006**
	RMB'000	*RMB'000*
		(restated)
Interest on bank and other borrowings wholly repayable within five years from continuing operations	19,233	15,967

11. Taxation – Continuing Operations

The charge comprises:

	2007	2006
	RMB'000	*RMB'000*
		(restated)
Income tax		
Current year	3,003	2,426
Under provision in prior years	76	–
Deferred taxation *(note 24)*	27	–
	3,106	2,426

Pursuant to the tax authorities in the PRC, Guangzhou Mayer Corporation Limited ("Guangzhou Mayer") is entitled to a preferential rate on PRC enterprise income tax of 10% for 2006 and 2007. The charge of PRC enterprise income tax for the year has been provided for after taking these tax incentives into account.

Income tax of the other companies comprising the Group is calculated at tax rates applicable to the jurisdictions in which they are incorporated/registered.

The charge for the year can be reconciled to the profit before taxation as follows:

	2007	2006
	RMB'000	*RMB'000*
Profit before taxation from continuing operations	8,383	16,072
Tax at income tax at statutory tax rate	1,369	3,014
Tax effect of tax exemption	–	–
Tax effect on non-deductible expenses	571	1,057
Tax effect on non-taxable income	(1,650)	(2,555)
Tax loss not recognised	2,948	1,274
Under-provision in respect of prior years	76	–
Deferred taxation	27	–
Other temporary differences	(235)	(364)
	3,106	2,426

The National People's Congress of the PRC approved the Corporate Income Tax Law of the PRC (the "New Tax Law") on 16 march 2007. With effective from 1 January 2008, the tax rate applicable to the enterprises established in the PRC will be unified at 25% with certain grandfather provisions and preferential provisions. The change in tax rate does not have any impact on the financial statements, as the New Tax Law was neither enacted nor substantially enacted by 31 December 2007.

12. Discontinued Operations

(a) The Group ceased the operations of the Aluminum business segment of the design, develop, manufacturing and trade of aluminum forged and forged-spun wheels and other spare parts for automobiles on 1 July 2007. An analysis of the results of the discontinued operations is as follows:

	2007	2006
	RMB'000	*RMB'000*
Turnover	61,478	101,860
Cost of sales	(44,420)	(88,061)
Other revenue	1,620	3,697
Operating expenses	(13,152)	(14,489)
Other operating expenses	(1,282)	(5,520)
Finance costs	(2,592)	(4,694)
Profit/(loss) before taxation	1,652	(7,207)
Taxation	1,267	331
Operating profit/(loss) from discontinued operations	2,919	(6,876)
Gain on disposal of subsidiaries *(note 9)*	8,715	–
Gain on deemed and partial disposals of interests in subsidiaries	–	4,673
Profit/(loss) for the year from discontinued operations	11,634	(2,203)

(b) An analysis of the expenses from discontinued operations is as follows:

	2007	2006
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses	44,420	88,061
Depreciation	6,990	13,095
Impairment of inventories	–	519
Contribution to defined contribution retirement schemes	361	183
Staff costs (including directors remuneration)	5,752	6,131

(c) The net cash flows attributable to the discontinued operations are as follows:

	2007	2006
	RMB'000	*RMB'000*
Net cash outflows from operating activities	(39,761)	(17,452)
Net cash outflows from investing activities	(2,569)	(28,820)
Net cash inflows from financing activities	45,735	44,548
Net increase/(decrease) in bank balances and cash	3,405	(1,724)
Net balances and cash at the beginning of the period/year	2,358	4,082
Bank balances and cash at the end of the period/year	5,763	2,358

13. Profit Attributable to Equity Holders of the Company

The net profit attributable to equity holders of the Company includes a loss of approximately RMB9,845,000 (2006: loss of RMB9,032,000) which has been dealt with in the financial statements of the Company for the year ended 31 December 2007.

14. Dividends

	2007	**2006**
	RMB'000	*RMB'000*
Proposed final dividend of RMB 2 cents per share (2006: RMB 2 cents)	11,520	9,600

15. Earnings per Share

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	**2006**
	RMB'000	*RMB'000*
Weighted average number of ordinary shares in issue	513,402,740	402,630,137
Profit attributable to the equity holders of the Company		
– Continuing operations	4,255	10,493
– Discontinued operations	9,547	1,549
Total profit from operations	13,802	12,042
Basic earning per share (RMB):		
– Continuing operations	0.83 cents	2.61 cents
– Discontinued operations	1.86 cents	0.38 cents
Total basic earnings per share (RMB)	2.69 cents	2.99 cents

There were no potential dilutive shares in existence for the year ended 31 December 2007 and 2006, and accordingly, no diluted earnings per share amount has been presented.

16. Directors' Emoluments

The emolument of each director for the year ended 31 December 2007 is set out below:

Name of directors	Fees	Salary	Bonus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors				
Lai Yueh-hsing	–	175	–	175
Lo Haw	–	342	–	342
Lin Meng-chang	–	421	–	421
Lu Wen-yi	–	175	–	175
Chiang Jen-chin	–	324	–	324
Cheng Dar-terng	–	175	–	175
Non-executive Directors				
Hsiao Ming-chih	–	134	–	134
Huang Chun-fa	–	97	–	97
Independent non-executive Directors				
Lin Sheng-bin	29	–	–	29
Huang Jui-hsiang	29	–	–	29
Alvin Chiu	222	–	–	222
	280	1,843	–	2,123

The emolument of each director for the year ended 31 December 2006 is set out below:

Name of directors	Fees	Salary	Bonus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors				
Lai Yueh-hsing	–	184	–	184
Lo Haw	–	359	–	359
Shen Heng-chiang (resigned on 7 Aug 06)	–	223	–	223
Wu Kuo-lung (resigned on 7 Aug 06)	–	92	–	92
Lin Meng-chang	–	221	–	221
Lu Wen-yi	–	92	–	92
Chiang Jen-chin	–	253	–	253
Cheng Dar-terng	–	184	–	184
Non-executive Directors				
Hsiao Ming-chih	–	141	–	141
Huang Chun-fa	–	102	–	102
Independent non-executive Directors				
Lin Sheng-bin	31	–	–	31
Huang Jui-hsiang	31	–	–	31
Alvin Chiu	234	–	–	234
	296	1,851	–	2,147

During the year, no emoluments were paid by the Group to any directors or any five highest paid individuals (note 17) as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived any emoluments during the year.

The emoluments of the directors were within the following bands:

	2007 *Number of Directors*	2006 *Number of Directors*
Nil to RMB925,000 (HK$1,000,000)	11	13

17. Key Management Personnel Remuneration

During the year, the five highest paid individuals in the Group included three (2006: two) directors, details of those emolument are set out in note 16 above. The emoluments of the remaining two (2006: three) individuals for the year ended 31 December 2007 were as follows:

	2007 *RMB'000*	2006 *RMB'000*
Salaries and other benefits	735	959

The remuneration of the individuals was within the following band:

	2007 *Number of employees*	2006 *Number of employees*
Nil to RMB975,000 (HK$1,000,000)	2	3

18. Property, Plant and Equipment

Group

	Freehold land RMB'000	Building and factory premises RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Aircrafts RMB'000	Total RMB'000
Cost									
At 1 January 2006	14,932	52,050	3,027	13,043	5,434	148,082	1,587	15,201	253,356
Additions	–	–	7,312	8,054	192	26,253	387	–	42,198
Transfers	–	–	(8,280)	–	103	8,176	1	–	–
Disposals	–	–	–	(693)	(88)	(100)	(326)	–	(1,207)
Exchange adjustments	(394)	(288)	–	(406)	(34)	(2,241)	(12)	(494)	(3,869)
At 31 December 2006	14,538	51,762	2,059	19,998	5,607	180,170	1,637	14,707	290,478
Additions	–	–	17,035	501	1,541	3,731	172	11,098	34,078
Transfers	–	–	(7,798)	–	–	7,798	–	–	–
Disposals	–	–	–	–	(8)	(10,426)	–	–	(10,434)
Disposal of subsidiaries	(14,538)	(9,555)	(223)	(17,448)	(758)	(85,469)	(201)	–	(128,192)
Exchange adjustments	–	160	–	709	61	2,531	16	(967)	2,510
At 31 December 2007	–	42,367	11,073	3,760	6,443	98,335	1,624	24,838	188,440
Depreciation									
At 1 January 2006	–	12,380	–	858	1,797	41,598	776	787	58,196
Depreciation for continuing operations	–	1,910	–	327	694	8,572	210	1,363	13,076
Written-back	–	–	–	(77)	(75)	(44)	(240)	–	(436)
Depreciation for discontinued operations	–	653	–	2,588	346	9,434	74	–	13,095
Exchange adjustments	–	(50)	–	(204)	(26)	(907)	(10)	(52)	(1,249)
At 31 December 2006	–	14,893	–	3,492	2,736	58,653	810	2,098	82,682
Depreciation for continuing operations	–	1,905	–	784	695	7,086	153	1,996	12,619
Written back	–	–	–	–	(7)	(8,857)	–	–	(8,864)
Depreciation for discontinued operations	–	320	–	1,442	136	5,063	29	–	6,990
Disposal of subsidiaries	–	(872)	–	(3,559)	(447)	(13,387)	(95)	–	(18,360)
Exchange adjustments	–	(160)	–	(730)	(78)	(2,535)	(15)	(219)	(3,737)
At 31 December 2007	–	16,086	–	1,429	3,035	46,023	882	3,875	71,330
Net book value									
At 31 December 2007	–	26,281	11,073	2,331	3,408	52,312	742	20,963	117,110
At 31 December 2006	14,538	36,869	2,059	16,506	2,871	121,517	827	12,609	207,796

The freehold land is situated in Taiwan.

The building and factory premises are situated in the People's Republic of China and Taiwan and are held under medium term lease.

The aircrafts are leased to a related company established under the laws of the Republic of China, in which Mr. Huang Chun-fa has beneficial interest. During the year, rental income and consultancy fee income amounting to RMB7,195,000 (2006: RMB4,966,000) and RMB469,000 (2006: RMB144,000) respectively were received and receivable from this related company.

At 31 December 2007, the Group's building, plant and equipment with carrying value of RMB66,980,000 (2006: RMB139,153,000) were pledged to certain banks for banking facilities granted to the Group (note 34).

Company

	Leasehold improvements *RMB'000*	Furniture and fixtures *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2006	180	120	300
Additions	–	3	3
Exchange adjustments	(11)	(7)	(18)
At 31 December 2006 and 1 January 2007	169	116	285
Additions	–	3	3
Exchange adjustments	(11)	(7)	(18)
	158	112	270
Depreciation			
At 1 January 2006	85	56	141
Provided for the year	56	38	94
Exchange adjustments	(5)	(3)	(8)
At 31 December 2006 and 1 January 2007	136	91	227
Provided for the year	32	24	56
Exchange adjustments	(10)	(7)	(17)
	158	108	266
Net book value			
At 31 December 2007	–	4	4
At 31 December 2006	33	25	58

19. Leasehold Land and Land Use Rights for Own Use under Operating Lease

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	The Group 2007 *RMB'000*	2006 *RMB'000*
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	8,416	8,638

Bank borrowings are secured on leasehold land for the carrying amount of RMB8,416,000 (2006: RMB8,638,000) (note 34).

	2007 *RMB'000*	2006 *RMB'000*
At 1 January	8,638	8,860
Amortisation of prepaid operating lease payment	(222)	(222)
At 31 December	8,416	8,638

20. Deposit for Acquisition of Property

At balance sheet date, the Group has paid deposit in the amount of RMB192,142,000 to the vendor in regarding to the acquisition of a property situated in Taiwan for a total consideration of NT$880,000,000 (equivalent to approximately RMB197,296,000). The transaction was subsequently completed on 5 February 2008 and the property is accounted for as investment property of the Group.

21. Available-For-Sale Financial Assets

	2007	**2006**
	RMB'000	*RMB'000*
Club debentures		
Unquoted, at cost	1,294	1,294
Less: Impairment loss recognised	(1,294)	(574)
	–	720

The cost of club debentures has been reduced to its recoverable amount which is nil as management considers the recovery of this amount is remote.

22. Goodwill

	The Group	
	2007	**2006**
	RMB'000	*RMB'000*
At 1 January	4,719	12,708
Deemed and partial disposals of interests in subsidiaries	–	(3,586)
Disposal of interests in subsidiaries *(note 9)*	(4,719)	(4,403)
At 31 December	–	4,719

Impairment tests for goodwill:

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment.

The goodwill at 31 December 2006 and 1 January 2007, was entirely related to the business segment of aluminum wheels and automobile spare parts which is located in Taiwan. Upon the completion of the disposals of interests in subsidiaries (note 9), the respective goodwill was disposed. The discount rate used was 6.1% in 2006 which is pre-tax and reflect specific risks relating to the business of Fullchamp.

In the prior year, no impairment loss had been recognised on the goodwill in respect of the aluminum wheels and car spare parts as the recoverable amount of this CGU from the disposal of interests in subsidiaries (note 9) exceeded its carrying value on the date of disposal.

23. Interests in Subsidiaries

	2007	**2006**
	RMB'000	*RMB'000*
Unlisted shares, at cost	124,378	132,967
Amounts due from subsidiaries	75,454	80,865
Less: provision for impairment losses	(2,384)	(2,091)
	73,070	78,774

The balances with the subsidiaries are unsecured, interest-free and repayable on demand.

Details of the Company's subsidiaries as at 31 December 2007 are as follows:

Company	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of interest held Direct	Indirect	Principal activities
Bamian Investments Pte Ltd.	Singapore	US$10,100,875	100%	–	Investment holding
Guangzhou Mayer Corp., Ltd. ("Guangzhou Mayer")	PRC	RMB200,000,000	–	81.40%	Manufacture and trading of steel pipes, steel sheets and other products made of steel
Vietnam Mayer Co., Ltd.*#	Vietnam	US$3,000,000	–	50%	Manufacture and trading of steel pipes, steel sheets and other products made of steel
ROC Advance Ltd.	BVI	US$1	100%	–	Leasing of aircrafts and provision of consultancy service
Sunbeam Group Ltd.	BVI	US$1	100%	–	Investment holding
Mei Kong Shih Ye Ltd.##	The Republic of China	NT$163,905,250	–	100%	Property Investment holdings
Top Force International Ltd.###	BVI	US$1	100%	–	Investment holdings
Glory World Development Ltd.####	BVI	US$1	100%	–	General trading
Vansen International Ltd.	BVI	US$1	100%	–	General trading

* Not audited by CCIF CPA Limited
\# Incorporated on 15 June 2007
\## Incorporated on 25 June 2007
\### Incorporated on 2 January 2007
\#### Incorporated on 18 January 2007

Note: Guangzhou Mayer is a joint stock limited liability company established under the laws of the PRC.

24. Deferred Taxation

The followings are the major deferred tax assets recognised by the Group and movements thereon during the year:

	2007 RMB'000	2006 RMB'000
At 1 January	27	27
Transfer to income statement for the year *(note 11)*	(27)	–
At 31 December	–	27

25. Inventories

	2007 RMB'000	2006 RMB'000
At cost:		
Raw materials	124,405	142,163
Finished goods	44,809	75,452
	169,214	217,615

26. Trade Receivables

The Group has a policy of allowing an average credit period of 30-180 days to its trade customers and may be extended to selected customers depending on their trade volumes and settlement with the Group.

(i) Ageing analysis of trade receivables is as follows:

	2007	2006
	RMB'000	*RMB'000*
1 – 30 days	105,406	125,713
31 – 60 days	94,652	83,493
61 – 90 days	58,525	65,695
91 – 180 days	113,758	85,905
Over 180 days	2,117	19,844
	374,458	380,650
Provision for impairment of receivables	(920)	(10,495)
	373,538	370,155

(ii) The carrying amounts of trade receivables are denominated in the following currencies:

	2007	2006
	RMB'000	*RMB'000*
Hong Kong dollars	31,994	30,926
Renminbi	59,813	26,657
United States dollars	275,893	271,617
New Taiwan dollars	5,838	40,955
	373,538	370,155

(iii) The carrying amounts of trade receivables approximate to their fair values.

(iv) Impairment of trade receivables

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly.

The movement in the allowance for doubtful debts during the years, including both specific and collective loss components, is as follows:

	2007	2006
	RMB'000	*RMB'000*
At 1 January	10,495	11,426
Impairment loss recognised	1,558	–
Uncollectible amounts written off	(11,133)	(931)
At 31 December	920	10,495

At 31 December 2007, the Group's trade debtors of RMB920,000 (2006: RMB10,495,000) were individually determined to be impaired. The Group does not hold any collateral over these balances.

(v) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2007	**2006**
	RMB'000	*RMB'000*
Neither past due nor impaired	353,781	353,447
Less than 1 month past due	8,273	14,866
1 to 3 months past due	11,484	1,842
	373,538	370,155

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

27. Prepayments, Deposits and Other Receivables

	2007	**2006**
	RMB'000	*RMB'000*
Prepayments	611	5,938
Rental deposits	617	471
VAT refundable	5,168	8,600
Advance to suppliers	5,381	1,458
Other loan	–	1,700
Others	4,906	5,254
	16,683	23,421

28. Financial Assets at Fair Value through Profit or Loss

	2007	**2006**
	RMB'000	*RMB'000*
Listed securities:		
– Equity securities		
– Hong Kong	11,677	–
– United States of America	2,142	–
– Investment fund		
– United States of America	1,814	–
Market value of listed securities	15,633	–

29. Amount due from a Related Company

The amount due from a related company amounted to RMB6,473,000, in which Mr. Huang Chun-fa has beneficial interest, is unsecured, interest-free and repayable within the next twelve months from the balance sheet date. The maximum amount outstanding during the year amounted to RMB6,473,000 (2006: RMB2,736,000).

No provision for the amount due has been made in the financial statements. The directors are of the opinion that the carrying value of the amount due approximate to the fair value at the balance sheet date.

30. Pledged Bank Deposits/Bank Deposits

Pledged bank deposits are used to secure the Group's banking facilities. The pledged bank deposits carry fixed interest rates ranging from 1.15% to 3.80% (2006: 1% to 3.8%) for the year ended 31 December 2007. The bank deposits carried interest at market rates which ranged from 2% to 2.25% with maturities of more than three months.

31. Cash and Cash Equivalents

Cash and cash equivalents include the following components:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand	66,243	45,489	9,768	15,612
Short-term bank deposits	1,218	200	1,218	200
	67,461	45,689	10,986	15,812

(i) The effective interest rate on short-term bank deposits is approximately 3.8% (2006: 3.86%) per annum; these bank deposits have an average maturity of less than 1 month.

(ii) The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Renminbi	34,990	18,894	–	–
United States dollars	16,178	8,760	–	–
New Taiwan dollars	521	2,224	–	–
Hong Kong dollars	15,772	15,811	10,986	15,812
	67,461	45,689	10,986	15,812

(iii) The carrying amounts of cash and cash equivalents approximate their fair values.

32. Trade Payables

An ageing analysis of the trade payables is as follows:

	2007	**2006**
	RMB'000	*RMB'000*
1 – 30 days	61,771	53,387
31 – 60 days	19,444	42,611
61 – 90 days	18,145	17,071
91 – 180 days	45,106	26,366
Over 180 days	160	53
	144,626	139,488

The carrying amounts of trade payables are denominated in the following currencies:

	2007 *RMB'000*	2006 *RMB'000*
United States dollars	110,944	–
Hong Kong dollars	8	–
Renminbi	33,674	6,133
New Taiwan dollars	–	133,355
	144,626	139,488

The carrying amounts of trade payables approximate their fair values.

33. Other Payables and Accruals

	2007 *RMB'000*	2006 *RMB'000*
Advance from customers	6,406	14,590
Salaries	2,501	6,105
Accrued expenses	2,901	6,281
Rental deposits	252	–
Other payable	162,517	–
Other creditors	7,275	8,346
	181,852	35,322

The carrying amounts of other payables and accruals approximate their fair values. Included in other payables and accruals amounting to RMB162,517,000, it is the partial payment made to the vendor by issuing post-dated bills with due date on 5 February 2008 in regarding to the acquisition of a property situated in Taiwan.

34. Borrowings

At 31 December 2007, the maturity of borrowings is as follows:

	Group		Company	
	2007 *RMB'000*	2006 *RMB'000*	2007 *RMB'000*	2006 *RMB'000*
Within 1 year or on demand	311,402	345,771	–	41,115
After 1 year but within 2 years	–	14,916	–	–
After 2 years but within 5 years	–	9,566	–	–
After 5 years	–	4,350	–	–
	311,402	374,603	–	41,115
Current portion	(311,402)	(345,771)	–	(41,115)
Non-current portion	–	28,832	–	–

At 31 December 2007, the borrowings were secured by the followings:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
– Corporate guarantees by Group companies	60,736	73,006	–	41,115
– Secured by fixed deposits	42,412	–	–	–
– Secured by plant and machinery with carrying value of RMB40,701,000 (2006: RMB102,513,000)	11,783	42,394	–	–
– Secured by land use right with carrying value of RMB8,416,000 (2006: RMB23,176,000), buildings with carrying value of RMB26,279,000 (2006: RMB36,640,000) and bank deposits of RMB46,537,000 (2006: RMB 8,652,000)	26,737	168,585	–	–
	141,668	283,985	–	41,115
– Unsecured	169,734	87,299	–	–
Other loans				
– Unsecured	–	3,319	–	–
	311,402	374,603	–	41,115

The borrowings are denominated in the following currencies:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hong Kong dollars	24,117	41,115	–	41,115
United States dollars	213,730	–	–	
Renminbi	73,555	247,000	–	–
New Taiwan dollars	–	86,488	–	–
	311,402	374,603	–	41,115

The effective annual interest rates of the borrowings at the balance sheet date were as follows:

	2007			2006		
	HK$	*RMB*	*NT$*	*HK$*	*RMB*	*NT$*
Bank borrowings	2.5-5.5%	2.8-5.5%	2.4-6%	2.5-5.5%	2.8-5.5%	2.4-6%

The carrying amounts of all borrowings approximate their fair values.

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with finance institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 3(c). As at 31 December 2007 none of the covenants relating to drawn down facilities had been breached.

35. Issued Capital

	Number of authorised shares	Number of shares issued	Nominal value of shares issued *RMB'000*
At 1 January 2006	1,000,000,000	400,000,000	42,480
Issue of shares	–	80,000,000	8,000
At 31 December 2006	1,000,000,000	480,000,000	50,480
Issue of shares	–	96,000,000	8,980
At 31 December 2007	1,000,000,000	576,000,000	59,460

On 13 August 2007, pursuant to the subscription agreements entered into between the Company and 7 investors 96,000,000 shares of HK$0.10 each in the Company were issued at a price of HK$0.60 per share. All the new shares issued rank pari passu in all respects the then existing shares.

36. Share Option Scheme

The Share Option Scheme was adopted on 24 May 2004 for the primary purpose of providing incentives and to recognise the contribution of the eligible participants to the growth of the Group and will expire on 24 May 2014. Under the Share Option Scheme, the Board may grant options to eligible full time employees, including any executive, non-executive and independent non-executive directors, and consultants or advisers of the Company and/or any of its subsidiaries.

Up to 31 December 2007, no options have been granted since the adoption of the Share Option Scheme. The total number of shares in respect of which options may be granted under the Share Option Scheme and any other option schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any year is not permitted to exceed 1% of the issued share capital of the Company, without prior approval from the Company's shareholders.

Options may be exercised at any time from the date of grant to the 10 years of the date of grant. No minimum period for which an option must be held is required. The exercise price, which is determined by the Board is the highest of: (i) the closing price per share on the date of grant; (ii) the average closing price per share for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

37. Reserves

Company

	Special reserve	Share premium	Translation reserve	Retained profits	Proposed final dividend	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2005 and 1 January 2006	125,211	4,076	(870)	(3,550)	4,000	128,867
Exchange differences	–	–	(10,746)	–	–	(10,746)
Issue of shares	–	33,710	–	–	–	33,710
Share issue expenses	–	(200)	–	–	–	(200)
Loss for the year	–	–	–	(9,032)	–	(9,032)
Dividend paid	–	–	–	–	(4,000)	(4,000)
Proposed final dividend	–	–	–	(9,600)	9,600	–
At 31 December 2006 and 1 January 2007	125,211	37,586	(11,616)	(22,182)	9,600	138,599
Exchange differences	–	–	(11,392)	–	–	(11,392)
New issue on public listing	–	44,909	–	–	–	44,909
Share issue expenses	–	(150)	–	–	–	(150)
Loss for the year	–	–	–	(9,845)	–	(9,845)
Dividend paid relating to 2006	–	–	–	–	(9,600)	(9,600)
Proposed final dividend	–	–	–	(11,520)	11,520	–
At 31 December 2007	125,211	82,345	(23,008)	(43,547)	11,520	152,521

The special reserve represented the difference between the nominal value of the shares of the Company issued in exchange for the issued share capital of the subsidiaries and the value of the underlying assets of the subsidiaries pursuant to the Group Reorganisation on 12 December 2004.

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. At 31 December 2007, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB152,521,000. After the balance sheet date the directors proposed a final dividend of 2 cents per ordinary share (2006: 2 cents per share) amounting to RMB11,520,000 (2006: RMB9,600,000). This dividend has not been recognised as a liability at the balance sheet date.

Subject to the Companies Law of the Cayman Islands and the Article of Association of the Company, the share premium and special reserve are distributable to the shareholders of the Company.

Movements of the Group's reserves are set out in the consolidated statement of changes in equity on page 50.

38. Notes to the Consolidated Cash Flow Statement

Reconciliation of profit before taxation to net cash inflow from operating activities:

	2007	2006
	RMB'000	*RMB'000*
Profit before taxation		
Continuing operations	8,383	16,072
Discontinued operations	1,652	(7,207)
Gain on disposal of subsidiaries	8,715	–
Gain on deemed and partial disposal of interests in subsidiaries	–	4,673
Profit before taxation	18,750	13,538
Adjustments for:		
Interest income	(1,907)	(1,172)
Interest expenses	21,824	20,661
Depreciation	19,609	26,171
Amortisation of operating lease prepayment	222	222
Gain on disposal of subsidiaries	(8,715)	–
Gain on deemed and partial disposal of interests in subsidiaries	–	(4,673)
Negative goodwill arising from acquisition of additional interest in a subsidiary	–	(171)
Provision for impairment of trade receivables	1,558	–
Provision for impairment of club debentures	720	–
Gain on disposal of property, plant and equipment	(240)	(1,646)
Fair value gain on financial assets at fair value through profit or loss	(989)	–
Operating profit before working capital changes	50,832	52,930
Increase in inventories	(26,851)	(4,748)
Increase in amount due from a related company	(3,737)	(3)
Increase in trade receivables, prepayments, deposits and other receivables	(32,550)	(77,707)
Increase in trade payables, other payables and accruals	8,363	9,991
Cash outflow from operating activities	(3,943)	(19,537)
Income tax (paid)/refund	(234)	264
Net cash outflow from operating activities	(4,177)	(19,273)

39. Operating Lease Commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of motor vehicles and rented premises which fall due as follows:

	2007	2006
	RMB'000	*RMB'000*
Motor vehicles		
Within one year	–	541
Rented premises		
Within one year	1,451	830
In the second to fifth years inclusive	2,102	990
	3,553	1,820

Leases are negotiated for term of one to three years with fixed monthly rentals over the term of the leases.

None of the leases includes contingent rentals.

40. Future Operating Lease Arrangement

At the balance sheet date, the Group had future aggregate minimum lease receipts under non-cancellable operating lease in respect of aircrafts as follows:

	2007	**2006**
	RMB'000	*RMB'000*
Within one year	4,452	4,966
In the second to fifth years inclusive	3,442	1,655
	7,894	6,621

Lease is negotiated for term of three years with a fixed monthly rental over the term of the lease.

41. Commitments

	2007	**2006**
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	919	1,498

The Company did not have any significant capital commitments at both balance sheet dates.

42. Pledge of Assets

At 31 December 2007, the Group pledged the land use rights with a carrying value of approximately RMB8,416,000 and building, plant and equipment with aggregate carrying value of approximately RMB66,980,000 and bank deposits of approximately RMB46,537,000 to banks to secure banking facilities to the extent of RMB140,383,000.

At 31 December 2006, the Group pledged the freehold land and land use rights with carrying value of approximately RMB23,176,000 and building, plant and equipment with aggregate carrying value of approximately RMB139,153,000 and bank deposits of approximately RMB8,652,000 to banks to secure banking facilities to the extent of approximately RMB117,120,000 granted to the Group.

43. Contingent Liabilities

At 31 December 2007, the Company has given corporate guarantees in favour certain banks to secure banking facilities of RMB80,241,000 (2006: RMB47,016,000) granted to Guangzhou Mayer, a subsidiary. Out of these banking facilities, RMB60,736,000 was utilised by Guangzhou Mayer as at 31 December 2007 (2006: RMB44,961,000).

Apart from the above, the Company and the Group have no other material contingent liabilities at both balance sheet dates.

44. Employee Retirement Benefits

The Company and its subsidiaries participate in defined contribution retirement schemes governed by the relevant local government authorities in which they operate.

The Company operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Company contributes 5% of the relevant payroll to the Scheme, which contribution is matched by employees. The Company's employer contributions vest fully with the employees when contributed into the scheme.

The Company's subsidiary in the PRC is required to make monthly contributions to the retirement schemes up to the time of retirement of the eligible employees, at a rate of 12% of the local standard basic salaries. The local government authorities are responsible for the pension liabilities to these retired employees.

As of 31 December 2007, the Group had no obligation apart from the contributions as stated above. There were no forfeited contributions, which arose upon employees leaving the retirement benefits schemes.

45. Connected and Related Party Transactions

During the year, the Group had the following connected and related party transactions which were conducted in the ordinary course of the Group's business:

(i) ROC Advance Limited ("ROC"), a wholly-owned subsidiary of the Group entered into an aircraft lease agreement with Daily Air Corporation ("Daily Air"), a related company in which Mr. Huang Chun-fa has beneficial interest, regarding the leasing of four aircrafts and the provision of consultancy services by ROC to Daily Air for a term of three years commencing from 1 May 2006 to 30 April 2008 in consideration of rental income and consultancy fee income. At the balance sheet date, RMB6,473,000 is due from this related company (note 29). Total amounts received during the year are disclosed in (v) below.

(ii) On 13 April 2007, ROC entered into the Aircraft Sale Agreement with Sino Regal Assets Limited ("Sino Regal"), a wholly-owned subsidiary of Mayer Steel Pipe Corporation, the ultimate holding company, to acquire two aircrafts from Sino Regal for a total consideration of approximately US$2 million. At the same date, Sino Regal and Daily Air executed the Lease Assignment Agreement. Under the Lease Assignment Agreement, ROC has agreed to continuously lease the aircrafts to Daily Air for the period commencing from the date of the Lease Assignment Agreement to 30 April 2008 for an annual rental of US$552,000. The Aircrafts Sale Agreement and the Lease Assignment Agreement were completed on 31 May 2007.

(iii) On 13 April 2007, Guangzhou Mayer Corp., Ltd ("Guangzhou Mayer"), a 81.4% indirectly owned subsidiary of the Company, entered into the Raw Material Purchase Agreement with Mayer Steel Pipe Corporation, the ultimate holding company, for the acquisition of raw materials from Mayer Steel Pipe Corporation for the period commencing from 1 April 2007 to 31 March 2010. The directors of the Company expect that the maximum amount of raw material purchase for the three years ending 31 March 2010 will be in the amounts of US$3.9 million, US$4.3 million and US$4.7 million, respectively.

During the year, Guangzhou Mayer has purchased raw materials from Mayer Steel Pipe Corporation approximately US$1.4 million at terms similar to those charged by independent third party suppliers.

(iv) On 13 April 2007, Sunbeam Group Limited ("Sunbeam"), a wholly-owned subsidiary of the Company, entered into the Share Disposal Agreement with Mayer Steel Pipe Corporation, to dispose all of its 28.51% equity interest in Fullchamp for a consideration of NT$149,500,000 (equivalent to approximately RMB34.6 million) in cash. The disposal of Fullchamp is completed on 3 July 2007.

(v) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Name	**Nature of Relationship**	**Transaction**	**2007** *RMB'000*	**2006** *RMB'000*
Lo Haw and his spouse	Director of the company	Rental paid	120	120
Daily Air Corporation	Under common director	Rental income	7,195	4,966
		Consultancy fee income	469	144

Note: The rental, which was paid for premises owned by Mr. Lo Haw and his spouse was determined with reference to the prevailing market rental.

46. Post Balance Sheet Events

Subsequent to 31 December 2007 and up to the date of approval of these financial statements, the Group has no material post balance sheets events.

47. Capital Management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with industry practices, the Group monitors its capital structure on the basis of gearing ratio. The gearing ratio is defined as net debt divided by total capital. Net debt is calculated as total bank borrowings less cash and bank deposits. Total capital is calculated as shareholders' funds (i.e. total equity attributable to equity shareholders of the Company) plus net debt.

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain the gearing ratio below 80%.

The Group's gearing ratio at 31 December 2007 and 2006 was as follows:

		2007	**2006**
	Note	*RMB'000*	*RMB'000*
Total borrowings	34	311,402	374,603
Less: Cash and bank deposits	30, 31	(113,998)	(76,141)
Net debt		197,404	298,462
Shareholders' funds		316,123	263,946
Total capital		513,527	562,408
Gearing ratio		38%	53%

As at 31 December 2007 and 2006, the Group had complied with all of the required financial covenants as stated in the Group's banking facilities granted by certain banks.

48. Comparative Figures

Certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007.

49. Ultimate Holding Company

The directors regard Mayer Steel Pipe Corporation, a company incorporated in the Republic of China, as being the ultimate holding company.

3. INDEBTEDNESS

At the close of business on 31 August 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had following borrowings:

(i) short term secured bank loan of approximately RMB36,230,733 which were secured by plant and machinery with a book value of RMB50,016,018;

(ii) short term secured bank loan of approximately RMB55,478,248 which were secured by properties held for sales with a book value of RMB70,093,581;

(iii) short term secured loan of approximately RMB102,326,057 which were secured by available for sale financial assets with a book value of RMB129,241,028;

(iv) short term secured bank loan of approximately RMB37,462,431 which were secured by land use right with a book value of RMB8,268,107, building with a book value of RMB25,007,871 and pledged bank deposits;

(v) short term unsecured bank loan of RMB130,712,436;

(vi) long term unsecured bank loan of RMB147,688,957;

(vii) long term secured bank loan of RMB911,854,546, which were secured by investment properties with a fair value of RMB271,484,619 and properties under development with a book value of RMB1,346,643,388; and

(viii) long term secured bank loan of RMB10,392,862 which were secured by pledged bank deposits.

At the close of business on 31 August 2008, the banking facilities of the Enlarged Group were supported by charges over land use right, building, investment properties, property held for sale and property under development of the Enlarged Group with book value or fair value of approximately RMB8,268,107, RMB25,007,871, RMB271,484,619, RMB70,093,581 and RMB1,346,643,388 respectively and corporate guarantees executed by certain entities in the Enlarged Group.

At the close of business on 31 August 2008, the Enlarged Group had given guarantees of approximately RMB365,889,294 for mortgages loans granted to certain purchases of properties of the Enlarged Group.

At the close of business on 31 August 2008, the Enlarged Group had given corporate guarantees in certain banks to secure banking facilities of approximately RMB674,202,759 granted to the subsidiary. Out of these bank facilities, RMB538,133,680 was ultised.

At the close of business on 31 August 2008, the Enlarged Group had capital commitments contracted for but not provided for amounting to approximately RMB268,896,930.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 31 August 2008, the Enlarged Group did not have any outstanding indebtedness, any loan capital issued and outstanding or agreed to be issued, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, material guarantees or material contingent liabilities.

As at the close of business on 31 August 2008, the Enlarged Group did not have any debt securities issued and outstanding, and authorized or otherwise created but unissued, and term loans.

The Directors are not aware of any material adverse changes in the Enlarged Group's indebtedness position and contingent liabilities since 31 August 2008.

4. WORKING CAPITAL

After due and careful enquiry, the Directors are of the opinion that, in the absence of unforeseeable circumstances, and taking into account the Enlarged Group's cash flows generated from the operating activities, and present available banking facilities, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

Up to the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 December 2007, the date to which the latest audited consolidated financial statements of the Group were made up.

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the reporting accountant of the Company, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

31 October 2008

The Directors
Mayer Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Durban Development Co., Ltd. ("Durban") and its subsidiaries (together the "Durban Group") set out in Sections I to II below, for inclusion in the circular of Mayer Holdings Limited (the "Company") dated 31 October 2008 (the "Circular") in connection with the proposed acquisition of approximately 88.59% of the issued share capital of Durban by the Company. The Financial Information comprises the consolidated balance sheets of Durban as at 31 December 2005, 2006 and 2007 and 30 April 2008, and the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements of Durban Group for each of the years ended 31 December 2005, 2006 and 2007 and the four months ended 30 April 2007 and 2008 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

Durban is a company incorporated in Taiwan on 29 January 1988 with limited liability. Durban is principally engaged in property development and property investment in Taiwan. The principal assets held by Durban are (i) the entire issued share capital in each of Durban Property Management Co., Ltd. ("Durban Property") and Da-Chin Construction Co., Ltd. ("Da-Chin"); (ii) approximately 45.75% direct equity interests in Du Centre Co., Ltd. ("Du Centre") and approximately 9.75% indirect equity interest in Du Centre through Da-Chin. Each of Durban and Mayer Steel Pipe Corporation ("Taiwan Mayer") (the ultimate controlling equity shareholder) has cross shareholding in one another. Durban holds approximately 7.86% equity interests in Taiwan Mayer while Taiwan Mayer, being one of the Vendors, holds approximately 1.27% equity interests in Durban. The principal assets held by the Durban Group primarily through Durban, Da-Chin and Du Centre are the Investment properties and Properties held for sale.

Durban and its subsidiaries have adopted 31 December as their financial year end date. The statutory audited financial statements or management accounts of the Durban Group were prepared in accordance with accounting principles and relevant financial regulations in Taiwan. The statutory Financial Statements of the Durban Group were audited by Deloitte Touche Tohmatsu CPA Limited, Taiwan, except for Durban Property which is audited by Honesty-Confidence & Co., CPAs and Da Chin is audited by Dinkum & Co., CPAs.

For the purpose of this report, the directors of Durban have prepared, on the basis of presentation as set out in note 2 below, the consolidated financial statements of Durban Group (the "HKFRS Financial Statements") for each of the years ended 31 December 2005, 2006 and 2007 and for the four months ended 30 April 2008 in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The HKFRS Financial Statements were audited by CCIF CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company based on the audited HKFRS Financial Statements and unaudited consolidated financial statements of the Duran Group for the four months ended 30 April 2007 prepared in accordance with HKFRSs with no adjustments made thereon.

Directors' responsibility

The directors of Durban are responsible for the preparation and the true and fair presentation of the consolidated financial statements of Durban for the relevant periods in accordance with HKFRSs. The directors of the Company are responsible for the true and fair presentation in the Financial Information in accordance with HKFRSs. Their responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements and presentation of Financial Information that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Reporting accountant's responsibility

For the Financial Information for each of the years ended 31 December 2005, 2006 and 2007 and the four months ended 30 April 2008, our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the audited HKFRS Financial Statements of the Durban Group in preparing the Financial Information, and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The comparative consolidated income statement, cash flow statement and statement of changes in equity of Durban Group for four months ended 30 April 2007 together with the notes thereon have been extracted from Durban Group's unaudited consolidated financial information for the same period (the "comparative Financial Information") which was prepared by the directors of Durban Group solely for the purpose of this report.

For the Financial Information for the four months ended 30 April 2007, it is our responsibility to form an independent conclusion, based on our review, on the comparative Financial Information and to report our conclusion to you. We conducted our review on the comparative Financial Information in accordance with Hong Kong Statement on Review Engagements 2400 "Engagements to review financial statements" issued by the HKICPA. A review consists principally of making enquiries of the group management and applying analytical procedures to the comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the comparative Financial Information for the four months ended 30 April 2007.

Opinion and review conclusion

In our opinion on the basis of preparation set out in note 2 below, the Financial Information for each of the years ended 31 December 2005, 2006 and 2007 and the four months ended 30 April 2008, for the purpose of this report, gives a true and fair view of the consolidated state of affairs of the Durban Group as at 31 December 2005, 2006 and 2007 and 30 April 2008 and of the Durban Group's consolidated results and cash flows for the years and period then ended.

Without qualifying our opinion, we draw attention to section II note 2.1 to the Financial Information which indicates that as at 30 April 2008, the Durban Group's current liabilities exceeded its current assets by approximately NT$1,854,490,000. Mr. Huang Chun-Fa, the substantial shareholder of Durban, has undertaken to provide adequate funds to the Durban Group so as to meet its debts as and when they fall due and to carry on its business as a going concern in the foreseeable future. These conditions, along with other matters as set forth in section II note 2.1, indicate the existence of a material uncertainty and unpredictability which may cast significant doubt on the Durban Group's ability to continue as a going concern.

On the basis of our review which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made for the comparative Financial Information for the four months ended 30 April 2007.

I. FINANCIAL INFORMATION

The following are the Financial Information of the Durban Group as at 31 December 2005, 2006 and 2007 and 30 April 2008 and for each of the years ended 31 December 2005, 2006 and 2007 and the four months ended 30 April 2007 and 2008.

