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SHANGHAI INDUSTRIAL HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 363)



NEO-CHINA LAND GROUP  
(HOLDINGS) LIMITED

中新地產集團(控股)有限公司\*  
*(Incorporated in Bermuda with limited liability)*

(Shares - Stock Code: 563;

Convertible bonds due 2011 - Stock Code: 2528)

**NOVEL GOOD LIMITED**

穎佳有限公司

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

## **JOINT ANNOUNCEMENT**

**(1) POSSIBLE ACQUISITION OF SHARES IN  
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED  
BY NOVEL GOOD LIMITED, A WHOLLY-OWNED SUBSIDIARY OF  
SHANGHAI INDUSTRIAL HOLDINGS LIMITED**

**(2) POSSIBLE SUBSCRIPTION OF SHARES IN  
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED  
BY NOVEL GOOD LIMITED**

**(3) POSSIBLE DISPOSAL OF INTEREST IN QI AO ISLAND PROJECT BY  
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED  
- MAJOR AND CONNECTED TRANSACTION FOR  
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED AND SPECIAL DEAL**

**(4) POSSIBLE MANDATORY CONDITIONAL CASH OFFER  
BY UBS AG, HONG KONG BRANCH AND  
NOMURA INTERNATIONAL (HONG KONG) LIMITED  
FOR AND ON BEHALF OF NOVEL GOOD LIMITED**

**FOR ALL OF THE ISSUED SHARES IN, AND ALL OF THE  
OUTSTANDING CONVERTIBLE BONDS AND WARRANTS OF,  
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR  
AGREED TO BE ACQUIRED OR SUBSCRIBED BY NOVEL GOOD  
LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)  
AND FOR THE CANCELLATION OF OUTSTANDING SHARE OPTIONS  
OF  
NEO-CHINA LAND GROUP (HOLDINGS) LIMITED  
- MAJOR TRANSACTION FOR  
SHANGHAI INDUSTRIAL HOLDINGS LIMITED  
IN RESPECT OF (1), (2) AND (4) ABOVE ON AN AGGREGATE BASIS**

**JOINT FINANCIAL ADVISERS TO SHANGHAI INDUSTRIAL  
HOLDINGS LIMITED AND NOVEL GOOD LIMITED**



**NOMURA**

**SALE AND PURCHASE AGREEMENT**

On 19 January 2010, Novel Good, a wholly-owned subsidiary of SIH, entered into the Sale and Purchase Agreement with the Vendor pursuant to which, amongst other things, the Vendor has conditionally agreed to sell, and Novel Good has conditionally agreed to purchase, the Sale Shares at a total consideration of HK\$1,160,000,000, equivalent to approximately HK\$2.32 per Sale Share. The Sale Shares represent approximately 25.70% of the issued share capital of Neo-China as at the date of this announcement and approximately 19.02% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before issue of the Subscribed Shares). Completion is subject to satisfaction and/or waiver of a number of conditions precedent as further detailed below.

**SUBSCRIPTION AGREEMENT**

On 19 January 2010, Novel Good entered into the Subscription Agreement with Neo-China, pursuant to which, amongst other things, Neo-China has conditionally agreed subject to completion of the Sale and Purchase Agreement to allot and issue to Novel Good, and Novel Good has conditionally agreed to subscribe, the Subscribed Shares, representing approximately 35.14% of the issued share capital of Neo-China as at the date of this announcement and approximately 26.00% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the

outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before issue of the Subscribed Shares), at the Subscription Price, which is the same as the price for Sale Shares.

### **QI AO AGREEMENT**

On 19 January 2010, Turbo Wise, an entity wholly owned by Mr. Li, entered into the Qi Ao Agreement with Neo-China, pursuant to which, amongst other things, Neo-China has conditionally agreed subject to completion of the Sale and Purchase Agreement and the Subscription Agreement to sell to Turbo Wise Neo-China's entire interest in the Qi Ao Island Project at a consideration of HK\$2,500 million, whilst retaining certain liabilities related to the Qi Ao Island Project including the liability to pay unpaid principal and accrued interest under the Qi Ao Loan Agreement which amounts to approximately RMB1,570 million (approximately HK\$1,789.80 million) as at the date of this announcement.

Only HK\$100,000,000 of the consideration payable by Turbo Wise for the Qi Ao Island Project is payable at completion of the Qi Ao Agreement, and the balance of HK\$2,400,000,000 is payable on deferred terms in instalments. The consideration payable by Turbo Wise for the Qi Ao Island Project will not be payable in full until about three years after completion of the Qi Ao Agreement.

### **POSSIBLE MANDATORY CONDITIONAL CASH OFFER**

Upon Completion, Novel Good and parties acting in concert with it will be interested in an aggregate of 1,183,692,000 Neo-China Shares, representing approximately 45.02% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before issue of the Subscribed Shares). Subject to Completion, Novel Good will be required to make the Share Offer for all the issued Neo-China Shares (other than those already owned or agreed to be acquired by it and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code. Under Rule 13.1 of the Takeovers Code and subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects, Novel Good will also be required to make the CB Offer, the Warrant Offer and the Option Offer to acquire, or for the cancellation of, all the outstanding Convertible Bonds, Warrants and Share Options.

Upon Completion, Mr. Li and the Vendor will together hold the Retained Shares (i.e. the remaining 554,920,495 Neo-China Shares they hold but have not agreed to sell), representing approximately 21.10% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before issue of the Subscribed Shares). Each of Mr. Li and the Vendor has undertaken and covenanted with Novel Good that they will not, amongst other things, accept the Share Offer in respect of the Retained Shares, and that they will not dispose of the Retained Shares, 50 million of which will be equitably mortgaged and charged to Novel Good to secure the compliance of the Vendor in respect of a final judgment or settlement agreement and all amounts payable under such share charge if there is a breach by the Vendor of the Sale and Purchase Agreement and 300 million of which will be charged to Neo-China to cover the

deferred payment obligations of Turbo Wise under the Qi Ao Agreement, until the closing date of the Offers.

UBS and Nomura have been appointed as the joint financial advisers to Novel Good in respect of the Offers. Subject to Completion, UBS and Nomura will make the Offers for and on behalf of Novel Good in compliance with the Takeovers Code on the terms as follows:

*Share Offer*

For each Neo-China Share.....HK\$2.32 in cash

*CB Offer*

The appropriate consideration for the purposes of the CB Offer will be determined with reference to the conversion price of the Convertible Bonds and the date on which a change of control occurs. Under the terms of the Convertible Bonds, where there is a change in control (which, so far as relevant, includes a person other than the Vendor acquiring control of more than 50% of the issued share capital of Neo-China or the right to appoint and/or remove all or the majority of the members of the board of directors of Neo-China), the conversion price shall be adjusted based on a pre-determined formula. Accordingly, the consideration under the CB Offer cannot yet be quantified and will need to be calculated on the date of Completion i.e. when Novel Good completes the Acquisition and the Subscription. For illustrative purposes only, if the change of control had occurred on 1 January 2010, the consideration payable under the CB Offer would be approximately HK\$4,210 per HK\$10,000 nominal amount of the Convertible Bonds, which represents the offer price under the Share Offer of HK\$2.32 multiplied by the number of Neo-China Shares that would be issued upon conversion of HK\$10,000 nominal amount of each Convertible Bond based on an adjusted conversion price of HK\$5.5104 per Convertible Bond.