(a) Consolidated income statements

		Year ended 31 December			Four months ended 30 April	
		2005	2006	2007	2007	2008
	Note	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
					(unaudited)	
TURNOVER	6	3,622,889	4,345,986	5,014,164	1,862,300	999,031
COST OF SALES		(2,841,468)	(3,512,995)	(3,935,213)	(1,447,795)	(782,041)
GROSS PROFIT		781,421	832,991	1,078,951	414,505	216,990
Other revenue and net income	7	135,640	245,543	687,075	70,420	78,236
Distribution costs	8	(6,821)	(244,837)	(240,672)	(64,172)	(124,709)
Administrative expenses	8	(808,212)	(669,395)	(748,275)	(212,242)	(253,211)
Other operating expenses	8	(8,561)	(50,231)	(133,435)	(3,425)	(73,434)
Fair value gain on derivative financial instruments through profit or loss, net	35	(6,760)	(15,233)	(76,916)	(39,735)	2,125
Gain on revaluation of investment properties	17	7,190	3,990	131,372	–	–
Operating profits		93,897	102,828	698,100	165,351	(154,003)
Share results of an associate	20	(4,536)	1,287	–	–	(26,565)
Finance costs	12	(120,522)	(140,386)	(132,284)	(51,740)	(50,400)
PROFIT/(LOSS) BEFORE TAXATION		(31,161)	(36,271)	565,816	113,611	(230,968)
Taxation	13	(4,031)	(40,589)	(18,530)	(15,744)	(2,650)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(35,192)	(76,860)	547,286	97,867	(233,618)
Attributable to:						
Equity holders of Durban		8,166	45,392	621,095	165,970	(166,823)
Minority interests		(43,358)	(122,252)	(73,809)	(68,103)	(66,795)
Profit/(loss) for the year/period		(35,192)	(76,860)	547,286	97,867	(233,618)
Dividends		–	–	–	–	–

(b) Consolidated balance sheets

		As at 31 December			As at 30 April
		2005	**2006**	**2007**	**2008**
	Note	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	16	4,952,782	4,762,936	344,814	341,715
Investment properties	17	71,570	75,560	2,905,267	2,905,267
Properties under development	18	1,989,906	1,987,536	1,983,034	2,360,768
Interests in associates	20	25,151	–	352,940	349,299
Available-for-sale financial assets	21	310,858	620,217	1,386,576	1,350,469
Goodwill	22	–	–	170,304	180,921
		7,350,267	7,446,249	7,142,935	7,488,439
Current assets					
Properties held for sale	23	1,234,187	1,273,225	892,790	896,063
Inventories	24	27,014	25,227	26,046	28,575
Trade receivables	25	81,043	123,236	86,339	28,033
Bills receivable		6,268	16,340	22,108	4,051
Amounts due from related parties	26	12,825	4,280	528	1,078
Amounts due from directors	26	–	250	60	420
Prepayments, deposits and other receivables	27	261,465	286,388	257,080	272,779
Other financial assets	28	–	255,497	259,460	259,132
Pledged bank deposits	29	439	8,708	11,531	8,819
Cash and cash equivalents	30	65,687	68,804	81,059	29,755
		1,688,928	2,061,955	1,637,001	1,528,705

		As at 31 December			As at 30 April
		2005	**2006**	**2007**	**2008**
	Note	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
Current liabilities					
Trade payables	31	534,171	467,896	478,601	470,009
Bills payable		505,613	544,300	715,247	676,808
Amounts due to related parties	26	126,232	39,038	15,983	20,155
Amounts due to directors	26	–	123	190,000	92,216
Other payables and accruals	32	228,590	267,821	353,250	355,785
Receipts in advance	33	495,410	835,050	355,963	367,125
Obligations on finance leases	42	200,725	310,589	–	–
Interest-bearing borrowings – current portion	34	1,180,818	1,217,055	1,185,421	1,380,379
Tax payables	13	917	39,875	18,068	20,718
		3,272,476	3,721,747	3,312,533	3,383,195
Net current liabilities		1,583,548	1,659,792	1,675,532	1,854,490
Total assets less current liabilities		5,766,719	5,786,457	5,467,403	5,633,949
Non-current liabilities					
Interest-bearing borrowings – non-current portion	34	3,828,941	3,637,080	3,195,533	3,371,901
Derivative financial instruments through profit or loss	35	6,760	21,993	98,909	96,784
NET ASSETS		1,931,018	2,127,384	2,172,961	2,165,264
CAPITAL AND RESERVES					
Share capital	38	1,173,800	1,173,800	1,173,800	1,173,800
Reserves	39	(464,869)	(101,454)	319,244	314,079
Equity attributable to equity holders of Durban		708,931	1,072,346	1,493,044	1,487,879
Minority interests		1,222,087	1,055,038	679,917	677,385
Total equity		1,931,018	2,127,384	2,172,961	2,165,264

(c) Consolidated statements of changes in equity

	Attributable to equity holders of the Company					
	Share capital	Fair value reserve for available-for-sale financial assets	Retained earnings/ (Accumulated deficit)	Total	Minority interests	Total equity
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
At 1 January 2005	1,173,800	–	(420,212)	753,588	1,234,591	1,988,179
Profit/(loss) for the year	–	–	8,166	8,166	(43,358)	(35,192)
Disposal of interest in a subsidiary	–	–	–	–	30,854	30,854
Decrease in fair value on available-for-sale financial assets	–	(52,823)	–	(52,823)	–	(52,823)
At 31 December 2005	1,173,800	(52,823)	(412,046)	708,931	1,222,087	1,931,018
Profit/(loss) for the year	–	–	45,392	45,392	(122,252)	(76,860)
Increase in fair value on available-for-sale financial assets	–	318,023	–	318,023	–	318,023
Purchase of additional interest in a subsidiary	–	–	–	–	(44,797)	(44,797)
At 31 December 2006	1,173,800	265,200	(366,654)	1,072,346	1,055,038	2,127,384
Profit/(loss) for the year	–	–	621,095	621,095	(73,809)	547,286
Decrease in fair value on available-for-sale financial assets	–	(200,397)	–	(200,397)	(64,258)	(264,655)
Purchase of additional interest in a subsidiary	–	–	–	–	(237,054)	(237,054)
At 31 December 2007	1,173,800	64,803	254,441	1,493,044	679,917	2,172,961
Loss for the period	–	–	(166,823)	(166,823)	(66,795)	(233,618)
Increase in fair value on available-for-sale financial assets	–	161,658	–	161,658	84,467	246,125
Purchase of additional interest in a subsidiary	–	–	–	–	(20,204)	(20,204)
At 30 April 2008	1,173,800	226,461	87,618	1,487,879	677,385	2,165,264
At 1 January 2007	1,173,800	265,200	(366,654)	1,072,346	1,055,038	2,127,384
Profit/(loss) for the period	–	–	165,970	165,970	(68,103)	97,867
Increase in fair value on available-for-sale financial assets	–	26,529	–	26,529	–	26,529
At 30 April 2007	1,173,800	291,729	(200,684)	1,264,845	986,935	2,251,780

(d) Consolidated cash flow statements

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000* (unaudited)	*NT$'000*
PROFIT/(LOSS) BEFORE TAXATION	(31,161)	(36,271)	565,816	113,611	(230,968)
Adjustments for:					
Depreciation on property, plant and equipment	182,376	175,934	149,162	62,422	21,882
(Gain)/loss on disposal of property, plant and equipment	8,547	(1,506)	(418,231)	1,072	–
Fair value (gain)/loss on derivative financial instruments through profit or loss, net	6,760	15,233	76,916	39,735	(2,125)
Impairment loss on goodwill	–	17,035	33,962	–	22,146
Impairment loss on available-for-sale financial assets	–	–	36,000	–	–
(Gain)/loss on disposal of available-for-sale financial assets	(35,457)	18,749	(179,667)	(61,954)	(5,829)
Fair value (gain)/loss on properties under development	33,528	33,491	(92,535)	(676)	(3,644)
Gain on revaluation of investment properties	(7,190)	(3,990)	(131,372)	–	–
Share results of an associate	4,536	(1,287)	–	–	26,565
Unpaid pension cost	2,755	–	(4,563)	1,043	1,011
Operating profit/(loss) before working capital changes	164,694	217,388	35,488	155,253	(170,962)
(Increase)/decrease in inventories	(8)	1,787	(819)	(590)	(2,529)
(Increase)/decrease in trade receivables	22,944	(42,193)	39,310	40,582	58,306
(Increase)/decrease in bills receivable	11,319	(10,072)	93,769	(5,994)	18,057
(Increase)/decrease in amounts due from related parties	(11,720)	8,545	3,752	1,129	(550)
(Increase)/decrease in amounts due from directors	–	(250)	190	(630)	(360)
(Increase)/decrease in prepayments, deposits and other receivables	(65,921)	(26,923)	42,289	(10,934)	(15,699)
Increase/(decrease) in properties held for sale	213,596	1,105,167	1,850,756	840,984	371
Increase/(decrease) in properties under development	(910,775)	(1,173,326)	(1,283,928)	(740,180)	(377,734)
Increase/(decrease) in trade payables	175,323	(66,275)	170,947	(234,261)	(8,592)
Increase/(decrease) in bills payable	404,985	38,687	(264,635)	215,465	(38,439)
Increase/(decrease) in amounts due to related parties	(20,391)	(87,194)	(23,055)	40,408	4,172
Increase/(decrease) in amounts due to directors	(341,000)	123	189,877	268,453	(97,784)
Increase/(decrease) in receipts in advance	334,035	339,640	(559,637)	(180,332)	11,162
Increase/(decrease) in other payables and accruals	6,444	39,231	74,558	(36,673)	1,524
Increase/(decrease) in obligations under finance leases	51,326	109,864	(310,589)	(310,589)	–

	Year ended 31 December			Four months ended 30 April	
	2005	**2006**	**2007**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
				(unaudited)	
Cash (used in)/generated from operations	34,851	454,199	58,273	42,091	(619,057)
Income tax paid	(3,114)	(1,631)	(40,337)	–	–
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	31,737	452,568	17,936	42,091	(619,057)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(34,266)	(4,760)	(2,670,854)	(4,740)	(18,879)
Proceeds from disposal of property, plant and equipment	14,362	20,178	4,793,000	99	96
Purchase of available-for-sale financial assets	(180,496)	(137,377)	(1,904,912)	(50,227)	(441,300)
Proceeds from disposal of available-for-sale financial assets	111,972	153,730	1,310,078	114,422	752,059
Proceeds from disposal of shares of a subsidiary, net	39,881	–	–	–	–
Acquisition of an associate	–	–	(352,940)	–	–
Purchase of other financial assets	–	(255,497)	(3,963)	(1,816)	328
Purchase of additional shares of a subsidiary	–	(17,035)	(135,089)	–	(32,763)
Acquisition of subsidiaries, net of cash outflow	–	–	(120,179)	–	–
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(48,547)	(240,761)	915,141	57,738	259,541
FINANCING ACTIVITIES					
Increase/(decrease) in amounts due to minority interests	30,854	(44,797)	(301,312)	–	(65,826)
Increase/(decrease) in interest-bearing borrowings	230,853	36,237	(131,321)	(425,311)	194,958
Increase in long-term bank loans	649,310	446,926	3,384,020	–	199,737
Payment of long-term bank loans	(876,632)	(638,787)	(3,869,386)	316,395	(23,369)
Increase/(decrease) in pledged bank deposits	721	(8,269)	(2,823)	964	2,712
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	35,106	(208,690)	(920,822)	(107,952)	308,212
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	18,296	3,117	12,255	(8,123)	(51,304)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	47,391	65,687	68,804	68,804	81,059
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	65,687	68,804	81,059	60,681	29,755

II. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Durban Development Co., Ltd. ("Durban") was incorporated in Taiwan as a limited liability company on 29 January 1988. The address of its registered office is 12F, No. 2-1, Sec. 3, Minchuan East Road, Taipei City, Taiwan.

The principle activities of Durban are involved in the property development and property investment. During the relevant period, the Durban's subsidiaries (which together with Durban are collectively referred to as the "Durban Group") were principally engaged in operations of dining, shopping and recreational facilities, property management and civil engineering and architecture services.

These consolidated financial statements are presented in thousands of units of New Taiwan dollars ("NT$'000"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2008 have been early adopted as at the beginning of the Relevant Period.

The consolidated financial statements are presented in NT$, which is also the functional currency of Durban Group.

B. Basis of preparation

The consolidated financial statements for the year ended 31 December 2005, 2006 and 2007 and period ended 30 April 2008 comprise Durban and its subsidiaries.

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the relevant periods presented, unless otherwise stated.

The measurement basis used in the preparation of the financial statements is the historic cost basis except for derivative financial instruments and investment properties, which are carried at fair value.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Durban Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 below. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the relevant periods. Although these estimates are based on management's best knowledge or event and actions, actual results ultimately 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

As at 31 December 2005, 2006 and 2007 and 30 April 2008, the Durban Group had net current liabilities of approximately NT$1,583,548,000, NT$1,659,792,000, NT$1,675,532,000 and NT$1,854,490,000, respectively. Mr. Huang Chun-Fa, the major shareholder of Durban, has provided written letters of undertaking to provide continuing financial support to the Durban Group so as to meet its debts as and when they fall due and to carry on its business as a going concern for the foreseeable future. As such, the financial information has been prepared on a going concern basis which assumes that the Durban Group shall be able to meet its debts as and when they fall due for the foreseeable future.

C. Subsidiaries

Subsidiaries are entities controlled by the Durban Group. Control exists when the Durban Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Although Durban directly holds 33.67%, 36.42%, 43.53% and 45.08% in the paid-up capital of Du Centre for the relevant period, respectively, the directors of Durban are of the opinion that Durban has significant influence over the financial and operational decision-making process of Du Centre for the relevant periods, which has, therefore, regarded as a subsidiary of Durban.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by Durban, whether directly or indirectly through subsidiaries, and in respect of which the Durban Group has not agreed any additional terms with the holders of those interests which would result in the Durban Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet with equity, separately from equity attributable to the equity shareholders of Durban. Minority interests in the results of the Durban Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of Durban.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Durban Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Durban Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Durban Group has been recovered.

D. Associates

An associate is an entity in which the Durban Group or Durban has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Durban Group's share of the associate's net assets, unless it is classified as held for sale. The consolidated income statement includes the Durban Group's share of the post-acquisition, post-tax results of the associates for the relevant period, including any impairment loss on goodwill relating to the investment in associates recognised for the relevant period.

When the Durban Group's share of losses exceeds its interest in the associate, the Durban Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Durban Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Durban Group's interest in the associate is the carrying amount of the investment under the equity method together with the Durban Group's long-term interests that in substance form part of the Durban Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Durban Group and its associates are eliminated to the extent of the Durban Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

E. Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Durban Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Durban Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in the income statement.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Acquisition of additional interest in subsidiaries

Goodwill arising on acquisition of additional interest in subsidiaries represents the excess of the cost of the acquisition over the fair value of the net assets attributable to the additional interest in the subsidiaries. The difference between the fair values and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited directly to special reserve.

F. Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income, for capital appreciation or for a currently undetermined future use.

Property that is being constructed or developed for future use as investment property is classified as asset under construction within property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Durban Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Durban Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred. Changes in fair values are recognized in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

G. Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Durban Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to the income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to the income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to the income statement.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Freehold land is not depreciated;

– Building situated on freehold land are depreciated over their estimated useful life, being no more than 55 years after the date of completion;

– Other fixed assets are depreciated on a straight-line method over their estimated useful lives as follows:

Leasehold improvements	3 – 7 years
Furniture, fixtures and office equipment	2 – 15 years
Motor vehicles	3 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

H. Construction costs

Costs incurred by the Durban Group in respect of feasibility studies on proposed construction projects (including consultancy fees, in-house staff costs and overheads) are dealt with as follows:

– where the proposed projects are at a preliminary review stage with no certainty of materialising, the costs concerned are written off to the income statement; and

– after entering into a project agreement, all costs incurred in the construction of the building are dealt with as building construction-in-progress until commissioning of the property, whereupon the relevant construction costs are transferred to fixed assets.

I. Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Durban Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely Durban or the Durban Group will obtain ownership of the asset, the life of the asset. Impairment losses are accounted for in accordance with the accounting policy as set out in note L. Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ii) Operating lease charges

Where the Duban Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

J. Property under development

(i) Costs incurred by the Durban Group in respect of site preparation, land cost and acquisition of development rights for as well as interest in connection with loans to property developers are dealt with as property development in progress.

(ii) Payments received from developers in respect of developments are transferred to deferred income, any costs subsequently incurred by the Durban Group in respect of that development are charged against deferred income.

(iii) Expenditure incurred on the development of properties for self-occupation by the Durban Group is transferred to fixed assets when the occupation permits are issued and the properties are put into use.

(iv) When agreement is reached with a developer to redevelop an existing self-occupied property, the relevant property is revalued on an existing use basis prior to commencement of redevelopment. The surplus arising on revaluation is credited to fixed asset revaluation reserve. On commencement of redevelopment, the net book value of the property is transferred to property development in progress.

(v) Where an interest-free loan is provided to a developer as one of the terms of the development contract, such loan is initially stated at fair value which is its present value discounted at the prevailing market rates of interest at inception. The difference between the fair value and the face value of the loan is dealt with as property development in progress during construction and transferred to the income statement upon completion of the development. Notional interest income is credited to the income statement and debited to the loan over the period of the loan so that the fair value of the loan at maturity equates to its face value.

(vi) Profits arising from the development of properties undertaken in conjunction with property developers are recognised in the income statement as follows:

- where the Durban Group receives a right to a share of the net surplus from sale of the development, income is initially recognised by the Durban Group upon the issue of occupation permits provided the amounts of revenue and costs can be estimated reliably. The interest in any unsold properties is subsequently remeasured on a basis consistent with the policy as set out in note F; and

- where the Durban Group receives a distribution of the assets of the development, profit is recognised based on the fair value of such assets at the time of receipt and after taking into account any outstanding risks and obligations retained by the Durban Group in connection with the development.

Upon recognition of profit, the balance of deferred income or property development in progress related to that development is credited or charged to the income statement, as the case may be.

(vii) Where the Durban Group is liable to pay the developer consideration for the retention of part of a property to be redeveloped, profit attributable to the Durban Group in respect of the redevelopment (including any payment received from the developer) will be recognised in the income statement when the quantum of the obligation of the Durban Group and the amount of realised profit can be determined with reasonable accuracy.

(viii) Where properties are received as a profit distribution upon completion of development and are held for sale, those properties are stated at cost represented by their estimated net realisable value upon receipt. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties. When properties are sold, the carrying amount of those properties is recognised as cost of properties sold in the period in which the related revenue is recognised. The amount of any write-down of properties to net realisable value is recognised as an expense in the period the write-down occurs. The amount of any reversal of any write-down of properties, arising from an increase in net realisable value, is recognised as a reduction in the cost of properties sold in the period in which the reversal occurs.

(ix) Where properties under construction are received as a sharing in kind from a development, these properties are initially recognised in assets under construction at fair value. Further costs incurred in the construction of those assets are capitalised into the assets under construction, which are transferred to fixed assets when substantially all the activities necessary to prepare the assets for their intended use have been completed.

K. Properties held for sale

Properties held for sale are classified under current assets and stated at lower cost and net realisable value. Net realisable value represents the estimated selling price as determined by reference to management estimates based on prevailing market conditions, less costs to be incurred in selling the property.

L. Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than interests in associates) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Durban Group about one or more of the following loss events:

- significant financial difficulty of the debtor;

- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unlisted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale equity securities, when a decline in the fair value has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

Impairment losses recognised in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring the impairment loss was recognized. Reversal of impairment losses in such circumstances are recognised in the income statement.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Durban Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than those carried at revalued amounts);

– interests in associates; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(iii) Impairment of investments in non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

M. Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any writedown of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

N. Jointly controlled operations

The arrangements entered into by the Durban Group with developers for property developments without establishing separate entities are considered to be jointly controlled operations pursuant to HKAS 31 "Investments in joint ventures". Under the development arrangements, the Durban Group is normally responsible for its own costs, including in-house staff costs and the costs of enabling works, and the developers normally undertake to pay for all other project costs such as land premium, construction costs, professional fees, etc. Such costs are deductible from the proceeds of sale before surplus proceeds are shared. In respect of its interests in such operations, the Durban Group accounts for the costs of enabling works and land costs paid net of up-front payments received as property development in progress. In cases where up-front payments received from developers exceed the related expenditures incurred by the Durban Group, such excess is recorded as deferred income. Expenses incurred by the Durban Group on staff, overhead and consultancy fees in respect of these developments are also capitalised as property development in progress. The Durban Group's share of income earned from such operations is recognised in the income statement after netting off any related balance in property development in progress at that time.

O. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Durban Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

P. Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Q. Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised costs with any difference between the cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

R. Employee Benefits

(i) Short term employee benefits and contributions to defined contribution plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The employees of the Durban Group in Taiwan are members of the state-sponsored retirement schemes operated by the government of Taiwan.

(ii) Contributions to defined contribution retirement plans are recognised as an expense in the income statement as incurred, except those contributions for project staff incurred in respect of construction projects and capital works, which are capitalised as part of the cost of the qualifying assets.

(iii) The Durban Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Durban Group's obligations. If there is no deep market in such bonds, the market yield on government bonds would be used. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised either as an expense in the income statement, or capitalised as part of the cost of the relevant construction projects or capital works in the case of project related employees, as the case may be, on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in a similar manner.

In calculating the Durban Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation of the Durban Group's net obligation results in a negative amount, the asset recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(iv) *Retirement schemes*

The Durban Group operates both defined contribution and defined benefit retirement schemes. Employer's contributions to defined contribution retirement scheme are recognised in the financial statements in accordance with the policy set out in note R(ii).

Employer's contributions paid and payable in respect of employees of defined benefit retirement schemes as calculated annually by independent actuaries are used to satisfy the pension expenses recognised in the financial statements according to note R(iii). Any deficit or surplus thereof will be dealt with in the balance sheet as accrued or prepaid benefit expenses, as the case may be.

S. Income tax

Income tax for the the relevant periods comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the the relevant periods, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Durban Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, Durban or the Durban Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, Durban or the Durban Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

T. Financial guarantee issue, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when (i) it becomes probable that the holder of the guarantee will call upon the Durban Group under the guarantee, and (ii) the amount of that claim on the Durban Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

U. Revenue recognition

Provided it is probable that future economic benefits will flow to the Durban Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) *Sales of properties*

Revenue arising from the sale of properties held for sale is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. When a development property is sold in advance of completion, profit is only recognized upon completion of the development. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under forward sales deposits and instalments received.

(iii) *Concessionaire sales*

Revenue from concession sales is recognised upon sales of the goods by the relevant shops.

(iv) *Income from provision of management services*

Revenue from maintenance and other services is recognised at the time when the related services are performed.

(v) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(vi) *Dividend*

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment has been established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

V. Foreign currencies

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

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

W. Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

X. Related parties

For the purposes of these financial statements, parties are considered to be related to the Durban Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Durban Group in making financial and operating policy decisions, or has joint control over the Durban Group;

(ii) the Durban Group and the party are subject to common control;

(iii) the party is an associate of the Durban Group or a joint venture in which the Durban Group is a venturer;

(iv) the party is a member of key management personnel of the Durban Group or the Durban Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Durban Group or of any entity that is a related party of the Durban Group.

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

Y. Financial assets

The Durban Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and reevaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets held for trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the consolidated income statement in the period in which they arise.

(ii) 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 trade receivables, amounts due from related companies and other receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the consolidated income statement 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as such or not classified as any of the other categories (set out above). 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 asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in the consolidated income statement. Any impairment losses on available-for-sale financial assets are recognised in the consolidated income statement. Impairment losses on available-for-sale equity investments will not be reversed in subsequent periods.

For available-for-sale equity investments that do not have a quotes market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not be reversed in subsequent periods.

(iv) Held to maturity

Dated debt securities that the Durban Group and/or Durban have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are initially recognised in the balance sheet at fair value plus transaction costs. Subsequently, they are stated in the balance sheet at amortised cost less impairment losses.

Z. Financial liabilities

Financial liabilities including trade and other payables and amounts due to related companies are subsequently measured at amortised cost, using the effective interest method.

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

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 the income statement.

Derivative financial instruments through profit or loss are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

AA. Segment reporting

A segment is a distinguishable component of the Durban Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Durban Group's internal financial reporting system, the Durban Group has chosen business segment information as the primary reporting format. As substantially all the principal operating activities of the Durban Group are carried out in Taiwan, no geographical segment information is provided.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financial expenses.

3. FINANCIAL RISK MANAGEMENT

The Group's operating activities and financing activities expose it to two main types of financial risks, namely interest rate risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge its exposure to interest rate and these instruments are employed solely for hedging and not for trading or speculation purposes.

Risk management is carried out under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as liquidity risk, interest rate risk, credit risk, concentration risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity. The Board regularly reviews these policies and authorizes changes if necessary based on operating and market conditions and other relevant factors.

(a) Credit risk

Credit risk refers to the risk that a counterparty will be unable to pay amounts in full when due. For the Group, this arises mainly from the deposits it maintains and the derivative financial instruments that it has entered into with various counterparties. To limit its exposure to credit risk, the Group places deposits and enters into derivative financial instruments only with financial institutions with acceptable credit ratings. For derivative financial instruments, the Group further quantifies and monitors its credit exposure by estimating the current fair market values and the potential change in fair market values of these instruments based on the "value-at-risk" concept.

The maximum exposure to credit risk of the Group at the reporting date with respect to derivative financial assets and bank deposits is represented respectively by its carrying amount of the derivative financial assets and aggregate amount of deposit on its balance sheet.

Management has a credit policy in place for approving the credit limits and the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. Credit evaluations are performed on customers requiring a credit over a certain amount. Provision for bad and doubtful debts is made against receivables based on the assessment on the recovery of these outstanding amounts at the balance sheet date.

The general credit terms allowed range from 30 to 90 days. As at 30 April 2008, the Durban Group does not hold any collateral from customers.

(b) Concentration risk

The Group has no significant concentration of credit risk with respect to the aggregate value of transactions it has entered into with various banks and counterparties. To reduce concentration risk, the Group assigns to each deposit-taking bank a credit rating based limit in accordance with credit policy approved by the Board. Pursuant to this policy, the Group also assigns mark-to-market limits to all its counterparties, and monitors the current and potential exposures due to derivative financial instruments against these limits.

The directors have considered the Durban Group has significant concentration of credit risk for the relevant periods. The trade debts of the largest top 5 customers account for 20%, 25%, 11% and 35% of the total trade receivables, as at 31 December 2005, 2006, 2007 and at 30 April 2008, respectively. The Durban Group continuously monitors defaults of customers and other counterparties, identifies individually or by groups, and incorporates this information into its credit risk controls. Where available at reasonable costs, external reports on customers and other counterparties are obtained and used. The Durban Group's policy is to deal only with creditworthy counterparties. The management considers that the trade receivables that are not impaired for each of reporting dates are of good credit quality including those that are past due.

(c) Liquidity risk

Liquidity risk refers to the risk that funds will not be available to meet liabilities as they fall dues, and its results from timing and amount mismatches of cash inflow and outflow. The Group adopts a prudent approach to managing liquidity risk by maintaining sufficient cash balances and an adequate amount of committed banking facilities at all times to provide forward coverage of all its funding needs including working capital, debt refinancing, dividend payments, capital expenditures and new investments for a set minimum period of time of between 6 to 15 months.

As at 31 December 2005, 2006 and 2007 and at 30 April 2008, current liabilities of the Durban Group exceeded its current assets by NT$1,583,548,000, NT$1,659,792,000, NT$1,675,532,000 and NT$1,854,490,000, respectively.

With a view to maintain sufficient working capital, the director of Durban, Mr. Huang Chun-Fa, has undertake to provide continuing financial support to the Durban Group so as to enable it to meet its debts as and when they fall due and to carry on its business for the foreseeable future.

The directors have also considered the future liquidity of the Durban Group in view of its financial obligations. The Durban Group's liquidity risk management policy is to maintain sufficient cash and cash equivalents and has available funding via banking facilities granted by banks and its shareholders to fund its daily operation including commitments in respect of construction of properties. As at 31 December 2005, 2006, 2007 and 30 April 2008, the Durban Group has total banking facilities amounting to NT$6,497,022,000, NT$6,008,319,000, NT$5,829,212,000 and NT$8,016,292,000, of which, NT$5,009,759,000, NT$4,854,135,000, NT$4,380,954,000 and NT$4,855,280,000, were utilized, respectively.

Liquidity risk is the risk that the Durban Group will not be able to meet its financial obligations as they fall due. The Durban Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Durban Group's reputation. The following table shows that time periods after the balance sheet date during which contractual payments, presented on an undiscounted basis, are due to be made. These payments include, among others, interest payments computed using contractual rates (or fixed rate instruments) under the Durban Group's non-derivative financial liabilities which are due to be paid.

	Carrying value	**Total contractual undiscounted cash flow**	**Within 1 year* or on demand**	**1 to 5 year***
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
At 31 December 2005				
Interest bearing borrowings	5,009,759	5,009,759	1,180,818	3,828,941
Trade payables	534,171	534,171	534,171	–
Bills payable	505,613	505,613	505,613	–
Amounts due to related parties	126,232	126,232	126,232	–
Other payables and accruals	228,590	228,590	228,590	–
Receipts in advance	495,410	495,410	495,410	–
Obligations on finance lease	200,725	200,725	200,725	–
Tax payables	917	917	917	–
	7,101,417	7,101,417	3,272,476	3,828,941
At 31 December 2006				
Interest bearing borrowings	4,854,135	4,854,135	1,217,055	3,637,080
Trade payables	467,896	467,896	467,896	–
Bills payable	544,300	544,300	544,300	–
Amounts due to related parties	39,038	39,038	39,038	–
Amounts due to related directors	123	123	123	–
Other payables and accruals	267,821	267,821	267,821	–
Receipts in advance	835,050	835,050	835,050	–
Obligations on finance lease	310,589	310,589	310,589	–
Tax payables	39,875	39,875	39,875	–
	7,358,827	7,358,827	3,721,747	3,637,080
At 31 December 2007				
Interest bearing borrowings	4,380,954	4,380,954	1,185,421	3,195,533
Trade payables	478,601	478,601	478,601	–
Bills payable	715,247	715,247	715,247	–
Amounts due to related parties	15,983	15,983	15,983	–
Amounts due to related directors	190,000	190,000	190,000	–
Other payables and accruals	353,250	353,250	353,250	–
Receipts in advance	355,963	355,963	355,963	–
Tax payables	18,068	18,068	18,068	–
	6,508,066	6,508,066	3,312,533	3,195,533
At 31 April 2008				
Interest bearing borrowings	4,752,280	4,752,280	1,380,379	3,371,901
Trade payables	470,009	470,009	470,009	–
Bills payable	676,808	676,808	676,808	–
Amounts due to related parties	20,155	20,155	20,155	–
Amounts due to related directors	92,216	92,216	92,216	–
Other payables and accruals	355,785	355,785	355,785	–
Receipts in advance	367,125	367,125	367,125	–
Tax payables	20,718	20,718	20,718	–
	6,775,096	6,775,096	3,383,195	3,371,901

* With interest element where applicable.

(d) Interest rate risk

The Durban Group's exposure to the risk of changes in market interest rates relates primarily to the Durban Group's long term debt obligations. Borrowings at floating rates expose the Durban Group to cash flow interest rate risk. Borrowings at fixed rates expose the Durban Group to fair value interest rate risk. Since the Durban Group mainly entered into floating interest rate loans with short-term maturities, there are no significant fair value interest rate risk and cashflow interest rate risk at 30 April 2008.

The Durban Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration of refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Durban Group calculates the impact on profit and loss of defined interest rate shift. For each simulation, the same interest rate shift is used. The scenarios are run only for liabilities that represent the major interest-bearing positions.

(e) Price risk

(i) Equity Price Risk

The Durban Group is exposed to equity securities price risk because investments held by the Durban Group are classified on the consolidated balance sheet as available-for-sales assets as disclosed in Note 21.

Equity price risk is the risk that the fair values of equity securities decrease as result of changes in the value of individual securities. The Durban Group's listed investment is listed in Taiwan and is valued at quoted market price at the balance sheet date.

The following table demonstrates the sensitivity to 15% percent increase/decrease in the fair values of the equity investments with all other variables held constant and after any impact on tax, based on their carrying amounts at the balance sheet date.

	Increase/(decrease) in carrying account of equity investments	**Increase/(decrease) in fair value reserve for available-for-sale financial assets**	**Increase/(decrease) in equity**
	NT$'000	*NT$'000*	*NT$'000*
At 31 April 2008			
15% increase in fair values of the available-for-sales financial assets	202,570	202,570	202,570
15% decrease in fair values of the available-for-sales financial assets	(202,570)	(202,570)	(202,570)
At 31 December 2007			
15% increase in fair values of the available-for-sales financial assets	207,986	207,986	207,986
15% decrease in fair values of the available-for-sales financial assets	(207,986)	(207,986)	(207,986)
At 31 December 2006			
15% increase in fair values of the available-for-sales financial assets	93,033	93,033	93,033
15% decrease in fair values of the available-for-sales financial assets	(93,033)	(93,033)	(93,033)
At 31 December 2005			
15% increase in fair values of the available-for-sales financial assets	46,629	46,629	46,629
15% decrease in fair values of the available-for-sales financial assets	(46,629)	(46,629)	(46,629)

(f) Capital management

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

The Durban Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The gearing ratio (net debt divided by total capital) as at 31 December 2005, 2006, 2007 and 30 April 2008 was as follows:

	As at 31 December			As at 30 April
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Current liabilities				
Interest-bearing borrowings	1,180,818	1,217,055	1,185,421	1,380,379
Non-current liabilities				
Interest-bearing borrowings – non-current portion	3,828,941	3,637,080	3,195,533	3,371,901
Total bank borrowings	5,009,759	4,854,135	4,380,954	4,752,280
Less:				
Pledged bank deposits	(439)	(8,708)	(11,531)	(8,819)
Cash and cash equivalents	(65,687)	(68,804)	(81,059)	(29,755)
Net debt	4,943,633	4,776,623	4,288,364	4,713,706
Shareholders' fund	708,931	1,072,346	1,493,044	1,487,879
Total capital	5,652,564	5,848,969	5,781,408	6,201,585
Gearing ratio	87%	82%	74%	76%

(g) Estimation of fair values

All financial instruments are carried at amounts not materially different from their fair values.

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have changed, had the guarantees not been available, where reliable estimates of such information can be made.

The Group's derivative financial instruments consist predominantly of interest rate swap. The discounted cash flow method, which discounts the future contractual cash flows at the current market interest are available to the Group for similar financial instruments, is the main valuation technique used to determine the fair value of the Group's borrowings and derivative financial instruments such as interest rate swaps.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The financial statements have been prepared in conformity with the accounting principles generally accepted in the Republic of China ("ROC"). Under these principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, plant and equipment, and pension cost, etc. The Durban Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(a) Useful lives and residual values of the property, plant and equipment

The Durban Group's management determines the estimated useful lives and the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciation lives and residual lives and therefore depreciable expense in future periods.

(b) Impairment of property, plant and equipment properties under development

Property, plant and equipment properties under development are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or market valuations. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which requires significant judgement relating to such items such as level of future revenue, and amount of operating costs and discount rates. No impairment was provided during the relevant periods.

(c) Impairment of trade and other receivables

Appropriate provision for estimated irrecoverable amounts is recognised in the income statement when there is objective evidence that the receivables are not recoverable.

Management considered detailed procedures have been in place to monitor this risk as a significant proportion of the Durban Group's majority of working capital is devoted to trade and other receivables. In determining whether provision on accounts and other receivables occurred, the Durban Group takes into consideration the ageing status and the likelihood of collection. Provision for bad and doubtful debts are recognised when they are unlikely to be collected. The measurement of provision requires the Durban Group to estimate the future cash flows expected to be collected. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Durban Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. In this regard, the directors of the Durban Group are satisfied that this risk is minimal and adequate provision has been made in the financial statements in light of the historical records of the Durban Group and the current economic environment.

The Durban Group makes allowance for impairment of trade and other receivables based on the evaluation of collectability and aging analysis of accounts and on management's judgement.

(d) Impairment of interests in associates

The determination of impairment requires significant judgment. In making this judgment, the Durban Group evaluates, among other factors, the duration and extent to which the fair value of an investment in associate is less than its cost; and the financial health of and near-term business outlook for the associate, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(e) Properties Held for Sale

The Group values unsold properties at the lower of their costs or net realizable values at the balance sheet date. In ascertaining the properties' net realizable values, which are represented by the estimated selling prices less costs to be incurred in relation to the sales, the Group employs independent valuation professionals to assess the properties' estimated selling prices, and makes estimations on further selling and property holding costs to be incurred based on past experience and with reference to general market practice.

(f) Income taxes

The Durban Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Durban Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(g) Fair value of financial instruments

Financial instruments such as interest rate instruments are carried at the balance sheet at fair value. The best evidence of fair value is quoted prices in an active market, where quoted prices are not available for a particular financial instrument, the Durban Group uses the market values determined by independent financial institutions or internal or external valuation models to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities is subjective and requires varying degrees of judgment by management, which may result in significantly different fair values and results. All significant financial valuation models are strictly controlled and regularly recalibrated and vetted.

(h) Pension Costs

The Group employs independent valuation professionals to conduct annual assessment of the acturial position of the Group's retirement plans. The determination of the Group's obligation and expense for the defined benefit element of these plans is dependent on certain assumptions and factors provided by the Company, which are disclosed in notes 36.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Durban Group's operating business are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Durban Group's business segments represents a strategic business that offers products and services that are subject to risks and returns which are different from those of the other business segments.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to the third parties at the then prevailing market prices.

Summary details of the business segments are as follows:

(a) The Property development segment consists of revenue from sales of properties;

(b) The Department store segment consists of revenue from the concessionaires;

(c) The Property investment segment consists of investment and holding of property to earn rentals or for capital appreciation purposes; and

(d) Others segment consists of revenue from management and consultancy service.

(a) Business Segment

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

	Year ended 31 December 2005					
	Property development *NT$'000*	**Department store** *NT$'000*	**Property investment** *NT$'000*	**Others** *NT$'000*	**Eliminations** *NT$'000*	**Consolidated** *NT$'000*
Segment revenue						
Sales to external customers	263,308	3,085,087	144,052	130,442	–	3,622,889
Inter-segment sales	–	–	6,021	63,020	(69,041)	–
Total	263,308	3,085,087	150,073	193,462	(69,041)	3,622,889
Segment results	(39,089)	590,956	109,112	120,442		781,421
Gain on disposal of available-for-sale financial assets						35,457
Gain on disposal of property, plant and equipment						9
Gain on revaluation of investment properties						7,190
Fair value loss on derivative financial instruments through profit or loss						(6,760)
Loss on disposal of property, plant and equipment						(6,095)
Unallocated operating income and expenses						(717,325)
Operating profit						93,897
Share results of an associate						(4,536)
Finance costs						(120,522)
Taxation						(4,031)
Loss for the year						(35,192)
Attributable to:						
Minority interests						(43,358)
Equity holders of the Company						8,166
						(35,192)

	As at 31 December 2005				
	Property development *NT$'000*	**Department store** *NT$'000*	**Property investment** *NT$'000*	**Others** *NT$'000*	**Consolidated** *NT$'000*
Segment assets	3,539,522	5,409,788	71,570	18,315	9,039,195
Segment liabilities	3,547,295	3,545,715	–	15,167	7,108,177
Capital expenditure	3,329	306,666	–	1,092	311,087
Depreciation on property plant and equipment	11,359	170,756	–	261	182,376

	Year ended 31 December 2006					
	Property development *NT$'000*	Department store *NT$'000*	Property investment *NT$'000*	Others *NT$'000*	Eliminations *NT$'000*	Consolidated *NT$'000*
Segment revenue						
Sales to external customers	1,339,449	2,753,701	137,443	115,393	–	4,345,986
Inter-segment sales	–	–	–	80,160	(80,160)	–
Total	1,339,449	2,753,701	137,443	195,553	(80,160)	4,345,986
Segment results	89,155	524,389	104,054	115,393		832,991
Gain on disposal of property, plant and equipment						4,534
Gain on disposal of other financial assets						167,106
Gain on revaluation of investment properties						3,990
Fair value loss on derivative financial instruments through profit or loss, net						(15,233)
Impairment loss on goodwill						(17,035)
Loss on disposal of available-for-sale financial assets						(18,749)
Loss on disposal of property, plant and equipment						(3,028)
Unallocated operating income and expenses						(851,748)
Operating profit						102,828
Share results of an associate						1,287
Finance costs						(140,386)
Taxation						(40,589)
Loss for the year						(76,860)
Attributable to:						
Minority interests						(122,252)
Equity holders of the Company						45,392
						(76,860)

	As at 31 December 2006				
	Property development *NT$'000*	Department store *NT$'000*	Property investment *NT$'000*	Others *NT$'000*	Consolidated *NT$'000*
Segment assets	4,893,486	4,503,036	75,560	36,122	9,508,204
Segment liabilities	3,807,562	3,544,353	–	28,905	7,380,820
Capital expenditure	390	461,545	–	326	462,261
Depreciation on property, plant and equipment	8,703	166,936	–	295	175,934

	Year ended 31 December 2007					
	Property development	Department store	Property investment	Others	Eliminations	Consolidated
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
Segment revenue						
Sales to external customers	2,141,732	2,641,630	61,104	169,698	–	5,014,164
Inter-segment sales	–	–	109	83,488	(83,597)	–
Total	2,141,732	2,641,630	61,213	253,186	(83,597)	5,014,164
Segment results	402,116	504,600	41,653	130,582		1,078,951
Gain on disposal of available-for-sale financial assets						201,396
Gain on disposal of property, plant and equipment						419,455
Gain on revaluation of investment properties						131,372
Impairment loss on goodwill						(33,962)
Impairment loss on available-for-sale financial assets						(36,000)
Fair value loss on derivative financial instruments through profit or loss, net						(76,916)
Loss on disposal of available-for-sale financial assets						(21,729)
Loss on disposal of property, plant and equipment						(1,224)
Unallocated operating income and expenses						(963,243)
Operating profit						698,100
Finance costs						(132,284)
Taxation						(18,530)
Profit for the year						547,286
Attributable to:						
Minority interests						(73,809)
Equity holders of the Company						621,095
						547,286

	As at 31 December 2007				
	Property development	Department store	Property investment	Others	Consolidated
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
Segment assets	4,111,928	1,731,009	2,905,267	31,732	8,779,936
Segment liabilities	3,620,432	797,060	2,171,750	17,733	6,606,975
Capital expenditure	–	248,968	–	579	249,547
Depreciation on property, plant and equipment	1,494	142,585	–	382	144,461

	Four months period ended 30 April 2007					
	Property development	Department store	Property investment	Others	Eliminations	Consolidated
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue						
Sales to external customers	932,348	862,385	43,049	24,518	–	1,862,300
Inter-segment sales	–	–	–	25,466	(25,466)	–
Total	932,348	862,385	43,049	49,984	(25,466)	1,862,300
Segment results	157,770	189,167	43,049	24,518		414,504
Gain on disposal of available-for-sale financial assets						61,954
Gain on disposal of property, plant and equipment						3
Fair value loss on derivative financial instruments through profit or loss, net						(39,734)
Loss on disposal of property, plant and equipment						(1,075)
Unallocated operating income and expenses						(270,301)
Operating profit						165,351
Finance costs						(51,740)
Taxation						(15,744)
Profit for the period						97,867
Attributable to:						
Minority interests						(68,103)
Equity holders of the Company						165,970
						97,867

	Four months period ended 30 April 2008					
	Property development *NT$'000*	**Department store** *NT$'000*	**Property investment** *NT$'000*	**Others** *NT$'000*	**Eliminations** *NT$'000*	**Consolidated** *NT$'000*
Segment revenue						
Sales to external customers	18,341	890,971	42,780	46,939	–	999,031
Inter-segment sales	360,433	1,116	699	26,816	(389,064)	–
Total	378,774	892,087	43,479	73,755	(389,064)	999,031
Segment results	18,341	108,931	42,780	46,938		216,990
Gain on disposal of available-for-sale financial assets						54,693
Fair value loss on derivative financial instruments through profit or loss, net						2,125
Impairment loss on goodwill						(22,146)
Loss on disposal of available-for-sale financial assets						(48,864)
Unallocated operating income and expenses						(356,801)
Operating loss						(154,003)
Share results of an associate						(26,565)
Finance costs						(50,400)
Taxation						(2,650)
Loss for the period						(233,618)
Attributable to:						
Minority interests						(66,795)
Equity holders of the Company						(166,823)
						(233,618)

	As at 30 April 2008				
	Property development *NT$'000*	**Department store** *NT$'000*	**Property investment** *NT$'000*	**Others** *NT$'000*	**Consolidated** *NT$'000*
Segment assets	4,573,243	1,509,845	2,905,267	28,789	9,017,144
Segment liabilities	3,883,813	780,552	2,171,750	15,765	6,851,880
Capital expenditure	–	19,297	–	72	19,369
Depreciation on property, plant and equipment	1,013	20,701	–	168	21,882

(b) No segment analysis for geographical segment is presented as substantially all of the Durban Group's sales, operating results, assets and liabilities were located in Taiwan.

6. TURNOVER

The Durban Group is principally engaged in property development, property investments concessionaires sales and property management. Turnover represents the net invoiced value of goods sold and services rendered to customers less sales return and discounts and the proceeds from sales of listed equity investments.

An analysis of turnover is as follows:

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000* (Unaudited)	*NT$'000*
Property sales	263,308	1,339,449	2,141,732	932,348	18,341
Concessionaires	3,085,087	2,753,701	2,641,630	862,383	890,971
Rental income	144,052	137,443	61,104	43,049	42,780
Management fee income	43,463	75,688	73,479	6,384	30,880
Others	86,979	39,705	96,219	18,136	16,059
	3,622,889	4,345,986	5,014,164	1,862,300	999,031

7. OTHER REVENUE AND NET INCOME

	Year ended 31 December			Four months ended 30 April	
	2005	2006	2007	2007	2008
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000* (Unaudited)	*NT$'000*
Other revenue					
Interest income	836	2,022	3,779	454	2,108
Dividends income from listed investments	29,391	4,069	40,869	–	–
Rental income from operating leases other than those relating to investment properties	17,330	14,063	4,758	1,369	18,962
Commission income	2,267	2,114	–	–	–
Decoration revenue	17,590	14,697	–	–	–
Revenue from exhibition	4,757	2,044	2,352	719	747
Sale of miscellaneous items and collections from refunded amusement tax, etc.	4,303	2,908	2,148	1,147	855
Advertisement revenue	3,499	1,228	1,120	468	213
Compensation received	2,857	–	1,557	945	130
Other interests earned	4,000	–	–	–	–
Interest income on derivative financial instruments through profit or loss	–	21,226	1,614	622	–
Others	13,341	9,526	8,024	2,739	528
	100,171	73,897	66,221	8,463	23,543
Other net income					
Exchange gain, net	3	6	3	–	–
Gain on disposal of available-for-sale financial assets	35,457	–	201,396	61,954	54,693
Gain on disposal of property, plant and equipment	9	4,534	419,455	3	–
Gain on disposal of other financial assets *(Note 28)*	–	167,106	–	–	–
	35,469	171,646	620,854	61,957	54,693
	135,640	245,543	687,075	70,420	78,236

8. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Durban Group's profit/(loss) from operating activities is arrived at after charging:

	Year ended 31 December			Four months ended 30 April	
	2005	**2006**	**2007**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
				(Unaudited)	
Cost of concessionaires	2,494,122	2,229,596	2,137,030	682,490	723,262
Cost of sales	347,346	1,283,399	1,798,183	765,305	58,779
Depreciation on property, plant and equipment	182,376	175,934	149,162	62,422	21,882
Operating leases in respect of rented premises	139,830	130,810	200,025	37,007	132,977
Staff costs including directors' remuneration *(Note 9)*	236,387	278,104	253,447	81,242	107,958
Auditor's remuneration	2,730	3,350	2,960	–	–
Bad debt expense	25	–	192	–	43,235
Utilities expense	60,285	59,031	66,195	18,203	18,870
Advertisement expense	59,358	58,058	57,864	16,081	10,400
Property and land taxes and levies	31,819	29,865	34,106	8,795	588
Repairs and maintenance	18,444	12,716	14,623	7,208	4,890
Legal and professional fee	14,094	31,371	24,874	3,395	6,183
Impairment loss on goodwill	–	17,035	33,962	–	22,146
Impairment loss on available-for-sale financial assets	–	–	36,000	–	–
Loss on disposal of available-for-sale financial assets	–	18,749	21,729	–	48,864
Loss on disposal of property, plant and equipment	6,095	3,028	1,224	1,075	–

During the years/periods ended 31 December 2005, 2006, 2007, and period ended 30 April 2007 and 2008, the cost of sales were NT$73,422,000, NT$93,075,000, NT$91,624,000, NT$30,112,000 and NT$40,521,000, respectively, in relating to direct staff costs and depreciation of the construction activities, which are also included in the respective total amounts disclosed above for each of these types of expenses.

9. STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	Year ended 31 December			Four months ended 30 April	
	2005	**2006**	**2007**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
				(Unaudited)	
Wages and salaries	199,984	236,532	203,587	66,004	87,725
Pension contributions	8,303	10,732	20,521	3,920	7,573
Staff welfare and benefits	2,726	3,215	3,385	1,073	884
Employee insurance expense	19,117	19,689	21,225	7,882	9,274
Meal allowance	5,604	6,885	4,340	2,273	2,319
Employee training expense	653	1,051	389	90	183
	236,387	278,104	253,447	81,242	107,958

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The remuneration of every director for the year ended 31 December 2005 is set out below:

	Fees	Salary	Bonuses	Total
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Name of director				
黃春發Huang Chun-Fa	120	960	176	1,256
黃春福Huang Chun-Fu	120	–	–	120
賴粵興Lai Yueh-Hsing	120	600	60	780
黃春照Huang Chun-Tsao	120	–	–	120
成偉莉Chen Wei-Li	60	–	–	60
	540	1,560	236	2,336

Note: All directors were appointed on 22 June 2005.

The remuneration of every director for the year ended 31 December 2006 is set out below:

	Fees	Salary	Bonuses	Employer's contribution to pension scheme	Total
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
Name of director					
黃春發Huang Chun-Fa	120	960	97	–	1,177
黃春福Huang Chun-Fu	120	–	–	–	120
賴粵興Lai Yueh-Hsing	120	600	35	–	755
連明智Lian Ming-Chih *(Note (a))*	90	1,563	273	32	1,958
張姮秋Chang Heng-Chiu *(Note (a))*	30	–	–	–	30
黃春照Huang Chun-Tsao	120	–	–	–	120
成偉莉Chen Wei-Li	60	–	–	–	60
	660	3,123	405	32	4,220

Note:

(a) Lian Ming-Chih (連明智) and Chang Heng-Chiu (張姮秋) were appointed on 22 June 2006.

The remuneration of every director for the year ended 31 December 2007 is set out below:

	Fees	Salary	Bonuses	Employer's contribution to pension scheme	Total
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
Name of director					
黃春發Huang Chun-Fa	120	960	336	–	1,416
黃春福Huang Chun-Fu	120	–	–	–	120
賴粵興Lai Yueh-Hsing	120	500	60	–	680
連明智Lian Ming-Chih	120	1,563	156	32	1,871
張姮秋Chang Heng-Chiu	60	–	–	–	60
黃春照Huang Chun-Tsao	120	–	–	–	120
成偉莉Chen Wei-Li	60	–	–	–	60
	720	3,023	552	32	4,327

The remuneration of every director for the four months period ended 30 April 2007 is set out below:

	Fees	Salary	Bonuses	Employer's contribution to pension scheme	Total
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
Name of director					
黃春發Huang Chun-Fa	40	320	–	–	360
黃春福Huang Chun-Fu	40	–	–	–	40
賴粵興Lai Yueh-Hsing	40	200	–	–	240
連明智Lian Ming-Chih	40	520	–	–	560
張姮秋Chang Heng-Chiu	20	–	–	–	20
黃春照Huang Chun-Tsao	40	–	–	–	40
成偉莉Chen Wei-Li	20	–	–	–	20
	240	1,040	–	–	1,280

The remuneration of every director for the four months period ended 30 April 2008 is set out below:

	Fees	Salary	Bonuses	Employer's contribution to pension scheme	Total
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
Name of director					
黃春發Huang Chun-Fa	80	320	–	–	400
黃春福Huang Chun-Fu	80	–	–	–	80
賴粵興Lai Yueh-Hsing	70	–	–	–	70
連明智Lian Ming-Chih	80	520	–	–	600
張姮秋Chang Heng-Chiu	60	–	–	–	60
黃春照Huang Chun-Tsao	80	–	–	–	80
成偉莉Chen Wei-Li	60	–	–	–	60
黃詠傑Huang Yong Jie	10	–	–	–	10
黃秀美Huang Hsiu-Mei	20	–	–	–	20
	540	840	–	–	1,380

Note:

(a) Huang Yung-Chieh (黃詠傑) and Huang Hsiu-Mei (黃秀美) were appointed on 20 Feburary 2008.

During the relevant years/periods, no emoluments were paid by the Durban Group to the Directors as an inducement to join, or upon joining the Durban Group, or as compensation for loss of office.

There was no arrangement under which a director waived or agreed to waive any remuneration during the relevant periods.

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the relevant periods included one director, details of whose remuneration are set out in note 10 to the financial statement. The details of the remuneration of the remaining four non-directors, highest paid employees for the year/period are as follows:

	Year ended 31 December			Four months ended 30 April	
	2005	**2006**	**2007**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
				(Unaudited)	
Salaries	5,988	6,030	5,774	1,961	3,298
Fees	–	–	60	20	20
Bonuses	1,515	794	938	3	1
Pension costs	226	256	223	49	47
	7,729	7,080	6,995	2,033	3,366

The emoluments paid to each of the above non-director individual throughout the relevant periods fell within the banding of NT$1,000,001 to NT$1,900,000.

During the relevant periods, no emoluments were paid by the Durban Group to any of the five highest paid individuals as an inducement to join or upon joining the Durban Group or as compensation for loss of office.

12. FINANCE COSTS

	Year ended 31 December			Four months ended 30 April	
	2005	**2006**	**2007**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
				(Unaudited)	
Interest on bank borrowings wholly repayable within five years	176,072	196,070	183,978	68,449	73,185
Less: borrowing costs capitalized into properties under development	(55,550)	(55,684)	(51,694)	(16,709)	(22,785)
	120,522	140,386	132,284	51,740	50,400

The borrowing costs have been capitalized at a rate of 3.4%~3.93%, 3.38%~4.0%, 3.66%~3.95%, 3.69%~3.85% and 3.66%~3.83% for the years/periods ended 31 December 2005, 2006 and 2007 and four months ended 30 April 2008 and 2007, respectively.

13. TAXATION

No Hong Kong Profits Tax has been provided as both Durban and its subsidiaries did not have any assessable profits derived from Hong Kong.

The amounts of taxation (credit)/charge to the consolidated income statements represent:

	Year ended 31 December			Four months ended 30 April	
	2005	**2006**	**2007**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000* (Unaudited)	*NT$'000*
Current income tax					
– Taiwan enterprise income tax	1,581	40,645	19,586	15,744	2,650
Under/(over) provision in prior years	2,450	(56)	(1,056)	–	–
Total tax charge for the year/period	4,031	40,589	18,530	15,744	2,650

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which Durban and, its subsidiaries are domiciled to the tax expense at the effective tax rate are as follows:

	Year ended 31 December			Four months ended 30 April	
	2005	**2006**	**2007**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000* (Unaudited)	*NT$'000*
Profit/(loss) before taxation	(31,161)	(36,271)	565,816	113,611	(230,968)
Profit/(loss) before taxation excluded loss arisen from Du Centre *(note a)*	19,904	194,324	192,396	82,252	3,440
Tax at statutory tax rate	4,966	48,571	48,089	20,553	850
Income not subject to taxation	(25,754)	(29,148)	(71,473)	(14,219)	–
Expenses not deductible for taxation	22,369	21,222	31,056	9,410	–
Under/(over) provision in prior years	2,450	(56)	(1,056)	–	–
Additional income tax under the AMT *(note b)*	–	–	11,914	–	1,800
Tax charge for the year/period	4,031	40,589	18,530	15,744	2,650

Notes:

(a) No provision for profits tax has been made for Du Centre as it had accumulated tax losses brought forward from prior years to offset the estimated assessable profits arising in Taiwan for the relevant periods.

(b) Taiwan government enacted the Alternative Minimum Tax Act (the "AMT Act"), which became effective on 1 January 2006. The alternative minimum tax ("AMT") imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the income that is exempted from income tax under various laws and statutes. The Company has considered the impact of the AMT Act in the determination of its tax liabilities.

Movements of the tax payments were as follows:

	Year ended 31 December			Four months ended 30 April
	2005	2006	2007	2008
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Tax payable balance, beginning of period	–	917	39,875	18,068
Current income tax expense	1,581	40,645	19,586	2,650
Payment in current period	(3,114)	(1,631)	(40,337)	–
Under/(over) provision in prior years	2,450	(56)	(1,056)	–
Tax payable balance, end of period	917	39,875	18,068	20,718

14. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profits/(loss) attributable to equity holders of Durban for the years/periods ended 31 December 2005, 2006, 2007 and 30 April 2007 and 2008 dealt with in the financial statements of Durban are NT$8,166,000, NT$45,392,000, NT$621,095,000, NT$165,970,000 and (NT$166,823,000), respectively.

15. DIVIDEND AND DISTRIBUTION

No dividend was declared or paid during the relevant periods.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings and improvements	Motor vehicles	Furniture, fixtures and office equipment	Leasehold improvements	Total
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
Cost						
At 1 January 2005	2,040,234	3,086,645	8,492	281,405	97,803	5,514,579
Additions	–	7,842	2,796	291,118	9,331	311,087
Reclassification	(79)	161,778	–	(102,354)	–	59,345
Disposals	–	(361,440)	(5,207)	(87,587)	–	(454,234)
At 31 December 2005	2,040,155	2,894,825	6,081	382,582	107,134	5,430,777
Additions	–	4,371	264	453,435	4,191	462,261
Reclassification	–	378,313	3,400	(218,222)	–	163,491
Disposals	–	(720,929)	–	(84,695)	(24,259)	(829,883)
At 31 December 2006	2,040,155	2,556,580	9,745	533,100	87,066	5,226,646
Additions	–	1,106	100	245,006	3,335	249,547
Acquisition of a subsidiary	–	–	2,488	5,184	–	7,672
Reclassification	(2,038,718)	821,435	1,450	(613,121)	–	(1,828,954)
Disposals	–	(2,896,531)	(2,430)	(71,171)	–	(2,970,132)
At 31 December 2007	1,437	482,590	11,353	98,998	90,401	684,779
Additions	–	16,743	–	1,217	1,409	19,369
Reclassification	–	–	–	(12,598)	–	(12,598)
Disposals	–	–	–	(264)	–	(264)
At 30 April 2008	1,437	499,333	11,353	87,353	91,810	691,286

	Freehold land	Buildings and improvements	Motor vehicles	Furniture, fixtures and office equipment	Leasehold improvements	Total
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
Accumulated depreciation and impairment losses						
At 1 January 2005	–	349,809	2,891	53,310	19,089	425,099
Additions	–	119,495	1,357	46,399	15,125	182,376
Reclassification	–	17,671	–	13,601	–	31,272
Disposals	–	(112,711)	(1,745)	(46,296)	–	(160,752)
At 31 December 2005	–	374,264	2,503	67,014	34,214	477,995
Additions	–	93,754	1,409	64,357	16,414	175,934
Reclassification	–	159,297	404	17,783	–	177,484
Disposals	–	(282,887)	–	(63,627)	(21,189)	(367,703)
At 31 December 2006	–	344,428	4,316	85,527	29,439	463,710
Additions	–	65,498	1,615	64,067	13,281	144,461
Acquisition of a subsidiary	–	–	1,608	3,093	–	4,701
Reclassification	–	374,861	1,450	(15,639)	–	360,672
Disposals	–	(568,203)	(1,924)	(63,452)	–	(633,579)
At 31 December 2007	–	216,584	7,065	73,596	42,720	339,965
Additions	–	14,569	574	2,072	4,667	21,882
Reclassification	–	–	–	(12,108)	–	(12,108)
Disposals	–	–	–	(168)	–	(168)
At 30 April 2008	–	231,153	7,639	63,392	47,387	349,571
Net book value						
At 31 December 2005	2,040,155	2,520,561	3,578	315,568	72,920	4,952,782
At 31 December 2006	2,040,155	2,212,152	5,429	447,573	57,627	4,762,936
At 31 December 2007	1,437	266,006	4,288	25,402	47,681	344,814
At 30 April 2008	1,437	268,180	3,714	23,961	44,423	341,715

17. INVESTMENT PROPERTIES

	As at 31 December			As at 30 April
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
At 1 January	64,380	71,570	75,560	2,905,267
Transferred from properties under development *(Note (a))*	–	–	2,569,017	–
Acquisitions of a subsidiary	–	–	129,318	–
Gain on revaluation	7,190	3,990	131,372	–
At 31 December/30 April	71,570	75,560	2,905,267	2,905,267

The fair value of the Durban Group's investment property for the relevant periods has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield Valuation Advisory Services (HK) Limited, an independent firm of qualified valuers unrelated to the Durban Group with fellow members of The Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors, holding appropriate qualifications and experience in the valuation of properties in the relevant locations. The valuation, which conforms to the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by The Royal Institution of Chartered Surveyors and effective from 1 January 2008; and The HKIS Valuation Standards on Properties (2005, First Edition) published by The Hong Kong Institute of Surveyors effective from 1 January 2005, was arrived at by reference to market evidence of transaction prices for similar properties.

All investment properties are situated in Taiwan.

Note:

(a) On 21 December 2007, an agreement was made between Du Centre, Tai Chan Asset Management Co., Ltd. ("台產資產管理股份有限公司") and Taiwan Mayer, under which they jointly acquired a property "新光銀行民生金融大樓", located in Taipei City on Minsheng East Road Section 3, with Shin Kong Commercial Bank Co., Ltd. ("台灣新光商業銀行股份有限公司") at a total consideration of NT$7.3 billion. Under the terms of the sale and purchase agreement, Du Centre owns 35% of the property, of which, an initial down payment, at 15% of the total consideration, amounted to NT$383,250,000 was made. For the remainder 85% was financed by a mortgage loan from Shin Kong Commercial Co., Ltd. The loan repayment period is 10 years starting from 25 December 2007, with payments amortized evenly per month beginning on the fourth year.

18. PROPERTIES UNDER DEVELOPMENT

	As at 31 December			As at 30 April
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
				(Unaudited)
At 1 January	1,454,090	2,017,072	2,001,302	1,992,495
Direct and incidental costs capitalized during the year/period	930,883	1,173,326	4,083,681	376,163
Acquisition through business combinations	–	–	89,356	2,758
Transferred to properties held for sale	(347,901)	(1,189,096)	(1,496,523)	–
Transferred to property, plant and equipment	–	–	(90,347)	(1,187)
Transferred to investment properties *(note 17)*	–	–	(2,569,017)	–
Others *(note a)*	(20,000)	–	(25,957)	–
At 31 December/30 April	2,017,072	2,001,302	1,992,495	2,370,229
Less: Provision of impairment loss	(27,166)	(13,766)	(9,461)	(9,461)
	1,989,906	1,987,536	1,983,034	2,360,768

Notes:

(a) In 2005, portions of the construction project were undertook by other construction contractors. A termination agreement had been signed by Durban and the newly presiding contractor. In 2007, amount represented disposal of Yung Chang Section 永昌段.

(b) During the relevant periods, the Durban Group acquired certain properties under development. Upon completion of development, the properties will be classified as properties held for sale.

(c) During the years/period ended 31 December 2005, 2006, 2007 and 30 April 2008, interest capitalized as cost of properties under development amounted to NT$55,550,000, NT$55,684,000, NT$51,694,000 and NT$22,785,000 respectively.

(d) Properties under development are situated in Taiwan and held under freehold.

19. INTERESTS IN JOINTLY CONTROLLED OPERATIONS

The Durban Group has the following jointly controlled operations in respect of its awarded property development projects as at 30 April 2008.

Location	Land use	Revenue allocation	Actual or expected date of completion of construction works*
Dazhi Star 大直之星	Residential	Tze Shin: 52% Durban: 48%	Completed in 2007
Durban Jia Kang – Taipei 德安家康－台北	Residential	Mayer: 56% Durban: 44%	Completed in 2007
Durban Jia Kang – Hsinchu 德安家康－新竹	Residential	Tze Shin:35% Durban: 65%	Completed in 2009
Durban Image – Phase 2 德安印象－2期	Residential	Mayer: 62% Durban: 38%	Completed in 2009

* *Completion based on issurance of occupation permit*

The Durban Group's assets held in relation to these joint venture operations include acquisition cost of development rights various site foundation works, related staff costs, overhead costs and interest expense capitalized. As at 31 December 2005, 2006, 2007 and 30 April 2008, total property development in progress in respect of these jointly controlled operations was NT$412 million, NT$1,045 million, NT$758 million and NT$975 million, respectively and total deferred income was NT$198 million, NT$455 million, NT$254 million and NT$312 million, respectively.

During the year/period ended 31 December 2007 and 30 April 2008, revenue of NT$864,974,507 and Nil, respectively and profits of NT$163,686,852 and Nil, were recognised, respectively.

20. INTERESTS IN ASSOCIATES

	As at 31 December			As at 30 April
	2005	2006	2007	2008
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Share of net assets	25,151	–	352,940	349,299

Particulars of the principal associates for the relevant periods are as follows:

	Place of Incorporation/ registration and operation	Nominal value of issued ordinary share capital/ registered share capital *NT$'000*	Proportion for ownership interest: group's effective interest (%)	held by company (%)	held by subsidiary (%)	Principal activities
2005						
Miramar Resort Taitung Co. Ltd. (Miramar) 美麗灣渡假村股份有限公司 *(note (a))*	Taiwan	100,000	30	30	–	Operations of hotel and water-based recreational facilities.
2007						
The Sincere Department Store Ltd. (Sincere) 先施百貨股份有限公司 *(note (b) and (c))*	Taiwan	530,000	35	–	35	Operations of department stores
30 April 2008						
The Sincere Department Store Ltd. (Sincere) 先施百貨股份有限公司 *(note (c))*	Taiwan	530,000	35	–	35	Operations of department stores

Note:

1. Doisy Trading is not considered as a principal associate of the Durban Group as it is only accounted for 0.2% of net assets to the Durban Group.

The summary of financial information in respect of the associates is set out below:

	For the year ended 31 December			For the period ended 30 April
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Non-current assets	10,630	–	1,685,186	1,623,065
Current assets	74,499	–	663,947	764,370
Total assets	85,129	–	2,349,133	2,387,435
Current liabilities	1,291	–	1,263,154	1,311,177
Non-current liabilities	–	–	78,980	79,647
Total liabilities	1,291	–	1,342,134	1,390,824
Net current asset/(liabilities)	73,208	–	(599,207)	(546,807)
Net assets	83,838	–	1,006,999	996,611
Group's share of net assets of associates	25,151	–	352,940	349,299
Turnover	–	–	38,184	207,582
Profit/(loss) for the year/period	(15,118)	4,290	22,472	(75,792)
Group's share of results of associates for the year/period	(4,536)	1,287 (*Note a*)	– (*Note b*)	(26,565) (*Note d*)

Notes:

(a) Durban held 30% shareholding of Miramar as at 31 December 2005 which was classified as an associate for the year ended 31 December 2005. On 28 November 2006, Miramar increased the capital and consequently, the shareholding of Durban in Miramar was diluted and decreased to 15%, and thereafter the investment was classified as financial asset-available for sale as at 31 December 2006. Durban has equity accounted for it share of results of Miramar up to 28 March 2006.

(b) As Du Centre acquired Sincere on 17 December 2007, the effect would be immaterial in share of its results for the period from 17 December to 30 December 2007 and thus, Durban did not account for share of results of Sincere in the consolidated income statement for the year ended 31 December 2007.

(c) The directors of Durban Group considered that there is no impairment on the interest in Sincere as at 31 December 2007 and 30 April 2008.

(d) Fair value gain on available-for-sale financial assets amounted approximately NT$22,924,000 is charged to the equity as at 30 April 2008.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December			As at 30 April
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Listed securities				
Listed equity securities outside Hong Kong (in Taiwan) at fair value	286,305	578,134	1,289,394	1,253,287
Unlisted securities				
Unlisted equity securities outside Hong Kong (in Taiwan) at cost less impairment *(Note (a))*	18,936	36,466	97,182	97,182
Convertible bonds outside Hong Kong (in Taiwan) at cost less impairment *(Note (b))*	5,617	5,617	–	–
	310,858	620,217	1,386,576	1,350,469
Market value of listed securities	286,305	578,134	1,289,394	1,253,287

Notes:

(a) The above unlisted equity securities represent investment in the private companies incorporated in Taiwan. These investments are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so wide that the directors of the Company are of the opinion that its fair value cannot be measured reliably. The impairment assessment was made in accordance with the accountings policy set out in Note 2 (N).

(b) Durban purchased convertible bonds issued by SuperNova Optoelectronics Corporation (SuperNova) at NT$5,617,000 upon the maturity date, 4 May 2008. However, at SuperNova's provisional meeting of stockholders held on 28 November 2007, it was resolved to write-off its accumulated deficit through a capital reduction and to convert bonds into stock at an earlier time. At 5 December 2007, Durban resolved to convert all the convertible bonds before maturity into stocks of SuperNova at a loss of NT$2,247,000 which was charged to the consolidate income statement for the year ended 31 December 2007 and this instrument was reclassified as unlisted securities thereafter.

22. GOODWILL

	Year ended 31 December			Four months ended 30 April
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Cost				
At 1 January	–	–	17,035	221,301
Increase in shareholdings of a subsidiary – Du Centre	–	17,035	135,089	32,763
Acquisition of a subsidiary – Da-Chin	–	–	69,177	–
At 31 December/30 April	–	17,035	221,301	254,064
Impairment				
At 1 January	–	–	17,035	50,997
Impairment loss for the year/period	–	17,035	33,962	22,146
At 31 December/30 April	–	17,035	50,997	73,143
Carrying value				
At 31 December/30 April	–	–	170,304	180,921

Goodwill is allocated to the Durban Group's cash-generating units (CGUs) identified according to country of operation and business segment.

A segment-level summary of the goodwill allocation is presented below:

	Year ended 31 December			Four months ended 30 April
	2005	2006	2007	2008
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Property development	–	–	69,177	69,177
Concessionaire	–	17,035	152,124	184,887
Less: Provision for impairment losses	–	(17,035)	(50,997)	(73,143)
At 31 December/30 April	–	–	170,304	180,921

The recoverable amount of the CGUs is determined based on the value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below.

Details of the parameters applied are as follows:

	Year ended 31 December			Four months ended 30 April
	2005	2006	2007	2008
Discount rate	5%	5%	5%	5%
Growth rate for property development beyond the five-year period	1%~5%	1%~5%	1%~5%	1%~5%
Growth rate for concessionaire beyond the five-year period	2%~6%	2%~6%	2%~6%	2%~6%

23. PROPERTIES HELD FOR SALE

	As at 31 December			As at 30 April
	2005	2006	2007	2008
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
At cost	1,391,128	1,463,912	993,588	993,217
Less: provision of impairment	(156,941)	(190,687)	(100,798)	(97,154)
At 31 December/30 April	1,234,187	1,273,225	892,790	896,063

The properties held for sale are situated in Taiwan and held under freehold leases.

24. INVENTORIES

	As at 31 December			As at 30 April
	2005	2006	2007	2008
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
At cost:				
Finished goods	27,014	25,227	26,046	28,575

25. TRADE RECEIVABLES

The Durban Group has a policy of allowing an average credit period of 30-60 days to its trade customers and may be extended to selected customers depending on their trade volumes and settlement with the Durban Group.

(i) Aging analysis of the Durban Group's trade receivables is as follows:

	As at 31 December			As at 30 April
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
1 – 30 days	24,776	56,273	76,878	16,146
31 – 60 days	1,110	2,122	673	2,596
61 – 90 days	700	115	1,922	739
91 – 180 days	9,505	10,885	1,179	43,905
Over 180 days	44,952	53,841	5,687	7,882
	81,043	123,236	86,339	71,268
Provision for impairment of receivable	–	–	–	(43,235)
	81,043	123,236	86,339	28,033

The carrying amounts of trade receivables are denominated in New Taiwan dollars (NT$) and approximate their fair value.

(ii) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Durban Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the relevant period, including both specific and collective loss components, is as follows:

	As at 31 December			As at 30 April
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
At 1 January	–	–	–	–
Impairment loss recognised	–	–	–	43,235
At 31 December/30 April	–	–	–	43,235

At 30 April 2008, the Durban Group's trade receivables of NT$43,235,000 were individually determined to be impaired. The Durban Group does not hold any collateral over the balances.

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month extending up to two months for major customers.

(iii) Trade receivables that are not impaired

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December			As at 30 April
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Neither past due nor impaired	26,159	54,032	76,568	16,770
Less than 1 month past due	319	3,324	606	1,453
1 to 3 months past due	835	11,751	2,335	1,675
4 to 6 months past due	8	365	–	24
7 to 1 year past due	15	274	1,143	585
More than 1 year past due	53,707	53,490	5,687	7,526
	81,043	123,236	86,339	28,033

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Durban Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

26. AMOUNTS DUE FROM/(TO) RELATED COMPANIES/DIRECTORS

Amounts due from/(to) the related companies/directors are of trade nature, unsecured, interest-free and repayable on demand (Note 45).

No provision for the amount due has been made in the financial statements. The directors are of the opinion that the carrying value of the amount due approximate the fair value at the balance sheet date.

Maximum amount outstanding during the year/period

	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Amounts due from related parties	12,825	12,825	4,280	1,078
Amounts due from directors	414,000	196,800	190,000	420,000

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 30 April
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Deposits	84,913	98,418	130,492	131,451
Other receivables	66,346	65,545	43,386	51,919
Prepayments	24,421	27,958	53,288	45,645
Deferred expenditure	85,785	94,467	29,914	43,764
	261,465	286,388	257,080	272,779

The fair values of the Durban Group's other receivables at the balance sheet date approximate the corresponding carrying amounts due to their short-term maturities.

28. OTHER FINANCIAL ASSETS

Durban had purchased a non-performing loan (recorded as other financial assets) from Waterland Investments Limited, an independent third party. The non-performing loan primarily consisted of land, factories, real estate and securities pledged as collateral by 華隆(股份)公司 Hualon Corporation, 欣華昌有限公司 Xin Hua Chang Limited and 隆義昌有限公司 Long Yi Limited. In July 2006, a court-ordered auction was held for part of land and real estate, which resulted a gain on disposal approximately NT$167,106,000 (note 7).

In March 2008, another court-ordered auction was held for the factories. As of 30 April 2008, auction processes and procedures had not been completed, however, directors considered gains from the auction are expected.

There were legal and professional fee incurred approximately NT14,986,000 and NT$7,803,000, capitalized as part of the costs of financial assets for the year ended 31 December 2007 and period ended 30 April 2008, respectively.

29. PLEDGED BANK DEPOSITS

Pledged bank deposits are used to secure the Durban Group's banking facilities. The pledged bank deposits carry interest at market rate was 0.58%, 0.58%, 0.58% and 0.55% for the years/period ended 31 December 2005, 2006, 2007 and 30 April 2008, respectively.

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents including the following components:

		As at 31 December		**As at 30 April**
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Cash in hand	12,797	5,676	9,141	6,670
Cash at bank	52,890	63,128	71,918	23,085
	65,687	68,804	81,059	29,755

The carrying amounts of cash and cash equivalents are denominated in New Taiwan dollars (NT$) and approximate their fair value.

The effective interest rate on short-term bank deposits is approximately 0.58%, 0.58%, 0.58% and 0.55% for the years/period ended 31 December 2005, 2006, 2007 and 30 April 2008, respectively.

31. TRADE PAYABLES

An aging analysis of the trade payables as at 31 December 2005, 2006, 2007 and 30 April 2008 is as follows:

		As at 31 December		**As at 30 April**
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
1 – 30 days	95,732	112,947	264,392	141,380
31 – 60 days	243,851	333,027	212,051	157,284
61 – 90 days	53,966	19,323	–	4,685
91 – 180 days	82,936	50	1,632	11,898
Over 180 days	57,686	2,549	526	154,762
	534,171	467,896	478,601	470,009

The carrying amounts of trade payables are denominated in New Taiwan dollars (NT$) and approximate their fair value.

32. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 April
	2005	2006	2007	2008
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Accrued expenses	55,650	60,362	69,912	59,517
Accrued pension cost	12,277	11,854	11,389	12,400
Accrued salaries and bonus	34,261	81,590	73,758	44,598
Guarantee deposits received	85,247	78,998	97,609	105,572
Temporary received	–	–	60,087	67,741
Others payable	41,155	35,017	40,495	65,957
	228,590	267,821	353,250	355,785

The carrying amounts of other payables and accruals are denominated in New Taiwan dollars (NT$) and approximate their fair value.

33. RECEIPTS IN ADVANCE

	As at 31 December			As at 30 April
	2005	2006	2007	2008
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Property receipts in advance	408,381	747,193	255,177	327,462
Construction receipts in advance	–	–	46,058	39,663
Others	87,029	87,857	54,728	–
	495,410	835,050	355,963	367,125

The carrying amounts of receipts in advance are denominated in New Taiwan dollars (NT$) and approximate their fair value.

34. INTEREST-BEARING BORROWINGS

At 31 December 2005, 2006, 2007 and 30 April 2008, the maturity of borrowings is as follow:

	As at 31 December			As at 30 April
	2005	2006	2007	2008
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Within 1 year or on demand	1,180,818	1,217,055	1,185,421	1,380,379
After 1 year but within 5 years	3,828,941	3,637,080	3,195,533	3,371,901
	5,009,759	4,854,135	4,380,954	4,752,280
Current portion	1,180,818	1,217,055	1,185,421	1,380,379
Non-current portion	3,828,941	3,637,080	3,195,533	3,371,901
Interest-bearing borrowings				
Secured mortgage loans	4,448,596	4,040,393	3,772,770	3,855,987
Pledged borrowings – available-for-sale financial assets with a carrying value of NT$224,398,000 (2005: NT$201,499,000; 2006: NT$324,146,000 and 2007: NT$452,411,000)	19,553	29,116	59,491	116,033
Unsecured bank borrowings	541,610	784,626	548,693	780,260
	5,009,759	4,854,135	4,380,954	4,752,280

The effective interest rates of interest-bearing borrowings of the Durban Group at each of the balance sheet dates of the relevant periods are as follows:

	As at 31 December			As at 30 April
	2005	**2006**	**2007**	**2008**
Bank borrowings	2.305%-6.79%	2.73%-6.55%	2.5%-6.9%	3.15%-6.65%

The Durban Group's banking facilities are subject to the following covenants which are commonly found in lending arrangements for acquisition of properties:

(a) Any newly signed tenancy agreement would require, the written approval of the banks; and

(b) No disposal of properties can be authorised without written approval of the banks.

35. DERIVATIVE FINANCIAL INSTRUMENTS THROUGH PROFIT OR LOSS

	As at 31 December			As at 30 April
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Derivative financial instruments through profit or loss – non-current *(Note a)*	6,760	21,993	98,909	96,784

Note:

(a) In August and November 2005, Du Centre signed interest rate swap agreements with China Development Industrial Bank for nominal values of NT$1,000,000,000 (for a period of 10 years) and NT$500,000,000 (for a period of 7 years), respectively. Rates are compared on a daily basis, with settlement to be carried out every three months. Amount of net interest is determined by the difference between the amount of interest receivable and the amount of interest payable among counterparties.

Fair value (gain)/loss on derivative financial instruments through profit or loss for the year ended 31 December 2005, 2006, 2007, period ended 30 April 2007 and 2008 were approximately NT$6,760,000, NT$15,233,000, NT$76,916,000, NT$39,735,000 and NT$(2,125,000), respectively.

The interest rate swap agreement were used to minimize and/or eliminate interest rate risks.

36. DEFINED BENEFIT AND CONTRIBUTION PLANS

The Labor Pension Act (the "LPA") took effect on 1 July 2005. Employees subject to the Labor Standards Law (the "LSL") prior to 1 July 2005 were allowed to choose to continue being subject to the LSL or to be subject to the LPA, with their service years as of 1 July 2005 retained. Those hired as regular employees on or after 1 July 2005 automatically become subject to the LPA.

The pension plan under the LPA is a defined contribution plan. Based on the LPA, the Company and its subsidiaries makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Such pension costs charged to the consolidated income statements for the years ended 31 December 2005, 2006 and 2007 were NT$5,390,000, NT$11,919,000 and NT$13,074,000.

Based on the defined benefit plan under the LSL, employees with 15 years of consecutive service are eligible to receive 2 units of pay for each year of service, and 1 unit for each service year thereafter, with a maximum number of 45 units. Upon retirement, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. Durban contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity) in the committee's name. Durban's recognized pension costs in the years ended 31 December 2005, 2006 and 2007 were NT$4,120,000, NT$2,904,000 and NT$12,373,000.

The plans are funded by contributions from the group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuations of the plans were at 31 December 2007 and were prepared by qualified staff of Professional Actuary Management Consulting Co., Ltd., using the projected unit credit method. The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 3% covered by the plan assets half by the trustees.

The principal assumptions used for the purposes of the actuarial valuations are as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
Discount rate(s)	2.75%~3.7%	2.75%~3.7%	2.75%~3.7%
Expected return on plan assets	2.75%~3.7%	2.75%~3.7%	2.75%~3.7%
Expected rate(s) of salary increase	2.00%~2.5%	2.00%~2.5%	2.00%~2.5%

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
	NT$'000	*NT$'000*	*NT$'000*
Current service cost	4,496	1,099	1,524
Interest on obligation	872	985	910
Amortisation unrecognised actuarial gains	–	(151)	(123)
Curtailment	–	(359)	(185)
Expected return on plan assets	(659)	(674)	(684)
	4,709	900	1,442

The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
	NT$'000	*NT$'000*	*NT$'000*
Present value of funded defined benefit obligation	30,130	31,788	33,198
Fair value of plan assets	(18,476)	(20,287)	(21,023)
Deficit	11,654	11,501	12,175
Unrecognised actuarial gains/(losses)	623	354	(785)
Net liability arising from defined benefit obligation	12,277	11,855	11,390

Movements in the present value of the defined benefit obligation in the current period are as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
	NT$'000	*NT$'000*	*NT$'000*
Opening defined benefit obligation	27,218	30,130	31,788
Service cost	4,496	1,099	1,524
Interest cost	872	985	910
Actuarial (gains)/losses	(1,008)	(47)	932
Curtailment	–	(379)	(198)
Benefits paid	(1,448)	–	(1,758)
Closing defined benefit obligation	30,130	31,788	33,198

Movements in the present value of the plan assets in the current period are as follows:

	Year ended 31 December		
	2005	2006	2007
	NT$'000	*NT$'000*	*NT$'000*
Opening fair value of plan assets	17,696	18,476	20,287
Expected return on plan assets	660	674	684
Actual gains/(losses)	(385)	(186)	(97)
Contributions by employer	1,953	1,323	1,907
Benefits paid	(1,448)	–	(1,758)
Closing fair value of plan assets	18,476	20,287	21,023

37. DEFERRED TAX LIABILITIES

At the balance sheet date, the major components of deferred tax assets/(liabilities) unprovided are as follows:

	2005	2006	2007	2008
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Deficit of depreciation over tax allowance	(957)	(2,048)	(34,984)	(36,077)
Tax losses carried forward	103,761	130,294	160,379	160,379
	102,804	128,246	125,395	124,302

At the balance sheet dates, there were no material unrecognized deferred tax assets and liabilities arising from temporary difference. The Durban Group has not recognised deferred tax assets resulting from tax loss carry forward as at 31 December 2005, 2006, 2007 and 30 April 2008 of approximately NT$102,804,000, NT$128,246,000, NT$125,395,000 and NT$124,302,000 respectively, as sufficient tax profits would not be available to offset the tax losses in the foreseeable future. No deferred tax assets in respect of these unused tax losses had been recognized due to the uncertainty and unpredictability of further taxable profit against which these tax loss can be utilized in the foreseeable future.

There were no material unrecognized deferred tax assets and liabilities at both balance sheets date.

38. SHARE CAPITAL

	As at 31 December			As at 30 April
	2005	2006	2007	2008
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Authorized:				
At 1 January, 12,000,000,000 ordinary shares of NT$10 each				
and at 31 December/30 April, 12,000,000,000 ordinary shares of NT$10 each	120,000,000	120,000,000	120,000,000	120,000,000
Issued and fully paid:				
At 1 January, 117,380,000 shares at NT$10 each				
and at 31 December/30 April, 117,380,000 shares at NT$10 each	1,173,800	1,173,800	1,173,800	1,173,800

39. INCREASE/DECREASE IN SHAREHOLDINGS OF SUBSIDIARIES

(a) On 28 December 2005, Durban sold 4,000,000 shares of Du Centre to a minority shareholder at the consideration of NT$39,881,000 which decreased the Group's equity interest therein from 35.34% to 33.67%.

(b) On 19 December 2006, Durban acquired 6,600,000 shares of Du Centre from a minority shareholder at the consideration of NT$49,170,000 which increased the Group's equity interest therein from 33.67% to 36.42%.

(c) On 19 December 2007, Durban acquired 17,060,000 shares of Du Centre from a minority shareholder at the consideration of NT$326,373,000 which increased the Group's equity interest therein from 36.42% to 43.53%.

(d) On 31/1/2008, 28/2/2008, 31/3/2008 and 30/4/2008 Durban acquired 2,108,000, 537,000, 537,000 and 537,000 shares respectively of Du Centre from a minority shareholder at the total consideration of NT$52,967,270 which increased the Group's equity interest therein from 43.53% to 45.08%.

40. ACQUISITION OF A SUBSIDIARY

On 31 December 2007, the Group completed the acquisition of the entire issued share capital of Da-Chin from an independent third party, Da-Chin was engaged in the construction building activities, for a cash consideration of approximately NT$130,000,000 which gave rise to a goodwill amounting to approximately NT$69,177,000. The goodwill arising on the acquisition of Da-Chin is attributable to the future profitability of the construction business. The acquired business contributed revenue of NT$366,680,000 and net loss of NT$54,787,000 to the Group for the period from acquisition to 30 April 2008. If the acquisition had occurred on 1 January 2007, the acquired business would have contributed revenue of NT$1,211,895,043 and net loss of NT$51,554,143 to the Group. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of the Group's future results.