*Warrant Offer*

For each Warrant .....HK\$0.01 in cash

*Option Offer*

For cancellation of each Share Option.....HK\$0.01 in cash

As at the date of this announcement, there are 1,945,640,189 Neo-China Shares in issue, 125,625,000 outstanding Share Options, 66,000,000 outstanding Warrants and outstanding Convertible Bond at principal amount of HK\$52,160,000. Other than the above, Neo-China has no other options, warrants, convertible bond or other securities that carry a right to subscribe for or which are convertible into Neo-China Shares.

The principal terms of the Offers are summarised in the section headed "**(4) POSSIBLE MANDATORY CONDITIONAL CASH OFFER**" of this announcement.

**GENERAL**

**Independent financial adviser to the independent board committee of Neo-China**

The Independent Board Committee will be established to advise the Independent Neo-China Shareholders in respect of the Share Offer, the Subscription and the Qi Ao Agreement. An independent financial adviser will also be appointed to advise the Independent Board Committee regarding the Transactions other than the Acquisition. An announcement will be made upon the appointment of the independent financial adviser in accordance with Rule 2.1 of the Takeovers Code and Chapter 14A of the Listing Rules.

### **Despatch of offer document**

Pursuant to Rule 8.2 of the Takeovers Code, the offer document should be despatched within 21 days of the date of this announcement. It is the intention of the respective boards of SIH and Neo-China, if practicable, to despatch a composite offer document which will contain, amongst other things, advice from the Independent Board Committee and advice from an independent financial adviser in respect of the Offers. However, as there is pre-condition, i.e. Completion, to the making of the Offers, an application will be made to the Executive pursuant to Note 2 to Rule 8.2 of the Takeovers Code for an extension of time to despatch the offer document within 7 days of fulfilment of such pre-condition. An expected timetable in relation to the Offers will be included in the offer document.

### **WARNING**

**The Offers will only be made if Completion takes place. Completion is subject to, as applicable, satisfaction and/or waiver of the conditions, including subjective conditions, contained in the Sale and Purchase Agreement and the Subscription Agreement, and on the receipt of certain consents, as further detailed below. Accordingly, the Offers may or may not be made or implemented. The issue of this announcement does not in any way imply that the Offers will be made. The SIH Shareholders, the Neo-China Shareholders, the CB Holders, the Warrant Holders, the Option Holders and potential investors should exercise extreme caution when dealing in the relevant securities. A further announcement will be issued if the Offers are made or implemented.**

### **LISTING RULES AND TAKEOVERS CODE IMPLICATIONS**

#### *SIH*

As the applicable percentage ratios for the Acquisition, the Subscription and the Offers in aggregate are more than 25% but less than 100%, the Acquisition, the Subscription and the Offers together constitute a major transaction for SIH and are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

To the best of the SIH Directors' knowledge, information and belief, no SIH Shareholder is required to abstain from voting if SIH were to convene a general meeting. Accordingly, the Acquisition, the Subscription and the Offers have been approved by written shareholders' approval in accordance with Rule 14.44 of the Listing Rules. No shareholders' meeting of SIH will be convened to consider the Acquisition, the Subscription and the Offers. SIH's controlling shareholder, Shanghai Industrial

Investment (Holdings) Company Limited, which owns 551,799,371 ordinary shares in SIH, representing approximately 51.10% of the issued share capital of SIH as at the date of this announcement, has granted its approval to SIH of the Acquisition, the Subscription and the Offers as required under the Listing Rules.

A circular for the SIH major transaction will be despatched to the shareholders of SIH in accordance with the relevant requirements of the Listing Rules.

#### *Neo-China*

The Qi Ao Agreement constitutes a major and connected transaction for Neo-China falling within Chapter 14A of the Listing Rules and the Subscription constitutes a connected transaction for Neo-China falling within Chapter 14A of the Listing Rules. They are therefore subject to the approval of the Independent Neo-China Shareholders in general meeting.

The Qi Ao Agreement, including the price for the Qi Ao Island Project being at a material discount to the market value of the Qi Ao Island Project as at 31 December 2009 and the deferred payment terms, also constitutes a special deal for Mr. Li under Rule 25 of the Takeovers Code and therefore requires the consent of the Executive. An application will be made to the Executive for consent under Rule 25 of the Takeovers Code in relation to the Qi Ao Agreement.

Such consent, if granted, will be subject to (i) the independent financial adviser publicly stating that in its opinion the terms of the Qi Ao Agreement are fair and reasonable; and (ii) the approval of the Qi Ao Agreement by the Independent Neo-China Shareholders by way of a poll at the general meeting of Neo-China. Neo-China Shareholders including (i) the Vendor, its associates and parties acting in concert with any of them; (ii) Novel Good and parties acting in concert with it; and (iii) any Neo-China Shareholders who are involved in or interested in the Qi Ao Agreement or the transactions contemplated thereunder, will be required to abstain from voting on the resolution in respect of the Qi Ao Agreement at such general meeting.

Neo-China will recognise an impairment loss on the Qi Ao Island Project of approximately HK\$2,000 million in the consolidated financial statements of the Neo-China Group for the financial period ended 31 December 2009 which will affect materially and adversely Neo-China's reported results for the financial period ended 31 December 2009.

Further details of the financial status of the Neo-China Group will be disclosed when its audited consolidated financial statements for the financial period ended 31 December 2009 are announced.

**Shareholders and potential investors should note that the impairment loss on the Qi Ao Island Project of approximately HK\$2,000 million may constitute a profit forecast for Neo-China under Rule 10 of the Takeovers Code and therefore needs to be reported on in accordance with the Takeovers Code. Neo-China has requested and the Executive has permitted the publication of this impairment loss without full compliance with Rule 10 of the Takeovers Code on the basis that the audited consolidated financial statements of the Neo-China Group for the financial year ended 31 December 2009 will be published as soon as possible before**

despatch of the document containing the Offers and contained in that document or an appropriate response document. They should exercise caution in placing reliance on this figure in assessing the merits and demerits of the Offers and/or in dealing in Neo-China Shares, Share Options, Warrants, Convertible Bonds and other securities of Neo-China.

## **SUSPENSION OF TRADING OF NEO-CHINA SHARES AND THE CONVERTIBLE BONDS**

Trading in the Neo-China Shares and the Convertible Bonds on the Main Board of the Stock Exchange was suspended with effect from 10:10 a.m. on 22 January 2008 at the request of Neo-China pending the release of an announcement in respect of certain price sensitive information. Trading of the Neo-China Shares and the Convertible Bonds will continue to be suspended until further notice.

### **(1) THE SALE AND PURCHASE AGREEMENT**

#### **Date**

19 January 2010

#### **Parties**

Vendor : Invest Gain Limited

Purchaser : Novel Good

Vendor's guarantor : Mr. Li, as the guarantor of the Vendor's title to the Sale Shares

The Vendor is an investment holding company incorporated in the British Virgin Islands and is beneficially wholly owned by Mr. Li. The Vendor and Mr. Li are third parties independent of SIH and its connected persons.

Novel Good is an investment holding company, and a wholly-owned subsidiary of SIH. Novel Good, SIH and their ultimate beneficial owners are third parties independent of Neo-China and its connected persons.

#### **Sale Shares**

Pursuant to the Sale and Purchase Agreement, Novel Good has conditionally agreed to acquire from the Vendor an aggregate of 500,000,000 Neo-China Shares, representing approximately 25.70% of the issued share capital of Neo-China as at the date of this announcement and approximately 19.02% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before issue of the Subscribed Shares).