Details of the net assets acquired in respect of the acquisition of Da-Chin are summarized below:

	Acquiree's carrying amount before combination *NT$'000*	**Fair value adjustments** *NT$'000*	**Fair value** *NT$'000*
Property, plant and equipment, net	2,971	–	2,971
Investment properties *(note 17)*	199,931	(70,613)	129,318
Cash and cash equivalents	9,821	–	9,821
Trade receivables	99,536	–	99,536
Properties under development	89,356	–	89,356
Prepayments, deposits and other receivables	16,395	–	16,395
Available-for-sales financial assets	228,423	–	228,423
Interest bearing borrowings-current portion	(99,687)	–	(99,687)
Bills payable	(86,745)	–	(86,745)
Trade payables	(188,595)	–	(188,595)
Other payables and accruals	(14,784)	–	(14,784)
Receipts in advance	(81,368)	–	(81,368)
Interest bearing borrowings-non-current portion	(43,818)	–	(43,818)
	131,436	(70,613)	60,823
Goodwill on acquisition			69,177
			130,000
Satisfied by:			
Cash consideration			130,000
Net cash outflow arising on acquisition			
Cash consideration paid			130,000
Bank balances and cash acquired			(9,821)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiary			120,179

41. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2005, 2006, 2007 and 30 April 2008, the total future minimum lease payments under finance leases for plant and machinery held by Du Centre with net book value approximately NT$284,740,000, NT$446,006,000 for the year ended 31 December 2005 and 2006, respectively, and their present value, were as follows:

					Present value of minimum lease payments			
	As at 31 December			As at 30 April	As at 31 December			As at 30 April
	2005	**2006**	**2007**	**2008**	**2005**	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*	*NT$'000*
Within one year	204,584	317,594	–	–	204,584	317,594	–	–
In the second to fifth years inclusive	–	–	–	–	–	–	–	–
Total minimum lease payments	204,584	317,594	–	–	204,584	317,594	–	–
Future finance charges	3,859	7,005	–	–				
Total net finance lease payable	200,725	310,589	–	–				
Current portion of obligations under finance leases	200,725	310,589	–	–				
Non-current portion	–	–	–	–				

42. PLEDGE OF ASSETS

Durban Group pledged the following assets to banks as security for net short-term bills payable, short and long-term bank loans granted to the Durban Group:

	As at 31 December			As at 30 April
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Available-for-sale financial assets	262,461	436,223	463,870	624,673
Bills receivable	–	–	31,500	87,255
Properties held for sale	1,261,899	1,268,825	951,083	935,946
Properties under development	1,954,915	1,878,808	1,854,205	2,325,378
Other financial asset	–	257,467	259,460	259,132
Property, plant and equipment	4,967,761	4,810,832	–	–
Investment properties	67,742	67,369	2,724,314	2,719,786
Prepayments, deposits, and other receivables	–	–	8,000	8,000
Secured bank deposits	–	–	11,531	8,819
	8,514,778	8,719,524	6,303,963	6,968,989

Short and long-term bank borrowings pledged with assets for the relevant periods are summarized as follows:

	As at 31 December			As at 30 April
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Short-term bank borrowings	344,210	168,180	471,302	495,617
Long-term bank borrowings	4,104,386	3,872,213	3,301,468	3,360,370
	4,448,596	4,040,393	3,772,770	3,855,987

43. COMMITMENTS

(i) Capital commitments

At 31 December 2005, 2006, 2007 and 30 April 2008, the Durban Group had capital commitments not provided for the financial statement as follows:

	As at 31 December			As at 30 April
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Contracted but not provided for:				
– Property, plant,and equipment	25,260	25,114	565	565
Contracted but not provided for				
– Properties under development	1,060,597	1,304,370	1,922,619	1,470,724
Commitment to capital contribution to				
an investment *(Note (a))*	–	–	6,957	214,640

Note:

(a) Within the specified period of 1 January 2008 to 31 December 2008, Durban Co., Ltd. shall buy back from China Development Industrial Bank the remaining balance of Du Centre's 12,880,000 shares. The buy back price per share is NT$20. The buy back shall be completed in twenty-four installments, with the issuance of a check for amounts of 537,000 shares per installment in the first twenty-three installments, and the remaining 529,000 shares in the twenty-fourth installment.

(ii) Operating lease commitments

The Durban Group leases certain of its office properties and warehouses under operating lease arrangements. Leases for office properties and warehouses are negotiated for terms ranging from one to fourteen years.

None of the leases includes contingent rentals.

At the balance sheet date, the Durban Group had future minimum lease under non-cancellable operating leases falling committed for due as follows:

	As at 31 December			As at 30 April
	2005	**2006**	**2007**	**2008**
	NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Within one year	126,000	126,000	386,000	257,333
In the second to fifth year, inclusive	378,000	378,000	926,062	926,062
After five years	189,000	63,000	1,080,000	1,080,000
	693,000	567,000	2,392,062	2,263,395

(iii) Material Financial Guarantee Contracts

(a) On 14 December 2004, Durban's associate, Miramar Resort Taitung Co. Ltd. ("Miramar") entered into agreement with the Taitung County government for the construction and operations of Shanyuan Resort. Contract terms were for a period of fifty years. Upon expiration of terms, Durban, as a shareholder of Miramar, shall pay respective royalty fees of NT$5,000,000 and shall provide a performance bond guarantee for an amount of NT$10,000,000 to be used as collateral security.

(b) As of 31 December 2005, Durban's endorsements and guarantees for Mayer Steel Pipe Corporation, Durban Investment Co., Ltd., Da Cin Development Co., Ltd. and Ing Shun Construction Corporation were NT$520,000,000, NT$200,000,000, NT$300,000,000 and NT$50,000,000, respectively.

(c) As of 31 December 2005, Durban issued guaranteed notes pledged as collateral for joint guarantees, banking facilities, construction warranties and loan from related parties totaled NT$912,364,000.

(d) As of 31 December 2006, Durban's endorsements and guarantees for Mayer Steel Pipe Corporation, Durban Investment Co., Ltd., Miramar Resort Taitung Co. Ltd., Da Cin Development Co. Ltd. and Ing Shun Construction Corporation were NT$520,000,000, NT$200,000,000, NT$180,000,000, NT$300,000,000 and NT$50,000,000, respectively.

(e) As of 31 December 2006, Durban issued guaranteed notes pledged as collateral for joint guarantees, banking facilities, construction warranties and loans from related parties totaled NT$1,247,030,000.

(f) As of 31 December 2007, Durban's endorsements and guarantees for Mayer Steel Pipe Corporation, Durban Investment Co., Ltd., Miramar Resort Taitung Co., Ltd., Hotel Taipei Miramar Co., Ltd., Mr. Huang Chun-Fa (Chairman of Durban) and Mr. Chia Wen-Chung (landowner of Durban Technology Park Phase VI) were NT$42,000,000, NT$33,600,000, NT$180,000,000, NT$24,470,000, NT$450,000,000 and NT$520,000,000, respectively.

(g) As of 31 December 2007, Durban issued guaranteed notes pledged as collateral for joint guarantees, banking facilities and construction warranties totaled NT$720,050,000.

(h) As of 30 April 2008, Durban's endorsements and guarantees for Mayer Steel Pipe Corporation, Durban Investment Co Ltd., Miramar Resort Taitung Co Ltd., Hotel Taipei Miramar Co., Ltd., Mr. Huang Chun-Fa and Mr. Chia Wen-Chung were NT$42,000,000, NT$33,600,000, NT$180,000,000, NT$118,188,000, NT$450,000,000, and NT$520,000,000, respectively.

(i) As of 30 April 2008, Durban issued guaranteed notes pledged as collateral for joint guarantees and construction warranties totaled NT$720,000,000.

No provision has been made in the consolidated financial statements as the net effect of the fair value of the financial guarantee contracts of the Durban Group being as guarantor and guarantee is insignificant.

44. CONNECTED AND RELATED PARTY TRANSACTIONS

During the Relevant Periods, the directors of Durban are of the view that the following parties are the related parties of the Durban Group:

Durban Investment Co., Ltd. 德安投資股份有限公司	Common director
Hotel Taipei Miramar Co., Ltd. 美麗華大飯店股份有限公司	Common director; immediate holding company
Tze Shin International Co., Ltd. 志信國際股份有限公司	Common director
Durban Information Co., Ltd. 德安資訊股份有限公司	Associate of Director
Da-Chin Construction Co., Ltd. 大清營造股份有限公司	Common director (become subsidiary as at 31 December 2007)
Durban Culture and Education Foundation 德安文教基金會	Common director
Taiwan SsangYong Co., Ltd. 台灣雙龍興業股份有限公司	Associate of Director
Miramar Garden Taipei Co., Ltd. 美麗信酒店股份有限公司	Associate of Director
The Sincere Department Store Ltd. 先施百貨股份有限公司	Common director (become associate as at 31 December 2007)
Mayer Steel Pipe Corporation 美亞鋼管廠股份有限公司	Common director
Hen Hsing Development Co. Ltd. 姮興開發股份有限公司	Associate of Director
Miramar Resort Taitung Co. Ltd. 美麗灣渡假村股份有限公司	Common director; fellow subsidiary
Lai, Yueh-sing 賴粵新	Associate of Director
Lai, Yueh-hsing 賴粵興	Director
Huang, Chun-Fa 黃春發	Director

During the relevant periods, the Durban Group had the following connected and related party transactions:

(a) In addition to the transactions and balances detailed elsewhere in the financial information, the Durban Group had the following material transactions with related parties during the relevant periods.

Name of party	Nature of transactions	As at 31 December 2005 NT$'000	As at 31 December 2006 NT$'000	As at 31 December 2007 NT$'000	As at 30 April 2008 NT$'000
Durban Investment Co., Ltd. 德安投資股份有限公司	Other revenue 其他營業收入	–	12,752	–	–
	Expense/income paid or received on behalf 代收代付	–	127,517	–	–
Hotel Taipei Miramar Co., Ltd. 美麗華大飯店股份有限公司	Management fee income 勞務收入	649	1,445	1,531	–
	Rental revenue from operating leases other than those relating to investment properties 業外租金收入	–	1,051	1,149	–
Tze Shin International Co., Ltd. 志信國際股份有限公司	Other revenue 其他收入	2,857	1	–	–
Durban Information Co., Ltd. 德安資訊股份有限公司	Operating expenses 營業費用	2,769	6,440	6,288	2,076
	Purchase of miscellaneous items 雜項購置	2,143	868	475	283
	Management fee 勞務費	3,660	–	–	–
	Purchase of property, plant and equipment 購置固定資產	1,088	786	530	150
Da-Chin Construction Co., Ltd. 大清營造股份有限公司	Management fee income 勞務收入	11,750	11,875	–	–
	Rental revenue from operating leases other than those relating to investment properties 業外租金收入	3,325	3,329	–	–
	Additions to construction-in-progress 在建房地增加	283,082	314,037	–	–
	Purchase of property, plant and equipment 購置固定資產	6,257	–	–	–
	Maintenance and consultant fee 養護工程及技術顧問費等	8,243	–	–	–

Name of party	Nature of transactions	As at 31 December 2005 NT$'000	As at 31 December 2006 NT$'000	As at 31 December 2007 NT$'000	As at 30 April 2008 NT$'000
	Other revenue 其他收入	3,173	–	–	–
	Expense/income paid or received on behalf 代收代付	–	8,000	–	–
Durban Culture and Education Foundation 德安文教基金會	Operating expenses 營業費用	2,400	–	–	–
Taiwan SsangYong Co., Ltd. 台灣雙龍興業股份有限公司	Other revenue 其他營業收入	36,895	–	–	–
Miramar Garden Taipei Co., Ltd. 美麗信酒店股份有限公司	Management fee income 勞務收入	–	2,939	2,989	–
	Operating expenses 營業費用	–	704	1,943	–
The Sincere Department Store Ltd. 先施百貨股份有限公司	Property sale 營建收入	–	–	122,917	–
Huang, Chun-Fa 黃春發	Gain on disposal of shares of a subsidiary – Du Centre 4,000 shares 出售長期股權投資利益－德先公司4,000股	47,707	–	–	–
	Purchase of interest in associates – Sincere 16,000,000 shares 購入長期股權投資－先施股權16,000,000股	–	–	304,000	–

The Durban Group purchased finished goods, supplies on hand and equipment from related parties in accordance with the terms of the contracts.

The Durban Group sold finished goods, long-term investments and equipment to related party in accordance with the terms of the contracts.

In the opinion of the directors of the Durban Group, the above related parties transactions were carried out in the ordinary and usual course of business and terms mutually agreed between the Durban Group and the respective related parties.

(b) At each of the balance sheet dates, Durban and its associates had provided guarantees for the bank borrowings of Durban group, a summary of which is set out below:

Guarantor	**Guarantees**	**As at 31 December**			**As at 30 April**
		2005	**2006**	**2007**	**2008**
		NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Durban Development Co., Ltd.	Mayer Steel Pipe Corporation 美亞鋼管廠股份有限公司	520,000	520,000	42,000	42,000
Durban Development Co., Ltd.	Durban Investment Co., Ltd. 德安投資股份有限公司	200,000	200,000	33,600	33,600
Durban Development Co., Ltd.	Miramar Resort Taitung Co. Ltd. 美麗灣渡假村股份有限公司	–	180,000	180,000	180,000
Durban Development Co., Ltd.	Da Cin Development Co. Ltd. 達欣開發股份有限公司	300,000	300,000	–	–
Durban Development Co., Ltd.	Ing Shun Construction Corporation 英順營造有限公司	50,000	50,000	–	–
Durban Development Co., Ltd.	Hotel Taipei Miramar Co., Ltd. 美麗華大飯店股份有限公司	–	–	24,470	118,188
Durban Development Co., Ltd.	Huang, Chun-Fa 黃春發	–	–	450,000	450,000
Durban Development Co., Ltd.	Chia,Wen-Chung 賈文中	–	–	520,000	520,000
Da Cin Development Co. Ltd 達欣開發股份有限公司	Durban Development Co., Ltd.	–	300,000	–	–
Tze Shin International Co., Ltd. 志信國際股份有限公司	Durban Development Co., Ltd.	–	775,000	600,000	600,000
Mayer Steel Pipe Corporation 美亞鋼管廠股份有限公司	Durban Development Co., Ltd.	–	195,600	195,600	195,600
Huang, Chun-Fa 黃春發	Durban Development Co., Ltd.	–	–	480,000	480,000

(c) Balances with related parties

As at the balance sheet dates, the Durban Group had the following balances with related parties:

Name of party	Nature	As at 31 December 2005	As at 31 December 2006	As at 31 December 2007	As at 30 April 2008
		NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Durban Investment Co., Ltd. 德安投資股份有限公司	Accounts payable	–	–	–	(283)
	Bills payable	–	–	(9,100)	–
	Other payable	–	–	(722)	(558)
Hotel Taipei Miramar Co., Ltd. 美麗華大飯店股份有限公司	Trade receivables	–	126	126	84
	Bills receivable	252	126	126	84
	Deposit received	(2)	(301)	(302)	(302)
Durban Information Co., Ltd. 德安資訊股份有限公司	Bills payable	(753)	–	–	–
	Other payable	–	(760)	–	–
Da-Chin Construction Co., Ltd. 大清營造股份有限公司	Trade receivables	1,839	898	–	–
	Bills receivable	5,496	1,950	–	–
	Accounts payable	(42,658)	(1,450)	–	–
	Bills payable	(81,727)	(17,500)	–	–
	Other payable	(125)	(8,000)	–	–
	Deposit received	(872)	(875)	–	–
Taiwan SsangYong Co., Ltd. 台灣雙龍興業股份有限公司	Trade receivables	5,000	–	–	–
Miramar Garden Taipei Co., Ltd. 美麗信酒店股份有限公司	Trade receivables	–	331	257	515
	Bills receivable	–	330	–	–
	Bills payable	–	–	–	(100)
	Other payable	–	(26)	(909)	(11,000)
Mayer Steel Pipe Corporation 美亞鋼管廠股份有限公司	Trade receivables	99	19	19	19
	Other receivables	47	–	–	–
	Bills payable	–	(10,075)	(988)	(7,097)
	Other payable	–	–	–	(219)
	Deposit received	(5)	(5)	(17)	(17)

Name of party	Nature	As at 31 December			As at 30 April
		2005	2006	2007	2008
		NT$'000	*NT$'000*	*NT$'000*	*NT$'000*
Miramar Resort Taitung Co. Ltd 美麗灣渡假村股份有限公司	Deposit received	–	(45)	(45)	(45)
Hen Hsing Development Co.Ltd 姮興開發股份有限公司	Bills receivable	92	250	–	–
	Other receivables	–	–	–	26
	Other payable	–	(1)	(3,900)	(16)
The Sincere Department Store Ltd. 先施百貨股份有限公司	Other receivables	–	–	–	150
	Trade payable	–	–	–	(338)
	Bills payable	(90)	–	–	–
Lai, Yueh-Sing 賴粵新	Deposit paid	–	250	–	200
	Bills payable	–	–	–	(180)
Lai, Yueh-hsing 賴粵興	Deposit paid	–	250	60	420
Huang, Chun-Fa 黃春發	Interest-free borrowing	–	(123)	(190,000)	(92,216)

The above balances with related parties are unsecured, interest-free and have no fixed terms of repayment. There were no provisions made against these amounts by the Durban Group as at 31 December 2005, 2006, 2007 and 30 April 2008.

(d) Particulars of the principal subsidiaries for the relevant periods are as follows:

	Place of Incorporation/ registration and operation	Nominal value of issued ordinary share capital/ registered share capital *NT$'000*	Proportion for ownership interest group's effective interest (%)	held by company (%)	held by subsidiary (%)	Principal activities
31 December 2005						
Du Centre Co., Ltd. 德先股份有限公司	Taiwan	2,400,000	33.67	33.67	–	Operations of department stores, investment holding and property investment
Durban International Property Management Co., Ltd. 德安國際公寓大廈管理維護股份有限公司	Taiwan	10,000	100	100	–	Provision of security and property management service
31 December 2006						
Du Centre Co., Ltd. 德先股份有限公司	Taiwan	2,400,000	36.42	36.42	–	Operations of department stores, investment holding and property investment
Durban International Property Management Co., Ltd. 德安國際公寓大廈管理維護股份有限公司	Taiwan	10,000	100	100	–	Provision of security and property management service
31 December 2007						
Du Centre Co., Ltd. 德先股份有限公司	Taiwan	2,400,000	43.53	43.53	9.75	Operations of department stores, investment holding and property investment
Durban International Property Management Co., Ltd. 德安國際公寓大廈管理維護股份有限公司	Taiwan	10,000	100	100	–	Provision of security and property management service
Da-Chin Construction Co., Ltd. 大清營造股份有限公司	Taiwan	100,000	100	100	–	Engaged in foundation and building construction work
30 April 2008						
Du Centre Co., Ltd. 德先股份有限公司	Taiwan	2,400,000	45.08	45.08	9.75	Operations of department stores, investment holding and property investment
Durban International Property Management Co., Ltd. 德安國際公寓大廈管理維護股份有限公司	Taiwan	10,000	100	100	–	Provision of security and property management service
Da-Chin Construction Co., Ltd. 大清營造股份有限公司	Taiwan	100,000	100	100	–	Engaged in foundation and building construction work

45. POST BALANCE SHEET EVENTS AND CONTINGENCIES

(a) On 24 June 2008, the appropriations of earnings for 2007 had been approved in the shareholders' meetings. The appropriations and dividends per share were as follows: cash dividends of NT$58,690,000 at NT$0.5 per share and stock dividends of NT$186,200,00 at NT$1.5863009 per share.

(b) As at 28 October 2008, the Durban Group was engaged in the following unsettled and/or unsatisfied litigation or arbitration of material importance:

i) On 10 July 2006, a civil action was brought against Da-Chin by Lead-Fu Industrials Corporation ("Lead-Fu") in the Taiwan Taipei District Court (No. 95-Su-185) for Da-Chin's failure to make payment to Lead-Fu in relation to Lead-Fu's construction works in respect of the construction contract entered into by the parties on 4 November 2002. The Taipei District Court ruled in favour of Lead-Fu and Da-Chin was ordered to pay Lead-Fu for the construction. Da-Chin shall pay Lead-Fu NT$9,345,000 plus interest at 5% per annum for the period from 14 July 2006 until payment in full and the court fee shall be borne by Da-Chin. Due to inspection of completion issues, the final payment for the construction has yet to be paid by Da-Chin and Da-Chin has appealed to the Taiwan High Court.

ii) Da-Chin entered into an agreement with Dah Yaw Engineering Co., Ltd ("Dah Yaw") on 14 January 2003 with Dah Yaw being the contractor of the construction works. After the completion of the contract, Da-Chin refused to make payments to Dah Yaw for the construction and repairs, as the repairs were part of the contract obligation and asserted that the agreement was terminated as a result of Dah Yaw's breach of the agreement. On 19 January 2005, a civil action was brought against Da-Chin by Dah Yaw in the Taiwan Taipei District Court (No. 94-Jian-35) for Da-Chin's failure to make payment. The Taipei District Court ruled in favour of Dah Yaw and Da-Chin was ordered to pay Dah Yaw for the construction and repairs in the amount of NT$1,934,625 plus interest at 5% per annum for the period from 19 January 2005 until payment in full. Da-Chin considers that the construction has defects and appealed to the Taiwan High Court. The Taiwan High Court (No. 95-Jian-Shang-63) ruled in favour of Dah Yaw and Da-Chin was ordered to pay Dah Yaw an additional amount of NT$335,843 plus interest at 5% per annum for the period from 19 January 2005 until payment in full and the court fees of the first and second instances shall be borne by Da-Chin. Da-Chin has appealed to the Supreme Court.

Save as disclosed above, as at 28 October 2008, no member of the Durban Group was engaged in any unsettled and/or unsatisfied litigation or arbitration of material importance and no other litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Durban Group.

46. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE RELEVANT PERIOD

The HKICPA has issued the following new HKFRSs that are not yet effective. The Project Company has not early applied the following amendments, new standards and interpretations that have been issued but not effective. The directors of the Project Company anticipate that the application of these standards or interpretations will have no material impacts on the Financial Information of the Project Company.

HKFRS 23 (Revised)	Borrowing costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction[2]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]

[1] Effect for annual periods beginning on or after 1 January 2009

[2] Effect for annual periods beginning on or after 1 January 2008

[3] Effect for annual periods beginning on or after 1 July 2008

[4] Effect for annual periods beginning on or after 1 October 2008

47. SUBSEQUENT FINANCIAL STATEMENTS

No audited HKFRS financial statements have been prepared for Durban and Durban Group in respect of any period subsequent to 30 April 2008.

Yours faithfully
For and on behalf of
CCIF CPA Limited
Certified Public Accountants
Hong Kong

Leung Chun Wa
Practising Certificate Number
P04963

1. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

(a) For the year ended 31 December 2007

Segment information

The Group's steel business segment has recorded a segment profit of RMB26,527,000 for the year ended 31 December 2007 (the "Year"). During the Year, the Group sold approximately 155,000 tonnes of steel products, representing 13.1% increased from approximately 137,000 tonnes for the last year. The average selling price of the Group's steel products during the Year increased by approximately 5.4% compared with that the last year.

The Group's aluminum segment has recorded a segment profit of RMB4,244,000 for the first half of Year 2007. On May 2007, the Group decided to dispose the Fullchamp Technologies Co., Ltd. ("Fullchamp") Aluminum segment for a total cash consideration of NT$149,500,000 (equivalent to RMB34.7 million) to a connected party due to the fact that the segment has still been loss making for the previous years. The disposal of Fullchamp was completed in July 2007 and resulted in a disposal gain of approximately RMB8,715,000.

The Group then applied partial proceeds received from the disposal of Fullchamp to acquire an additional two aircrafts for rental purpose which aimed for a steady rental income to the Group.

In the second half of 2007, the Group has formed a new property investment business segment by acquiring an industrial and commercial building in Taiwan for a total consideration of NT$880,000,000 (equivalent to RMB197 million). The property investment business segment has not yet contributed any segment revenue for the Year. However, the Group believed that this major acquisition is in line with the Group's current business diversification strategy to invest in favorable investments and to broaden the income base of the Group.

Business review and prospects

For the year ended 31 December 2007, the Group reported consolidated turnover of RMB1,253,230,000, representing an increase of 32.7% over last year. Gross profit margin was 4.5% compared to last year's 6.5%. Net profit attributable to shareholders was RMB13,802,000, compared with last year's RMB12,042,000. Earnings per share from continuing operations and discontinued operations for the year were RMB0.83 and RMB1.86 cents versus the last year's RMB2.61 cents and RMB0.38 cents, respectively.

The national economy of the PRC is basically achieving a balance after the PRC government implemented those macro control measures. The increase in market demand and overall prices of steel products has been moderately raised in 2007. On the other hand, raw materials, energy costs, labour costs and interest rates have all been increased to different extents.

While the PRC macro regulation and control measures continually toughened and aimed to kept steady market growth, the Mainland is still represent a huge market with plentiful opportunities. We also seek opportunities on a globally prospective. Accordingly, a steel product manufacturing plant has been constructed in late 2007 and is ready to address the keen market needs in Vietnam.

Looking ahead in 2008, the imbalance between demand and supply in the steel and metal sector will continue and the prices of steel and metal products will still remain at a moderately fast level. With the PRC's and Vietnam's economy maintain a rapid growth rate, still there will be a strong domestic demand for the Group's products.

Along with the global economy is likely to be affected by the fallout from the U.S. subprime predicament and the weaken U.S. dollar against other currencies. The Group's management expect that the rise in operating costs, oil prices and interest rate drops will continue, and the increasingly intense market competition will present more challenges to the Group's operation.

As the general expectation, Taiwan's economic growth will surge in the next few years following its governmental and economic reforms, plentiful opportunities will appear. The Group is determined to capitalize these opportunities arising from the growth of Taiwan, together with the growth in the PRC and other countries. The Group will continue to seek new property investment opportunities in stakes with potential growth and balanced return.

The Group's management is confident that the Group will fully capitalize its extensive experience in cost management and achieve greater cost effectiveness, increased output of high value-added products and welcome to every investment opportunity which are beneficial to the Group, with an aim to generate the best return from investments and generate the best returns to our investors.

Exchange risk

As most of the Group's monetary assets and liabilities are denominated in Renminbi, US dollars, HK dollars and new Taiwan dollars and those currencies remained relatively stable during the Year, the Group was not exposed to any significant exchange risk. In general, it is the Group's policy for each operating entity to borrow in local currencies, where necessary, to minimize currency risk.

Capital structure, liquidity, financial resources and gearing ratio

Banks deposits and cash balances (including pledged bank deposits of approximately RMB46,537,000) as at 31 December 2007 amounted to approximately RMB113,998,000, mainly denominated in Renminbi, US dollars, HK dollars and new Taiwan dollars.

As at 31 December 2007, the Group had outstanding total interest-bearing borrowings to finance the Group's working capital purposes, capital expenditures and for other acquisition opportunities, amounted to approximately RMB311,402,000. All of the Group's borrowings is repayable within one year or on demand. All of the Group's borrowings are mainly denominated in Renminbi, US dollars, HK dollars and new Taiwan dollars with floating interest rates.

On 13 August 2007, the Company entered into seven subscription agreements with seven subscribers (the "Subscribers"), independent third parties, whereby the Company agreed to issue 96,000,000 new Shares (the "Subscription Shares") at a price of HK$0.60 per Subscription Share. The Subscription Shares were issued under the existing issue mandate to issue shares granted to the Directors at the Company's annual general meeting held on 31 May 2007.

The gearing ratio (net debt divided by total capital) as at 31 December 2007 was approximately 38.4% while it was 53.1% as of 31 December 2006. Current portion of borrowings accounted for approximately 30.7% and 37.9% of the total assets of the Group as at 31 December 2007 and 31 December 2006, respectively.

Treasury policies

The Group continues to adhere to prudent treasury policies. The Group continued to insure against major receivables in order to lower the risks of credit sales and to ensure that funds would be recovered on a timely basis, hence fulfilling the requirements for debt repayments and working capital commitments.

Charge on Group assets

As at 31 December 2007, building, plant and equipment and interest in leasehold land held for own use under an operating lease of the Group with net book value of approximately RMB66,980,000 and RMB8,416,000 respectively and bank deposits of approximately RMB46,537,000 were pledged to banks for securing banking and other financing facilities granted to the Group. These financing facilities had been utilised to the extent of approximately RMB140,383,000 at the balance sheet.

Contingent liabilities

At 31 December 2007, the Company has given corporate guarantees in favour of certain banks to secure banking facilities of RMB80,241,000 (2006: RMB47,016,000) granted to Guangzhou Mayer, a subsidiary. Out of these banking facilities, RMB60,736,000 was utilised by Guangzhou Mayer as at 31 December 2007 (2006: RMB44,961,000).

Apart from the above, the Company and the Group have no other material contingent liabilities at both balance sheet dates.

Capital commitments

At 31 December 2007, the Company did not have any significant capital commitments.

Significant investments, material acquisitions and disposals

On 13 April 2007, Sunbeam Group Limited ("Sunbeam"), a wholly-owned subsidiary of the Company, entered into the Share Disposal Agreement with Taiwan Mayer, the ultimate holding company, to dispose all its remaining 28.51% equity interest in Fullchamp for a consideration of NT$149,500,000 (equivalent to approximately RMB34.7 million) in cash. The disposal of Fullchamp is completed in July 2007 and resulted in a disposal gain of approximately RMB8,715,000.

On 11 June 2007, the Company entered into an agreement with an independent third party, to acquire a property situated in Taiwan at a total consideration of NT$880,000,000 (equivalent to approximately RMB197 million). The property, an industrial building, is situated at Land No.14, Kuang Fu Sec., Hsinchu City, Taiwan (the "Property") with a site of approximately 3,664.54 square metres. The acquisition of the Property was completed and full payment was made on 5 February 2008.

Employees and remuneration policy

As at 31 December 2007, the Group had total of 350 employees. Total staff costs for the year ended 31 December 2007 were approximately RMB18,256,000, including retirement benefits cost of approximately RMB1,739,000. Remuneration packages of the Group are maintained at a competitive level to attract, retain and motive employees and are reviewed on a periodic basis.

The Group always maintains good relation with its employees and is committed to employee training and development on a regular basis to maintain the quality of our products.

In addition, the Company has a share option scheme for the purpose of providing incentives and rewards to eligible participants. No option has been granted under the scheme since its adoption.

(b) For the year ended 31 December 2006

Segment information

The Group has two main business segments, namely (i) the steel business segment and (ii) the aluminum business segment. The Group's steel segment recorded a turnover of approximately RMB936,499,000, representing approximately 89.5% of the Group's total turnover for the year. The Group's aluminum segment recorded a turnover of approximately RMB109,983,000, accounted for approximately 10.5% of the Group's total turnover for the year. Segment profit generated by the steel segment and the aluminum segment are approximately RMB31,389,000 and RMB1,873,000 respectively.

Business review and prospects

The turnover of the Group for the year was approximately RMB1,046,482,000, representing an decrease of approximately 1.0% compared with approximately RMB1,056,629,000 for the last year while the net profit attributable to shareholders was approximately RMB12,042,000, representing an increase of approximately 38 times compared with approximately RMB308,000 for the last year.

Following the prices of steel products have dropped significantly in the second half of 2005, the national economy of the PRC is basically achieving a balance in the first half of 2006. Prices of steel products for first quarter of 2006 continued the trend from the end of last year which remained at a low level, and starting from March 2006, as a result of increase in total demand, the prices of steel products started to rise again and maintain a rapid yet stable growth. However, the overall steel product prices during the year were still substantially lower than those for the last year. Sales volume of steel products slightly decreased 1.4% from approximately 139,000 tonnes for the last year to approximately 137,000 tonnes. As a result of the overall increase in prices of steel products, the selling price and the gross margin of the Group's steel products turnaround and increased by approximately 9.6% and 3.3% compared with that for the last year.

Under the macro-economic control policy, the growth rate will slow down in 2007. According to the "Strategy on the Development of the Steel Industry " promulgated by the State, the development of the steel industry will be directed towards controlled volume, technology upgrade, industrial layout and product mix adjustment, so as to combine the impact of an increase in new capacity with the phasing out of backward capacity. Following the technology upgrade and improvement of our plants and the new installation of steel-cutting and pipemaking machines, the Group's future production capacity and market competitiveness would be enhanced to meet the steady but moderately fast growth of the national economy of the PRC and the Asian market. Moreover, the Group's stainless pipes product has been successfully launched to the domestic market in the PRC as well as the international market, and has duly obtained the Hygiene Permit for Stainless Steel Pipes from the Guangdong Province Health Bureau, which would significantly help to promote the Group's new products in those markets.

Looking forward to 2007, the imbalance between demand and supply in the steel sector will continue and the steel market will still remain at a relatively unstable level. The Group's management is confident that the Group will fully capitalize its extensive experience in cost management and achieve greater cost effectiveness, increased output of high value-added products and welcome to every investment opportunity which are beneficial to the Group, with an aim to generate the best return from investments and generate the best returns to our investors.

Exchange risk

As most of the Group's monetary assets and liabilities are denominated in US dollars, HK dollars, Renminbi and new Taiwan dollars and those currencies remained relatively stable during the year, the Group was not exposed to any significant exchange risk. Meanwhile, the Group is also studying and implementing various measures in relation to reducing any exchange impact from the revalued of Renminbi against the US dollars.

Capital structure, liquidity, financial resources and gearing ratio

Bank balances and cash as at 31 December 2006 amounted approximately RMB45,689,000, mainly denominated in US dollars, HK dollars, Renminbi and new Taiwan dollars.

As at 31 December 2006, the Group had outstanding total interest-bearing borrowings to finance the Group's working capital purposes, capital expenditures and for other acquisition opportunities, amounted to approximately RMB374,603,000, mainly denominated in US dollars, HK dollars, Renminbi and new Taiwan dollars with floating interest rates. The Group's short term loans from banks accounted for approximately 37.9% of the total assets.

The Group had a total of approximately RMB848,237,000 financing facilities from banks were available as at 31 December 2006, of which approximately RMB374,603,000 had been drawn down.

The gearing ratio (borrowings divided by shareholders' funds) as of 31 December 2006 was approximately 141.9% (2005: 198.6%).

Treasury policies

The Group continues to adhere to prudent treasury policies. The Group continued to insure against receivables in order to lower the risks of credit sales and to ensure that funds would be recovered on a timely basis, hence fulfilling the requirements for debt repayments and working capital commitments.

Charge on Group assets

As at 31 December 2006, property, plant and equipment and interest in leasehold land held for own use under an operating lease of the Group with aggregate net book value of approximately RMB162,329,000 and bank deposits of approximately RMB8,652,000 respectively were pledged to secure bank borrowings.

Contingent liabilities

The Group did not have any significant contingent liabilities at the balance sheet date (2005: Nil). At 31 December 2006, the Company had provided corporate guarantees of approximately RMB47,017,000 (2005: RMB145,263,000) in favour of a bank for banking facilities granted to a subsidiary. These banking facilities had been utilised to the extent of approximately RMB44,961,000 at the balance sheet date (2005: RMB96,985,000).

Capital commitments

At 31 December 2006, the Company did not have any significant capital commitments.

Significant investments, material acquisitions and disposals

There was no significant investments, material acquisitions and disposals of subsidiaries and associated companies for the six months ended 30 June 2008.

Employees and remuneration policy

As at 31 December 2006, the Group had a total of 500 employees. Total staff costs for the year ended 31 December 2006 were approximately RMB21,917,000, including retirement benefits cost of approximately RMB2,286,000. Remuneration packages of the Group are maintained at a competitive level to attract, retain and motive employees and are reviewed on a periodic basis.

The Group always maintains good relation with its employees and is committed to employee training and development on a regular basis to maintain the quality of our products.

In addition, the Company has a share option scheme for the purpose of providing incentives and rewards to eligible participants. No option has been granted under the scheme since its adoption.

(c) For the year ended 31 December 2005

Segment information

In October 2005, the Group has formed a new aluminum business segment by acquiring Fullchamp technologies co., Ltd ("Fullchamp") which is principally engaged in manufacture of aluminum forged and forged-spun wheels for automobiles, the Group successfully diversified its operations into metal-processing related auto parts business. The Group's now has two main business segments, namely (i) the steel business segment and (ii) the aluminum business segment. The Group's business was mainly contributed by the steel segment, which accounted for approximately 99.2% of the Group's total turnover for the year, while the rest was contributed by the Group's aluminum segment.

Business review and prospects

The turnover of the Group for the year was approximately RMB1,056,629,000, representing an increase of approximately 12.2% compared with approximately RMB941,577,000 for the last year while the net profit attributable to shareholders was approximately RMB308,000, representing a decrease of approximately 99.3% compared with approximately RMB41,229,000 for the last year.

Steel price roared to historical high in the first quarter, due to lower increase in new resources of steel in the PRC in the beginning of the year, as well as the expected impact of rising price of iron ore. Subsequently, following the escalating macro-economic control over the market, steel demand grew at a slower pace, in addition to the release of production capacity within the industry, new resources in the PRC increased substantially. Eventually, the prices of steel products have dropped significantly in the second half of 2005. The profitability of the Group's main business recorded a considerable shrink. Sales volume of steel products decreased 2.1% from approximately 142,000 tonnes for the last year to approximately 139,000 tonnes. Although the selling price of the Group's steel products increased by approximately 15.0% compared with that for the last year, the gross profit decreased and was mainly because of relatively lower growth rate of the selling prices of our steel products as compared to that of the purchasing costs of raw materials and fuels during the year.

The Group's Phase III iron and steel production plant was completed and commenced production, which would optimize its production structure and maximize its economic efficiency.

Under the macro-economic control policy, the growth rate will slow down in 2006. According to the "Strategy on the Development of the Steel Industry" promulgated by the State, the development of the steel industry will be directed towards controlled volume, technology upgrade, industrial layout and product mix adjustment, so as to combine the impact of an increase in new capacity with the phasing out of backward capacity. Following the completion of Phase III of our plant and the new installation of steel-cutting and pipe-making machines, the Group's future production capacity and market competitiveness would be enhanced to meet the steady but moderately fast growth of the national economy of the PRC. Moreover, the Group's new product (stainless pipes) has already been launched to the domestic market in the PRC as well as the international market, and has duly obtained the Hygiene Permit for Stainless Steel Pipes from the Guangdong Province Health Bureau, which would significantly help to promote the Group's new products in those markets.

The Group will be dedicated to developing Fullchamp into a major manufacturer of aluminum forged and forgedspun wheels for automobiles in both Mainland China and Taiwan. The Group will also expand its sales channel to cope with the expected rapid growth of business and sales volume in the coming years.

Looking forward to 2006, the Group's management is confident that the Group will fully capitalize its extensive experience in cost management and achieve greater cost effectiveness, increased output of high value-added products and welcome to every investment opportunity which are beneficial to the Group, with an aim to generate the best return from investments and generate the best returns to our investors.

Exchange risk

As most of the Group's monetary assets and liabilities are denominated in US dollars, HK dollars, Renminbi and new Taiwan dollars and those currencies remained relatively stable during the year, the Group was not exposed to any significant exchange risk. Meanwhile, the Group is also studying and implementing various measures in relation to reducing any exchange impact from the revalued of Renminbi against US dollars and new Taiwan dollars.

Capital structure, liquidity, financial resources and gearing ratio

Cash and cash equivalents as at 31 December 2005 amounted approximately RMB27,136,000, mainly denominated in Renminbi, US dollars, HK dollars and new Taiwan dollars.

As at 31 December 2005, the Group had outstanding total interest-bearing borrowings to finance the Group's working capital purposes, capital expenditures and for other acquisition opportunities, amounted to approximately RMB427,511,000, mainly denominated in US dollars, HK dollars, Renminbi and new Taiwan dollars with floating interest rates. All of the Group's interest-bearing borrowings are bank borrowings. The Group's short term loans from banks accounted for approximately 43.4% of the total assets.

The gearing ratio (borrowings divided by shareholders' funds) as of 31 December 2005 was approximately 198.6% (2004: 100.7%).

Treasury policies

The Group continues to adhere to prudent treasury policies. The Group continued to insure against receivables in order to lower the risks of credit sales and to ensure that funds would be recovered on a timely basis, hence fulfilling the requirements for debt repayments and working capital commitments.

Charge on Group assets

As at 31 December 2005, property, plant and equipment and interest in leasehold land held for own use under an operating lease of the Group with net book value of approximately RMB159,791,000 and RMB8,860,000 respectively were pledged to secure bank borrowings.

Contingent liabilities

The Group did not have any significant contingent liabilities at the balance sheet date (2004: Nil). At 31 December 2005, the Company had provided corporate guarantees of RMB145,263,000 (2004: RMB173,808,000) in favour of certain banks for banking facilities granted to a subsidiary. These banking facilities had been utilised to the extent of approximately RMB96,983,000 at the balance sheet date (2004: RMB104,320,000).

Capital commitments

At 31 December 2005, the Company did not have any significant capital commitments.

Significant investments, material acquisitions and disposals

During the year, the Group purchased two passenger aircrafts for lease purposes and signed a lease agreement for a term of three years, yielding a reasonable return and cash flow to the Group.

On 1 November 2005, Sunbeam Holdings Limited, a wholly owned subsidiary of the Company, completed its acquisition of approximately 51.83% interest in the Fullchamp. The total consideration paid by the Group amounted to NT$167,630,000 and was satisfied by cash. Fullchamp is principally engaged in the design, development and manufacture of aluminum forged and forged-spun wheels for automobiles. The directors of the Company believe that the products of Fullchamp, which are targeted to the spare parts of motor vehicles, are in line with the Company's overall business strategy and the acquisition will be beneficial to the Group.

Employees and remuneration policy

As at 31 December 2005, the Group had a total of 480 employees. Total staff costs for the year ended 31 December 2005 were approximately RMB18,640,000, including retirement benefits cost of approximately RMB1,474,000. Remuneration packages of the Group are maintained at a competitive level to attract, retain and motive employees and are reviewed on a periodic basis.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE DURBAN GROUP

Set out below is the management discussion and analysis on the Durban Group for three years ended 31 December 2007 and for four months ended 30 April 2008.

Durban Development Co., Ltd ("Durban") was incorporated in Taiwan on 29 January 1988 with limited liability and is principally engaged in building construction, property development and property investment in Taiwan. Durban is also the holding company of three subsidiaries, namely Durban Property Management Co., Ltd ("Durban Property"), Da-Chin Construction Co., Ltd ("Da-Chin") and Du Centre Co., Ltd ("Du Centre") (collectively as the "Durban Group").

Review of Results

In the past three financial years ended 31 December 2007 and four months ended 30 April 2008, the Durban Group has achieved a steady growth in profit and returns on shareholders equity. The profits/(loss) attributable to equity holders of Durban for the three years ended 31 December 2007 and four months ended 30 April 2008 are NT$8,166,000, NT$45,392,000, NT$621,095,000 and (NT$166,823,000), respectively.

Year 2005 and 2006 was the years have been slowly recovered from the SARs outbreak incident. Profits attributable to equity holders of Durban for the year ended 31 December 2005 and 2006 were approximately NT$8,166,000 and NT$45,392,000. There was an increase of NT$37,226,000 in Year 2006 as compared to Year 2005, and the reasons of which are:

- The income from construction in 2006 was NT$1,339,449,000, representing an increase as compared with NT$263,308,000 in 2005, which was mainly due to the fact that there was a total of four construction projects completed in 2006, namely Durban Joy (德安雙禧–福林段), Durban Jia Kang (德安家康) of District A and C, Durban Scenery of District E, F and H, and Durban Ren-he (德安仁和–仁和段), whereas only one construction project of Durban Treasury was completed in 2005.

- Part of the non-performing loans acquired in July 2006 was disposed of in the same year, of which generating a profit of NT$167,106,000 net of costs and relevant fees that were necessary and directly attributable to the Group.

Year 2007 was yet another good year for the Durban Group in terms of properties sales and performance. Profits attributable to equity holders of Durban for the year ended 31 December 2006 and 2007 were approximately NT$45,392,000 and NT$621,095,000. There was an increase of NT$575,703,000 in 2007 as compared to 2006, the reasons of which are:

- During the year ended 31 December 2007, income from construction and property sales was NT$2,141,732,000, representing an increase as compared with NT$1,339,449,000 in Year 2006. The gross profit in 2007 was NT$402,116,000, representing an increase as compared with NT$89,155,000 in 2006 due to the recognized completion of construction projects with higher gross profit margins such as Durban Jia Kang (德安家康), Durban Image and Dazhi Star (大直之星).

- Profit of NT$419,455,000 arising from the recognized disposal of a major business building located in Fusing Road, Section 4, Taichung City in 2007.

The first half of 2008 was a period that saw substantial market volatility and was largely defined by the credit problems that emerged in North America and the sharp rise in oil prices, accompanied by sharp price increases in several commodities and construction materials. The property market and the departmental stores are currently under pressure, due to falling consumer confidence and signs of a pick-up in inflation.

During the four months ended 30 April 2008, Durban recorded a loss attributable to equity holders of approximately NT$166,823,000. It was mainly due to the falling consumer confidence that affect the department store segment and the company has postponed a pre-sales of a project of Durban Image, since the Durban Group recognized its revenue and profit only upon completion of the development projects and hence there was no project completed on the first half of 2008. However, the management expected Durban Image Phase II should complete before the end of year 2008 and ready for pre-sales.

Major Business Activities

- **Gain from Non-performing Loans**

  In July 2006, Durban had acquired a non-performing loans also classified as financial assets from an independent third party for an amount of approximately NT$1,408,000,000. The financial assets primarily consisted of land, real estate and marketable securities pledged as collaterals by debtors namely Hualon Corporation in Taiwan with an aggregate outstanding balance of approximately NT$2,807,426,000. A court-ordered auction was forced upon the non-performance of Hualon Corporation' pledged collaterals of properties and lands located on several areas in Taiwan and the amounts received from the auction was approximately to NT$1,499,487,000. Upon the disposal of other marketable securities under the same pledge. Durban had recorded a net gains totaled of approximately NT$167,106,000 in Year 2006.

  In March 2008, another court-ordered auction was held for the factories and office buildings located in Zhonghe, Taiwan under the same non-performing loans due by Hualon Corporation. As of 30 April, 2008, the auction had not been completed, however the management considered the auction result will be favorable to the Durban Group.

- **Acquisition of a Grade A Investment Property in Taipei**

  On 21 December 2007, a sale and purchase agreement was made between Du Centre, Tai Chan Asset Management Co., Ltd. ("台產資產管理股份有限公司") and Mayer Steel Pipe Corporation ("美亞鋼管廠股份有限公司"), under which the parties jointly acquired the whole block of a Grade A commercial building, namely Shin Kong Min Sheng Commercial Building ("新光銀行民生金融大樓"), located in the prime location of Taipei City from Shin Kong Commercial Bank Co., Ltd. ("台灣新光商業銀行股份有限公司") at a total consideration of NT$ 7.3 billion. Under the terms of the sale and purchase agreement, Du Centre, Tai Chan Assets Management Co., Ltd and Mayer Steel Pipe Corporation each own a 35%, 35% and 30% interest of the property, respectively. The Durban Group expects the building will provide a steady rental income stream as well as capital appreciation to the Group.

- **Acquisition of Da-Chin Construction Co., Ltd**

  On 31 December 2007, Durban completed the acquisition of the entire issued share capital of Da-Chin Construction Co., Ltd from an independent third party for a cash consideration of approximately NT$130,000,000. Purchase goodwill amounted to approximately NT$69,177,000 which represented Da-Chin is attributable to the profitability of the construction segment over the years. The management of the Durban Group considered that with the integration of Da-Chin's operation into the Durban Group, the long-term growth potential of an all aspects of property development and construction businesses are being developed.

Financial Review

Gross Profit

The Durban Group recorded a gross profit for the three years ended 31 December 2007 and four months ended 30 April 2008 are of approximately NT$781,421,000, NT$832,991,000, NT$1,078,951,000 and NT$216,990,000, with the gross profit margin of approximately 21.57%, 19.17%, 21.52% and 21.72%, respectively.

Performance by Segments

Property development segment had recorded a segment results/(loss) for the three years ended 31 December 2007 and four months ended 30 April 2008 were approximately (NT$39,089,000), NT$89,155,000, NT$402,116,000 and NT$18,341,000, respectively.

- The segment gross profit for the year ended 31 December 2005 was negative mainly due to the relatively low rate of realized income from construction projects, of which the progress of construction projects for sale were lagged behind the schedule from the SARs incident and as a result and under the completion accounting method, income could not be recognized on time. In response to changing operating environment, higher added value can be created by keeping abreast of market development and through shorter construction period and enhanced quality of construction.

- The income from property sales for the year ended 31 December 2006 was approximately NT$1,339,449,000, representing an increase as compared with approximately NT$263,308,000 in year 2005. The increase was mainly due to the fact that there was a total of four construction projects completed in Year 2006, namely Durban Joy (德安雙禧–福林段), Durban Jia Kang (德安家康) of District A and C, Durban Scenery of District E, F and H, and Durban Ren-he (德安仁和–仁和段), whereas only the construction of Durban Treasury was completed in 2005. On the other hand, the gross profit in 2006 turnaround from negative to positive figures, mainly due to the proactive implementation of quality management, shorter construction period and enhanced construction efficiency.

- The income from property sales for the year ended 31 December 2007 was approximately NT$2,141,732,000, representing an increase as compared with approximately NT$1,339,449,000 in 2006. The gross profit in Year 2007 was approximately NT$402,116,000, representing an increase as compared with approximately NT$89,155,000 in Year 2006 due to the completion of construction projects such as Durban Jia Kang (德安家康), Durban Image and Dazhi Star (大直之星) whereas with higher gross profit margins.

Department Store segment had recorded a segment results for the three years ended 31 December 2007 and four months ended 30 April 2008 were approximately NT$590,956,000, NT$524,389,000, NT$504,600,000 and NT$108,931,000, respectively.

The reasons for decrease in segment results and gross profit from Department Store segment on a yearly basis were as follows:

- General unfavorable factors were that the upward price pressure domestically due to weakening growth in domestic purchasing power and rising raw material costs internationally. On the other hand, the extent of raise in the average salary earned by normal employees was limited, leading to the decline of purchasing power and falling in consumer confidence.

- The boundary between shopping centers and department stores was fading out as shopping centers were operated by mode similar to the scale of counters in department stores. The market segments and customers base targeted by shopping centers overlapped to a large extent with that of department stores, resulting in fast saturation of market and increasingly intense competition.

- Cosmetics counters were set up by non-department stores such as 7-11 and Nikomart (福客多) convenience stores all over Taiwan; market competition was also intensified by the fact that anniversary promotional packages offered by department stores were being imitated by television and internet shopping.

In spite of the general unfavorable external environment, the operating team will devote more efforts to expand the number of potential new outlets and issue joint cards in new outlets; on the other hand, operating efficiency of old outlets will be enhanced through renovation and introduction of new counters. The advantage of the synergy of chain operations can be taken through sensible business integration, part-time employment and joint purchasing, with an aim to deliver the maximum value of growth for shareholders.

The Durban Group is confident that the global economy should see continued support from growth in Asia. With the management's operating experience in department stores and its long co-operative relationship with its suppliers and concessionaires, the Durban Group proactively marketing strategies may in due course lead to profit expectations rising again.

Property investment segment had recorded a segment results for the three years ended 31 December 2007 and four months ended 30 April 2008 were approximately NT$109,112,000, NT$104,054,000, NT$41,653,000 and NT$42,780,000, respectively.

Turnover from Year 2006 was approximately NT$137,443,000, represented a decreased of approximately NT$6,609,000 from Year 2005 of approximately NT$144,052,000. And turnover from Year 2007 was approximately NT$61,104,000, represented a decreased of approximately NT$76,339,000 from Year 2006 of approximately NT$137,443,000.

- The rental turnover and income had been declined from year ended 31 December 2005 to 2007 on a yearly basis. It was mainly due to the decrease in the rental income and increase of vacancy units and disposal of two industrial buildings for leasing purposes during the Year 2006 from Du Centre.

- However, the rental income for the four months period ended 30 April 2008 had increased as Du Centre acquired a Grade A Shin Kong Min Sheng Commercial Building in December 2007 for rental income and capital appreciation purpose.

Other segments consists of revenue from building management and consultancy services had recorded a segment results for the three years ended 31 December 2007 and four months ended 30 April 2008 were approximately NT$120,442,000, NT$115,393,000, NT$130,582,000 and NT$46,938,000, respectively.

The income from other segments was relatively stable over the three years ended 31 December 2007 and four months ended 30 April 2008, The Durban Group considered that the contribution from other segments which comprising of property management services, including cleaning and maintenance management and provision of other consultancy services will progressively improve as more and more projects developed and constructed by Durban is expecting to be consummated in the future, and will provide much business opportunities for this segments to render services.

Finance Costs

During the three years ended 31 December 2007 and four months ended 30 April 2008, the Durban Group incurred NT$120,522,000, NT$140,386,000, NT$132,284,000 and NT$50,400,000 in finance costs. Durban Group relied on bank borrowings with floating interest rates to finance its building construction and property development, department store operations and property investment activities.

Financial Resources and Treasury Policies

The Durban Group adopts prudent treasury policies, which includes maintaining sufficient capital to continue as a going concern. Credit policy is in place to lower the risk of credit sales and major receivables in order to fulfilling the requirements for committed credit facilities and capital commitments.

As at 31 December 2005, 2006 and 2007, and 30 April 2008, Durban had bank deposits and cash balances (including pledged bank deposits) of approximately NT$66,126,000, NT$77,512,000, NT$92,590,000 and NT$38,574,000, of which bank deposits of approximately NT$439,000, NT$8,708,000, NT$11,531,000 and NT$8,819,000 were pledged to secure financing facilities granted to the Group.

The Durban Group had a total of approximately NT$6,497,022,000, NT$6,008,319,000, NT$5,829,212,000 and NT$8,016,292,000 financing facilities from banks were available as at 31 December 2005, 2006 and 2007, and 30 April 2008, of which approximately NT$5,009,759,000, NT$4,854,135,000, NT$4,380,954,000 and NT$4,752,280,000 had been drawn down to finance the Durban Groups' working capital purposes, capital expenditures and building development projects.

The gearing ratio (net debt divided by total capital) as at 31 December 2005, 2006 and 2007, and 30 April 2008 were approximately 87%, 82%, 74% and 76%. Current portion of borrowings accounted for approximately 13%, 13%, 14% and 15% of the total assets of the Durban Group, respectively. The major shareholder of the Durban Group has undertaken to provide continuing financial support to the Durban Group so as to enable it to fulfill the Durban Group's commitment.

Foreign Exchange Exposure

As most of the Durban Group's monetary assets and liabilities are denominated in new Taiwan dollars. There is no significant exposure to the fluctuation of foreign exchange rate.

Charge on Group Assets

As at 31 December 2005, 2006 and 2007, and 30 April 2008, the Durban Group had listed and unlisted financial assets with a total value of approximately NT$8,515,217,000, NT$8,728,232,000, NT$6,303,963,000 and NT$6,968,969,000 pledged to banks for securing bank loans and the amount drawn down by the Durban Group were NT$4,448,596,000, NT$4,040,393,000, NT$3,772,770,000 and NT$3,855,987,000. In addition, bank deposits, cash and other assets at total net book value of approximately NT$439,000, NT$8,708,000, NT$11,531,000 and NT$8,819,000 were pledged to bank for securing banking and other facilities granted to the Group.

Contingent Liabilities

Save for as disclosed in the Accountants' report of the Durban Group note 46 in Appendix II of this circular, the Durban Group does not have any significant contingent liabilities as at 31 December 2005, 2006 and 2007, and 30 April 2008.

Capital Commitments

As at 31 December 2005, 2006 and 2007, and 30 April 2008, the Durban Group had a total of capital commitments not provided for in the financial statements of approximately NT$1,085,857,000, NT$1,329,484,000, NT$1,930,141 and NT$1,685,929,000, respectively.

Employee Information

As at 31 December 2005, 2006 and 2007, and 30 April 2008, the Durban Group has an aggregate of 631, 660, 762 and 760 employees. Total staff costs for the three years ended 31 December 2007 and four months ended 30 April 2008 were approximately NT$236,387,000, NT$278,104,000, NT$253,447,000 and NT$107,958,000, including retirement benefits cost of approximately NT$8,303,000, NT$10,732,000, NT$20,521,000 and NT$7,573,000, respectively.

There was no material change to the employee policy during these three years and four months ended 30 April 2008. The Durban Group encourages high productivity and remunerates its employees based on their qualification, work experience, contribution to the Durban Group and accordingly to general market conditions every year.

Outlook

The management of the Durban Group endeavours to steer and position the Durban Group towards the path of new growth from its integrated platform of building construction, development, management services and to property investment, together with the management's operating experience in department stores and its long co-operative relationship with its suppliers and concessionaires, all expects that such efforts will reap towards for the Durban Group.

I) LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The following is text of a letter, received from the reporting accountants of the Company, CCIF CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information for the purpose of incorporation in this circular.

CCIF

CCIF CPA LIMITED

20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

31 October 2008

The Directors
Mayer Holdings Limited

Dear Sirs/Madam,

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF MAYER HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Mayer Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and 德安開發股份有限公司 ("Durban Development Co., Ltd") together with the Group (hereinafter collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purpose only, to provide information about how the acquisition of approximately 88.59% equity interest of Durban Development Co., Ltd and its subsidiaries (hereinafter collectively referred to as the "Durban Group") (the "Acquisition") might have affected the financial information presented, for inclusion in Appendix IV to the circular dated 31 October 2008 (the "Circular") issued by the Company. The basis of preparing the unaudited pro forma financial information is set out on pages 215 to 226 of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the sole responsibility of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial position of the Enlarged Group as at 31 December 2007 or any future date; or

– the results and cashflows of the Enlarged Group for the year ended 31 December 2007 or any future period.

Opinion

In our opinion:

a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully
CCIF CPA Limited
Certified Public Accountants
Hong Kong

Leung Chun Wa
Practising Certificate Number P04963

II) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the unaudited pro forma financial information of the Enlarged Group prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of illustrating the effect of the Acquisition on the financial position of the Enlarged Group as at 31 December 2007 and the results and cash flows of the Enlarged Group for the year ended 31 December 2007.

The accompanying unaudited pro forma financial information of the Enlarged Group is based on certain assumptions, estimates uncertainties and other currently available financial information, and is provided for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the actual financial position, results and cashflows of the Enlarged Group following the completion of the Acquisition. Further, the accompanying unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position or results of operations.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared based on the unaudited consolidated balance sheet of the Company as at 30 June 2008 as extracted from the published interim report of the Company as of 30 June 2008 as set out in Appendix I to the Circular and the audited consolidated balance sheet of Durban Development Co., Ltd. as at 31 December 2007 as extracted from the accountants' report as set out in Appendix II to the Circular as if the Acquisition had been completed on 30 June 2008.

The unaudited pro forma consolidated income statement and cash flow statement of the Enlarged Group are prepared based on the audited consolidated income statement and cash flow statement of the Company for the year ended 31 December 2007 as extracted from the published annual report of the Company as of 31 December 2007 as set out in Appendix I to the Circular, and the audited consolidated income statement and cash flow statement of Durban Group for the year ended 31 December 2007 as extracted from the accountants' report as set out in Appendix II to the Circular as if the Acquisition had been completed on 1 January 2007.

The unaudited pro forma financial information should be read in conjunction with the financial information contained in the Circular and the "Financial information of the Durban Group" set out in Appendix II to the Circular.

For the purpose of the unaudited pro forma financial information, NT$ have been translated into RMB at a closing rate of NT$1.00 = RMB0.2252 for the balances as at 1 January 2007 and 31 December 2007 respectively for the unaudited pro forma consolidated balance sheet and at an average rate of NT$1.00 = RMB0.2310 for unaudited pro forma consolidated income statement and cash flow statement.

(a) Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group

This unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared for the purpose of illustrating the effects of the Acquisition as if it had taken place on 30 June 2008.

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared based on the unaudited consolidated balance sheet of the Company as at 30 June 2008 as extracted from the Company's published interim report for the period ended 30 June 2008 and the consolidated balance sheet of the Durban Group as at 31 December 2007 as extracted from the accountants' report on the financial information of the Durban Group as set out in Appendix II of the Circular after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

Accordingly, the unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Group as at 30 June 2008 or any future date.

	The Group unaudited consolidated balance sheet as at 30 June 2008	The Durban Group audited cosolidated balance sheet as at 31 December 2007	Pro forma adjustments				Unaudited pro forma balance sheet of the Enlarged Group
			Note 1	*Note 2*	*Note 3*	*Note 4*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets							
Property, plant and equipment	112,929	77,652					190,581
Investment properties	283,534	654,266					937,800
Properties under development	–	446,579					446,579
Land use right	10,460	–					10,460
Interests in associates	–	79,482					79,482
Available-for-sale financial assets	14,685	312,257					326,942
Goodwill	–	38,352					38,352
Total non-current assets	421,608	1,608,588					2,030,196

	The Group unaudited consolidated balance sheet as at 30 June 2008	The Durban Group audited cosolidated balance sheet as at 31 December 2007	Pro forma adjustments				Unaudited pro forma balance sheet of the Enlarged Group
			Note 1	*Note 2*	*Note 3*	*Note 4*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current Assets							
Properties held for sale	–	201,056					201,056
Inventories	120,546	5,866					126,412
Trade receivables	220,716	19,444					240,160
Bills receivables	–	4,979					4,979
Amounts due from a related parties	11,056	119					11,175
Amounts due from directors	–	14					14
Prepayments, deposits and other receivables	31,870	57,894					89,764
Other financial assets	–	58,430					58,430
Pledged bank deposits	58,978	2,597					61,575
Cash and cash equivalents	103,713	18,254	(314,726)		314,726		121,967
Total current assets	546,879	368,653					915,532
Current liabilities							
Trade payables	(9,335)	(107,781)					(117,116)
Bills payable	–	(161,074)					(161,074)
Amounts due to related companies	–	(3,599)					(3,599)
Amounts due to directors	–	(42,788)					(42,788)
Other payables and accruals	(26,576)	(79,552)				(18,884)	(125,012)
Receipts in advance	–	(80,163)					(80,163)
Interest-bearing borrowings – current portion	(320,657)	(266,957)			(314,726)		(902,340)
Tax payables	(3,258)	(4,069)					(7,327)
Total current liabilities	(359,826)	(745,983)					(1,439,419)
Net current assets/(liabilities)	187,053	(377,330)					(523,887)

	The Group unaudited consolidated balance sheet as at 30 June 2008	The Durban Group audited cosolidated balance sheet as at 31 December 2007	Pro forma adjustments				Unaudited pro forma balance sheet of the Enlarged Group
			Note 1	*Note 2(b)*	*Note 3*	*Note 4*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities							
Interest-bearing borrowings – non-current portion	(121,409)	(719,634)					(841,043)
Deferred tax liabilities	(12,922)	–					(12,922)
Derivative financial instruments through profit or loss	–	(22,274)					(22,274)
	(134,331)	(741,908)					(876,239)
Net assets	474,330	489,350					630,070
Capital and reserves							
Share capital	59,460	264,340	(264,340)				59,460
Reserves	337,578	71,893	(201,540)	112,790		(18,884)	301,837
Proposed dividend	11,520	–					11,520
Equity attributable to equity holders of the Company	408,558	336,233					372,817
Minority interests	65,772	153,117	38,364				257,253
Total equity	474,330	489,350					630,070

(b) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group

The following is the unaudited pro forma consolidated income statement of the Enlarged Group prepared to demonstrate the effect of the Acquisition as if the Acquisition had taken place on 1 January 2007, the beginning of the financial year of the Group.

The unaudited pro forma consolidated income statement of the Enlarged Group was prepared to reflect the effect of the Acquisition based on:

(1) the audited consolidated income statement of the Company as extracted from its published annual report for the year ended 31 December 2007, as set out in Appendix I of the Circular; and

(2) the audited consolidated income statement of the Durban Group for the year ended 31 December 2007 as extracted from its accountants' report, as set out in Appendix II of the Circular,

after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

Accordingly, the unaudited pro forma consolidated income statement of the Enlarged Group has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the results of the Enlarged Group for the year ended 31 December 2007 or any future period.

	The Group audited consolidated income statement for the year ended 31 December 2007	The Durban Group audited consolidated income statement for the year ended 31 December 2007	Pro forma adjustments			Unaudited pro forma income statement of the Enlarged Group
			Note 1	*Note 2(a)*	*Note 4*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations						
Turnover	1,253,230	1,158,272				2,411,502
Cost of sales	(1,197,423)	(909,034)				(2,106,457)
Gross profit	55,807	249,238				305,045
Other revenue	11,340	158,714				170,054
Other income	11,745	–				11,745
Distribution costs	(13,681)	(55,595)				(69,276)
Administrative expenses	(34,696)	(172,852)				(207,548)
Other operating expenses	(2,899)	(30,823)				(33,722)
Fair value loss on derivative financial instruments through profit or loss	–	(17,768)				(17,768)
Gain on revaluation of investment properties	–	30,347				30,347
Operating profit	27,616	161,261				188,877
Finance costs	(19,233)	(30,558)			(18,884)	(68,675)
Negative goodwill arising from acquisition of a subsidiary	–	–		112,790		112,790
Profit before taxation	8,383	130,703				232,992
Taxation	(3,106)	(4,280)				(7,386)
Profit from continuing operations	5,277	126,423				225,606
Discontinued operations						
Profit from discontinued operations	11,634	–				11,634
Profit for the year	16,911	126,423				237,240
Minority interests	(3,109)	17,050				13,941
Equity holders of the Company	13,802	143,473				251,181

(c) Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group

The following is the unaudited pro forma consolidated Cash Flow Statement of the Enlarged Group prepared to demonstrate the effect of the Acquisition as if it had been taken place on 1 January 2007, the beginning of the financial year of the Group.

The unaudited pro forma consolidated Cash Flow Statement of the Enlarged Group had been prepared based on:

(1) the audited consolidated Cash Flow Statement of the Company as extracted from its published annual report for the year ended 31 December 2007, as set out in Appendix I of the Circular; and

(2) the audited consolidated Cash Flow Statement of the Durban Group for the year ended 31 December 2007 as extracted from its accountants' report, as set out in Appendix II of the Circular,

after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

Accordingly, the unaudited pro forma consolidated Cash Flow Statement of the Enlarged Group has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended 31 December 2007 or any future period.

	The Group audited consolidated cashflow statement for the year ended 31 December 2007	The Durban Group audited consolidated cashflow statement for the year ended 31 December 2007		Pro forma adjustments			Unaudited pro forma cashflow statement of the Enlarged Group
			Note 1	*Note 2(a)*	*Note 3*	*Note 4*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
PROFIT BEFORE TAXATION	8,383	130,703		112,790		(18,884)	232,992
Discontinued operations	1,652	–					1,652
Gain on disposal of subsidiaries	8,715	–					8,715
	18,750	130,703					243,359
ADJUSTMENTS FOR:							
Depreciation and amortisation	19,609	34,456					54,065
Interest income	(1,907)	–					(1,907)
Interest expenses	21,824	–				18,884	40,708
Amortisation of operating lease prepayment	222	–					222
Gain on disposal of subsidiaries	(8,715)	–					(8,715)
Provision for impairment of trade receivables	1,558	–					1,558
Provision for impairment of club debentures	720	–					720
Gain on disposal of property, plant and equipment	(240)	–					(240)
Loss on disposal of property, plant and equipment	–	(96,611)					(96,611)
Fair value (gain)/loss on derivative financial instruments through profit or loss	(989)	17,768					16,779
Negative goodwill arising from acquisition of a subsidiary	–	–		(112,790)			(112,790)
Impairment loss on goodwill	–	7,845					7,845
Impairment loss on available-for-sale financial assets		8,316					8,316
Gain on disposal of available-for-sale financial assets	–	(41,503)					(41,503)
Fair value gain on properties under development	–	(21,376)					(21,376)
Net gain arising from fair value change of investment properties	–	(30,347)					(30,347)
Unpaid pension cost	–	(1,054)					(1,054)
	32,082	(122,506)					(184,330)

	The Group audited consolidated cashflow statement for the year ended 31 December 2007	The Durban Group audited consolidated cashflow statement for the year ended 31 December 2007	Pro forma adjustments				Unaudited pro forma cashflow statement of the Enlarged Group
			Note 1	*Note 2*	*Note 3*	*Note 4*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	50,832	8,197					59,029
Increase in inventories	(26,851)	(184)					(27,035)
(Increase)/decrease in amount due from related parties	(3,737)	845					(2,892)
(Increase)/decrease in trade receivables, prepayments, deposits and other receivables	(32,550)	39,493					6,943
Decrease in amounts due from directors	–	43					43
Increase/(decrease) in trade payables, other payables and accruals	8,363	(130,338)				18,884	(103,091)
Increase in properties held for sale	–	416,790					416,790
Decrease in properties under development	–	(289,141)					(289,141)
Increase in amounts due to related parties	–	(5,192)					(5,192)
Decrease in amounts due to directors	–	42,760					42,760
Decrease in obligations under finance leases	–	(69,945)					(69,945)
Cash (used in)/generated from operations	(3,943)	13,328					28,269
Income tax paid	(234)	(9,318)					(9,552)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(4,177)	4,010					18,717

	The Group audited consolidated cashflow statement for the year ended 31 December 2007	The Durban Group audited consolidated cashflow statement for the year ended 31 December 2007	Pro forma adjustments				Unaudited pro forma cashflow statement of the Enlarged Group
			Note 1	*Note 2*	*Note 3*	*Note 4*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES							
Purchase of property, plant and equipment	(34,078)	(601,476)					(635,554)
Acquisition of a subsidiary, net of cash outflow	–	(27,064)	(314,726)				(341,790)
Purchase of additional shares of a subsidiary		(30,422)					(30,422)
Proceeds from disposal of property, plant and equipment	1,810	1,079,384					1,081,194
Purchase of available-for-sale financial assets	–	(428,985)					(428,985)
Proceeds from disposal of available-for-sale financial assets	–	295,030					295,030
Acquisition of an associate	–	(79,482)					(79,482)
Purchase of other financial assets	–	(892)					(892)
Increase in deposit for acquisition of property	(29,625)	–					(29,625)
Decrease in bank deposits (with original maturities more than 3 months)	21,800	–					21,800
Increase in derivative instruments through profit or loss	(14,644)	–					(14,644)
Interest received	1,907	–					1,907
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	(52,830)	206,093					(161,463)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING	(57,007)	210,103					(142,746)
FINANCING ACTIVITIES							
Proceeds from disposals of interests in subsidiaries	28,846	–					28,846
Proceeds from issue of shares	53,739	–					53,739
New borrowings raised	96,025	762,081			314,726		1,172,832
Increase in pledged bank deposits	(44,027)	(637)					(44,664)
Repayment of borrowings	(28,823)	(29,573)					(58,396)
Payment of long-term bank loans	–	(871,386)					(871,386)
Dividend paid	(9,600)	–					(9,600)
Interest paid	(21,824)	–				(18,884)	(40,708)
Increase/(decrease) in amounts due to minority interests	10,331	(67,855)					(57,524)

	The Group audited consolidated cashflow statement for the year ended 31 December 2007	The Durban Group audited consolidated cashflow statement for the year ended 31 December 2007	Pro forma adjustments				Unaudited pro forma cashflow statement of the Enlarged Group
			Note 1	*Note 2*	*Note 3*	*Note 4*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	84,667	(207,370)					173,139
Net increase in cash and cash equivalents	27,660	2,733					30,393
Effect of foreign exchange rate changes	(5,888)	26					(5,862)
Cash and cash equivalents, at beginning of the year	45,689	15,495					61,184
Cash and cash equivalents, at end of the year	67,461	18,254					85,715

Notes to unaudited pro forma financial information of the Enlarged Group:

1. Under HKFRS 3 Business Combinations ("HKFRS 3"), the Group applied the purchase method to account for the acquisitions of the Durban Group. In applying the purchase method, the identifiable assets, liabilities of the Durban Group are recorded on the consolidated balance sheet of the Group at their fair values at the date of completion. Excess of the Group's interest in the net fair value of the identifiable assets, liabilities of the Durban Group over consideration is recognised immediately in the consolidated income statement.

   Since the net fair values of the identifiable assets and liabilities of the Durban Group as at the date of completion of Acquisition may be different from their values used in the preparation of the unaudited pro forma consolidated balance sheet above, the amount of excess and deficit of the acquirer's interest in the net fair value of acquirees' identifiable assets, liabilities over the costs of acquisition arising from the Acquisition will be reassessed at time of actual completion.

   The adjustments reflect the following:

   (i) The consideration of the Acquisition will be satisfied by cash of approximately RMB314,726,000.

   (ii) Elimination of share capital, reserve and minority interest of the Durban Group of approximately RMB264,340,000, RMB201,540,000 and RMB38,364,000, respectively on consolidation of the 88.59% equity interest in the Durban Group.

2. Negative goodwill arising from acquisition of a subsidiary of approximately RMB112,790,000 arising from the Acquisition, (a) as if the transaction was completed on 1 January 2007 for the purpose of proforma income statement and (b) as if the transaction was completed on 31 December 2007 for the proforma balance sheet, derived from the calculation as follows:

		RMB'000
Consideration *(Note 3)*		314,726
Fair value of net assets of the Durban Group at 31 December 2007		489,350
Less:	Minority interests	(55,834)
		433,516
Add:	Professional expenses incurred for the Proposed Acquisition *(Note 5)*	6,000
Negative goodwill arising from the Acquisition of 88.59% equity interests of Durban Group		112,790

All identifiable assets, liabilities and considerations are assumed to be at their fair values.

On completion, the fair value of the net identifiable assets and liabilities of the Durban Group will have to be reassessed. As a result of the reassessment, the amount of negative goodwill may be different from that estimated on the basis stated above for the purpose of preparation of the unaudited pro forma financial information. Accordingly, the actual negative goodwill at the date of completion may be different from the above. This negative goodwill arising from acquisition of a subsidiary shall not have a continuing effect on the financial statements of the Group in subsequent years.

3. The adjustments reflects the cash consideration of approximately RMB314,726,000 is financed by a bank loan.

4. The adjustment of approximately RMB18,884,000 represented the 6% yearly interest expenses for the bank loan to be expensed in the consolidated income statement of the Enlarged Group by assuming that the Acquisition had been completed at 1 January 2007.

5. The adjustments represent professional expenses to be incurred by the Company in relation to the Acquisition. These professional expenses shall not have a continuing effect of the financial statements of the Group in subsequent years.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Valuation Advisory Services (HK) Limited, an independent valuer, in connection with its valuation as at 30 September 2008 of the property interests of the Group.

Cushman & Wakefield Valuation Advisory Services (HK) Limited
Company Licence No. C-002429

6/F, Henley Building
5 Queen's Road Central, Hong Kong
Tel: (852) 2956 3888
Fax: (852) 2956 2323

Web: www.cushmanwakefield.com

CUSHMAN & WAKEFIELD® 高緯環球

31 October 2008

The Board of Directors
Mayer Holdings Limited
Room 501, 5th Floor
Aon China Building
29 Queen's Road Central
Hong Kong

Dear Sirs,

Preliminary

In accordance with the instructions given by the management of Mayer Holdings Limited (the "Company") to value the properties in which the Company and its subsidiaries (hereinafter together referred to as the "Group") have interests in Hong Kong, Mainland China, Taiwan and Vietnam. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 September 2008 (the "date of valuation").

Basis of Valuation

Our valuations of the property interests represent the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by The Royal Institution of Chartered Surveyors and effective from 1 January 2008; and The HKIS Valuation Standards on Properties (2005, First Edition) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

Valuation Assumptions

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and/or official plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Site Inspection

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

Valuation Methodology

We have valued the property interest in Groups I, III and IV by the direct comparison approach assuming sale of the property interest(s) in its (their) existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

We have valued the property in Group II by the investment method by taking into account the net rental incomes of the property derived from the existing tenancies with due allowance for the reversionary income potential of the tenancies, which are then capitalised into the value at an appropriate capitalisation rate.

We have attributed no commercial value to the property interests in Groups IV and V, which are leased by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Title Investigations

We have been, in some instances, provided by the Group with extracts of the title documents relating to the properties in the People's Republic of China (PRC) and have caused searches to be made at Land Offices of Taiwan and the Hong Kong Land Registries in respect of Taiwan and Hong Kong properties respectively. Where possible, we have searched the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the properties or any lease amendments which may not appear on the copies handed to us. We have relied considerably on the advice given by the Company's legal advisers – Jincheng & Tongda Law Firm in the PRC, Lee and Li, Attorneys-at-Law in Taiwan and Gide Loyette Novel A. A. R. P. I. in Vietnam, concerning the validity of the Group's titles to the property interests.

In valuing those property interests of the Group in Hong Kong held under the Government Leases expiring before 30th June, 1997, we have taken account of the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the PRC on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30th June, 2047 and that a rent of three per cent of the then rateable value is charged per annum from the date of extension.

Currency & Exchange Rate

Unless otherwise stated, all monetary sums stated in this report are either in New Taiwan Dollars (NT$) or Chinese Renminbi (RMB). The exchange rate adopted in our valuations for NT$ and HK$ is approximately NT$1 = HK$0.24175 and the exchange rate for RMB and HK$ is approximately RMB1 = HK$1.13679 which were approximately the prevailing exchange rate as at the date of valuation.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Cushman & Wakefield Valuation Advisory Services (HK) Limited
Vincent K. C. Cheung
Registered Professional Surveyor (GP)
BSc(Hons) MBA MRICS MHKIS
Associate Director

Note: Mr Vincent K. C. Cheung holds a Master Degree in Business Administration and a Bachelor (Hons) Degree in Real Estate and he is a Registered Professional Surveyor with over 11 years' experience in assets valuations in Hong Kong, Mainland China, Taiwan, Vietnam and other Asia Pacific Regions. Specifically, Mr. Cheung obtains over 5 years of property valuation experience in the Mainland China and 3 years of property valuation experience in Taiwan. Mr. Cheung is a member of The Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. Mr. Cheung is one of the valuers on the "list of property valuers for undertaking valuation for undertaking valuation for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers" as well as a Registered Business Valuer of the Hong Kong Business Valuation Forum.

All the valuations conducted in Taiwan are carried out by Cushman & Wakefield Valuation Advisory Services (HK) Limited and led by Vincent K, C. Cheung and in collaboration with RePro International Inc., an associated company of Cushman & Wakefield in Taiwan and the principal valuer from RePro International Inc. to undertake this valuation assignment is Mr Jackie Wu, who has over 7 years of valuation experience in Taiwan and he is the Taiwan Certified Real Estate Appraiser (Licence No. (94) 000065).

SUMMARY OF VALUES

GROUP I – PROPERTY INTEREST OWNED BY THE GROUP AND IN VACANT POSSESSION IN TAIWAN

No.	Property	Market Value in existing state as at 30 September 2008	Interest attributable to the Group	Market Value in existing state as at 30 September 2008 attributable to the Group
1.	Vacant Portion of Durban Technology Park Phase 8, No. 156, 158, 158-1 and 160 Section 2, Gongdao 5th Road, East District, Taiwan	NT$596,430,000 HK$144,186,953	100%	NT$596,430,000 HK$144,186,953
	Sub-total:	NT$596,430,000 HK$144,186,953		NT$596,430,000 HK$144,186,953

GROUP II – PROPERTY INTEREST OWNED BY THE GROUP FOR LEASING IN TAIWAN

No.	Property	Market Value in existing state as at 30 September 2008	Interest attributable to the Group	Market Value in existing state as at 30 September 2008 attributable to the Group
2.	Leased-out Portion of Durban Technology Park Phase 8, No. 156, 158, 158-1 and 160 Section 2, Gongdao 5th Road, East District, Taiwan	NT$658,700,000 HK$159,240,725	100%	NT$658,700,000 HK$159,240,725
	Sub-total:	NT$658,700,000 HK$159,240,725		NT$658,700,000 HK$159,240,725

GROUP III – PROPERTY INTEREST OWNED AND OCCUPIED BY THE GROUP IN MAINLAND CHINA

No.	Property	Market Value in existing state as at 30 September 2008	Interest attributable to the Group	Market Value in existing state as at 30 September 2008 attributable to the Group
3.	An industrial facility located at Yonghe Economic Zone of Guangzhou Economic and Technological Development District, No. 38 Yonghe Road, Guangzhou, the PRC	RMB89,200,000 HK$101,401,668	81.4%	RMB72,608,800 HK$82,540,958
	Sub-total:	RMB89,200,000 HK$101,401,668		RMB72,608,800 HK$82,540,958

GROUP IV – PROPERTY INTEREST HELD AND OCCUPIED BY THE GROUP IN VIETNAM

No.	Property	Market Value in existing state as at 30 September 2008	Interest attributable to the Group	Market Value in existing state as at 30 September 2008 attributable to the Group
4.	No. 29 Dai Lo Huu Nghi, Vietnam Singapore Industrial Park (VSIP), Thuan An District, Binh Duong Province, HoChiMinh City, Vietnam	No commercial value	N/A	No commercial value
	Sub-total:	No commercial value		No commercial value

GROUP V – PROPERTY INTEREST LEASED AND OCCUPIED BY THE GROUP IN HONG KONG

No.	Property		Market Value in existing state as at 30 September 2008	Interest attributable to the Group	Market Value in existing state as at 30 September 2008 attributable to the Group
5.	Room 501, 5/F Aon China Building, 29 Queen's Road Central, Hong Kong		No Commercial Value	N/A	No Commercial Value
		Sub-total:	No Commercial Value		No Commercial Value
		Total:	**NT$1,674,578,472** **HK$404,829,346**		**NT$1,596,561,057** **HK$385,968,636**

VALUATION CERTIFICATE

GROUP I – PROPERTY INTEREST OWNED BY THE GROUP AND IN VACANT POSSESSION IN TAIWAN

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Group
1.	Vacant Portion of Durban Technology Park Phase VIII, No. 156, 158, 158-1 and 160 Section 2, Gongdao 5th Road, East District, Taiwan	The property comprises portions of 1st, 5th, 8th, 9th and 11th floor and the whole of 6th floor, Basements 1, 2 and 3 of Durban Technology Park Phase VIII. The subject development is formed up by two industrial/office buildings: an 11-storey building together with another 2-storey building erected upon a 3-level common basement. The subject buildings are completed in about 2007. The total gross floor area of the whole development is approximately 20,478 sq.m. The industrial/office portion of the property has a total gross floor area of approximately 4,347.9 sq.m. and the 3-level basement contains 221 nos. of car parking spaces.	The property is currently vacant.	NT$596,430,000 (HK$144,186,953)	NT$596,430,000 (HK$144,186,953) *(100% interest attributable to the Group)*

Notes:

1. Pursuant to the land registration transcript no. 195907 dated 28 October 2008 and building registration transcript nos. 196043, 195987, 196043 and 196099 dated 28 October 2008, the registered owner of the property with a land registration no. 14 Guan-Fu Section, East District, Hsinchu and building registration nos. 5081, 5082, 5083, 5090-5113 Guan-Fu Section, East District, Hsinchu is 美控實業股份有限公司 (Mei Kong Shih Ye Limited), which is an indirectly wholly-owned subsidiary of the Company.

2. Pursuant to the abovementioned land and building registration transcripts, the property is subject to a mortgage in favour of Mega International Commercial Bank Co., Ltd. at a consideration of NT$739,200,000 with an expiry date on 29 January 2038.

3. We have been provided with a legal opinion dated 27 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:

   (i) The property is subject to a mortgage in favour of Mega International Commercial Bank to guarantee the obligation of repayment of Mei Kong Shih Ye Limited of up to the amount of NT$739,200,000 with the expiry date on 29 January 2038.

GROUP II – PROPERTY INTEREST OWNED BY THE GROUP FOR LEASING IN TAIWAN

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Group
2.	Leased-out Portion of Durban Technology Park Phase VIII, No. 156, 158, 158-1 and 160Section 2, Gongdao 5th Road, East District, Taiwan	The property comprises portions of 1st, 5th, 8th and 9th floor and the whole of 2nd, 3rd, 4th, 7th and 10th floor of Durban Technology Park Phase VIII. The subject development is formed up by two industrial/office buildings: an 11-storey building together with another 2-storey building erected upon a 3-level common basement. The subject buildings are completed in about 2007. The total gross floor area of the whole development is approximately 20,478sq.m. The industrial/office portion of the property has a total gross floor area of approximately 8,547.98sq.m.	The property is currently leased to various parties with a lease expiry date at the latest on 19 November 2013.	NT$658,700,000 (HK$159,240,725)	NT$658,700,000 (HK$159,240,725) *(100% interest attributable to the Group)*

Notes:

1. Pursuant to the land registration transcript no. 195907 dated 28 October 2008 and building registration transcript nos. 196043, 195987, 196043 and 196099 dated 13 February 2008, the registered owner of the property with a land registration no. 14 Guan-Fu Section, East District, Hsinchu and building registration nos. 5081, 5082, 5083, 5090-5113 Guan-Fu Section, East District, Hsinchu is 美控實業股份有限公司 (Mei Kong Shih Ye Limited), which is an indirectly wholly-owned subsidiary of the Company.