## **Consideration**

The aggregate consideration for the Sale Shares pursuant to the Sale and Purchase Agreement is HK\$1,160,000,000, equivalent to HK\$2.32 per Sale Share, which is payable in cash at Completion. Such cash consideration was agreed between Novel Good and the Vendor after arm's length negotiations, taking into consideration the historical and most recent published financial information of Neo-China, and Novel Good's review of Neo-China's assets and business prospects.

## **Conditions precedent**

Completion is subject to the following conditions being satisfied and/or waived (other than (v) below which cannot be waived):

- (i) the Stock Exchange has cleared the joint announcement to be issued by SIH and Neo-China regarding the completion of the sale and purchase of the Sale Shares and the Subscription, which shall contain the statement to the effect that an application has been made for trading of the shares in Neo-China to be resumed on the date stated therein;
- (ii) the Neo-China Group has unencumbered and unrestricted aggregate free cash of an amount not less than HK\$3 billion (assuming none of the outstanding Convertible Bonds have been redeemed or repurchased) or HK\$2.94 billion (assuming all of the outstanding Convertible Bonds have been redeemed or repurchased) as evidenced by the management accounts of Neo-China dated the month end immediately prior to Completion;
- (iii) aggregate loan and indebtedness of the Neo-China Group does not exceed HK\$6.5 billion (assuming none of the outstanding Convertible Bonds have been redeemed or repurchased) or HK\$6.45 billion (assuming all of the outstanding Convertible Bonds have been redeemed or repurchased) as evidenced by the management accounts of Neo-China dated the month end immediately prior to Completion;
- (iv) no assets and/or documents have been confiscated or retained by any governmental or regulatory authority after the date of the Sale and Purchase Agreement that will have a material adverse impact on the business or financial condition or prospects of the Neo-China Group;
- (v) the Subscription and the Qi Ao Agreement have been approved by the Independent Neo-China Shareholders and the Stock Exchange has granted listing approval for, and permission to deal in, the Neo-China Shares to be issued pursuant to the Subscription;
- (vi) the Qi Ao Agreement has become unconditional (other than the condition requiring completion of the Acquisition and the Subscription);
- (vii) any applicable waiting periods for a response from the Ministry of Commerce of the PRC having expired or been terminated and/or any anti-trust consent or approval of the Ministry of

Commerce of the PRC in connection with the Transactions or the completion thereof has been obtained on an unconditional basis pursuant to the provisions of any laws or regulations in the PRC;

- (viii) the due diligence on the financial, legal and business affairs of the Neo-China Group by Novel Good has been completed and Novel Good is satisfied with the results of such due diligence in all respects;
- (ix) all warranties remaining true and correct at all times as from the signing of the Sale and Purchase Agreement up to the month end immediately prior to Completion;
- (x) all the consents required to give effect to the Acquisition and the Subscription and/or that are necessary to avoid events of default or acceleration of debt by the Neo-China Group have been obtained, and the Vendor has provided a written confirmation that it has not intentionally withheld any material information in respect of the consents; and
- (xi) there has been no material adverse change in the general affairs, management, business, financial, trading condition or prospects of the Neo-China Group since the end of the financial period for which the latest published interim report or annual report of Neo-China is prepared up to the month end immediately prior to Completion.

In the event that any of the conditions referred to above shall not have been fulfilled or waived (as the case may be) on or before the Longstop Date, the rights and obligations of the parties under the Sale and Purchase Agreement will lapse and the Sale and Purchase Agreement shall thereupon terminate and be of no further effect.

## **Completion**

Completion shall take place immediately before completion of the Subscription after all the above conditions have been fulfilled and on the fifth Business Day after and excluding the day on which the condition set out in (i) above is fulfilled or waived (or such other date as may be agreed between the parties).

At completion of the Acquisition, the Vendor shall equitably mortgage and charge 50 million of its shares in Neo-China to Novel Good to secure the compliance of the Vendor in respect of a final judgment or settlement agreement and all amounts payable under such share charge if there is a breach by the Vendor of the Sale and Purchase Agreement.

## **(2) THE SUBSCRIPTION AGREEMENT**

### **Date**

19 January 2010

## **Parties**

Issuer : Neo-China

Subscriber : Novel Good

Neo-China is independent of SIH and its connected persons.

## **Subscribed Shares**

Pursuant to the Subscription Agreement, Neo-China has conditionally agreed to allot and issue to Novel Good, and Novel Good has conditionally agreed to subscribe from Neo-China, the Subscribed Shares, representing approximately 35.14% of the issued share capital of Neo-China as at the date of this announcement and approximately 26.00% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before issue of the Subscribed Shares).

## **Consideration**

The aggregate consideration for the Subscribed Shares pursuant to the Subscription Agreement is HK\$1,586,165,440, equivalent to HK\$2.32 per Subscribed Share, which is payable in cash at Completion. Such cash consideration was agreed between Novel Good and the Vendor after arm's length negotiations, taking into consideration the historical and most recent published financial information of Neo-China, Novel Good's review of Neo-China's assets and business prospects.

## **Conditions precedent**

Completion of the Subscription is conditional only upon completion of the Acquisition.

## **Completion**

Completion of the Subscription shall take place immediately after completion of the Acquisition.

### **(3) DISPOSAL OF INTEREST IN QI AO ISLAND PROJECT**

On 19 January 2010, Turbo Wise, an entity wholly owned by Mr. Li, entered into the Qi Ao Agreement with Neo-China, pursuant to which, amongst other things, Neo-China has conditionally agreed subject to completion of the Sale and Purchase Agreement and the Subscription Agreement to sell to Turbo Wise Neo-China's entire interest in the Qi Ao Island Project at a consideration of HK\$2,500,000,000, whilst retaining certain liabilities related to the Qi Ao Island Project under the Qi Ao Loan Agreement.

At the date of this announcement the unpaid principal and accrued interest under the Qi Ao Loan Agreement, for which the Neo-China Group will remain liable despite the disposal of Neo-China's entire interest in the Qi Ao Island Project is approximately RMB1,570 million (approximately HK\$1,789.80 million).

The consideration payable by Turbo Wise for the Qi Ao Island Project was determined after arm's length negotiations between SIH and the parties to the Qi Ao Agreement with reference to the market value of the Qi Ao Island Project of RMB2,250,000,000 (approximately HK\$2,565,000,000) as at 31 December 2009 in the opinion of DTZ Debenham Tie Leung Limited, an independent property valuer. A copy of the valuation report is set out at the end of this announcement. The consideration of HK\$2,500,000,000 payable by Turbo Wise represents a discount of approximately HK\$65,000,000 to the market value of the Qi Ao Island Project of RMB2,250,000,000 (approximately HK\$2,565,000,000) as at 31 December 2009.

Of the HK\$2,500,000,000 consideration payable by Turbo Wise for the Qi Ao Island Project only HK\$100,000,000 is payable at completion of the Qi Ao Agreement, and the balance of HK\$2,400,000,000 is payable on deferred terms. Turbo Wise will be required, beginning on the last Business Day in the 13<sup>th</sup> calendar month after the end of the month in which completion of the Qi Ao Agreement occurs and on the last Business Day of every calendar month thereafter, to pay to Neo-China HK\$100,000,000 until it has paid a total of HK\$2,500,000,000 to Neo-China. The consideration payable by Turbo Wise for the Qi Ao Island Project will thus not be payable in full by Turbo Wise until about three years after completion of the Qi Ao Agreement.

At completion of the Qi Ao Agreement, Turbo Wise will provide charges over the equity interest in holding companies of the Qi Ao Island Project and procure that the Vendor will, among other things, charge 300 million of the Retained Shares (representing approximately 15.42% of the issued share capital of Neo-China as at the date of this announcement and approximately 11.41% of the issued share capital of Neo-China as enlarged by the Subscribed Shares) to Neo-China as a security for the deferred payment obligations of Turbo Wise under the Qi Ao Agreement. Based on the Offer Price, the value of those 300 million Neo-China Shares is HK\$696 million in aggregate, and based on the closing price of HK\$5.10 per Neo-China Share as stated in the Stock Exchange's daily quotations sheet for the Last Trading Day, the value of those 300 million Neo-China Shares is HK\$1,530 million in aggregate. As such, the value of the 300 million share charge by the Vendor is likely to be significantly less than the consideration.

The lender under the Qi Ao Loan Agreement has given its in-principle consent to the Transactions subject to and conditional upon all amendments required to the Qi Ao Loan Agreement and certain related documents as a result of the Transactions (including any new security and inter-creditor arrangements that the lender considers to be required to adequately secure and protect its interests) being in form and substance satisfactory to it and the same being legal, valid and binding on all parties thereto and all such security being duly approved, registered and otherwise perfected in accordance with applicable law or regulation on or before Completion. There is thus a risk that the lender under the Qi Ao Loan Agreement will ultimately not grant its consent and that the Transactions do not proceed.

#### **(4) POSSIBLE MANDATORY CONDITIONAL CASH OFFER**

As at the date of this announcement, none of Novel Good and parties acting in concert with it owns any voting rights, rights over shares or rights over which it has control or direction in Neo-China apart from the Sale Shares to be purchased under the Sale and Purchase Agreement, the Subscribed Shares to be subscribed under the Subscription Agreement and the share charge relating to the Acquisition as set out in the section headed "(1) The Sale and Purchase Agreement" above.

Upon Completion, Novel Good and parties acting in concert with it will be interested in an aggregate of 1,183,692,000 Neo-China Shares, representing approximately 45.02% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before issue of the Subscribed Shares). Subject to Completion, Novel Good will be required to make the Share Offer for all the issued Neo-China Shares (other than those already owned or agreed to be acquired or subscribed by it and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code. Under Rule 13.1 of the Takeovers Code and subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects, Novel Good will also be required to make the CB Offer, the Warrant Offer and the Option Offer to acquire, or for the cancellation of, all the outstanding Convertible Bonds, Warrants and Share Options.

Upon Completion, Mr. Li and the Vendor will together hold the Retained Shares (i.e. the remaining 554,920,495 Neo-China Shares held by them and not agreed to be sold), representing approximately 21.10% of the issued share capital of Neo-China as enlarged by the Subscribed Shares (assuming none of the outstanding Convertible Bonds, Warrants or Share Options are exercised and no Neo-China Shares are repurchased by Neo-China before issue of the Subscribed Shares). Each of Mr. Li and the Vendor has undertaken and covenanted with Novel Good that they will not, amongst other things, accept the Share Offer in respect of the Retained Shares, and that they will not dispose of the Retained Shares, 50 million of which will be equitably mortgaged and charged to Novel Good to secure the compliance of the Vendor in respect of a final judgment or settlement agreement and all amounts payable under such share charge if there is a breach by the Vendor of the Sale and Purchase Agreement and 300 million of which will be charged to Neo-China to cover the deferred payment obligations of Turbo Wise under the Qi Ao Agreement, until the closing date of the Offers.

#### **WARNING**

**The Offers will only be made if Completion takes place. Completion is subject to, as applicable, satisfaction and/or waiver of the conditions, including subjective conditions, contained in the Sale and Purchase Agreement and the Subscription Agreement and on the receipt of certain consents, as detailed in this announcement. Accordingly, the Offers may or may not be made or implemented. The issue of this announcement does not in any way imply that the Offers will be made. The SIH Shareholders, the Neo-China Shareholders, the CB Holders, the Warrant Holders, the Option Holders and potential investors should exercise**

**extreme caution when dealing in the relevant securities. A further announcement will be issued if the Offers are made or implemented.**

### **Consideration for the Offers**

UBS and Nomura have been appointed as the joint financial advisers to Novel Good in respect of the Offers. Subject to Completion, UBS and Nomura will make the Offers for and on behalf of Novel Good in compliance with the Takeovers Code on the terms as follows:

#### *Share Offer*

For each Neo-China Share..... HK\$2.32 in cash

#### *CB Offer*

The appropriate consideration for the purposes of the CB Offer will be determined with reference to the conversion price of the Convertible Bonds and the date on which a change of control occurs. Under the terms of the Convertible Bonds, where there is a change in control (which, so far as relevant, includes a person other than the Vendor acquiring control of more than 50% of the issued share capital of Neo-China or the right to appoint and/or remove all or the majority of the members of the board of directors of Neo-China), the conversion price shall be adjusted based on a following formula:

$$\text{NCP} = \text{OCP} / (1 + (\text{CP} \times c/t))$$

where:

NCP = the conversion price of the Convertible Bonds after such adjustment.

OCP = the conversion price of the Convertible Bonds before such adjustment.

Conversion Premium ("CP") = 32.0% expressed as a fraction.

c = the number of days from and including the first day of the change of control conversion period (being the date on which the change of control notice is given to the CB Holders) to but excluding 12 June 2011, being the maturity date of the Convertible Bonds.

t = the number of days from and including 12 June 2006 to but excluding 12 June 2011.

Accordingly, the consideration under the CB Offer cannot yet be quantified and will need to be calculated on the date of Completion, i.e. when Novel Good completes the Acquisition and the Subscription. For illustrative purposes only, if the change of control had occurred on 1 January 2010 with an OCP of HK\$6.0193, the NCP as set out in the above formula would be approximately HK\$5.5104 and the number of Neo-China Shares that would be issued upon full conversion of the Convertible Bonds would be 9,465,757. Based on the above, the consideration payable under the CB Offer would be approximately HK\$4,210 per HK\$10,000 nominal amount of the Convertible Bonds, which represents the offer price under the Share Offer of HK\$2.32 multiplied by the number of Neo-China Shares that would be issued upon conversion of HK\$10,000 nominal amount of each Convertible Bond.

*Warrant Offer*

For each Warrant ..... HK\$0.01 in cash

*Option Offer*

For cancellation of each Share Option..... HK\$0.01 in cash

As at the date of this announcement, there are 1,945,640,189 Neo-China Shares in issue, 125,625,000 outstanding Share Options, 66,000,000 outstanding Warrants and outstanding Convertible Bond at principal amount of HK\$52,160,000. Other than the above, Neo-China has no other options, warrants, convertible bond or other securities that carry a right to subscribe for or which are convertible into Neo-China Shares.

**Comparisons of value**

*Share Offer*

The offer price of the Neo-China Shares under the Share Offer is the same as the acquisition price per Neo-China Share under the Acquisition and the subscription price per Neo-China Share under the Subscription, i.e. HK\$2.32.

The offer price of HK\$2.32 per Neo-China Share under the Share Offer represents:

- (i) a discount of approximately 54.51% over the closing price of HK\$5.10 per Neo-China Share, as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 53.13% over the closing price of HK\$4.95 per Neo-China Share, after the declaration of a final dividend of HK\$14 cents per Neo-China Share, as quoted on the Stock Exchange on 11 September 2008 (adjusted due to the aforesaid declaration of a final dividend, notwithstanding the suspension of trading in the Neo-China Shares and the Convertible Bonds since 22 January 2008);
- (iii) a discount of approximately 59.24% over the average closing price of approximately HK\$5.69 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 61.27% over the average closing price of approximately HK\$5.99 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 64.08% over the average closing price of approximately HK\$6.46 per Neo-China Share, based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day; and

- (vi) a discount of approximately 49.98% over the Neo-China Group's unaudited consolidated net assets of approximately HK\$4.64 per Neo-China Share calculated based on the Neo-China Group's unaudited consolidated net assets of approximately HK\$9,024.64 million as at 31 October 2009 and 1,945,640,189 Neo-China Shares in issue as at the date of this announcement.