2. Pursuant to the abovementioned land and building registration transcripts, the property is subject to a mortgage in favour of Mega International Commercial Bank Co., Ltd. at a consideration of NT$739,200,000 with an expiry date on 29 January 2038.

3. The subject property is subject to the following tenancy agreements:-

   (i) Unit B on 1st floor and a car parking space is leased to Leadconn Technology Co., Ltd for a term of 3 years commencing from 2 April 2008 to 1 April 2011 at a unit rent of approximately NT$476/sq.m (inclusive of property tax) and the monthly car parking rent is NT$3,000 (exclusive of property tax).

   (ii) Units A, B, C and D on 2nd, 3rd and 4th floor and 30 car parking spaces are leased to Gsharp Corporation. The lease term for the industrial/office units is for 5 years commencing from 1 November 2008 to 31 October 2013 at a unit rent of approximately NT$349/sq.m. (inclusive of property tax) and the monthly rent for the car parking spaces in basement 1 and 3 are NT$3,700 and NT$2,700 per space (both are exclusive of property tax) respectively.

(iii) Unit A on 5th floor is leased to Carl Zeiss SMT PTE Ltd for a term of 3 years commencing from 20 December 2007 to 19 December 2010 at a unit rent of approximately NT$349/sq.m. (inclusive of property tax).

(iv) Units B and C on 5th floor and 12 car parking spaces are leased to Tronic International Ltd and the office lease terms are 2 years. The lease term of Units B and C are commencing from 15 November 2007 to 14 November 2009 and 1 June 2008 to 31 May 2010 respectively, both at a unit rent of approximately NT$349/sq.m. (inclusive of property tax). The monthly rent for the car parking space is NT$3,500 per space (exclusive of tax).

(v) Units A, B, C and D on 7th floor and 20 car parking spaces are leased to Light Tuning Tech Inc. for a term of 5 years commencing from 20 July 2008 to 19 July 2013 at a unit rent of approximately NT$349/sq.m. (inclusive of property tax) and the monthly car parking rent is NT$3,000 per space (exclusive of property tax).

(vi) Unit B on 8th floor and 3 car parking spaces are leased to Musashi Engineering Inc. for a term of 3 years commencing from 1 July 2008 to 30 June 2011 at a unit rent of approximately NT$349/sq.m. (inclusive of property tax) and the monthly car parking rent is NT$3,000 per space (exclusive of property tax).

(vii) Units C and D on 8th floor and 5 car parking spaces are leased to MegKuan Computer LLC for a term of 3 years commencing from 11 July 2008 to 10 July 2011 at a unit rent of approximately NT$349/sq.m. (inclusive of property tax) and the monthly car parking rent is NT$3,500 per space (exclusive of property tax).

(viii) Units B, C and D on 9th floor and 15 car parking spaces are leased to UniTraQ International Corp. for a term of 3 years commencing from 1 January 2008 to 31 December 2010 at a unit rent of approximately NT$349/sq.m. (inclusive of property tax) and the monthly car parking rent is NT$3,000 per space (exclusive of property tax).

(ix) Units A, B, C and D on 10th floor and 4 car parking spaces are leased to Organo Technology Co., Ltd. for a term of 3 years commencing from 18 May 2008 to 17 May 2011 at a unit rent of approximately NT$365/sq.m. (inclusive of property tax) and the monthly car parking rent is NT$4,000 per space (exclusive of property tax).

4. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:

(i) The property is subject to a mortgage in favour of Mega International Commercial Bank Co., Ltd. to guarantee the obligation of repayment of Mei Kong Shih Ye Limited of up to the amount of NT$739,200,000 with the expiry date on 29 January 2038.

GROUP III – PROPERTY INTEREST OWNED AND OCCUPIED BY THE GROUP IN MAINLAND CHINA

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Group
3.	An industrial facility located at Yonghe Economic Zone of Guangzhou Economic and Technological Development District, No. 38 Yonghe Road, Guangzhou, the PRC	The property comprises a parcel of land with an area of approximately 55,489.35 sq.m. on which is constructed 9 buildings and some ancillary structures. The construction of the buildings and ancillary structures were completed in varying stages between 1997 and 2001. The total gross floor area of the buildings and structures are approximately 32,324.7065sq. m. The property has been granted with a land use rights certificate for a term of 50 years expiring on 22 December 2045 for industrial use.	The property is currently occupied by the Group for industrial and ancillary office purposes.	RMB89,200,000 HK$101,401,668	RMB72,608,800 HK$82,540,958 *(81.4% interest attributable to the Group)*

Notes:

1. Pursuant to Stated-owned Land Use Rights Grant Contract dated 21 December 1995 – (1995) Sui Kai Yong Di Zi No. 028 entered into between Administration of Yonghe Economic Zone of Guangzhou Economic and Technological Development District (Party A) and Guangzhou Mayer Metal Co., Ltd (currently known as Guangzhou Mayer Corp Ltd.) (Party B), a 81.4% owned subsidiary of Bamian Investments PTE Ltd. and this company is a wholly-owned subsidiary of the Company, Party B agreed to purchase the subject site at a consideration of RMB13,872,337.

2. Pursuant to the Real Estate Ownership Certificate – Yue Fang Di Zheng Zi Di No. C2161257, the registered owner of the property is Guangzhou Mayer Corp Ltd.

3. We have been provided with a legal opinion dated 30 October 2008 regarding the subject property interest by the Company's PRC legal adviser – Jincheng & Tongda Law Firm which contains, inter alia, the following:

    (i) Guangzhou Mayer Corp Ltd. has the right to freely lease, transfer, mortgage and handle the land use rights and building ownership rights of the property;

    (ii) the land use rights of the property are legally owned by Guangzhou Mayer Corp Ltd. and can be freely transferred, sublet, mortgaged or handled by Guangzhou Mayer Corp Ltd.;

    (iii) the building ownership rights of the property are legally owned by Guangzhou Mayer Corp Ltd. and can be freely transferred, sublet, mortgaged or handled by Guangzhou Mayer Corp Ltd.;

    (iv) the property is not subject to mortgage or any other encumbrances;

    (v) The registered owner of the property is Guangzhou Mayer Corp. Ltd., a 81.4% owned subsidiary of Baiman Investments PTE Ltd. and this company is a wholly-owned subsidiary of the Company.

GROUP IV – PROPERTY INTEREST HELD AND OCCUPIED BY THE GROUP IN VIETNAM

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Group
4.	No. 29 Dai Lo Huu Nghi, Vietnam Singapore Industrial Park (VSIP), Thuan An District, Binh Duong Province, HoChiMinh City, Vietnam	The property comprises an industrial/office facility with a site area of approximately 7,400 sq.m. on which is constructed a 3-storey industrial/office building and a single-storey guard house completed in mid 2000's. The property has a total gross floor area of approximately 6,183 sq.m.	The property is currently occupied by the Group for industrial/office purpose.	No commercial value	No commercial value

Notes:

1. Pursuant to a land lease agreement dated 26 December 2006 entered into between Vietnam Mayer Co., Ltd (the "Lessee") and Vietnam Singapore Industrial Park J.V. Co. Ltd (the "Landlord"), the land of the property is leased by the Lessee from the Landord for a term of 48 years at a total consideration of USD333,000 for the entire lease term.

2. Vietnam Mayer Co., Ltd is a wholly-owned subsidiary of the Company.

3. We have been provided with a legal opinion dated 14 October 2008 regarding the subject property interest by the Company's legal adviser in Vietnam – Gide Loyette Novel A.A.R.P.I., which contains, inter alia, the following:

   (i) The right to dispose of a land in Vietnam is evidenced by the issuance to the user of a Land Use Rights Certificate.

   (ii) The Land Use Rights Certificate is the only document under Vietnamese law that fully evidences and protects the rights of a land user.

   (iii) As at the date of issuance of the legal opinion, the Company has entered into the lease agreement but has not yet been issued any Land Use Rights Certificate in respect of the land reflecting the main terms and conditions of the lease under the lease agreement.

   (iv) In the absence of the Land Use Rights Certificate, the rights of Vietnam Mayer Co., Ltd. over the property is not fully protected by Vietnamese law and are only secured by the limited provisions of the lease agreement and tacit acknowledgements contained in the Investment Certificate.

   (v) The rights of Vietnam Mayer Co., Ltd. over the property will only be secured upon issuance to the Vietnam Mayer Co., Ltd. of a Land Use Rights Certificate and Building Ownership Certificate issued in the name of Vietnam Mayer Co., Ltd. in respect of the property. Upon receiving the Land Use Rights Certificate and Building Ownership Certificate, Vietnam Mayer Co., Ltd. will be entitled to transfer, contribute, donate or mortgage the property. Vietnam Mayer Co., Ltd may not assign or contribute all or part of its rights to use the property without the prior written consent of Vietnam Singapore Industrial Park J.V. Co., Ltd.

GROUP V – PROPERTY INTEREST LEASED AND OCCUPIED BY THE GROUP IN HONG KONG

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Group
5.	Room 501, 5/F Aon China Building, 29 Queen's Road Central, Hong Kong	The property comprises a unit on the 5th floor of a 23-storey (including upper basement, lower basement and mezzanine floor) commercial building completed in about 1978. The property has a gross/ lettable floor area of approximately 137.4 sq.m. The property is leased by the Company from an independent third party for a term of 3 years commencing from 5th August 2007 and expiring on 4th August 2010 at a monthly rent of HK$57,681 inclusive of government rates and management fees.	The property is currently occupied by the Group for office purpose.	No Commercial Value	No Commercial Value

Notes:

1. Pursuant to a tenancy agreement dated 18 September 2007 entered into between the Company (the "Lessee") and Vember Lord Limited (the "Lessor"), the property is leased by the Lessee from the Lessor for a term of 3 years commencing from 5 August 2007 and expiring on 4 August 2010 at a monthly rent of HK$57,681, exclusive of government rates and management fees.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Valuation Advisory Services (HK) Limited, an independent valuer, in connection with its valuation as at 30 September 2008 of the property interests of the Durban Group.

Cushman & Wakefield Valuation Advisory Services (HK) Limited
Company Licence No. C-002429
6/F, Henley Building
5 Queen's Road Central, Hong Kong
Tel: (852) 2956 3888
Fax: (852) 2956 2323
Web: www.cushmanwakefield.com

CUSHMAN & WAKEFIELD® 高緯環球

31 October 2008

The Board of Directors
Mayer Holdings Limited
Room 501, 5th Floor
Aon China Building
29 Queen's Road Central
Hong Kong

Dear Sirs,

Preliminary

In accordance with the instructions given by the management of Mayer Holdings Limited (the "Company") to value the properties in which Durban Development Co., Ltd. ("Durban") and its subsidiaries (hereinafter together referred to as the "Durban Group") have interests in Taiwan. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 September 2008 (the "date of valuation").

Basis of Valuation

Our valuations of the property interests represent the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by The Royal Institution of Chartered Surveyors and effective from 1 January 2008; and The HKIS Valuation Standards on Properties (2005, First Edition) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

Valuation Assumptions

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and/or official plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Site Inspection

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

Valuation Methodology

We have valued the property interests in Groups I and IV by the direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

We have valued the property interests in Group II by the investment method by taking into account the net rental incomes of the properties derived from the existing tenancies with due allowance for the reversionary income potential of the tenancies, which are then capitalised into the values at appropriate capitalisation rates.

In valuing the property interest in Groups III and V which are held by the Durban Group for future development and currently under development, we have assumed that they will be developed and completed in accordance with the latest development proposal we are informed by the Durban Group. In arriving at our opinion of values, we have adopted the direct comparison approach and taken into account the development costs and professional fees relevant to the stage of construction as at the valuation date and the remainder of the costs and fees to be expended to complete the development.

We have attributed no commercial value to the property interests in Group VI, which are leased by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

Source of Information

We have relied to a very considerable extent on the information given by the Durban Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Durban Group. We have also sought confirmation from the Durban Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Title Investigations

We have been, in some instances, provided by the Durban Group with extracts of the title documents relating to the properties in Taiwan and we have searched the land and/or building registration transcripts at Land Offices of Taiwan. Where possible, we have searched the original documents to verify the existing titles to the property interests in Taiwan and any material encumbrances that might be attached to the properties or any lease amendments which may not appear on the copies handed to us. We have relied considerably on the advice given by the Company's legal adviser – Lee and Li, Attorneys-at-Law, concerning the validity of the Durban Group's titles to the property interests.

Currency & Exchange Rate

Unless otherwise stated, all monetary sums in this report are stated in both New Taiwan Dollars (NT$) and Hong Kong Dollars (HK$). The exchange rate adopted in our valuations for NT$ and HK$ is approximately NT$1 = HK$0.24175 and the exchange rate for RMB and HK$ is approximately RMB1 = HK$1.13679 which were approximately the prevailing exchange rate as at the date of valuation.

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Cushman & Wakefield Valuation Advisory Services (HK) Limited
Vincent K. C. Cheung
Registered Professional Surveyor (GP)
BSc(Hons) MBA MRICS MHKIS
Associate Director

Note: Mr Vincent K. C. Cheung holds a Master Degree in Business Administration and a Bachelor (Hons) Degree in Real Estate and he is a Registered Professional Surveyor with over 11 years' experience in assets valuations in Hong Kong, Mainland China, Taiwan, Vietnam and other Asia Pacific Regions. Specifically, Mr Cheung obtains over 5 years of property valuation experience in the Mainland China and 3 years of property valuation experience in Taiwan. Mr. Cheung is a member of The Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. Mr. Cheung is one of the valuers on the "list of property valuers for undertaking valuation for undertaking valuation for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers" as well as a Registered Business Valuer of the Hong Kong Business Valuation Forum.

All the valuations conducted in Taiwan are carried out by Cushman & Wakefield Valuation Advisory Services (HK) Limited and led by Vincent K, C. Cheung and in collaboration with RePro International Inc., an associated company of Cushman & Wakefield in Taiwan and the principal valuer from RePro International Inc. to undertake this valuation assignment is Mr Jackie Wu, who has over 7 years of valuation experience in Taiwan and he is the Taiwan Certified Real Estate Appraiser (Licence No. (94) 000065).

SUMMARY OF VALUES

GROUP I – PROPERTY INTERESTS OWNED BY THE DURBAN GROUP AND IN VACANT POSSESSION IN TAIWAN

No.	Property	Market Value in existing state as at 30 September 2008	Interest attributable to the Durban Group	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
1.	Vacant Portion of Shan Grila Paradise, No. 330, 330-1, 330-2 and 330-3, Section 2, Jhonghua Road, Jhongli City, Taoyuan County, Taiwan	NT$233,730,000 (HK$56,504,228)	100%	NT$233,730,000 (HK$56,504,228)
2.	Portion of 3rd and 10th floor of Durban Treasury located at No. 20, 22 and 26, Section 3, Wunsin Road, Situn District, Taichung City, Taiwan	NT$27,660,000 (HK$6,686,805)	100%	NT$27,660,000 (HK$6,686,805)
3.	1st floor of Durban Technology Park Phase I, No. 47, Lane 2, Section 2, Guangfu Road, East District, Hsinchu City, Taiwan	NT$30,530,000 (HK$7,380,628)	100%	NT$30,530,000 (HK$7,380,628)
4.	13th and 14th floor and a car parking space in basement of Yanping Scenery located at No. 38 and No. 38-6, Land 38, Yanping Road, Yilan City, Taiwan	NT$4,280,000 (HK$1,034,690)	100%	NT$4,280,000 (HK$1,034,690)
5.	2nd floor of District C and car parking space nos. 71 and 72 in Basement 2 of Durban Jiakang located at No. 66 Jingfong Street, Wunshan District, Taipei City, Taiwan	NT$15,330,000 (HK$3,706,028)	100%	NT$15,330,000 (HK$3,706,028)
6.	1st floor (ground floor) shop, a car parking space in Basement 1 and 5 car parking spaces in Basement 2 of Durban Image located at No. 18, Lane 30, Section 1, Jiouzong Road, Neihu District, Taiwan	NT$83,720,000 (HK$20,239,310)	100%	NT$83,720,000 (HK$20,239,310)
7.	18 Car Parking Spaces in Basement 4 of Shin Kong Min Sheng Commercial Building, No. 8, Section 3, Minsheng East Road, Jhong-Shan District, Taipei City, Taiwan	NT$37,930,000 (HK$9,169,578)	55.95%	NT$21,221,835 (HK$5,130,379)
	Sub-total:	NT$433,180,000 (HK$104,721,267)		NT$416,471,835 (HK$100,682,068)

GROUP II – PROPERTY INTERESTS OWNED BY THE DURBAN GROUP FOR LEASING IN TAIWAN

No.	Property	Market Value in existing state as at 30 September 2008	Interest attributable to the Durban Group	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
8.	Leased-out Portion of Shan Grila Paradise, No. 330, 330-1, 330-2 and 330-3, Section 2, Jhonghua Road, Jhongli City, Taoyuan County, Taiwan	NT$88,780,000 (HK$21,462,565)	100%	NT$88,780,000 (HK$21,462,565)
9.	Portion of 1st, 6th and 8th floor and various car parking spaces in Basement Level 1 of Kaohsiung Transportation located at Nos. 288, 288-1 and 288-4 Sinya Road, Cianjhen District, Kaohsiung City, Taiwan	NT$79,800,000 (HK$19,291,650)	100%	NT$79,800,000 (HK$19,291,650)
10.	1std floor and Basement Level 1 and various car parking spaces in Basement Levels 2 and 3 of Durban Treasury located at No. 20, 22 and 26, Section 3, Wunsin Road, Situn District, Taichung City, Taiwan	NT$103,500,000 (HK$25,021,125)	100%	NT$103,500,000 (HK$25,021,125)
11.	122 Nos. of Car Parking Spaces of Durban Technology Park Phase I, No. 51, Lane 2, Section 2, Guangfu Road, East District, Hsinchu City, Taiwan	NT$73,510,000 (HK$17,771,043)	100%	NT$73,510,000 (HK$17,771,043)
12.	Portion of 3rd floor and portion of 6th floor and various car parking spaces in Basement of Durban Technology Park Phase II, No. 51, Lane 2, Section 2, Guangfu Road, East District, Hsinchu City, Taiwan	NT$140,550,000 (HK$33,977,963)	100%	NT$140,550,000 (HK$33,977,963)
13.	21st and 22nd floors of Hsing Wu Building, No. 15-1, Section 1, Hangihou South Road, Jhongjheng District, Taipei City, Taiwan	NT$152,860,000 (HK$36,953,905)	100%	NT$152,860,000 (HK$36,953,905)

No.	Property	Market Value in existing state as at 30 September 2008	Interest attributable to the Durban Group	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
14.	10th to 14th floor (inclusive), Basement 1 and 65 Car Parking Spaces in Basement 4 of Shin Kong Min Sheng Commercial Building, No. 8, Section 3, Minsheng East Road, Songshan District, Taipei City, Taiwan	NT$2,683,320,000 (HK$648,692,610)	55.95%	NT$1,501,317,540 (HK$362,943,515)
15.	30 Car Parking Spaces Durban Rich, No. 121-1 LeYe Street, Da-an District, Taipei City, Taiwan	NT$30,670,000 (HK$7,414,473)	100%	NT$30,670,000 (HK$7,414,473)
	Sub-total:	NT$3,352,990,000 (HK$810,585,334)		NT$2,170,987,540 (HK$524,836,239)

GROUP III – PROPERTY INTERESTS OWNED BY THE DURBAN GROUP FOR FUTURE DEVELOPMENT IN TAIWAN

No.	Property	Market Value in existing state as at 30 September 2008	Interest attributable to the Durban Group	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
16.	A deformed land with a Lot No. 394-4 Kuan Fu Section, Hsinchu City, Taiwan	NT$1,010,000 (HK$244,168)	100%	NT$1,010,000 (HK$244,168)
17.	A deformed land with a Lot No. 337-1 Guo-Dao Section, Hsinchu City, Taiwan	NT$2,690,000 (HK$650,308)	100%	NT$2,690,000 (HK$650,308)
18.	A deformed land with a Lot No. 1487-7 Kuan Tong Section, Hsinchu City, Taiwan	NT$840,000 (HK$203,070)	100%	NT$840,000 (HK$203,070)
19.	Two Deformed Land parcels with Lot Nos. 191-1 and 193-1 of Sub-section 1 of Datong Section, Taipei City, Taiwan	NT$480,000 (HK$116,040)	100%	NT$480,000 (HK$116,040)

No.	Property	Market Value in existing state as at 30 September 2008	Interest attributable to the Durban Group	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
20.	9 parcels of land with Lot Nos. 245, 247, 251, 252, 291, 292, 294, 295 and 327 located at Shihliou Section, Douliu City, Yunlin County, Taiwan	NT$191,720,000 (HK$46,348,310)	100%	NT$191,720,000 (HK$46,348,310)
21.	A parcel of land with Lot No. 1 Ankang Section, Neihu District, Taipei City, Taiwan	NT$293,700,000 (HK$71,001,975)	100%	NT$293,700,000 (HK$71,001,975)
22.	1/2 share of interests of 22 parcels of land with Lot Nos. 176-3, 176-4, 177, 177-32, 177-42, 177-51, 177-52, 182, 182-9, 182-11, 182-12, 182-96, 182-97, 182-98, 182-99, 182-100, 182-101, 182-121, 182-122, 182-123, 182-124 and 182-125, GanGotz Section, North District, Taichung City, Taiwan	NT$801,140,000 (HK$193,675,595)	100%	NT$801,140,000 (HK$193,675,595)
23.	8 parcels of land with Lot Nos. 300, 300-1, 300-2, 300-3, 300-4, 300-5, 300-6 and 300-7 of Dalien Section, Ping Don City, Ping Don County, Taiwan	NT$34,020,000 (HK$8,224,335)	100%	NT$34,020,000 (HK$8,224,335)
24.	3 parcels of land with Lot Nos. 118, 122 and 177, DaPin Sub-section of Chun Wan Chia Tou Section, Wan-Li Township, Taipei County, Taiwan	NT$196,160,000 (HK$47,421,680)	100%	NT$196,160,000 (HK$47,421,680)
	Sub-total:	NT$1,521,760,000 (HK$367,885,481)		NT$1,521,760,000 (HK$367,885,481)

GROUP IV – PROPERTY INTEREST OWNED BY THE DURBAN GROUP FOR SALE IN TAIWAN

No.	Property	Market Value in existing state as at 30 September 2008	Interest attributable to the Durban Group	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
25.	47 Residential Blocks in Districts E, F,and H of Durban Scenery, Nos. 110, 112, Lane 369, Shihliou Road, Douliou City, Yunlin City, Taiwan	NT$238,880,000 (HK$57,749,240)	100%	NT$238,880,000 (HK$57,749,240)
	Sub-total:	NT$238,880,000 (HK$57,749,240)		NT$238,880,000 (HK$57,749,240)

GROUP V – PROPERTY INTEREST HELD UNDER DEVELOPMENT BY THE DURBAN GROUP IN TAIWAN

No.	Property	Market Value in existing state as at 30 September 2008	Interest attributable to the Durban Group	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
26.	A residential building under construction located at District G of Durban Scenery, Lot No. 267 Shihliou Section, Douliu City, Yunlin County, Taiwan	NT$64,010,000 (HK$15,474,418)	100%	NT$64,010,000 (HK$15,474,418)
	Sub-total:	NT$64,010,000 (HK$15,474,418)		NT$64,010,000 (HK$15,474,418)

GROUP VI – PROPERTY INTEREST LEASED BY THE DURBAN GROUP IN TAIWAN

No.	Property	Market Value in existing state as at 30 September 2008	Interest attributable to the Durban Group	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
27.	The whole building (basement level 1 to 4 and Levels 1 to 9) of D-Mart Department Store), No. 180, Chen Kong Road Section 4, Neihu District, Taipei City, Taiwan	No Commercial Value	N/A	No Commercial Value
28.	The whole building (basements 1 to 5 and levels 1 to 15) of Tainan Du Centre, No. 360, Chunghwa East Road Section 3, East District, Tainan City, Taiwan	No Commercial Value	N/A	No Commercial Value
29.	The whole building (basements 1 to 6 and levels 1 to 11) of Taichung Central Shopping Mall, No. 186, Fusing Road Section 4, East District, Taichung City, Taiwan	No Commercial Value	N/A	No Commercial Value
30.	Basement levels 2, 3 and 4 and 12th floor and various motorcycle and car parking lots of Kuo Hwa Life Insurance Commercial Building, No. 2, Min Chuan East Road Section 3, Taipei City, Taiwan	No Commercial Value	N/A	No Commercial Value
31.	Basement level 2 of New Information Building, No. 467, Section 6, Jhongsiao East Road, Nangang District, Taipei City, Taiwan	No Commercial Value	N/A	No Commercial Value
	Sub-total:	NIL		NIL
	Total:	**NT$5,610,820,000 (HK$1,356,415,740)**		**NT$4,412,109,375 (HK$1,066,627,446)**

VALUATION CERTIFICATE

GROUP I – PROPERTY INTERESTS OWNED BY THE DURBAN GROUP AND IN VACANT POSSESSION IN TAIWAN

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
1.	Vacant Portion of Shan Grila Paradise, No. 330, 330-1, 330-2 and 330-3, Section 2, Jhonghua Road, Jhongli City, Taoyuan County, Taiwan	The subject property comprises portions of 1st, and 1st and 2nd floor and Basements 1 and 3 of Shan Grila Paradise. The subject building is a 16-storey residential/commercial building erected upon 3 levels of basement. The subject building was completed in 1994. The subject property comprises portion of retail area with a total gross floor area of 5,963 sq.m. and 38 nos. of car parking spaces.	The property is currently vacant.	NT$233,730,000 (HK$56,504,228)	NT$233,730,000 (HK$56,504,228) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 091138 dated 26 May 2008 and building registration transcript nos. 090811 dated 23 May 2008, the registered owner of the property with a land registration no. 612 Pu-Yi Section, Jhongli City, Taoyuan and building registration nos. 3517, 3518, 3519, 3520, 3521, 3522, 3523, 3524, and 3525 Pu-Yi Section, Jhongli City is Durban.

2. Pursuant to the abovementioned land and building registration transcripts, the property is subject to a mortgage in favour of Bank of Kaohsiung Co., Ltd with a consideration of part of NT$144,000,000 and the expiry date of the mortgage is 29 November 2037.

3. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The subject property is with a good and marketable title free for conveyance, lease and mortgage and free from any encumbrances or title defects other than the mortgages.

   (ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

   (iii) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

(iv) Shan Grila Paradise is subject to a mortgage in favor of Bank of Kaohsiung Co., Ltd. to secure the repayment obligation of Durban of up to the amount of NT$144,000,000 with the expiry date on 29 November, 2037.

(v) The registered owner of the property is Durban.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
2.	Portion of 3rd and 10th floor of Durban Treasury located at Nos. 20, 22 and 26, Section 3, Wunsin Road, Situn District, Taichung City, Taiwan	The subject property comprises portion of 3rd and 10th floor of a Residential/ Commercial Building in Situn District. The subject building is a 10-storey building erected upon a 3-level basement of reinforced concrete construction and it was completed in 2005. The total gross floor area of Industrial/Office portion of the property is approximately 590 sq.m.	The property is currently vacant.	NT$27,660,000 (HK$6,686,805)	NT$27,660,000 (HK$6,686,805) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 121186 dated 26 May 2008 and building registration transcript nos. 121206 and 123030, the registered owner of the property with a land registration no. 160 Jhong-jheng Section, Situn District, Taichung City and building registration nos. 1541, 1597, 1598, 1601 and 1606 Jhong-jheng Section, Situn District, Taichung City is Durban.

2. Pursuant to the abovementioned land and building registration transcripts, the property is subject to five mortgages in favour of Hwatai Bank Limited with a total consideration of part of NT$136,908,000 and the expiry dates of the mortgage are 7 October 2035 and 20 March 2046 respectively.

3. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The subject property is with a good and marketable title free for conveyance, lease and mortgage and free from any encumbrances or title defects other than the mortgages.

   (ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

   (iii) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

   (iv) The land with registration no. 160 and the building with registration nos. 1531, 1532, 1541, 1597, 1598 and 1601 is subject to mortgages in favor of Hwatai Bank Limited to secure the repayment obligation of Durban of up to the amount of NT$136,908,000 with the expiry date on 7 October, 2035 and 20 March, 2046.

   (v) The registered owner of the property is Durban.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
3.	1st floor of Durban Technology Park Phase I, No. 47, Lane 2, Section 2, Guangfu Road, East District, Hsinchu City, Taiwan	The subject property comprises the 1st floor of a 3-storey Industrial/Office Building and 9 car parking spaces in the basement of an Industrial/Office Building in East District. The subject building is erected upon a 3-storey basement and it is of reinforced concrete construction and it was completed in 1999. The total gross floor area of Industrial/Office portion of the subject property is approximately 348 sq.m.	The property is currently vacant.	NT$30,530,000 (HK$7,380,628)	NT$30,530,000 (HK$7,380,628) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 091725 dated 26 May 2008 and building registration transcript nos. 091725 and 123030, the registered owner of the property with land registration nos. 394-4 and 398 Guangfu Section, East District and building registration nos. 3642, 3668, 3677 and 3671 Guan-Fu Section, East District is Durban.

2. Pursuant to the abovementioned land and building registration transcripts, the property is subject to five mortgages in favour of Bank of Kaohsiung Co., Ltd with a total consideration of part of NT$31,000,000 and the expiry date of the mortgage is 4 February 2047.

3. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The subject property is with a good and marketable title free for conveyance, lease and mortgage and free from any encumbrances or title defects other than the mortgages.

   (ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

   (iii) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

   (iv) The land with registration no. 398 and the building with registration nos. 3642 and 3668 of the property is subject to a mortgage in favor of Bank of Kaohsiung Co., Ltd. to secure the repayment obligation of Durban of up to the amount of NT$31,000,000 with the expiry date on 4 February, 2047.

   (v) The registered owner of the property is Durban.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
4.	13th and 14th floor and a car parking space in basement of Yanping Scenery located at No. 38 and No. 38-6, Land 38, Yanping Road, Yilan City, Taiwan	The subject property comprises the whole of 13th and 14th floor of a 16-storey residential building erected upon a basement carpark in Yilan City. The subject building is of reinforced concrete construction and it was completed in 1993. The total gross floor area of residential premises is approximately 202 sq.m.	The property is currently vacant.	NT$4,280,000 (HK$1,034,690)	NT$4,280,000 (HK$1,034,690) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land and building registration transcript no. 033473 dated 26 May 2008, the registered owner of the property with a land registration no. 195 Yi-Sing Section, Yilan City and building registration nos. 398, 409 and 410 Yi-Sing Section, Yilan City is Durban.

2. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The subject property is with a good and marketable title free for conveyance, lease and mortgage and free from any encumbrances or title defects.

   (ii) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

   (iii) The property is not subject to any mortgage as at the issuance date of the legal opinion.

   (iv) The registered owner of the property is Duban.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
5.	2nd floor of District C and car parking space nos. 71 and 72 in Basement 2 of Durban Jiakang located at No. 66 Jingfong Street, Wunshan District, Taipei City, Taiwan	The subject property comprises a residential unit on 2nd floor of District C of Durban Jiakang and 2 car parking spaces in Basement 2 within an automatic parking system. The subject building is a 14-storey residential building and it is of reinforced concrete construction and it was completed in 2006. The gross floor area of residential premises is approximately 162 sq.m.	The property is currently vacant.	NT$15,330,000 (HK$3,706,028)	NT$15,330,000 (HK$3,706,028) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land and building registration transcript no. 084989 dated 23 May 2008, the registered owner of the property with a land registration no. 248, Sub-section 2, Singlong Section, Wunshan District and building registration no. 1648 Sub-section 2, Singlong Section, Wunshan District is Durban

2. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The subject property is with a good and marketable title free for conveyance, lease and mortgage and free from any encumbrances or title defects.

   (ii) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

   (iii) The property is not subject to any mortgage as at the issuance date of the legal opinion.

   (iv) The registered owner of the property is Duban.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
6.	1st floor (ground floor) shop, a car parking space in Basement 1 and 5 car parking spaces in Basement 2 of Durban Image located at No. 18, Lane 30, Section 1, Jiouzong Road, Neihu District, Taipei City, Taiwan	The subject property comprises the ground floor retail shop and 6 car parking spaces in Basement Level 1 and 2 of Durban Image. The subject building is a 13-storey residential/commercial building erected upon 2 storeys of basement and it is of reinforced concrete construction and it was completed in 2007. The gross floor area of the retail premises is approximately 766 sq.m.	The property is currently vacant.	NT$83,720,000 (HK$20,239,310)	NT$83,720,000 (HK$20,239,310) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land and building registration transcript no. 185389 dated 23 May 2008, the registered owner of the property with a land registration no. 103-3 Jiouzong Section, Neihu District, Taipei City and building registration no 2909 Jiouzong Section, Neihu District, Taipei City is Durban.

2. Pursuant to the abovementioned land and building registration transcripts, the property is subject to a mortgage in favour of Taiwan Shin Kong Commercial Bank Co., Ltd. with a total consideration of part of NT$78,000,000 and the expiry date of the mortgage is 11 September 2057.

3. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The subject property is with a good and marketable title free for conveyance, lease and mortgage and free from any encumbrances or title defects other than the mortgages.

   (ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

   (iii) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

   (iv) The property is subject to a mortgage in favor of Taiwan Shin Kong Commercial Bank Co., Ltd. to secure the repayment obligation of Durban of up to the amount of NT$78,000,000 with the expiry date on 11 September, 2057.

   (v) The registered owner of the property is Durban.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
7.	18 Car Parking Spaces in Basement 4 of Shin Kong Min Sheng Commercial Building, No. 8, Section 3, Minsheng East Road, Jhong-Shan District, Taipei City, Taiwan	The subject property comprises 18 car parking spaces in basements 4. The subject building is a 14-storey commercial building erected upon a 6-storey basement and the subject building is of reinforced concrete construction and it was completed in 2005.	The property is currently vacant.	NT$37,930,000 (HK$9,169,578)	NT$21,221,835 (HK$5,130,379 *(55.95% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 185395 and building registration transcript no. 185400 dated 23 May 2008, the registered owner of the property with land registration nos. 90 and 173, Sub-section 2, Jhang-Chun Section, Jhong-Shan District, Taipei City and building registration no. 3329 Sub-section 2, Jhang-Chun Section, Jhong-Shan District, Taipei City is Du Centre Co., Ltd ("Du Centre"), which is a 46.20% owned subsidiary of Durban and it is also a 9.75% owned associate of Da-Chin Construction Co., Ltd. As Da-Chin Construction Co., Ltd. is a wholly-owned subsidiary of Durban, Durban holds 55.95% of the interest of the subject property via its subsidiary and associated company.

2. Pursuant to the abovementioned land and building registration transcripts, the subject property is subject to a mortgage in favour of Taiwan Shin Kong Commercial Bank Co., Ltd. with a consideration of part of NT$2,606,100,000 and the expiry date of the mortgage is 23 December 2037.

3. Pursuant to an agreement dated 27 December 2007 and which is entered into among Du Centre, Tai Chan Asset Management Co., Ltd ("Tai Chan") and Mayer Steel Pipe Corporation ("Mayer Steel Pipe") ("SK Agreement"), Du Centre owns basements 1 and 4 and level 10 to 14 of the subject building, Tai Chan owns level 6 to 9 of the subject building, and Mayer Steel Pipe owns basement 3, level 1 to 5, the consideration for acquiring the subject building was NT$7.3billion and the distribution of the acquisition cost among Du Centre, Tai Chan and Mayer Steel Pipe were 35%, 35% and 30%, respectively. The SK agreement further states that the disposition of the whole or any part of the subject building should have the consensus of the aforesaid contractual parties. Du Centre Co., Ltd entitles to a profit which is equivalent to 35% of the achieved disposition price of the subject building instead of the achieved sale consideration of the subject property. We estimate that the en bloc market value of Shin Kong Min Sheng Commercial Building as at our date of valuation is NT$7,679,200,000 (i.e. HK$1,967,411,040).

4. Pursuant to the SK Agreement and a lease agreement dated 27 December 2007 among Du Centre, Tai Chan and Mayer Steel Pipe (the "SK Agreements"), Tai Chan and Mayer Steel Pipe agreed to lease their owned portions of subject property to Du Centre and assigned the right to Du Centre to appoint a property manager to manage the subject building and rent distribution to each party should be in accordance with the abovementioned percentage distribution of the original acquisition cost paid by the three parties.

5. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

(i) The subject property is with a good and marketable title free for conveyance, lease and mortgage and free from any encumbrances or title defects other than the mortgages.

(ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

(iii) The SK Agreement is legal, binding upon and enforceable against the parties thereto. Although there are restrictions on Du Centre's disposal of the real property under SK Agreement, neither Tai Chan nor Mayer Steel Pipe may invalidate or rescind Du Centre's transfer of the title of its real property to a third party, in whole or in part, solely based on the contractual obligations imposed on Du Centre under the SK Agreement.

(iv) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

(v) Statutes of limitations under the laws of the Republic of China may not be varied by contract and any entitlement that is subject to a statute of limitations may not be waived in advance.

(vi) The court has the discretion to decide whether to admit evidence. Any determination, certificate or other matters stated in the documents related to the lease agreements and the SK Agreements are subject to the court's scrutiny if any dispute arising therefrom or in connection thereto is brought to the court.

(vii) We did not confirm the enforceability of any other documents or agreements in relation to the lease agreements and the SK Agreements under the laws of the Republic of China

(viii) The enforcement of the lease agreements and the SK Agreements may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law). If any of the lease agreement is a sub-lease agreement whereby the third party sub-leases the premises to the Durban Group, or any landlord of such lease agreement is not the owner of the whole leasing premises, the enforceability of such lease agreement shall be subject to whether the landlord of such lease agreement would have due rights to sub-lease the premises to the Durban Group which is not confirmed by this opinion.

(ix) If there is a lease with a term of no more than five years, or a lease duly notarized with a term of more than five years, on any of the real property, and a title transfer occurs during the lease term, the lease will remain effective, and the new owner of the real property must assume all the rights and obligations of the lessor. The term of a lease may not exceed twenty years. A lease term that is longer than twenty years will be automatically shortened to twenty years under the law. If a lease exists after a mortgage is created, and the mortgagee's foreclosure of the mortgage against the property is adversely affected by the existence of the lease, a court may remove or terminate such lease.

(x) The property is subject to a mortgage in favor of Taiwan Shin Kong Commercial Bank Co., Ltd. to secure the repayment obligation of Du Centre of up to the amount of NT$2,606,100,000 with the expiry date on 23 December, 2037.

(xi) The registered owner of the property is Du Centre and which is a 46.2%-owned subsidiary of Durban and Da-Chin Construction Co., Ltd. also owns 9.75% interest on Du Centre. As Da-Chin Construction Co., Ltd. is a wholly-owned subsidiary of Durban, Durban is thereby resulting in an aggregate interest of approximately 55.95% in Du Centre.

GROUP II – PROPERTY INTERESTS OWNED BY THE DURBAN GROUP AND FOR LEASING IN TAIWAN

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
8.	Leased-out Portion of Shan Grila Paradise, No. 330, 330-1, 330-2 and 330-3, Section 2, Jhonghua Road, Jhongli City, Taoyuan County, Taiwan	The subject property comprises portions of 1st and 2nd floor and Basements 1, 2 and 3 of Shan Grila Paradise. The subject building is a 16-storey residential/com-mercial building erected upon 3 levels of basements. The subject building is of reinforced concrete construction and it was completed in 1994. The subject property comprises portion of retail area with a total gross floor area of 2,598 sq.m. and 22 nos. of car parking spaces.	The property is currently leased to various parties.	NT$88,780,000 (HK$21,462,565)	NT$88,780,000 (HK$21,462,565) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 091138 dated 26 May 2008 and building registration transcript nos. 090811 dated 23 May 2008, the registered owner of the property with a land registration no. 612 Pu-Yi Section, Jhongli City, Taoyuan and building registration nos. 3517, 3518, 3519, 3520, 3521, 3522, 3523, 3524, and 3525 Pu-Yi Section, Jhongli City is Durban.

2. Pursuant to the abovementioned land and building registration transcripts, the property is subject to a mortgage in favour of Bank of Kaohsiung Co., Ltd with a consideration of part of NT$144,000,000 and the expiry date of the mortgage is 29 November 2037.

3. As advised by the Durban Group, 1st and 2nd floor are subject to a lease agreement for a term commencing from 1 May 2005 and expiring on 30 April 2010 in between Durban Development Co., Ltd. and Chi-Yang Senior High School at a current monthly rent of NT$318,270 (inclusive of tax) and the car parking spaces in the basement levels are leased to various parties at a monthly rent of NT$1,500 per space.

4. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The lease agreements are legal, binding upon and enforceable against the engaged parties of the lease agreements.

   (ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

(iii) If there is a lease with a term of no more than five years, or a lease duly notarized with a term of more than five years, on any of the real property, and a title transfer occurs during the lease term, the lease will remain effective, and the new owner of the real property must assume all the rights and obligations of the lessor. The term of a lease may not exceed twenty years. A lease term that is longer than twenty years will be automatically shortened to twenty years under the law. If a lease exists after a mortgage is created, and the mortgagee's foreclosure of the mortgage against the property is adversely affected by the existence of the lease, a court may remove or terminate such lease.

(iv) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

(v) Statutes of limitations under the laws of the Republic of China may not be varied by contract and any entitlement that is subject to a statute of limitations may not be waived in advance.

(vi) The court has the discretion to decide whether to admit evidence. Any determination, certificate or other matters stated in the documents related to the lease agreements are subject to the court's scrutiny if any dispute arising therefrom or in connection thereto is brought to the court.

(vii) We did not confirm the enforceability of any other documents or agreements in relation to the lease agreements under the laws of the Republic of China.

(viii) The enforcement of the lease agreements may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law). If any of the lease agreements is a sub-lease agreement whereby the third party sub-leases the premises to the Durban Group, or any landlord of such lease agreement is not the owner of the whole leasing premises, the enforceability of such lease agreement shall be subject to whether the landlord of such lease agreement would have due rights to sub-lease the premises to the Durban Group which is not confirmed by this opinion.

(ix) Shan Grila Paradise is subject to a mortgage in favor of Bank of Kaohsiung Co., Ltd. to secure the repayment obligation of Durban of up to the amount of NT$144,000,000 with the expiry date on 29 November, 2037.