#### *CB Offer*

As set out in the section headed "(4) Possible mandatory conditional cash offer - Consideration for the Offers - CB Offer" above, the consideration under the CB Offer cannot yet be quantified and will need to be calculated on the date of Completion, i.e. when Novel Good completes the Acquisition and the Subscription. For illustrative purposes only, if the change of control had occurred on 1 January 2010, the consideration payable under the CB Offer would be approximately HK\$4,210 per HK\$10,000 nominal amount of the Convertible Bonds.

#### *Warrant Offer*

The exercise price of the Warrants is HK\$6.72, which is higher than the offer price of HK\$2.32 per Neo-China Share under the Share Offer, and the Warrants are therefore "out of the money". In the circumstances, the Warrant Offer will be made only at a nominal price of HK\$0.01 for each Warrant.

#### *Options Offer*

As at the date of this announcement, there are 125,625,000 Share Options outstanding and the exercise price of these options is as follows:

	<b>Number of Share Options outstanding as at the date of this announcement</b>	<b>Exercise price (HK\$)</b>
	13,125,000	3.60
	65,000,000	3.72
	47,500,000	3.92
<b>Total</b>	<b>125,625,000</b>	

The exercise price of the respective Share Options as stated above is higher than the offer price of HK\$2.32 per Neo-China Share under the Share Offer. In the circumstances, the Option Offer will be made only at a nominal price of HK\$0.01 for the cancellation of each Share Option.

Following acceptance of the Option Offer, the relevant Share Options together with the rights attaching thereto will be entirely cancelled and renounced.

## **Highest and lowest Neo-China Share prices**

The highest and lowest closing prices of the Neo-China Shares as quoted on the Stock Exchange during the six-month period preceding the Last Trading Day were HK\$10.08 on 9 October 2007 and HK\$5.68 on 18 January 2008 respectively.

## **Total consideration**

On the basis of the offer price of HK\$2.32 per Neo-China Share and Neo-China's issued share capital of 2,629,332,189 shares as enlarged by the Subscribed Shares, the Share Offer values the entire issued share capital of Neo-China at approximately HK\$6,100.05 million (assuming none of the outstanding Convertible Bonds, Warrants or Share Options is exercised prior to the First Closing Date). Full acceptance of the Share Offer would require Novel Good to pay an aggregate amount of approximately HK\$3,353.89 million (assuming no outstanding Convertible Bonds, Warrants or Share Options are exercised prior to the First Closing Date).

As at the date of this announcement, there are Convertible Bonds of HK\$52,160,000 aggregate principal amount outstanding. As set out above, the consideration under the CB Offer cannot yet be quantified and will need to be calculated on the date of Completion, i.e. when Novel Good completes the Acquisition and the Subscription. For illustrative purposes only, if the change of control had occurred on 1 January 2010, the consideration payable under the CB Offer would be approximately HK\$4,210 per HK\$10,000 nominal amount of the Convertible Bonds. In such case, the CB Offer is valued at approximately HK\$21.96 million.

As at the date of this announcement, there are 66,000,000 Warrants outstanding which are convertible into 66,000,000 Neo-China Shares. Assuming none of the Warrants are exercised prior to the First Closing Date and the Warrant Offer is accepted in full, on the basis of a consideration of HK\$0.01 for each Warrant, the Warrant Offer is valued at HK\$0.66 million.

As at the date of this announcement, there are 125,625,000 Share Options outstanding which relate to 125,625,000 Neo-China Shares. Assuming none of the Share Options are exercised prior to the First Closing Date and the Option Offer is accepted in full, on the basis of a consideration of HK\$0.01 for each Share Option, the Option Offer is valued at approximately HK\$1.26 million.

Assuming that all Warrants and the Share Options are exercised in full by the Warrants Holders and the Option Holders and no Neo-China Shares are repurchased by Neo-China prior to the First Closing Date and the Share Offer is accepted in full, the consideration payable by Novel Good pursuant to the Offers, except for the CB Offers, will increase to approximately HK\$3,798.46 million. No consideration will then be payable under the Warrant Offer and the Option Offer. The number of Neo-China Shares that could be converted upon the exercise of all the outstanding Convertible Bonds will be determined with reference to the terms of the Convertible Bonds and the date on which a change of control occurs, and therefore cannot yet be quantified and will need to be calculated on the date of Completion, i.e. when Novel Good completes the Acquisition and the Subscription. The illustrative example set out above in this announcement is based on a conservative estimate of the cash required for the CB Offers.

Save for the Convertible Bonds, the Warrants and the Share Options, Neo-China has no outstanding securities, share options, derivatives or warrants which are convertible or exchangeable into Neo-China Shares, and has not entered into any agreement for the issue of such securities, share options, derivatives or warrants of Neo-China.

### **Financial resources**

Novel Good intends to finance the Offers from the loan proceeds made available to Novel Good by financial institutions. UBS and Nomura, the joint financial advisers to Novel Good, are satisfied that sufficient financial resources are available to Novel Good to satisfy full acceptance of the Offers, save for the Retained Shares.

### **Pre-condition to the Offers**

The Offers will not be made unless and until Completion occurs. If such pre-condition is not satisfied or any of the conditions precedent for Completion is not fulfilled or waived (as the case may be) prior to the Longstop Date, the Offers will not be made and a separate announcement will be published as soon as practicable thereafter.

### **Condition of the Offers**

The Share Offer will be conditional upon Novel Good having received (and, where permitted, such acceptances not having been withdrawn), at or before 4:00 p.m. on the First Closing Date (or such other time as Novel Good may, subject to the Takeovers Code, decide), valid acceptances in respect of the Neo-China Shares which, together with the Neo-China Shares agreed to be acquired through the Acquisition and the Subscription, will result in Novel Good and any person acting with it holding more than 50% of the Neo-China Shares.

If such condition is not satisfied on or before the First Closing Date, the Share Offer will lapse unless the offer period is extended by Novel Good. In that case, Novel Good will issue an announcement as soon as practicable thereafter.

The CB Offer, the Option Offer and the Warrant Offer will be subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects.

### **Effects of accepting the Offers**

Acceptance of the Share Offer by any Neo-China Shareholder will be deemed to constitute a warranty by such person that all the Neo-China Shares to be sold by such person under the Share Offer will be free from Encumbrances. Similarly, acceptances of the CB Offer, the Warrant Offer and the Option Offer by any CB Holder, any Warrant Holder and any Option Holder respectively will be deemed to constitute a warranty by such person that the Convertible Bonds, the Warrants or the Share Options (as the case may be) sold or cancelled, as the case may be, by them under the CB Offer, the Warrant Offer or the Option Offer (as the case may be) will be free from Encumbrances.

Under the terms of the Option Offer, the Share Options held by the accepting Option Holders, together with all rights attaching thereto, will be entirely cancelled and removed.

### **Hong Kong stamp duty**

Novel Good will pay seller's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offers at a rate of HK\$1 for every HK\$1,000 (or part thereof) of the value of the consideration payable in respect of the relevant acceptance, which amount will be deducted from the amount payable to the relevant accepting shareholder or bondholder. Novel Good will bear all buyers' Hong Kong ad valorem stamp duty and will arrange for the payment of the vendor's ad valorem stamp duty (which will be deducted from the consideration payable by Novel Good) in connection with such sale and purchases.

### **Availability of the Offers**

Novel Good intends to make available the Offers to all Neo-China Shareholders, all CB Holders, all Warrant Holders and all Option Holders, including those who are resident outside Hong Kong, to the extent practicable. The availability of the Offers to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdictions. Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions.

Novel Good reserves the right, subject to the consent of the Executive and to legal requirements, to make special arrangements regarding the terms of the Offers in relation to the Neo-China Shareholders, the CB Holders, the Warrant Holders and the Option Holders whose receipt of the Offers or the document for the Offers is subject to the laws of an overseas jurisdiction. In addition, Novel Good also reserves the right, subject to the consent of the Executive, to notify any matter, including the making of the Offers, to the Neo-China Shareholders, the CB Holders, the Warrant Holders and the Option Holders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction of which such persons are resident.

In the event that the receipt of the document of the Offers by overseas Neo-China Shareholders, CB Holders, Warrant Holders or Option Holders is prohibited by any relevant law or may only be effected after compliance with conditions or requirements that the directors of Novel Good regard as unduly onerous or burdensome or otherwise not in the best interests of Novel Good or the shareholders of Novel Good as a whole, the document for the Offers will not to be despatched to such overseas Neo-China Shareholders, CB Holders, Warrant Holders or Option Holders. Novel Good will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time to permit the document not to be despatched to such overseas Neo-China Shareholders, CB Holders, Warrant Holders or Option Holders. The Executive would not normally waive such requirements unless it is satisfied that it would be unduly burdensome to despatch the document for the Offers to such overseas Neo-China Shareholders, CB Holders, Warrant Holders or Option Holders.

## **Agreements or arrangements**

Save that Mr. Li and the Vendor have irrevocably undertaken to Novel Good that they will not, amongst other things, accept the Share Offer and save for the Acquisition, the Subscription, the Qi Ao Agreement and the transactions relating thereto as set out in details above, as at the date of this announcement:

- (i) there are no outstanding derivatives in respect of securities in Neo-China entered into by Novel Good or any person acting in concert with it;
- (ii) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the shares of Novel Good or Neo-China Shares which might be material to the Offers;
- (iii) there are no agreements or arrangements to which Novel Good is a party which relate to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers; and
- (iv) there are no relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) in Neo-China which Novel Good or any person acting in concert with it has borrowed or lent.

Novel Good confirms that (a) neither Novel Good nor any party acting in concert with it has received any irrevocable commitment to accept the Offers; (b) neither Novel Good nor any party acting in concert with it holds any convertible securities, warrants or options of Neo-China; and (c) save for the Acquisition and the Subscription and the transactions relating thereto as set out in details above, Novel Good and parties acting in concert with it have not dealt in any Neo-China Shares during the six months prior to and up to the date of this announcement.

## **INFORMATION ON SIH**

SIH and its subsidiaries are principally engaged in the business of, infrastructure, consumer products and real estate.

## **INFORMATION ON THE NEO-CHINA GROUP**

The Neo-China Group is principally engaged in the business of property development, property investment and hotel operations.

As at 31 October 2009, the unaudited net asset value of Neo-China Group was approximately HK\$9,024.64 million.

For the financial years ended 30 April 2008 and 30 April 2009, the audited consolidated net profits (both before and after taxation and extraordinary items) of the Neo-China Group were approximately as follows:

Audited net profits before taxation and  
extraordinary items  
(HK\$ in million)

Audited net profits after taxation and  
extraordinary items  
(HK\$ in million)

*For the financial year ended 30 April*

*For the financial year ended 30 April*

2008

2009

2008

2009

2,376

339

1,567

90

For the financial years ended 30 April 2008 and 30 April 2009, the audited earnings per Neo-China Share were approximately as follows:

Audited earnings - basic  
(Hong Kong cents)

Audited earnings - diluted  
(Hong Kong cents)

*For the financial year ended 30 April*

*For the financial year ended 30 April*

2008

2009

2008

2009

84.23

6.51

68.19

5.56

## **SHAREHOLDING STRUCTURE OF NEO-CHINA**

Assuming that none of the Convertible Bonds, Warrants and Share Options are converted or exercised and no Neo-China Shares are repurchased prior to Completion, based on notifications made under the provisions of part XV of the Securities and Futures Ordinance prior to the date of this announcement, the existing shareholding structure of Neo-China and the anticipated shareholding structure of Neo-China after completion of the Acquisition and the Subscription but before the Offers, will be as follows:

	Existing		Shareholding structure after completion of the Acquisition and Subscription but before the Offers	
	<i>Number of Neo-China Shares</i>	<i>%</i>	<i>Number of Neo-China Shares</i>	<i>%</i>
Novel Good and parties acting in concert with it	-	-	1,183,692,000	45.02
Vendor and Mr. Li and their respective concert parties	1,054,920,495	54.22	554,920,495	21.10
Public	890,719,694	45.78	890,719,694	33.88
	<u>1,945,640,189</u>	<u>100.00</u>	<u>2,629,332,189</u>	<u>100.00</u>

## REASONS FOR AND BENEFITS OF THE TRANSACTIONS

### *SIH*

SIH is committed to optimising its business structure and strengthen its core businesses, with a focus on the infrastructure, real estate and consumer products segments, making them key growth drivers and sources of income for SIH in the future. Currently, the real estate segment comprises property development, property investment and hotel operations, featuring both residential and commercial properties and SIH is also actively pursuing opportunities to acquire more land reserves and high quality projects for further expansion. The acquisition of a significant stake in Neo-China through the Acquisition, the Subscription and, potentially, the Offers is therefore in line with SIH's strategy of building up core business and optimising its business structure.

In addition, the acquisition of a significant stake in Neo-China would allow SIH to build up a more concrete platform for the future through the acquisition of quality assets of Neo-China. With an interest in quality assets of Neo-China, SIH will also be able to optimise its property assets resources which will in turn contribute to SIH's earnings and add value to the shareholders of SIH. There is a strong commitment from SIH to assist to further develop Neo-China's land reserves and its existing development projects.

The directors of SIH (including the independent non-executive directors of SIH) consider that the Acquisition, the Subscription and the Offers were entered into on an arm's length basis and on normal commercial terms and are fair and reasonable and are in the interest of SIH and the shareholders of SIH taken as a whole.

## *Neo-China*

The Neo-China Board believes that the Subscription will strengthen the capital base of Neo-China and provide it with funds to pay down debt and/or to fund new investment or working capital requirements. It also believes that the introduction of the SIH Group as the new single largest shareholder of Neo-China and the related Offers are likely to assist Neo-China in achieving an uplift of the suspension of trading in its shares that the board has been seeking for many months without any success.

In connection with the valuation of the Qi Ao Island Project and the Qi Ao Agreement, full details of which will be set out in a circular to its shareholders, Neo-China will recognise an impairment loss on the Qi Ao Island Project of approximately HK\$2,000 million in the consolidated financial statements of the Neo-China Group for the financial period ended 31 December 2009 which will affect materially and adversely Neo-China's reported results for the period ended 31 December 2009.

Further details of the financial status of the Neo-China Group will be disclosed when its audited consolidated financial statements for the financial period ended 31 December 2009 are announced.