(x) The registered owner of the property is Durban.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
9.	Portion of 1st, 6th and 8th floor and various car parking spaces in Basement Level 1 of Kaohsiung Transportation located at Nos. 286-4, 288, 288-1 and 288-4 Sinya Road, Cianjhen District, Kaohsiung City, Taiwan	The subject property comprises portion of 1st, 6th and 8th floor and various car parking spaces in Basement Level 1 of an Industrial/ Office Building in Cianjhen District. The subject building is an 8-storey building erected upon a basement. The subject building is of reinforced concrete construction and it was completed in 1990. The total gross floor area of Industrial/Office portion of the subject property is approximately 4,053 sq.m.	The property is currently leased to various parties with a lease expiry date at the latest on 9 April 2011.	NT$79,800,000 (HK$19,291,650)	NT$79,800,000 (HK$19,291,650) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land and building registration transcript no. 034406 dated 26 May 2008, the registered owner of the property with land registration nos. 788, 788-1, 788-2 and 791 Ren-Ai Section, Qian-Zhen District, Kaohsiung and building registration nos. 1105, 1110, 1113, 1118, 1241 and 1342 Ren-Ai Section, Qian-Zhen District, Kaohsiung is Durban.

2. Pursuant to the abovementioned land and building registration transcripts, the property is subject to a mortgage in favour of Bank of Kaohsiung Co., Ltd with a consideration of part of NT$65,000,000 and the expiry dates of the mortgage is 1 February 2047.

3. The subject property is subject to the following lease agreements:–

   (i) 6th floor together with car parking spaces 187 and 188 in Basement Level 1 are leased to Siemens Taiwan LLC for a term of 3 years commencing from 10 April 2006 to 9 April 2009 at a unit rent of approximately NT$121/ sq.m with a provision of rent free period from 10 March 2006 to 9 April 2006.

   (ii) Portion of 1st floor together with car parking spaces 41, 42 and 43 in Basement Level 1 are leased to Niching Industrial Corporation for a term of 3 years commencing from 16 April 2007 to 15 April 2010 at a unit rent of approximately NT$109/ sq.m (exclusive of tax).

   (iii) Another portion of 1st floor together with car parking spaces 44, 45, 46 and 47 in Basement Level 1 subject to another lease are also leased to Niching Industrial Corporation for a term of 3 years commencing from 16 April 2007 to 15 April 2010 at a unit rent of approximately NT$109/ sq.m (exclusive of tax).

   (iv) 8th floor together with car parking space 35 in Basement Level 1 are leased to Sansiung Industrial Corporation for a term of 3 years commencing from 1 November 2005 to 31 October 2010 at a unit rent of approximately NT$100/ sq.m (exclusive of tax).

   (v) 6th floor together with car parking spaces 184, 185 and 186 in Basement Level 1 are leased to Siemens Taiwan LLC for a term of 5 years commencing from 10 April 2006 to 9 April 2011 at a unit rent of approximately NT$121/ sq.m.

4. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

(i) The lease agreements are legal, binding upon and enforceable against the engaged parties of the lease agreement.

(ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

(iii) If there is a lease with a term of no more than five years, or a lease duly notarized with a term of more than five years, on any of the real property, and a title transfer occurs during the lease term, the lease will remain effective, and the new owner of the real property must assume all the rights and obligations of the lessor. The term of a lease may not exceed twenty years. A lease term that is longer than twenty years will be automatically shortened to twenty years under the law. If a lease exists after a mortgage is created, and the mortgagee's foreclosure of the mortgage against the property is adversely affected by the existence of the lease, a court may remove or terminate such lease.

(iv) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

(v) Statutes of limitations under the laws of the Republic of China may not be varied by contract and any entitlement that is subject to a statute of limitations may not be waived in advance.

(vi) The court has the discretion to decide whether to admit evidence. Any determination, certificate or other matters stated in the documents related to the lease agreements are subject to the court's scrutiny if any dispute arising therefrom or in connection thereto is brought to the court.

(vii) We did not confirm the enforceability of any other documents or agreements in relation to the lease agreements under the laws of the Republic of China.

(viii) The enforcement of the lease agreements may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law). If any of the lease agreements is a sub-lease agreement whereby the third party sub-leases the premises to the Durban Group, or any landlord of such lease agreement is not the owner of the whole leasing premises, the enforceability of such lease agreement shall be subject to whether the landlord of such lease agreement would have due rights to sub-lease the premises to the Durban Group which is not confirmed by this opinion.

(ix) The properties with the land registration nos. 788, 788-1,788-2, and 791 and the building registration nos. 1105, 1110, 1113, 1118, and 1342 of Kaohsiung Transportation are subject to a mortgage in favor of Bank of Kaohsiung Co., Ltd. to secure the repayment obligation of Durban of up to the amount of NT$65,000,00 with the expiry date on 1 February, 2047.

(x) The registered owner of the property is Durban.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
10.	1st floor and Basement Level 1 and various car parking spaces in Basement Levels 2 and 3 of Durban Treasury located at No. 20, 22 and 26, Section 3, Wunsin Road, Situn District, Taichung City, Taiwan	The subject property comprises the whole of 1st floor and Basement Level 1 and various car parking spaces in Basement Levels 2 and 3 of a Residential/Commercial Building in Situn District. The subject building is a 10-storey building erected upon a 3-level basement of reinforced concrete construction and it was completed in 2005. The total gross floor area of Industrial/Office portion of the subject property is approximately 1,699 sq.m.	The property is currently leased to various parties	NT$103,500,000 (HK$25,021,125)	NT$103,500,000 (HK$25,021,125) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 121186 dated 26 May 2008 and building registration transcript nos. 121206 and 123030, the registered owner of the property with a land registration no. 160 Jhong-jheng Section, Situn District, Taichung City and building registration nos. 1531, 1532, 1605, 1607 and 1608 Jhong-jheng Section, Situn District, Taichung City is Durban.

2. Pursuant to the abovementioned land and building registration transcripts, the property is subject to five mortgages in favour of Hwatai Bank Limited with a total consideration of NT$136,908,000 and the expiry dates of the mortgage are 7 October 2035 and 20 March 2046 respectively.

3. The subject property is subject to the following lease agreements:–

   (i) 1st floor and Basement Level 1 together with car parking spaces 11, 12, 13, 14 and 15 in Basement Level 2 are leased to Hwatai Bank Limited for a term of 5 years commencing from 1 January 2006 to 31 December 2010 at a monthly rent of NT$400,000 (exclusive of tax) on the 1st year with a provision of NT$10,000 monthly rental escalation for every year during the tenure.

   (ii) Car parking spaces Nos. 6, 10 and 21 are leased to 3 different parties for a term of 6 months commencing from 1 March 2008 and expiring on 31 August 2008 at a monthly rent of NT$1,800 (inclusive of tax and clearing fee).

4. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The lease agreements are legal, binding upon and enforceable against the engaged parties of the lease agreements.

(ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

(iii) If there is a lease with a term of no more than five years, or a lease duly notarized with a term of more than five years, on any of the real property, and a title transfer occurs during the lease term, the lease will remain effective, and the new owner of the real property must assume all the rights and obligations of the lessor. The term of a lease may not exceed twenty years. A lease term that is longer than twenty years will be automatically shortened to twenty years under the law. If a lease exists after a mortgage is created, and the mortgagee's foreclosure of the mortgage against the property is adversely affected by the existence of the lease, a court may remove or terminate such lease.

(iv) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

(v) Statutes of limitations under the laws of the Republic of China may not be varied by contract and any entitlement that is subject to a statute of limitations may not be waived in advance.

(vi) The court has the discretion to decide whether to admit evidence. Any determination, certificate or other matters stated in the documents related to the lease agreements are subject to the court's scrutiny if any dispute arising therefrom or in connection thereto is brought to the court.

(vii) We did not confirm the enforceability of any other documents or agreements in relation to the lease agreements under the laws of the Republic of China.

(viii) The enforcement of the lease agreements may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law). If any of the lease agreements is a sub-lease agreement whereby the third party sub-leases the premises to the Durban Group, or any landlord of such lease agreement is not the owner of the whole leasing premises, the enforceability of such lease agreement shall be subject to whether the landlord of such lease agreement would have due rights to sub-lease the premises to the Durban Group which is not confirmed by this opinion.

(ix) The land with registration no. 160 and the building with registration nos. 1531, 1532, 1541, 1597, 1598 and 1601 is subject to mortgages in favor of Hwatai Bank Limited to secure the repayment obligation of Durban of up to the amount of NT$136,908,000 with the expiry date on 7 October, 2035 and 20 March, 2046.

(x) The registered owner of the property is Durban.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
11. 122 Nos. of Car Parking Spaces of Durban Technology Park Phase I, No. 47, Lane 2, Section 2, Guangfu Road, East District, Hsinchu City, Taiwan	The subject property comprises 122 car parking spaces in the basement of an Industrial/Office Building in East District. The subject building is erected upon a 3-storey basement and it is of reinforced concrete construction and it was completed in 1999.	The property is currently leased to various parties.	NT$73,510,000 (HK$17,771,043)	NT$73,510,000 (HK$17,771,043) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 091725 dated 26 May 2008 and building registration transcript nos. 091725 and 123030, the registered owner of the property with land registration nos. 394-4 and 398 Guan-Fu Section, East District and building registration nos. 3642, 3668, 3677 and 3671 Guan-Fu Section, East District is Durban.

2. Pursuant to the abovementioned land and building registration transcripts, the property is subject to a mortgage in favour of Bank of Kaohsiung Co., Ltd with a total consideration of part of NT$31,000,000 and the expiry date of the mortgage is 4 February 2047.

3. As advised by the Durban Group, the car parking spaces are subject to various leases at a monthly rent of NT$2,200 (inclusive of tax and clearing fee).

4. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The lease agreements are legal, binding upon and enforceable against the engaged parties of the lease agreements.

   (ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

   (iii) If there is a lease with a term of no more than five years, or a lease duly notarized with a term of more than five years, on any of the real property, and a title transfer occurs during the lease term, the lease will remain effective, and the new owner of the real property must assume all the rights and obligations of the lessor. The term of a lease may not exceed twenty years. A lease term that is longer than twenty years will be automatically shortened to twenty years under the law. If a lease exists after a mortgage is created, and the mortgagee's foreclosure of the mortgage against the property is adversely affected by the existence of the lease, a court may remove or terminate such lease.

   (iv) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

(v) Statutes of limitations under the laws of the Republic of China may not be varied by contract and any entitlement that is subject to a statute of limitations may not be waived in advance.

(vi) The court has the discretion to decide whether to admit evidence. Any determination, certificate or other matters stated in the documents related to the lease agreements are subject to the court's scrutiny if any dispute arising therefrom or in connection thereto is brought to the court.

(vii) We did not confirm the enforceability of any other documents or agreements in relation to the lease agreements under the laws of the Republic of China.

(viii) The enforcement of the lease agreements may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law). If any of the lease agreements is a sub-lease agreement whereby the third party sub-leases the premises to the Durban Group, or any landlord of such lease agreement is not the owner of the whole leasing premises, the enforceability of such lease agreement shall be subject to whether the landlord of such lease agreement would have due rights to sub-lease the premises to the Durban Group which is not confirmed by this opinion.

(ix) The land with registration no. 398 and the building with registration nos. 3642 and 3668 of the property is subject to a mortgage in favor of Bank of Kaohsiung Co., Ltd. to secure the repayment obligation of Durban of up to the amount of NT$31,000,000 with the expiry date on 4 February, 2047.

(x) The registered owner of the property is Durban.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
12. Portion of 3rd floor and portion of 6th floor and various car parking spaces in Basement of Durban Technology Park Phase II, No. 51, Lane 2, Section 2, Guangfu Road, East District, Hsinchu City, Taiwan	The subject property comprises portion of 3rd and 6th floor and 25 car parking spaces in Basement of an Industrial/Office Building in East District. The subject building is a 10-storey building erected upon a 2-level basement of reinforced concrete construction and it was completed in 2000. The total gross floor area of Industrial/Office portion of the subject property is approximately 2,198 sq.m.	The property is currently leased to various parties.	NT$140,550,000 (HK$33,977,963)	NT$140,550,000 (HK$33,977,963) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 091579 dated 26 May 2008 and building registration transcript nos. 091671 and 091682, the registered owner of the property with land registration nos. 337 and 337-1 Guo-Dao Section, Hsinchu City and building registration nos. 707, 709, 711, 715, 716, 725, 742, 743 and 744 Guo-Dao Section, Hsinchu City is Durban.

2. Pursuant to the abovementioned land and building registration transcripts, part of the property is subject to a mortgage in favour of Taishin International Bank Co., Ltd. with a total consideration of part of NT$72,000,000 and the expiry date of the mortgage is 26 May 2034.

3. As advised by the Durban Group, the subject property is subject to the following lease agreements:–

   (i) Units 1, 2 and 3 on 3rd floor and 12 car parking spaces are leased to Shin-Le Tech LLC for a term of 2 years commencing from 1 February 2007 to 31 January 2009 at a monthly rent of approximately NT$318/ sq.m. and the car parking space monthly rent is NT$3,000 per space.

   (ii) Units 5 and 6 on 3rd floor and Unit 4 on 6th floor together with 13 car parking spaces are leased to Macroblock, Inc. for a term of 1 year commencing from 16 June 2007 to 15 June 2008 at a monthly rent of approximately NT$263/ sq.m. and the car parking space monthly rent is NT$2,500 per space.

4 We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The lease agreements are legal, binding upon and enforceable against the engaged parties of the lease agreements.

   (ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

(iii) If there is a lease with a term of no more than five years, or a lease duly notarized with a term of more than five years, on any of the real property, and a title transfer occurs during the lease term, the lease will remain effective, and the new owner of the real property must assume all the rights and obligations of the lessor. The term of a lease may not exceed twenty years. A lease term that is longer than twenty years will be automatically shortened to twenty years under the law. If a lease exists after a mortgage is created, and the mortgagee's foreclosure of the mortgage against the property is adversely affected by the existence of the lease, a court may remove or terminate such lease.

(iv) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

(v) Statutes of limitations under the laws of the Republic of China may not be varied by contract and any entitlement that is subject to a statute of limitations may not be waived in advance.

(vi) The court has the discretion to decide whether to admit evidence. Any determination, certificate or other matters stated in the documents related to the lease agreements are subject to the court's scrutiny if any dispute arising therefrom or in connection thereto is brought to the court.

(vii) We did not confirm the enforceability of any other documents or agreements in relation to the lease agreements under the laws of the Republic of China.

(viii) The enforcement of the lease agreements may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law). If any of the lease agreements is a sub-lease agreement whereby the third party sub-leases the premises to the Durban Group, or any landlord of such lease agreement is not the owner of the whole leasing premises, the enforceability of such lease agreement shall be subject to whether the landlord of such lease agreement would have due rights to sub-lease the premises to the Durban Group which is not confirmed by this opinion.

(ix) The land with registration nos. 337 and 337-1 and the building with registration nos. 707, 709, 711, 715, 716 and 725 of the property are subject to a mortgage in favor of Taishin International Bank Co., Ltd. to secure the repayment obligation of Durban of up to the amount of NT$72,000,000 with the expiry date on 26 May, 2034.

(x) The registered owner of the property is Durban.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
13.	21st and 22nd floors of Hsing Wu Building, No. 15-1, Section 1, Hangihou South Road, Jhongjheng District, Taipei City, Taiwan	The subject property comprises the whole of 21st and 22nd floors of a 22-storey commercial building erected upon a 4-storey basement in Jhongjheng District. The subject building is of reinforced concrete construction and it was completed in 1992. The total gross floor area of the subject property is approximately 1,236.03 sq.m. 21st and 22nd floors are linked up with an internal staircase.	The property is currently leased to a tenant with a lease expiry date on 31 May 2010.	NT$152,860,000 (HK$36,953,905)	NT$152,860,000 (HK$36,953,905) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 097885 dated 23 May 2008 and building registration transcript nos. 097956 and 097896, the registered owner of the 21st floor and 22nd floor of the property with land registration nos. 478-1 and 486 Lin-Yi Section, Jhongjheng District, Taipei City and building registration nos. 2801, 2802 and 2806 Lin-Yi Section, Jhongjheng District, Taipei City is Durban and Da-Chin Construction Co., Ltd., a wholly-owned subsidiary of Durban, respectively.

2. Pursuant to the abovementioned land and building registration transcripts, the property is subject to a mortgage in favour of Taiwan Cooperative Bank Co., Ltd. with a consideration of part of NT$67,580,000 and with a mortgage expiry date on 18 May 2044 (Re: 21st floor) and another mortgage in favour of Bank of Kaohsiung Co., Ltd. with a consideration of part of NT$58,800,000 with a mortgage expiry date on 5 May 2038 (Re: 22nd floor).

3. As advised by the Durban Group, the subject property is subject to two lease agreements in between of the aforesaid owners and FuAn Development LLC, 21st floor is subject to a lease for a term of 3 years commencing from 1 June 2007 to 31 May 2010 at a monthly rent of NT$270,000 (inclusive of tax) and 22nd floor is subject to a lease for a term of 1 year commencing from 1 January 2008 to 31 December 2008 at a monthly rent of NT$160,000 (exclusive of tax).

4. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The lease agreements are legal, binding upon and enforceable against the engaged parties of the lease agreements.

   (ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

(iii) If there is a lease with a term of no more than five years, or a lease duly notarized with a term of more than five years, on any of the real property, and a title transfer occurs during the lease term, the lease will remain effective, and the new owner of the real property must assume all the rights and obligations of the lessor. The term of a lease may not exceed twenty years. A lease term that is longer than twenty years will be automatically shortened to twenty years under the law. If a lease exists after a mortgage is created, and the mortgagee's foreclosure of the mortgage against the property is adversely affected by the existence of the lease, a court may remove or terminate such lease.

(iv) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

(v) Statutes of limitations under the laws of the Republic of China may not be varied by contract and any entitlement that is subject to a statute of limitations may not be waived in advance.

(vi) The court has the discretion to decide whether to admit evidence. Any determination, certificate or other matters stated in the documents related to the lease agreements are subject to the court's scrutiny if any dispute arising therefrom or in connection thereto is brought to the court.

(vii) We did not confirm the enforceability of any other documents or agreements in relation to the lease agreements under the laws of the Republic of China.

(viii) The enforcement of the lease agreements may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law). If any of the lease agreements is a sub-lease agreement whereby the third party sub-leases the premises to the Durban Group, or any landlord of such lease agreement is not the owner of the whole leasing premises, the enforceability of such lease agreement shall be subject to whether the landlord of such lease agreement would have due rights to sub-lease the premises to the Durban Group which is not confirmed by this opinion.

(ix) The land with registration nos. 478-1 and 486 and the building with registration no. 2801 of Hsing Wu Building are subject to a mortgage in favor of Taiwan Cooperative Bank Co., Ltd. to secure the repayment obligation of Durban of up to the amount of NT$67,580,000 with the expiry date on 18 May, 2044.

(x) The land with registration nos. 478-1 and 486 and the building with registration no. 2802 of Hsing Wu Building are subject to a mortgage in favor of Bank of Kaohsiung Co., Ltd. to secure the repayment obligation of Da-Chin of up to the amount of NT$58,800,000 with the expiry date on 5 May, 2038.

(xi) The registered owner of the 21st floor of the property is Durban.

(xii) The registered owner of the 22nd floor of the property is Da-Chin Construction Co., Ltd. and which is a 100%-owned subsidiary of Durban.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
14.	10th to 14th floor (inclusive), Basement 1 and 65 Car Parking Spaces in Basement 4 of Shin Kong Min Sheng Commercial Building, No. 8, Section 3, Minsheng East Road, Songshan District, Taipei City, Taiwan	The subject property comprises the whole of 10th to 14th floor (inclusive) and Basement 1 and 65 car parking spaces in basements 4. The subject building is a 14-storey commercial building erected upon a 6-storey basement and the subject building is of reinforced concrete construction and it was completed in 2005. The total gross floor area of subject property is approximately 12,097.6 sq.m. (excluding the area of the car parking spaces)	The property is currently leased to various parties with a lease expiry date at the latest on 30 September 2012.	NT$2,683,320,000 (HK$648,692,610)	NT$1,501,317,540 (HK$362,943,515) *(55.95% interest attributable to the Durban Group)*

Note:

1. Pursuant to the land registration transcript no. 185395 and building registration transcript no. 185400 dated 23 May 2008, the registered owner of the property with land registration nos. 90 and 173 Sub-Section 2, Jhang-Chun Section, Songshan District, Taipei City and building registration nos. 3309, 3310, 3311, 3312, 3322, 3323, 3324, 3325, 3326, 3327 and 3329 Sub-Section 2, Jhang-Chun Section, Songshan District, Taipei City is Du Centre Co., Ltd, which is a 46.2% owned subsidiary of Durban and it is also a 9.75% owned associate of Da-Chin Construction Co., Ltd. As Da-Chin Construction Co., Ltd. is a wholly-owned subsidiary of Durban, Durban holds 55.95% of the interest of the subject property via its subsidiary and associated company.

2. Pursuant to the abovementioned land and building registration transcripts, the subject property is subject to a mortgage in favour of Taiwan Shin Kong Commercial Bank Co., Ltd. with a consideration of part of NT$2,606,100,000 and the expiry date of the mortgage is 23 December 2037.

3. Pursuant to an agreement dated 27 December 2007 and which is entered into among Du Centre Co., Ltd ("Du Centre"), Tai Chan Asset Management Co., Ltd ("Tai Chan") and Mayer Steel Pipe Corporation ("Mayer Steel Pipe") ("SK Agreement"), Du Centre owns basements 1 and 4 and level 10 to 14 of the subject building, Tai Chan owns level 6 to 9 of the subject building, and Mayer Steel Pipe owns basement 3, level 1 to 5, the consideration for acquiring the subject building was NT$7.3billion and the distribution of the acquisition cost among Du Centre, Tai Chan and Mayer Steel Pipe were 35%, 35% and 30%, respectively. The SK agreement further states that the disposition of the whole or any part of the subject building should have the consensus of the aforesaid contractual parties. Du Centre Co., Ltd entitles to a profit which is equivalent to 35% of the achieved disposition price of the subject building instead of the achieved sale consideration of the subject property. We estimate that the en bloc market value of Shin Kong Min Sheng Commercial Building as at our date of valuation is NT$7,679,200,000 (i.e. HK$1,967,411,040).

4. Pursuant to the SK Agreement and a lease agreement dated 27 December 2007 among Du Centre, Tai Chan and Mayer Steel Pipe (the "SK Agreements"), Tai Chan and Mayer Steel Pipe agreed to lease their owned portions of subject property to Du Centre and assigned the right to Du Centre to appoint a property manager to manage the subject building and rent distribution to each party should be in accordance with the abovementioned percentage distribution of the original acquisition cost paid by the three parties.

5. The subject property is subject to the following lease agreements:–

   (i) Units A1 and A2 and B on 10th floor are leased to Toshiba Electronics Taiwan Corporation for a term of 5 years commencing from 1 March 2007 to 29 February 2012 at a unit rent of approximately NT$665/sq.m (exclusive of tax).

   (ii) Units A1 and A2 on 11th floor are leased to JC Penny Purchasing Corporation for a term of 5 years commencing from 1 December 2007 to 30 November 2012 at a unit rent of approximately NT$635/sq.m (inclusive of tax).

   (iii) Unit B on 11th floor is leased to Hewlett Packard Development Company, L.P. for a term of 5 years commencing from 1 April 2008 to 19 February 2013 at a unit rent of approximately NT$725/sq.m (exclusive of tax).

   (iv) Units A1 and A2 on 12th floor are leased to Toshiba Digital Media Network Taiwan Corporation for a term of 5 years commencing from 15 April 2007 to 14 April 2012 at a unit rent of approximately NT$665/sq.m (exclusive of tax).

   (v) Unit B on 12th floor is leased to Hewlett Packard Development Company, L.P. for a term of 5 years commencing from 1 April 2008 to 19 February 2013 at a unit rent of approximately NT$725/sq.m (exclusive of tax).

   (vi) 13th and 14th floor are leased to CNC Agencies (Taiwan) Co., Ltd. for a term of 5 years commencing from 1 October 2007 to 30 September 2012 at a unit rent of approximately NT$665/sq.m (exclusive of tax).

   (vii) Basement 1 is leased to Kogyoku Foods Co., Ltd for a term of 5 years commencing from 1 February 2006 to 31 January 2011.

6. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The lease agreements are legal, binding upon and enforceable against the engaged parties of the lease agreements.

   (ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

   (iii) If there is a lease with a term of no more than five years, or a lease duly notarized with a term of more than five years, on any of the real property, and a title transfer occurs during the lease term, the lease will remain effective, and the new owner of the real property must assume all the rights and obligations of the lessor. The term of a lease may not exceed twenty years. A lease term that is longer than twenty years will be automatically shortened to twenty years under the law. If a lease exists after a mortgage is created, and the mortgagee's foreclosure of the mortgage against the property is adversely affected by the existence of the lease, a court may remove or terminate such lease.

   (iv) The SK Agreement is legal, binding upon and enforceable against the parties thereto. Although there are restrictions on Du Centre's disposal of the real property under SK Agreement, neither Tai Chan nor Mayer Steel Pipe may invalidate or rescind Du Centre's transfer of the title of its real property to a third party, in whole or in part, solely based on the contractual obligations imposed on Du Centre under the SK Agreement.

   (v) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

(vi) Statutes of limitations under the laws of the Republic of China may not be varied by contract and any entitlement that is subject to a statute of limitations may not be waived in advance.

(vii) The court has the discretion to decide whether to admit evidence. Any determination, certificate or other matters stated in the documents related to the lease agreements and the SK Agreements are subject to the court's scrutiny if any dispute arising therefrom or in connection thereto is brought to the court.

(viii) We did not confirm the enforceability of any other documents or agreements in relation to the lease agreements and the SK Agreements under the laws of the Republic of China.

(ix) The enforcement of the lease agreements and the SK Agreements may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law). If any of the lease agreements is a sub-lease agreement whereby the third party sub-leases the premises to the Durban Group, or any landlord of such lease agreement is not the owner of the whole leasing premises, the enforceability of such lease agreement shall be subject to whether the landlord of such lease agreement would have due rights to sub-lease the premises to the Durban Group which is not confirmed by this opinion.

(x) The property is subject to a mortgage in favor of Taiwan Shin Kong Commercial Bank Co., Ltd. to secure the repayment obligation of Du Centre of up to the amount of NT$2,606,100,000 with the expiry date on 23 December, 2037.

(xi) The registered owner of the property is Du Centre Co,, Ltd. and which is a 46.2%-owned subsidiary of Durban and Da-Chin Construction Co., Ltd. also owns 9.75% interest on Du Centre Co., Ltd. As Da-Chin Construction Co., Ltd. is a wholly-owned subsidiary of Durban, Durban is thereby resulting in an aggregate interest of approximately 55.95% in Du Centre Co., Ltd.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
15.	30 Car Parking Spaces Durban Rich, No. 121-1 LeYe Street, Da-an District, Taipei City, Taiwan	The subject property comprises 30 car parking spaces within a 9-storey automatic car parking system. The system is enclosed within a building structure of reinforced concrete construction The subject building is of reinforced concrete construction and it was completed in 2002.	The property is currently leased to Imperial Parking Corporation Ltd. at a current monthly rent of NT$3,000 per parking lot.	NT$30,670,000 (HK$7,414,473)	NT$30,670,000 (HK$7,414,473) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 111039 dated 23 May 2008 and building registration transcript no. 111056 dated 23 May 2008, the registered owner of the property with a land registration no. 442 Sub-Section 3, Sin-Hai Section, Da-an District, Taipei City and a building registration no. 1656 Sub-Section 3, Sin-Hai Section, Da-an District, Taipei City is Da-Chin Construction Co., Ltd., which is a wholly owned subsidiary of Durban.

2. As advised by the Durban Group, the subject property is subject to a lease agreement entered in between Da-Chin Construction Co., Ltd. and Imperial Parking Corporation Ltd. at a monthly rent of NT$2,800 per parking lot for the period from 1 June 2007 and 31 May 2008 and the monthly rent has been reviewed to NT$3,000 per parking lot commencing from 1 June 2008 to 31 May 2009.

3. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The lease agreement is legal, binding upon and enforceable against the engaged parties of the lease agreement.

   (ii) If there is a lease with a term of no more than five years, or a lease duly notarized with a term of more than five years, on any of the real property, and a title transfer occurs during the lease term, the lease will remain effective, and the new owner of the real property must assume all the rights and obligations of the lessor. The term of a lease may not exceed twenty years. A lease term that is longer than twenty years will be automatically shortened to twenty years under the law. If a lease exists after a mortgage is created, and the mortgagee's foreclosure of the mortgage against the property is adversely affected by the existence of the lease, a court may remove or terminate such lease.

   (iii) Statutes of limitations under the laws of the Republic of China may not be varied by contract and any entitlement that is subject to a statute of limitations may not be waived in advance.

   (iv) The court has the discretion to decide whether to admit evidence. Any determination, certificate or other matters stated in the documents related to the lease agreements are subject to the court's scrutiny if any dispute arising therefrom or in connection thereto is brought to the court.

   (v) We did not confirm the enforceability of any other documents or agreements in relation to the lease agreements under the laws of the Republic of China.

(vi) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

(vii) The enforcement of the lease agreements may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in equity or at law). If any of the lease agreements is a sub-lease agreement whereby the third party sub-leases the premises to the Durban Group, or any landlord of such lease agreement is not the owner of the whole leasing premises, the enforceability of such lease agreement shall be subject to whether the landlord of such lease agreement would have due rights to sub-lease the premises to the Durban Group which is not confirmed by this opinion.

(viii) The property is not subject to any mortgage as at the issuance date of the legal opinion.

(ix) The registered owner of the property is Da-Chin Construction Co., Ltd. and which is a wholly-owned subsidiary of Duban.

GROUP III – PROPERTY INTERESTS OWNED BY THE DURBAN GROUP FOR FUTURE DEVELOPMENT IN TAIWAN

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
16. A deformed land with a Lot No. 394-4 Kuan Fu Section, Hsinchu City, Taiwan	The subject property comprises a deformed land with a site area of 39 sq.m. The land is zoned as Industrial use.	The property is currently vacant.	NT$1,010,000 (HK$244,168)	NT$1,010,000 (HK$244,168) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 091725 dated 26 May 2008, the registered owner of the property with a land registration no. 394-4 Kuan Fu Section, East District, Hsinchu City is Durban.

2. Pursuant to Taiwan Construction Ordinance Cap. 44, 45 and 46, the county and city government has the right to determine the feasibility of a site for individual development in view of their pre-set regulations regarding the minimum width and depth of a site. If the land is deemed as a deformed land, the land owner can either apply to the government to resume the land (Construction Ordinance Cap. 217) or develop the land with the owner of the adjoining land (Construction Ordinance Cap. 44).

3. Pursuant to the Land Zoning Document issued by Hsinchu City Government Urban Development Bureau, the plot ratio and site coverage of the site are 2.1 and 70% respectively.

4. As the subject property is a deformed land and the development schedule is subject to the development progress of the adjacent land, we cannot ascertain the market value of the potential development on completion basis on the subject site.

5. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) According to Article 44 of the Construction Act, the government authority shall specify the minimum area. Where the area does not meet the minimum requirements, such site shall be deemed a deformed land, and no building can be constructed on such site unless the minimum requirement is met by merging the site with adjacent land. According to Article 45 of the Construction Act, if the owner of a deformed land fails to reach an agreement with the owner of the adjacent land, the owner of a deformed land may apply for mediation. According to Article 46 of the Construction, the government authority shall stipulate the regulations on use of deformed land in accordance with the above Articles 44 and 45, and subject to the approval of Internal Affairs.

   (ii) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

   (iii) The property is not subject to any mortgage as at the issuance date of the legal opinion.

   (iv) The registered owner of the property is Duban.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
17.	A deformed land with a Lot No. 337-1 Guo-Dao Section, Hsinchu City, Taiwan	The subject property comprises a deformed land with a site area of 109 sq.m. The land is zoned as Industrial use.	The property is currently vacant.	NT$2,690,000 (HK$650,308)	NT$2,690,000 (HK$650,308) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 091579 dated 26 May 2008, the registered owner of the property is Durban.

2. Pursuant to the abovementioned land registration transcript, the property is subject to a mortgage in favour of Taishin International Bank Co., Ltd. with a total consideration of part of NT$72,000,000 and the expiry date of the mortgage is 26 May 2034.

3. Pursuant to Taiwan Construction Ordinance Cap. 44, 45 and 46, the county and city government has the right to determine the feasibility of a site for individual development in view of their pre-set regulations regarding the minimum width and depth of a site. If the land is deemed as a deformed land, the land owner can either apply to the government to resume the land (Construction Ordinance Cap. 217) or develop the land with the owner of the adjoining land (Construction Ordinance Cap. 44).

4. Pursuant to the Land Zoning Document issued by Hsinchu City Government Urban Development Bureau, the plot ratio and site coverage of the site are 2.1 and 70% respectively.

5. As the subject property is a deformed land and the development schedule is subject to the development progress of the adjacent land, we cannot ascertain the market value of the potential development on completion basis on the subject site.

6. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) According to Article 44 of the Construction Act, the government authority shall specify the minimum area. Where the area does not met the minimum requirements, such site shall be deemed a deformed land, and no building can be constructed on such site unless the minimum requirement is met by merging such site with adjacent land. According to Article 45 of the Construction Act, if the owner of a deformed land fails to reach an agreement with the owner of the adjacent land, the owner of a deformed land may apply for mediation. According to Article 46 of the Construction, the government authority shall stipulate the regulations on use of deformed land in accordance with the above Articles 44 and 45, and subject to the approval of Internal Affairs.

   (ii) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

   (iii) The land with registration nos. 337 and 337-1 and the building with registration nos. 707, 709, 711, 715, 716 and 725 of the property are subject to a mortgage in favor of the Taishin International Bank Co., Ltd. to secure the repayment obligation of Durban of up to the amount of NT$72,000,000 with the expiry date on 26 May, 2034.

   (iv) The registered owner of the property is Durban.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
18. A deformed land with a Lot No. 1487-7 Kuan Tong Section, Hsinchu City, Taiwan	The subject property comprises a deformed land with a site area of 38 sq.m. According to the Town Planning Zoning, the land is designated for Road use.	The property is currently vacant.	NT$840,000 (HK$203,070)	NT$840,000 (HK$203,070) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 091909 dated 26 May 2008, the registered owner of the property with a land registration no. 1487-7 Kuan Tong Section, Hsinchu City is Durban.

2. Pursuant to Taiwan Construction Ordinance Cap. 44, 45 and 46, the county and city government has the right to determine the feasibility of a site for individual development in view of their pre-set regulations regarding the minimum width and depth of a site. If the land is deemed as a deformed land, the land owner can either apply to the government to resume the land (Construction Ordinance Cap. 217) or develop the land with the owner of the adjoining land (Construction Ordinance Cap. 44).

3. Pursuant to the Land Zoning Document issued by Hsinchu City Government Urban Development Bureau, the land is designated for Road use. In view of the limited development potential of the land, we have considered the stipulated government compensation for resumption of the subject land lot to arrive our opinion of value of the subject property.

4. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) According to Article 44 of the Construction Act, the government authority shall specify the minimum area. Where the area does not met the minimum requirements, such site shall be deemed a deformed land, and no building can be constructed on such site unless the minimum requirement is met by merging such site with adjacent land. According to Article 45 of the Construction Act, if the owner of a deformed land fails to reach an agreement with the owner of the adjacent land, the owner of a deformed land may apply for mediation. According to Article 46 of the Construction, the government authority shall stipulate the regulations on use of deformed land in accordance with the above Articles 44 and 45, and subject to the approval of Internal Affairs.

   (ii) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

   (iii) The property is not subject to any mortgage as at the issuance date of the legal opinion.

   (iv) The registered owner of the property is Durban.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
19.	Two Deformed Land parcels with Lot Nos. 191-1 and 193-1 of Sub-section 1 of Datong Section, Taipei City, Taiwan	The subject property comprises two parcels of deformed land with a total site area of 2 sq.m. According to the Town Planning Zoning of Taipei City, the land is designated for Commercial Land Type 3.	The property is currently vacant.	NT$480,000 (HK$116,040)	NT$480,000 (HK$116,040) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 097884 dated 23 May 2008, the registered owner of the property with land registration nos. 191-1 and 193-1 Datong Section, Datong District, Taipei City is Durban.

2. Pursuant to Taiwan Construction Ordinance Cap. 44, 45 and 46, the county and city government has the right to determine the feasibility of a site for individual development in view of their pre-set regulations regarding the minimum width and depth of a site. If the land is deemed as a deformed land, the land owner can either apply to the government to resume the land (Construction Ordinance Cap. 217) or develop the land with the owner of the adjoining land (Construction Ordinance Cap. 44).

3. Pursuant to the Land Zoning Document issued by Taipei City Government Urban Development Bureau, the land is designated for Commercial Type 3 use. In view of the limited development potential of the land, the plot ratio and site coverage of the site are 4 and 50% respectively.

4. As the subject property is a deformed land and the development schedule is subject to the development progress of the adjacent land, we cannot ascertain the market value of the potential development on completion basis on the subject site.

5. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) According to Article 44 of the Construction Act, the government authority shall specify the minimum area. Where the area does not met the minimum requirements, such site shall be deemed a deformed land, and no building can be constructed on such site unless the minimum requirements are met by merging such site with adjacent land. According to Article 45 of the Construction Act, if the owner of a deformed land fails to reach an agreement with the owner of the adjacent land, the owner of a deformed land may apply for mediation. According to Article 46 of the Construction, the government authority shall stipulate the regulations on use of deformed land in accordance with the above Articles 44 and 45, and subject to the approval of Internal Affairs.

   (ii) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

   (iii) The property is not subject to any mortgage as at the issuance date of the legal opinion.

   (iv) The registered owner of the property is Durban.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
20.	9 parcels of land with Lot Nos. 245, 247, 251, 252, 291, 292, 294, 295 and 327 located at Shihliou Section, Douliu City, Yunlin County, Taiwan	The subject property comprises 9 parcels of land with a total site area of 11,465 sq.m. The Durban Group proposed to develop the lands into Districts A, B, C, D and I of Durban Scenery and the proposed gross floor area upon completion is about 27,516 sq.m. (excluding the exempted gross floor area of the balcony areas). According to the Town Planning Zoning of Douliu City, Lot Nos. 245, 247, 251, 291, 292, 294, 295 and 327 are zoned as Construction Land Type A in Specified Agricultural Area and Lot No. 252 is zoned as Construction Land Type A in General Agricultural Area.	The property is currently vacant.	NT$191,720,000 (HK$46,348,310)	NT$191,720,000 (HK$46,348,310) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 033263 dated 17 June 2008, the registered owner of the subject land parcel where Blocks 1, 2, 5, 6, 7, 8, 9 10, 11 and 22 situated thereon with land registration nos. 245, 247, 251, 252, 291, 292, 294 and 295 Shihliou Section, Douliu City, Yunlin County is Durban.

2. Pursuant to the abovementioned land registration transcript, the property is subject to a mortgage in favour of Taiwan Shin Kong Commercial Bank Co., Ltd. with a consideration of part of NT$520,000,000 and the expiry date of the mortgage is 10 June 2054.

3. According to the Town Planning of Douliu City, the development plot ratio and site coverage of the subject sites are 2.4 and 60% respectively.

4. As advised by the Durban Group, the estimated construction period of the subject sites is approximately 12 months and the estimated construction cost is about NT$298,000,000. According to the provided development parameters, development schedule and estimated construction cost, we estimate the present market value of the development upon completion is about NT$619,000,000 (i.e. about HK$158,587,800).

5. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The subject property is with a good and marketable title free for conveyance, lease and mortgage and free from any encumbrances or title defects other than the mortgages.

   (ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

   (iii) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

   (iv) The property is subject to a mortgage in favor of Taiwan Shin Kong Commercial Bank Co., Ltd. to secure the repayment obligation of Durban of up to the amount of NT$520,000,000 with the expiry date on 10 June, 2054.

   (v) The registered owner of the property is Durban.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
21. A parcel of land with Lot No. 1 Ankang Section, Neihu District, Taipei City, Taiwan	The subject property comprises a land parcel with an area of 3,022.7 sq.m. The Durban Group proposed to develop the land into a multi-storey industrial building. According to the Town Planning Zoning of Neihu District, the subject land parcel is zoned as Industrial (Light Industry) Use.	The property is currently vacant.	NT$293,700,000 (HK$71,001,975)	NT$293,700,000 (HK$71,001,975) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 185240 dated 23 May 2008, the registered owner of the subject property with a land registration no. 1 Ankang Section, Neihu District, Taipei City is Durban.

2. Pursuant to the abovementioned land registration transcript, the property is subject to a mortgage in favour of Land Bank of Taiwan Co., Ltd. with a consideration of NT$219,600,000 and the expiry date of the mortgage is 19 March 2057.

3. According to the Town Planning of Douliu City, the development plot ratio and site coverage of the subject sites are 2.15 and 50% respectively.

4. As advised by the Durban Group, the estimated construction period of the subject sites is approximately 18 months and the estimated construction cost is about NT$370,823,860. According to the provided development parameters, development schedule and estimated construction cost, we estimate the present market value of the development upon completion is about NT$847,100,000 (i.e. about HK$217,027,020).

5. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The subject property is with a good and marketable title free for conveyance, lease and mortgage and free from any encumbrances or title defects other than the mortgages.

   (ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

   (iii) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

   (iv) The property is subject to a mortgage in favor of Land Bank of Taiwan Co., Ltd. to secure the repayment obligation of Durban of up to the amount of NT$219,600,000 with the expiry date on 19 March, 2057.

   (v) The registered owner of the property is Durban.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
22.	1/2 share of interest of 22 parcels of land with Lot Nos. 176-3, 176-4, 177, 177-32, 177-42, 177-51, 177-52, 182, 182-9, 182-11, 182-12, 182-96, 182-97, 182-98, 182-99, 182-100, 182-101, 182-121, 182-122, 182-123, 182-124 and 182-125, GanGotz Section, North District, Taichung City, Taiwan	The subject property held by the Durban Group comprises ½ interest of 22 land parcels with a total site area of approximately 4,658 (i.e. 2,329 sq.m. of land area attributed to the Durban Group) The Durban Group proposed to develop the lands into a multi-storey residential building. According to the Town Planning Zoning of North District, all the subject land parcels, except Lot No. 176-3, are zoned as Type 2 and/or Type 3 Residential Land. Lot No. 176-3 is designated for Road use.	The property is currently vacant.	NT$801,140,000 (HK$193,675,595)	NT$801,140,000 (HK$193,675,595) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 088079 dated 23 May 2008, the subject land lots with land registration nos. 176-3, 176-4, 177, 177-32, 177-42, 177-51, 177-52, 182, 182-9, 182-11, 182-12, 182-96, 182-97, 182-98, 182-99, 182-100, 182-101, 182-121, 182-122, 182-123, 182-124 and 182-125 GanGotz Section, North District, Taichung City are jointly owned by Durban (½ share of the property interest) and Huang Chun Fa (黃春發) (½ share of the property interest).

2. Pursuant to the abovementioned land registration transcript, the subject property is subject to a mortgage in favour of Mega International Commercial Bank Co., Ltd. with a consideration of NT$1,116,000,000 and the expiry date of the mortgage is 20 August 2037.

3. According to the Town Planning of North District, the development plot ratio and site coverage of the subject sites are 2.64 and 56% respectively.

4. As advised by the Durban Group, the estimated construction period of the subject sites is approximately 34 months and the total estimated construction cost for the whole area of the land parcels is about NT$1,658,729,258 (i.e. NT$829,364,629 shall be borne by the Durban Group). According to the provided development parameters, development schedule and estimated construction cost, we estimate that the present market value of the development upon completion with the consideration of the ½ interest attributable to the Durban Group is about NT$2,243,400,000 (i.e. about HK$574,759,080). In our estimation of the completion value, we have assumed that the two property interest owners would co-develop the land parcels and share the profit and market value of the property after joint disposition of the whole development in the market.

5. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

(i) The subject property is with a good and marketable title free for conveyance, lease and mortgage and free from any encumbrances or title defects other than the mortgages.

(ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

(iii) According to Article 34-1 of the Land Act, when a co-owner of a real property disposes of its share of ownership, the other co-owners shall have the right of first refusal to, individually or jointly, purchase such selling share of ownership on the same terms and conditions as those offered to a third party.

(iv) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

(v) The property is subject to a mortgage in favor of the Mega International Commercial Bank Co., Ltd. to secure the repayment obligation of Durban of up to the amount of NT$1,116,000,000 with the expiry date on 20 August, 2037.

(vi) The registered owner of the property is Durban.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
23.	8 parcels of land with Lot Nos. 300, 300-1, 300-2, 300-3, 300-4, 300-5, 300-6 and 300-7 of Dalien Section, Ping Don City, Ping Don County, Taiwan	The subject property comprises 8 parcels land parcels with a total site area of approximately 3,895 sq.m. The Durban Group proposed to develop the lands for industrial uses. According to the Town Planning Zoning of Ping Don City, all the subject land parcels are zoned for Industrial use.	The property is currently vacant.	NT$34,020,000 (HK$8,224,335)	NT$34,020,000 (HK$8,224,335) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 037167 dated 23 May 2008, the subject land lots with land registration nos. 300, 300-1, 300-2, 300-3, 300-4, 300-5, 300-6 and 300-7 Dalien Section, Ping Don City, Ping Don County are owned by Da-Chin Construction Co., Ltd., a wholly owned subsidiary of Durban.

2. Pursuant to the abovementioned land registration transcript, the subject property is subject to a mortgage in favour of HVB Hong Kong Limited, Taipei Branch with a consideration of NT$86,157,622 and the expiry date of the mortgage is 2 December 2037.

3. According to the Town Planning of Ping Don City, the development plot ratio and site coverage of the subject sites are 2.1 and 70% respectively.

4. As advised by the Durban Group, the estimated construction period of the subject sites is approximately 24 months. According to the provided development parameters, development schedule and estimated construction cost, we estimate that the present market value of the development upon completion is about NT$198,000,000 (i.e. about HK$50,727,600).

5. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The subject property is with a good and marketable title free for conveyance, lease and mortgage and free from any encumbrances or title defects other than the mortgages.

   (ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

   (iii) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

(iv) The property is subject to a mortgage in favor HVB Hong Kong Limited to secure the repayment obligation of Miramar Hotel Co., Ltd. of up to the amount of NT$86,157,622 with the expiry date on 2 December, 2037.

(v) The registered owner of the property is Da-Chin Construction Co., Ltd. and which is a 100%-owned subsidiary of Durban.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
24.	3 parcels of land with Lot Nos. 118, 122 and 177, DaPin Sub-section of Chun Wan Chia Tou Section, Wan-Li Township, Taipei County, Taiwan	The subject property comprises 3 land parcels with a total site area of approximately 137,419 sq.m. The Durban Group proposed to develop the lands for residential uses. The subject land parcels are currently abandoned agricultural lands. According to Durban's Residential Investment and Development Proposal on Wan-Li Knoll, the total development area of the project is 443,060 sq.m. and the existing land use will be converted to residential uses under the non-urban land development policy. The subject land parcels are part of development lands in the whole development project. The land conversion has been preliminarily approved as the Miscellaneous Construction Permit for the concerning Infrastructure works have been approved. The land will be converted as Type C Construction Land after the completion of the concerning infrastructure works.	The property is currently vacant.	NT$196,160,000 (HK$47,421,680)	NT$196,160,000 (HK$47,421,680) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 069177 dated 27 May 2008, the subject land lots with land registration nos. 118, 177 and 122 DaPin Sub-Section, Chun Wan Chia Tou Section, Wan-Li Township, Taipei County are owned by Durban.

2. Pursuant to the abovementioned land registration transcript, the subject property is subject to a mortgage in favour of Chang Hwa Commercial Bank, Ltd. with a consideration of NT$150,000,000 with a mortgage expiry date on 15 October 2022.

3. According to the Town Planning of Wan-Li County, the development plot ratio and site coverage of the subject sites after the successful land conversion are 0.6 and 30% respectively.

4. As advised by the Durban Group, the estimated construction period of the subject sites is approximately 36 months and the total estimated construction cost for the land parcels is about NT$347,017,500. According to the provided development parameters, development schedule and estimated construction cost, we estimate that the present market value of the development upon completion is about NT$832,842,000 (i.e. about HK$213,374,120).

5. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The subject property is with a good and marketable title free for conveyance, lease and mortgage and free from any encumbrances or title defects other than the mortgages.

   (ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

   (iii) The subject property is an agricultural land located within "hillside conservation zones", the restrictions in Article 33 of the Agricultural Development Act would apply. Durban would be permissible to transfer the title of the pieces of real property to any individual rather than any private legal persons except for those approved in accordance with Article 33 of the Agricultural Development Act.

   (iv) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

   (v) Durban and other landlords named Chen Chin-Chi and Huang Ku-Jung, Da Shun Fa Co., Ltd., Huang Su-Yun, Li Chin-Chung (collectively "Landlords") and Ying Shun Construction Co., Ltd. ("Contractor") signed a cooperative development agreement dated November 12, 2007 to jointly develop the land in Taipei county. The Landlords and the Contractor (collectively "Settlors") further signed a trust agreement dated November 12, 2007 with Ciao Fu Managing Construction Co., Ltd. and Peng Cing (collectively "Trustees") to entrust the land to the Trustees to manage the property and its construction, maintain public facilities, conduct the sale of units upon completion, and assist the Settlors in establishing mutual trust and performance of the cooperative development agreement. Durban may not transfer the subject land without all the other Settlors' and Trustees' consent.

   (vi) The property is subject to a mortgage in favor of the Chang Hwa Commercial Bank, Ltd. to secure the repayment obligation of Durban of up to the amount of NT$150,000,000 with the expiry date on 15 October, 2022.

   (vii) The registered owner of the property is Durban.

GROUP IV – PROPERTY INTEREST OWNED BY THE DURBAN GROUP FOR SALE IN TAIWAN

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
25. 47 Residential Blocks in Districts E, F,and H of Durban Scenery, Nos. 110, 112, Lane 369, Shihliou Road, Douliou City, Yunlin County, Taiwan	The subject property comprises 47 nos. of 5-storey residential blocks of Districts E, F and H of Durban Scenery. The subject development is of reinforced concrete construction and it was completed in 2006. The subject development comprises 50 parcels of land with a total site area of 5,325 sq.m. and on which are constructed 47 buildings with a total gross floor area of 10,790 sq.m.	The property is currently vacant.	NT$238,880,000 (HK$57,749,240)	NT$238,880,000 (HK$57,749,240) *(100% interest attributable to the Durban Group)*

Notes:

1. District E – Pursuant to the land registration transcript no. 028919 dated 26 May 2008 and building registration transcript no. 028923 dated 26 May 2008, the registered owner of the subject land parcel with land registration nos. 279, 280, 281, 282, 283, 284, 285, 286, 287, 289 and 290 Shihliou Section, Douliou City where Blocks 1, 2, 5, 6, 7, 8, 9 10, 11 and 22 with building registration nos. 373, 374, 376, 377, 378, 379, 380, 381, 382 and 392 Shihliou Section, Douliou City situated thereon is Durban.

2. District F – Pursuant to the land registration transcript no. 028926 dated 26 May 2008 and building registration transcript no. 028931 dated 26 May 2008, the registered owner of Blocks 8-13, 15-23, 25-27, 28-33 and 35-40 together with an internal access and an open space with land registration nos. 269, 269-1, 269-2, 269-3, 269-4, 269-5, 269-12, 269-13, 269-14, 269, 15, 269-16, 269-17, 269-18, 269-19, 269-20, 269-21, 269-22, 269-23, 269-24, 269-25, 269-26, 269-27, 269-28, 269-29, 269-30, 269-31, 269-32, 269-33, 269-34, 269-35, 269-36 and 269-37 Shihliou Section, Douliou City where Blocks 1, 2, 5, 6, 7, 8, 9 10, 11 and 22 with building registration nos. 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440 and 441 Shihliou Section, Douliou City is Durban.

3. District H – Pursuant to the land registration transcript no. 028933 dated 26 May 2008 and building registration transcript no. 028934 dated 26 May 2008, the registered owner of Blocks 2, 3, 5, 8, 9, 10 and 11 with land registration nos. 325-1, 325-2, 325-3, 325-6, 325-7, 325-8 and 325-9 Shihliou Section, Douliou City and building registration nos. 397, 398, 399, 402, 403, 404 and 405 is Durban.

4. Pursuant to the abovementioned land and building registration transcripts, the property is subject to a mortgage in favour of Taiwan Shin Kong Commercial Bank Co., Ltd. with a consideration of part of NT$520,000,000 and the expiry date of the mortgage is 10 June 2054.

5. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

(i) The subject property is with a good and marketable title free for conveyance, lease and mortgage and free from any encumbrances or title defects other than the mortgages.

(ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

(iii) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

(iv) The property is subject to a mortgage in favor of the Taiwan Shin Kong Commercial Bank Co., Ltd. to secure the repayment obligation of Durban of up to the amount of NT$520,000,000 with the expiry date on 10 June, 2054.

(v) The registered owner of the property is Durban.

GROUP V – PROPERTY INTEREST HELD UNDER DEVELOPMENT BY THE DURBAN GROUP IN TAIWAN

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
26. A residential building under construction located at District G of Durban Scenery, Lot No. 267 Shihliou Section, Douliu City, Yunlin County, Taiwan	The subject property comprises a parcel of land with an area of 1,910.78 sq.m. on which a 10-storey (excluding one basement level) residential building is under construction in District G of Durban Scenery. The residential building is schedule to be completed in October 2008. The subject building is of reinforced concrete construction and the total gross floor area of the subject building upon completion is about 4,586.4 sq.m. (excluding the exempted gross floor area for the balconies) According to the Town Planning Zoning of Douliu City, the subject land is zoned as Construction Land Type A in Specified Agricultural Area.	The property is currently under construction.	NT$64,010,000 (HK$15,474,418)	NT$64,010,000 (HK$15,474,418) *(100% interest attributable to the Durban Group)*

Notes:

1. Pursuant to the land registration transcript no. 028997 dated 26 May 2008, the registered owner of the subject property with a land registration no. 267 Shihliou Section, Douliu City, Yunlin County is Durban.

2. Pursuant to the abovementioned land registration transcript, the property is subject to a mortgage in favour of Taiwan Shin Kong Commercial Bank Co., Ltd. with a consideration of part of NT$520,000,000 and the expiry date of the mortgage is 10 June 2054.

3. According to the Town Planning of Douliu City, the development plot ratio and site coverage of the subject sites are 2.4 and 60% respectively.

4. According to the Construction Permit No. (96)00010 issued by Yunlin County Government, the development of the subject residential building is approved.

5. As advised by the Durban Group and our on-site inspection, about 42% of the total construction works have been completed and the property is scheduled to be fully completed in October 2008. According to the provided development parameters, development schedule and construction cost, we estimate that the present market value of the development upon completion is about NT$150,700,000 (i.e. about HK$38,609,340).

6. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The subject property is with a good and marketable title free for conveyance, lease and mortgage and free from any encumbrances or title defects other than the mortgages.

   (ii) The title to the real property would be affected if the creditors are entitled and decide to foreclose the mortgage against the property in accordance with the applicable laws. A mortgage can be duly foreclosed only if the value of the real property is sufficient to cover the procedural cost and the credits secured by the mortgage in priority. Therefore, if there has been mortgage registered in priority, whether a subordinate mortgage could be created or foreclosed would be subject to the actual value of the real property.

   (iii) We have not investigated or examined laws of any jurisdiction outside the Republic of China, and we do not express or imply any opinion on the laws of any other jurisdiction. Insofar as this opinion relies on any decision of any court or the orders, rulings, regulations or disposition of or by other government authorities or agency or any government guidelines or policy statement, it is based exclusively on those materials published and available to the public as of the date thereof.

   (iv) The property is subject to a mortgage in favor of the Taiwan Shin Kong Commercial Bank Co., Ltd. to secure the repayment obligation of Durban of up to the amount of NT$520,000,000 with the expiry date on 10 June, 2054.

   (v) The registered owner of the property is Durban.

GROUP VI – PROPERTY INTEREST LEASED BY THE DURBAN GROUP IN TAIWAN

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
27. The whole building (basement level 1 to 4 and Levels 1 to 9) of D-Mart Department Store), No. 180, Chen Kong Road Section 4, Neihu District, Taipei City, Taiwan	The subject is NeiHu Durban Department Store. The building has a total of 4 basement levels and 9 storeys. The total basement gross floor area is 14,663.57 sq.m. and the total gross floor area for floors 1 to 9 is 23,510.89 sq.m. including the roof area of 293.46 sq.m. 300 parking lots are included.	The property is currently leased by Du Centre Co., Ltd. (Lessee) from Yuanta Construction Development Company Limited (Lessor) with a lease term commencing from 1 March 2007 to 30 April 2009.	*No Commercial Value*	*No Commercial Value*

Notes:

1. Pursuant to the land and building registration transcript no. 303003 dated 19 August 2008, the registered owner of the property with land registration numbers 267-1and 267-7 Neihu District, Taipei City and building registration nos. 3840 to 3842, Nei Hu District, Taipei City is YuanTa Construction Development Co. Ltd.

2. The property is subject to a lease entered into between Du Centre Co., Ltd. (Lessee) and Yuanta Construction Development Company (Lessor) for a lease term commencing from 1 March 2007 to 30 April 2009 at a monthly rent of NT$10,500,000 (VAT excluded) with a security deposit of NT$36,000,000.

3. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The rental fee shall be agreed upon by Lessor and Lessee during the period from 1 May 2009 to 30 June 2011.

   (ii) The clean title of the premises and the mortgage or encumbrance on the premises shall not impair Lessee's right of lease.

   (iii) If Lessor assign the lease to third party, Lessor shall provide Lessee a statement issued by the assignee whereby the assignee agree to assume all of obligations and rights under the current lease and Lessor shall handover the deposit to the assignee.

   (iv) One year prior notice shall be required.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
28.	The whole building (basements 1 to 5 and levels 1 to 15) of Tainan Du Centre, No. 360, Chunghwa East Road Section 3, East District, Tainan City, Taiwan	The subject is a department store building that includes basement level 1 to 5 and storey 1 to 15. The building's total gross floor area is 55,729.12 sq.m. inclusive of all common area (ie. roof and corridor). 327 parking lots are included. The building is located at No.360, Chunghwa East Road, Section 3, East District, Tainan City.	The property is currently leased to Du Centre Co., Ltd. (Lessee) from Taiwan Sugar Corporation (Lessor) with a lease term for sixteen years and three months upon the lease agreement was notarized by the Notary Public.	*No Commercial Value*	*No Commercial Value*

Notes:

1. Pursuant to the land and building registration transcript no. 069609 dated 19 August 2008, the registered owner of the subject land parcels with land registration nos. 2261, 2261-1, 2262, 4064, 4067, 4067-1, 4067-2 and 4067-3 ChuKaoChou Section, East District, Tainan City and building registration no. 25611 ChuKaoChou Section, East District, Tainan City is Taiwan Sugar Corporation Ltd.

2. The property is subject to a lease for sixteen years and three months upon the lease agreement was notarized by the Notary Public. Upon the expiration of the lease term, Lessee shall have the preferential right to negotiate the renewal of lease for the term of 15 years with the Lessor. Rental fee ranges from NT$14,000,000 to NT$30,000,000 per month for the first eight years of the lease term with a security deposit of NT$12,000,000.

3. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) Lessee may not sub-lease part of the premises to any of third party without Lessor's written consent.

   (ii) Lessee shall not assign the lease agreement to any third party without Lessor's written consent. The non-violating party may terminate the lease if there is any material breach to the lease agreement committed by the other party.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
29.	The whole building (basements 1 to 6 and levels 1 to 11) of Taichung Central Shopping Mall, No. 186, Fusing Road Section 4, East District, Taichung City, Taiwan	The subject property comprises of basement level 1 to 6 and storey 1 to 11. The total basement gross floor area, exclusive of parking lots, is 15,471.62 sq.m., and the total gross floor area for storey 1 to 11 is 76,992.5 sq.m., inclusive of ancillary area. 860 parking lots are included.	The property is currently leased to Du Centre Co., Ltd. (Lessee) from ING Life Insurance Company Ltd. (Lessor) with two separate lease terms. The term for the first lease is commencing from the next day of the date when the lessor pays the third installment pursuant to the sales agreement for Taichung Central Shopping Mall to 31 December 2010. The second lease term is commencing from 1 January 2011 to 31 December 2020.	*No Commercial Value*	*No Commercial Value*

Notes:

1. Pursuant to the land and building registration transcript no. 122327 and the building registration transcript no. 122324, both dated 19 August 2008, the subject with land registration nos. 1 and 29 East District, Taichung City and building registration nos. 890-905 East District, Taichung City is owned by International Nederlanden Group (ING) Life Insurance Co.

2. The property is subject to two separate lease agreements. The first lease agreement has a term commencing from the next day of the date which the lessor pays the third installment pursuant to the agreement of the sale of the Taichung Central Shopping Mall to 31 December 2010. Rental fees (tax excluded) are NT$260,000,000 per year from the effective date of the lease to 31 December 2008, NT$265,200,000 per year from 1 January 2009 to 31 December 2009, and NT$270,504,00 per year from 1 January 2100 to 31 December 2100. The second lease agreement has a term commencing from 1 January 2011 to 31 December 2020. Rental fee composes of a basic rental fee at NT$120,000,000 per year and a revenue rent of 3% x (revenue of Taichung Central Shopping Mall each year-NT$1,380,000,000). If the revenue of Taichung Central Shopping Mall for a certain year is less than NT$1,380,000,000, then the revenue rent shall be 3% x NT$1,380,000,000.

3. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) Early Termination Penalty: The lessee shall pay the lessor all the rental fee of the remaining term of the lease and the lessor can also forfeit the security deposit as punitive penalty.

   (ii) The lessee may not sublease or assign the premises to a third party or let other third parties use the premises by other ways without prior written consent of the lessor unless provided otherwise in this agreement.

   (iii) The lessee can sublease the premises to a third party provided that this sublease is not against the provisions of this agreement, and the sublease is not valid until the lessee has acquired the written consent of the lessor.

   (iv) However, the lessor can assign the lease or part of right under the lease to a third party.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
30.	Basement levels 2, 3 and 4 and 5th and 12th floors and various motorcycle and car parking lots of Kuo Hwa Life Insurance Commercial Building, No. 2, Min Chuan East Road Section 3, Taipei City, Taiwan	The subject property is Kuo Hua Life Insurance Building. Total gross floor area of the property is 1,938.62 sq.m. Basement level 2 to 4 include 358 motorcycle parking lots, which can also be used as 28 car parking lots, and 194 car parking lots.	The property is currently leased by Durban Development Co., Ltd. from Kuo Hua Life Insurance Co. for a term of five years commencing from 15 August 2004 to 14 August 2009.	*No Commercial Value*	*No Commercial Value*

Notes:

1. Pursuant to the land registration transcript no. 302952 and the building registration transcript no. 302972 dated 19 August 2008, the subject land lot with land registration no. 39 Jhong Shan District, Taipei City and building registration nos. 3986, 3993, 3998, 4012, 4015-4017 Jhong Shan District, Taipei City are owned by Kuo Hua Life Insurance Co.

2. The subject property is subject to three separate lease agreements. The lease agreements for the basements and 12th floor are entered into between Kuo Hua Life Insurance Co. Ltd. (the "Lessor A") and Durban Development Co. Ltd. (the "Lessor B"), both with 5 years' term commencing from 15 August 2004 to 14 August 2009. For Basement Levels 2, 3 and 4, the monthly rental fee for the first year: NT$550 per motorcycle parking lot and NT$5,500 per car parking lot. The lease has a provision for annual rental increment in an amount of NT$18,000 from the third year of every 3 years. For the 12th floor, the monthly rent for the first two years shall be NT$632,860 (including taxes), but starting from the third year, the monthly rent will increase by 3%. The rental deposit shall be three months' rent for a total of NT$1,808,171.10. For 5th floor, the lease is entered into between Magus Biotech Co., Ltd. (the "Lessor B") and Da-Chin Construction for a term of 1 year commencing from 1 January 2008 and expiring on 31 December 2008 at a monthly rent of NT$591,931.

3. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) Lessee has the right to use the leased premises free of rental in the last month of every lease year.

   (ii) Upon the expiry of the term, Lessee has two chances of the first refusal right to extend the lease agreement for additional five years at the rental fees stipulated in the lease agreements.

   (iii) Lessee shall provide a performance bond of NT$1,318,900 in cash or with a bank guarantee to Lessor upon signing the lease agreements.

   (iv) At the end of the current lease, unless the lessor decides to occupy the facility itself, the lessee shall have the right of priority to extend the lease twice. If the lessee would like to extend the lease, the lessee must notify the lessor in writing at least two months prior to the end of the lease.

(v) If the lessee is late in paying the rent, the management fees, or other related expenses, the lessee shall pay to the lessor in interest twice the annual interest for a typical loan as posted by the Bank of Taiwan.

(vi) If the lessee is two months late in rental payment and the lessor has provided 7 days written notice of late payment, or if there are other breaches of the agreement, the lessor shall provide the lessee with 30 days written notice. If after thirty days, the lessee still has not paid the late rent in full, the lessee shall pay the lessor three months rent in penalty fees, and the lessor shall have the right to terminate the lease agreement.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2008	Market Value in existing state as at 30 September 2008 attributable to the Durban Group
31. Basement level 2 of New Information Building, No. 467, Section 6, Jhongsiao East Road, Nangang District, Taipei City, Taiwan	The subject property comprises the whole of basement 2 of a 11-storey commercial building erected upon a 4-storey basement. The subject building is of reinforced concrete construction and it was completed in 1991. The total gross floor area of subject property is approximately 1,587.25 sq.m.	The property is currently leased to Durban Development Co., Ltd. (Lessee) from The Sincere Department Store Ltd. (Lessor) for a term commencing from 1 January 2008 and expiring on 31 December 2008 at a monthly rent of NT$150,000	*No Commercial Value*	*No Commercial Value*

Notes:

1. Pursuant to the land and building registration transcript no. 156815 dated 23 May 2008, the subject land lot with land registration nos. 316 and 316-0001, sub-section 2, Yucheng Section, Nangang District, Taipei City and building registration nos. 1533-1553, 1555-1559, 1601, 1603, 1696-1698 sub-section 2, Yucheng Section, Nangang District, Taipei City, the registered owner of the property is The Sincere Department Store Ltd., which is a 35.05% owned company of Du Centre Co., Ltd. Durban directly owns 45.08% interest of shares of Du Centre Co., Ltd. and indirectly owns another 9.75% of shares of Du Centre Co., Ltd. via a wholly-owned subsidiary, Da-Chin Construction Co., Ltd.

2. Pursuant to the abovementioned land registration transcript, the subject property is subject to a mortgage in favour of Taiwan Shin Kong Commercial Bank Co., Ltd. with a consideration of NT$96,000,000 and the expiry date of the mortgage is 25 December 2037.

3. The property is subject to a lease agreement entered in between Durban (Lessee) and The Sincere Department Store Ltd. (Lessor) for a term commencing from 1 January 2008 and expiring on 31 December 2008 at a monthly rent of NT$150,000 (inclusive of tax).

4. We have been provided with a legal opinion dated 30 October 2008 on the property prepared by the Company's legal adviser – Lee and Li, Attorneys-at-Law, which contains, inter alia, the following information:-

   (i) The lessee may not sub-lease part or all of the premises to any of third party. Any failure to comply with this term would be subject to the termination of the lease by the lessor and three months' rent penalty.

   (ii) For the termination of the lease, one month prior written notice and written consent of the other party will be required.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular in relation to the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(I) Taiwan Mayer

	Number of ordinary shares in Taiwan Mayer					Approximate %
Name of Director	**Personal**	**Family**	**Corporate**	**Other**	**Total**	**of shareholding**
Mr. Lo Haw	254,108	1,099	12,047,676	-	12,302,883	6.35%
Mr. Cheng Dar-terng	-	–	2,595,000	-	2,595,000	1.34%
Mr. Chiang Jen-chin	6,003	-	-	-	6,003	0.00%

(II) Guangzhou Mayer

	Number of ordinary shares in Guangzhou Mayer					Approximate %
Name of Director	**Personal**	**Family**	**Corporate**	**Other**	**Total**	**of shareholding**
Mr. Lo Haw	-	-	12,800,000	-	12,800,000	6.40%

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

(b) Substantial shareholders' and other persons' interests and short positions in the shares and underlying shares of the Company and interests of substantial shareholders in other members of the Enlarged Group

As at the Latest Practicable Date, so far as are known to the Directors and chief executives of the Company, those persons, other than the Directors or chief executive of the Company, who had an interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or 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 member of the Enlarged Group, were as follows:

Interest in the Shares

Name	**Capacity and nature of interest**	**Number of shares**	**Approximate % of the issued share capital of the Company**
Taiwan Mayer *(Note 1)*	Corporate	300,000,000	52.08%
BVI Mayer	Corporate	300,000,000	52.08%
Mr. Cheng Wen-ching *(Note 2)*	Personal/Corporate	40,000,000	6.95%

Note 1: BVI Mayer is a wholly-owned subsidiary of Taiwan Mayer. Taiwan Mayer is deemed to be interested in the 300,000,000 Shares held by BVI Mayer under the SFO.

Note 2: Mr. Cheng Wen-ching personally holds 20,000,000 Shares and indirectly holds 20,000,000 Shares through Brocheng International Limited which is an investment holding company owned by his families. He is deemed to be interested in the Shares held by Brocheng International Limited under Part XV of the SFO.

Long positions in other members of the Enlarged Group

Other members of the Enlarged Group	Name of shareholders	Number of shares	Approximate % of the issued share capital of the relevant member
Du Centre	Sincere Department	24,600,000	10.25%

Save as disclosed above, as far as the Directors and chief executives of the Company are aware, as at the Latest Practicable Date, there was no other person, other than the Directors or chief executive of the Company, who had an interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or 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 member of the Enlarged Group.

3. SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of one year respectively and shall continue thereafter from year to year until terminated by either party with three month's notice in writing served on the other party. Under the service agreements, Mr. Lai, Mr. Lo Haw, Dr. Lin Meng-chang and Mr. Chiang Jen-chin are entitled to an annual fee of HK$600,000, HK$350,000, HK$432,000 and HK$300,000 respectively and each of the other two executive Directors is entitled to an annual fee of HK$180,000.

Each of the non-executive Directors is appointed for an initial term of one year commencing from their respective dates of appointment and shall continue thereafter from year to year until terminated by either party with three month's notice in writing served on the other party. Each of Mr. Hsiao Ming-chih and Mr. Huang Chun-fa is entitled to an annual fee of HK$100,000. Each of the executive and non-executive Directors is entitled to a discretionary bonus as determined by the Board provided that the total amount of bonuses payable to all the executive and non-executive Directors for such year shall not exceed 5% of the audited consolidated profit after taxation and minority interests but before extraordinary items of the Group (if any) for the relevant year.

Each of the independent non-executive Directors is appointed for an initial term of one year commencing from their respective dates of appointment and shall continue thereafter from year to year until terminated by either party with three month's notice in writing served on the other party. The aggregate annual fees payable to the independent non-executive Directors is HK$288,000.

Mr. Huang Chun-fa has not entered into any service contract with Durban or Du Centre, but he is appointed as a director of Durban and Du Centre for a term of three years in accordance with the memorandum and articles of Durban and Du Centre, respectively. For his annual remuneration for the three years ended 31 December 2007 and the four months ended 30 April 2008, please refer to the section headed "Directors and Senior Management's Emoluments" as set out in Appendix II - Financial information of the Durban Group.

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

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, save for the interests of Mr. Huang and Mr. Lai in the Vendor Sale Shares, none of the Directors had any interest, either direct or indirect, in any assets which have been, since 31 December 2007 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

5. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, save for the S&P Agreement and the Durban CCT Agreements, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Enlarged Group.

6. COMPETING INTERESTS

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

7. LITIGATION

As at the Latest Practicable Date, the Enlarged Group was engaged in the following unsettled and/or unsatisfied litigation or arbitration of material importance:

(a) Durban mandated Hsiang He Insurance Agent Co. Ltd. ("Hsiang He") for the signing of insurance agreements. Since Hsiang He did not perform its mandated responsibilities, Durban did not receive compensation for damages suffered from a fire that occurred at premises owned by Durban in Taipei City. On 5 March 2001, Durban commenced civil actions in the Taiwan Taipei District Court (No. 90-Jhong-Su-608) against Hsiang He for uncompensated damages. The court ruled in favour of Durban and Hsiang He was ordered to pay Durban NT$6,587,989 plus interest at 5% per annum for the period from 8 January 2001 until payment in full and the court fee shall be borne by Hsiang He. As at the Latest Practicable Date, the outstanding payment due from Hsiang He to Durban amounted to approximately NT$6,433,400.

(b) On 10 July 2006, a civil action was brought against Da-Chin by Lead-Fu Industrials Corporation ("Lead-Fu") in the Taiwan Taipei District Court (No. 95-Jian-185) for Da-Chin's failure to make payment to Lead-Fu in relation to Lead-Fu's construction works in respect of the construction contract entered into by the parties on 4 November 2002. The Taipei District Court ruled in favour of Lead-Fu and Da-Chin was ordered to pay Lead-Fu for the construction. Da-Chin shall pay Lead-Fu NT$9,345,000 plus interest at 5% per annum for the period from 14 July 2006 until payment in full and the court fee shall be borne by Da-Chin. Due to inspection of completion issues, the final payment for the construction has yet to be paid by Da-Chin and Da-Chin has appealed to the Taiwan High Court.

(c) Da-Chin entered into an agreement with Dah Yaw Engineering Co., Ltd ("Dah Yaw") on 14 January 2003 with Dah Yaw being the contractor of the construction works. After the completion of the contract, Da-Chin refused to make payments to Dah Yaw for the construction and repairs, as the repairs were part of the contract obligation and asserted that the agreement was terminated as a result of Dah Yaw's breach of the agreement. On 19 January 2005, a civil action was brought against Da-Chin by Dah Yaw in the Taiwan Taipei District Court (No. 94-Jian-35) for Da-Chin's failure to make payment. The Taipei District Court ruled in favour of Dah Yaw and Da-Chin was ordered to pay Dah Yaw for the construction and repairs in the amount of NT$1,934,625 plus interest at 5% per annum for the period from 19 January 2005 until payment in full. Da-Chin considers that the construction has defects and appealed to the Taiwan High Court. The Taiwan High Court (No. 95-Jian-Shang-63) ruled in favour of Dah Yaw and Da-Chin was ordered to pay Dah Yaw an additional amount of NT$335,843 plus interest at 5% per annum for the period from 19 January 2005 until payment in full and the court fees of the first and second instances shall be borne by Da-Chin. Da-Chin has appealed to the Supreme Court.

Save as disclosed above, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any unsettled and/or unsatisfied litigation or arbitration of material importance and no other litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. EXPERTS AND CONSENTS

(a) The following are qualifications of experts who have given opinions, letters or advice which are contained or referred to in this circular:

CCIF CPA Limited	Certified public accountants
KGI	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Cushman & Wakefield Valuation Advisory Services (HK) Limited	Property valuer
Lee and Li, Attorneys-at-Law	Legal adviser as to Taiwan laws
Jincheng & Tongda Law Firm	Legal adviser as to PRC laws
Gide Loyrette Nouel A.A.R.P.I. (Collectively, the "Experts")	Legal adviser as to Vietnam laws

(b) As at the Latest Practicable Date, none of the Experts has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) As at the Latest Practicable Date, each of the Experts did not have any direct or indirect interests in any assets which have been, since 31 December 2007 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(d) Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its reports and/or letters dated 31 October 2008 and/or references to its name in the form and context in which they are included.

9. MATERIAL CONTRACTS

Save as disclosed below, none of the members of the Enlarged Group has entered into any contracts, not being contracts entered into in the ordinary course of business, which are or may be material within the two years immediately preceding the date of this circular.

(a) an agreement dated 13 April 2007 entered into between Sunbeam Group Limited ("Sunbeam"), a wholly-owned subsidiary of the Company, and Taiwan Mayer pursuant to which Sunbeam agreed to sell and Taiwan Mayer agreed to purchase 11,960,000 shares of Fullchamp Technologies Co., Ltd (富成金屬科技股份有限公司) ("Fullchamp"), representing approximately 28.51% of the total issued share capital of Fullchamp and representing the entire equity interest of the Company in Fullchamp, at a consideration of NT$149.5 million (as disclosed in the Company's circular dated 7 May 2007);

(b) an agreement dated 13 April 2007 entered into between ROC Advance Limited ("ROC Advance"), a wholly-owned subsidiary of the Company, and Sino Regal Assets Limited ("Sino Regal"), in respect of the purchase of two Dornier 228-212 aircrafts, each in a 19 passengers configuration for passenger and cargo transportations (the "Aircrafts"), at a consideration of USD2 million (as disclosed in the Company's circular dated 7 May 2007);

(c) a lease assignment agreement dated 13 April 2007 entered into between Sino Regal, the assignor, ROC Advance, the assignee, and Daily Air Corporation, Inc. ("Daily Air Corporation"), the lessee, in respect of the assignment of the Aircrafts lease rights from the assignor to the assignee (as disclosed in the Company's circular dated 7 May 2007);

(d) an agreement dated 13 April 2007 entered into between Guangzhou Mayer and Taiwan Mayer pursuant to which Guangzhou Mayer agreed to purchase and Taiwan Mayer agreed to sell raw materials for the period commencing from 1 April 2007 to 31 March 2010 (as disclosed in the Company's circular dated 7 May 2007);

(e) an aircraft lease agreement dated 6 May 2008 entered into between ROC Advance and Daily Air Corporation in respect of the leasing of four Dornier 228-212 aircrafts with the aircrafts manufacturer's serial number 8234, 8235, 8224 and 8215, each in a 19 passengers configuration for passenger and cargo transportations ("New Aircrafts") and the provision of the consultancy services for the safety operation of the New Aircrafts provided by ROC Advance to Daily Air Corporation (as disclosed in the Company's circular dated 20 May 2008);

(f) the S&P Agreement;

(g) the Mortgage Agreement; and

(h) the Co-operation Agreement.

10. MISCELLANEOUS

(a) Mr. Chan Lai Yin, Tommy, a qualified accountant, is the company secretary and financial controller of the Group and a member of the senior management of the Company. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of American Institute of Certified Public Accountants. Mr. Chan has over 13 years of experience in the audit and accounting field. Prior to joining the Company, he held the posts of financial controller and company secretary of a listed company in Hong Kong.

(b) The registered office of the Company is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, British West Indies and its principal office in Hong Kong is situated at 501, 5/F, Aon China Building, 29 Queen's Road Central, Hong Kong. The address of the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The English text of this circular prevails over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Room 501, 5th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong during normal business hours on any business day for a period of 14 days commencing from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the service contracts and the material contracts referred to under the paragraphs headed "Service Contracts" and "Material Contracts" in this appendix respectively;

(c) the Master Management Agreement;

(d) the Car-park Agreement;

(e) the Lease Agreement;

(f) the Joint Construction Agreement;

(g) the accountants' report on the Durban Group prepared by CCIF CPA Limited, the text of which is set out in Appendix II to this circular;

(h) the letter from CCIF CPA Limited in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(i) the property valuation report on the property interests of the Group prepared by Cushman & Wakefield Valuation Advisory Services (HK) Limited, the text of which is set out in Appendix V to this circular;

(j) the property valuation report on the property interests of the Durban Group prepared by Cushman & Wakefield Valuation Advisory Services (HK) Limited, the text of which is set out in Appendix VI to this circular;

(k) the letter of advice from KGI to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 40 to 75 of this circular;

(l) the Taiwan legal opinion;

(m) the PRC legal opinion;

(n) the Vietnam legal opinion;

(o) the written consents as referred to in the paragraphs headed "Experts and Consents" in this appendix;

(p) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 39 of this circular;

(q) the published audited consolidated accounts of the Group for each of the two financial years ended 31 December 2006 and 31 December 2007;

(r) the Company's circulars dated 20 May 2008 and 1 August 2008; and

(s) a copy of this circular.

美亞控股有限公司*
MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1116)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "EGM") of Mayer Holdings Limited (the "Company") will be held at Room 501, 5/F., Aon China Building, 29 Queen's Road Central, Hong Kong, on Wednesday, 26 November 2008, at 2:30 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT:**

(a) the S&P Agreement (as more particularly described in the circular to the shareholders of the Company dated 31 October 2008 (the "Circular"), a copy of which has been produced to this meeting and marked "A" and initialed by the chairman of the meeting for the purpose of identification, and the execution, delivery and performance by the Company of the S&P Agreement be and are hereby approved, confirmed and ratified;

(b) all transactions contemplated under or incidental to the S&P Agreement and all actions taken or to be taken by the Company and/or its subsidiaries pursuant to the S&P Agreement be and are hereby approved, confirmed and ratified; and

(c) the directors of the Company be and are hereby authorized for and on behalf of the Company to do all such acts and things, to sign, execute and deliver all such other documents, deeds, instruments and agreements and to take such steps as they may consider necessary, desirable or expedient to give effect to or in connection with the S&P Agreement or any of the transactions contemplated under the S&P Agreement and all other matters incidental thereto."

2. "**THAT:**

(a) the Master Management Agreement, the Lease Agreement and the Car-park Agreement (as more particularly described in the Circular), a copy of each has been produced to this meeting and marked "B", "C" and "D" respectively and initialed by the chairman of the meeting for the purpose of identification, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the maximum annual aggregate value for the transactions contemplated under the Master Management Agreement (including the Lease Agreement and the Car-park Agreement), as more particularly described in the Circular, for each of the three years ending 31 December 2010 be and are hereby approved; and

* *For identification purposes only*

(c) the directors of the Company be and are hereby authorized for and on behalf of the Company to do all such acts and things, to sign, execute and deliver all such other documents, deeds, instruments and agreements and to take such steps as they may consider necessary, desirable or expedient to give effect to or in connection with the Master Management Agreement (including the Lease Agreement and the Car-park Agreement) or any of the transactions contemplated under the Master Management Agreement (including the Lease Agreement and the Car-park Agreement) and all other matters incidental thereto."

3. "THAT:

(a) the Joint Construction Agreement (as more particularly described in the Circular), a copy of which has been produced to this meeting and marked "E" and initialed by the chairman of the meeting for the purpose of identification, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the maximum annual aggregate value for the transactions contemplated under the Joint Construction Agreement, as more particularly described in the Circular, for each of the three years ending 31 December 2010 be and are hereby approved; and

(c) the directors of the Company be and are hereby authorized for and on behalf of the Company to do all such acts and things, to sign, execute and deliver all such other documents, deeds, instruments and agreements and to take such steps as they may consider necessary, desirable or expedient to give effect to or in connection with the Joint Construction Agreement or any of the transactions contemplated under the Joint Construction Agreement and all other matters incidental thereto."

4. "THAT:

(a) the Mortgage Agreement (as more particularly described in the Circular), a copy of which has been produced to this meeting and marked "F" and initialed by the chairman of the meeting for the purpose of identification, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the maximum annual aggregate value for the transactions contemplated under the Mortgage Agreement, as more particularly described in the Circular, for each of the three years ending 31 December 2010 be and are hereby approved; and

(c) the directors of the Company be and are hereby authorized for and on behalf of the Company to do all such acts and things, to sign, execute and deliver all such other documents, deeds, instruments and agreements and to take such steps as they may consider necessary, desirable or expedient to give effect to or in connection with the Mortgage Agreement or any of the transactions contemplated under the Mortgage Agreement and all other matters incidental thereto."

5. "THAT:

(a) the Co-operation Agreement (as more particularly described in the Circular), a copy of which has been produced to this meeting and marked "G" and initialed by the chairman of the meeting for the purpose of identification, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the maximum annual aggregate value for the transactions contemplated under the Co-operation Agreement, as more particularly described in the Circular, for each of the three years ending 31 December 2010 be and are hereby approved; and

(c) the directors of the Company be and are hereby authorized for and on behalf of the Company to do all such acts and things, to sign, execute and deliver all such other documents, deeds, instruments and agreements and to take such steps as they may consider necessary, desirable or expedient to give effect to or in connection with the Co-operation Agreement or any of the transactions contemplated under the Co-operation Agreement and all other matters incidental thereto."

For and on behalf of the Board
Mayer Holdings Limited
Lai Yueh-hsing
Chairman

Hong Kong, 31 October 2008

Principal Office in Hong Kong
Room 501, 5/F., Aon China Building
29 Queen's Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, in the event of a poll, vote instead of him. A proxy need not be a member of the Company.

2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof), must be completed and returned in accordance with the instructions printed thereon.

3. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM (or any adjournment thereof) should be so wishes and in such event, the form of proxy shall be deemed to have been revoked.

4. All the resolutions set out in the notice convening the EGM will be voted by way of poll.

5. As at the date thereof, the executive directors of the Company are Mr. Lai Yueh-hsing, Mr. Lo Haw, Mr. Cheng Dar-terng, Mr. Chiang Jen-chin, Dr. Lin Meng-chang and Mr. Lu Wen-yi; the non-executive directors of the Company are Mr. Hsiao Ming-Chih and Mr. Huang Chun-fa; and the independent non-executive directors of the Company are Mr. Lin Sheng-bin, Mr. Huang Jui-hsiang and Mr. Alvin Chiu respectively.