**Shareholders and potential investors should note that the impairment loss on the Qi Ao Island Project of approximately HK\$2,000 million may constitute a profit forecast for Neo-China under Rule 10 of the Takeovers Code and therefore needs to be reported on in accordance with the Takeovers Code. Neo-China has requested and the Executive has permitted the publication of this impairment loss without full compliance with Rule 10 of the Takeovers Code on the basis that the audited consolidated financial statements of the Neo-China Group for the financial year ended 31 December 2009 will be published as soon as possible before despatch of the document containing the Offers and contained in that document or an appropriate response document. They should exercise caution in placing reliance on this figure in assessing the merits and demerits of the Offers and/or in dealing in Neo-China Shares, Share Options, Warrants, Convertible Bonds and other securities of Neo-China.**

The directors of Neo-China (excluding the independent non-executive directors of Neo-China whose views will be given after taking into account the advice to be provided by the independent financial adviser) consider that the Subscription and the Qi Ao Agreement were, in the context of the Transactions taken as a whole, entered into on an arm's length basis and on normal commercial terms and are fair and reasonable and are in the interest of Neo-China and Neo-China Shareholders taken as a whole.

The estimated gross proceeds of the Subscription Agreement are HK\$1,580 million and the estimated gross proceeds of the Qi Ao Agreement are HK\$2,500 million. The directors intend that the proceeds will be applied as to HK\$1,500 million in repayment of debts and as to the remaining HK\$2,580 million in investments and development as and when suitable opportunities are identified. As there are likely to be changes to the composition of the board of Neo-China at Completion, the intended use of proceeds may change if the directors of Neo-China from time to time consider that

to be appropriate. As the proceeds of the Qi Ao Agreement will not be received for some years the use of those proceeds will be reviewed from time to time.

## **INTENTIONS OF NOVEL GOOD AND SIH IN RELATION TO NEO-CHINA**

If the Offers are completed, SIH intends that Neo-China will continue to carry on its current business, subject to a continuing review of its operations and the development of a plan to realise synergies with SIH's real estate business in the PRC. Subject to due compliance with the Listing Rules, this may or may not include the injection of assets or businesses into the Neo-China Group by SIH or the acquisition or disposal of assets by Neo-China. SIH will keep its shareholders informed by further announcement if it decides on anything that requires disclosure pursuant to the Takeovers Code or the Listing Rules.

## **MAINTAINING THE LISTING STATUS OF NEO-CHINA**

Novel Good intends Neo-China to remain listed on the Main Board of the Stock Exchange after closing of the Offers. The directors of Neo-China, for so long as they remain directors of Neo-China, and the new directors (if any) to be appointed to the board of directors of Neo-China will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Neo-China Shares.

SIH will, together with Neo-China, use reasonable endeavours to maintain the listing of the Neo-China Shares on the Stock Exchange and will ensure that not less than 25% of the Neo-China Shares will be held by the public in compliance with the Listing Rules.

If, at the close of the Offers, less than 25% of the Neo-China Shares are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Neo-China Shares, or
- there are insufficient Neo-China Shares in public hands to maintain an orderly market,

then the Stock Exchange may exercise its discretion to suspend dealings in the Neo-China Shares. In this connection, it should be noted that upon completion of the Offers, there may be insufficient public float for the Neo-China Shares and therefore, trading in the Neo-China Shares may be suspended, or remain suspended, until a prescribed level of public float is attained.

## **POSSIBLE CHANGE OF BOARD COMPOSITION OF NEO-CHINA**

The Neo-China Board currently comprises seven executive directors, one non-executive director and three independent non-executive directors. Subject to Completion and the Takeovers Code, some or all of the existing directors of Neo-China, if so required by Novel Good, may tender their resignation, which will take effect from the earlier of the closing date of the Offers or such other date as approved by the Executive. No decision has been made by Novel Good as at the date of this announcement as to the number and identity of the existing directors of Neo-China who will be required to resign.

Novel Good intends to nominate new director(s) to the Neo-China Board but a decision has not been made as at the date of this announcement as to the number and identity of its nominees. Any arrangement regarding the change of the board composition of Neo-China will be made in compliance with the relevant requirements of the Listing Rules and/or the Takeovers Code.

## **GENERAL**

### **Independent financial adviser to the Independent Board Committee of Neo-China**

The Independent Board Committee will be established to advise the Independent Neo-China Shareholders in respect of the Subscription, the Share Offer and the Qi Ao Agreement. An independent financial adviser will also be appointed to advise the Independent Board Committee regarding the Subscription, the Share Offer and the Qi Ao Agreement. An announcement will be made upon the appointment of the independent financial adviser in accordance with Rule 2.1 of the Takeovers Code and Chapter 14 of the Listing Rules.

### **Despatch of offer document**

Pursuant to Rule 8.2 of the Takeovers Code, the offer document should be despatched within 21 days of the date of this announcement. It is the intention of the respective boards of SIH and Neo-China, if practicable, to despatch a composite offer document which will contain, amongst other things, advice from the Independent Board Committee and advice from an independent financial adviser in respect of the Offers. However, as there is pre-condition, i.e. Completion, to the making of the Offers, an application will be made to the Executive pursuant to Note 2 to Rule 8.2 of the Takeovers Code for an extension of time to despatch the offer document within 7 days of fulfilment of such pre-condition. An expected timetable in relation to the Offers will be included in the offer document.

### **The Subscribed Shares**

The Subscribed Shares will be Neo-China Shares of HK\$0.04 each and will rank *pari passu* in all respects with the Neo-China Shares in issue at the date of issue of the Subscribed Shares and will entitle the holders thereof to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Subscribed Shares.

An application will be made to the Stock Exchange for the listing of, and for permission to deal in, the Subscribed Shares.

Approval will also be sought from the Neo-China Shareholders for, amongst other things, the Subscription Agreement. Only Independent Neo-China Shareholders will be permitted to vote on the relevant resolution.

## **Disclosure of dealings in the securities of Neo-China**

The respective associates of Novel Good and Neo-China are hereby reminded to disclose their dealings in the securities of Neo-China under Rule 22 of the Takeovers Code.

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

### **"Responsibilities of stockbrokers, banks and other intermediaries**

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

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

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

## **LISTING RULES AND TAKEOVERS CODE IMPLICATIONS**

### *SIH*

As the applicable percentage ratios for the Acquisition, the Subscription and the Offers in aggregate are more than 25% but less than 100%, the Acquisition, the Subscription and the Offers together constitute a major transaction for SIH and are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

To the best of the SIH Directors' knowledge, information and belief, no SIH Shareholder is required to abstain from voting if SIH were to convene a general meeting. Accordingly, the Acquisition, the Subscription and the Offers have been approved by written shareholders' approval in accordance with Rule 14.44 of the Listing Rules. No shareholders' meeting of SIH will be convened to consider the Acquisition, the Subscription and the Offers. SIH's controlling shareholder, Shanghai Industrial Investment (Holdings) Company Limited, which owns 551,799,371 ordinary shares in SIH, representing approximately 51.10% of the issued share capital of SIH as at the date of this announcement, has granted its approval to SIH of the Acquisition, the Subscription and the Offers as required under the Listing Rules.

## *Neo-China*

The Qi Ao Agreement, including the price for the Qi Ao Island Project being at a material discount to the market value of the Qi Ao Island Project at 31 December 2009 and the deferred payment terms, constitutes a connected transaction for Neo-China falling within Chapter 14A of the Listing Rules as well as a "special deal" for Mr. Li falling within Rule 25 of the Takeovers Code and the Subscription constitutes a connected transaction for Neo-China falling within Chapter 14A of the Listing Rules. They are therefore subject to the approval of the Independent Neo-China Shareholders in general meeting.

As the Qi Ao Agreement constitutes a special deal for Mr. Li under Rule 25 of the Takeovers Code it also requires the consent of the Executive. An application will be made to the Executive for consent under Rule 25 of the Takeovers Code in relation to the Qi Ao Agreement.

Such consent, if granted, will be subject to (i) the independent financial adviser publicly stating that in its opinion the terms of the Qi Ao Agreement are fair and reasonable; and (ii) the approval of the Qi Ao Agreement by the Independent Neo-China Shareholders by way of a poll at the general meeting of Neo-China. Neo-China Shareholders including (i) the Vendor, its associates and parties acting in concert with any of them; (ii) Novel Good and parties acting in concert with it; and (iii) any Neo-China Shareholders who are involved in or interested in the Qi Ao Agreement or the transactions contemplated thereunder, will be required to abstain from voting on the resolution in respect of the Qi Ao Agreement at such general meeting.

## **CIRCULARS**

An extraordinary general meeting of Neo-China will be convened to consider and approve the Qi Ao Agreement and the Subscription Agreement. A circular containing particulars of the Qi Ao Agreement and the Subscription Agreement, the recommendation from the Independent Board Committee and the advice from the independent financial adviser to the Independent Board Committee and a notice of extraordinary general meeting will be despatched to the shareholders of Neo-China as soon as practicable.

A circular for the SIH major transaction will be despatched to the shareholders of SIH in accordance with the relevant requirements of the Listing Rules.

## **SUSPENSION OF TRADING OF NEO-CHINA SHARES AND THE CONVERTIBLE BONDS**

Trading in the Neo-China Shares and the Convertible Bonds on the Main Board of the Stock Exchange was suspended with effect from 10:10 a.m. on 22 January 2008 at the request of Neo-China pending the release of an announcement in respect of certain price sensitive information. Trading of the Neo-China Shares and the Convertible Bonds will continue to be suspended until further notice.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Acquisition"	the acquisition of the Sale Shares pursuant to the terms and conditions of the Sale and Purchase Agreement
"acting in concert"	the meaning ascribed to it under the Takeovers Code
"associates"	the meaning ascribed to it under the Takeovers Code
"Business Day"	a day other than a Saturday or Sunday, on which banks in Hong Kong are open for business generally
"Completion"	completion of the Acquisition and the Subscription
"connected person(s)"	the meaning ascribed to it under the Listing Rules
"Convertible Bonds"	HK\$1,340,000,000 zero coupon convertible bonds due 2011 issued by Neo-China of which HK\$52,160,000 principal amount remains outstanding
"CB Holders"	the holders of the Convertible Bonds
"CB Offer"	the possible mandatory conditional cash offer for all the Convertible Bonds (other than those already owned or agreed to be acquired by Novel Good and parties acting in concert with it) to be made by UBS and Nomura for and on behalf of Novel Good
"Encumbrances"	all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to the securities as at the date of this announcement and all rights subsequently attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the offer document for the Offers
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates

"First Closing Date"	the date to be stated in the document for the Offers as the first closing date of the Offers (or any subsequent closing date as may be decided and announced by Novel Good and approved by the Executive)
"HK\$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the board committee of Neo-China to be formed to advise the Independent Neo-China Shareholders in respect of the Subscription, the Qi Ao Agreement and the Share Offer
"Independent Neo-China Shareholders"	the holders of Neo-China Shares other than Mr. Li, connected persons of Mr. Li and persons acting in concert with any of them
"Last Trading Day"	22 January 2008, the last trading day immediately prior to the suspension of trading in the Neo-China Shares
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longstop Date"	30 September 2010 (or such other date as may be agreed among the Vendor, the Purchaser and Neo-China)
"Mr. Li"	Mr. Li Song`Xiao, a former executive director and chairman of Neo-China, who resigned with effect from 22 August 2009
"Neo-China"	Neo-China Land Group (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Neo-China Board"	the board of directors of Neo-China
"Neo-China Group"	Neo-China and its subsidiaries
"Neo-China Shareholders"	the holders of Neo-China Shares
"Neo-China Shares"	ordinary shares of HK\$0.04 each in the share capital of Neo-China

"Nomura"	Nomura International (Hong Kong) Limited, an entity licensed under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities;
"Novel Good"	Novel Good Limited 穎佳有限公司, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of SIH
"Offers"	collectively, the Share Offer, the CB Offer, the Warrant Offer and the Option Offer
"Option Holder"	holders of the Share Options
"Option Offer"	the possible mandatory conditional cash offer for the cancellation of all the outstanding Share Options (other than those already owned or agreed to be acquired by Novel Good and parties acting in concert with it) to be made by UBS and Nomura for and on behalf of Novel Good
"PRC"	the People's Republic of China
"Qi Ao Agreement"	an agreement dated 19 January 2010 between Turbo Wise, Neo-China and Mr. Li relating to the sale and purchase of the Neo-China Group's interest in Qi Ao Island Project and the related shareholders' loans
"Qi Ao Island Project"	all that plot of land Lot No. A0203001 at east of Qiao East Line Road, Wangchiling Hills, Qiao Island, Zhuhai, Guangdong Province of the PRC occupying an area of approximately 2.2 million square metres

"Qi Ao Loan Agreement"	a RMB1,500,000,000 equivalent Term Loan Agreement dated 29 November 2007 in relation to financing for the Qi Ao Island Project between Moral Luck Group Limited (運德集團有限公司), Rich Win Investments Limited (富勝投資有限公司), both of which are wholly-owned subsidiaries of Neo-China and will remain wholly-owned subsidiaries of Neo-China immediately after Completion, and Oceana Assets Corp., as amended and supplemented by an amendment agreement dated 27 August 2008 and a second amendment agreement dated 2 December 2009
"Retained Shares"	554,920,495 Neo-China Shares representing approximately 28.52% of the issued share capital of Neo-China as at the date of this announcement and approximately 21.10% of the issued share capital of Neo-China as enlarged by the Subscribed Shares to be retained by Mr. Li and the Vendor immediately after Completion
"RMB"	renminbi, the lawful currency of the PRC
"Sale Shares"	500,000,000 Neo-China Shares, currently legally and beneficially owned by the Vendor, representing approximately 25.70% of the issued share capital of Neo-China as at the date of this announcement
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 19 January 2010 and entered into between the Vendor, Novel Good and Mr. Li in relation to the acquisition by Novel Good of the Sale Shares from the Vendor
"SFC"	the Securities and Futures Commission of Hong Kong
"Share Offer"	the possible mandatory conditional cash offer for all the issued Neo-China Shares (other than those already owned or agreed to be acquired or subscribed by Novel Good and parties acting in concert with it) to be made by UBS and Nomura for and on behalf of Novel Good
"Share Options"	the outstanding share options granted under the share option scheme adopted by Neo-China on 12 December 2002

"SIH"	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange
"SIH Directors"	the directors of SIH
"SIH Group"	SIH and its subsidiaries
"SIH Shareholders"	the shareholders of SIH
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribed Shares"	683,692,000 Neo-China Shares to be subscribed by Novel Good at completion of the Subscription
"Subscription"	the subscription of the Subscribed Shares pursuant to the terms and conditions of the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement dated 19 January 2010 and entered into between the Neo-China and Novel Good in relation to the subscription of the Subscribed Shares by Novel Good
"Subscription Price"	HK\$1,586,165,440, which is the aggregate subscription price for the whole of the Subscribed Shares
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Transactions"	collectively, the Acquisition, the Subscription, the Qi Ao Agreement and the Offers
"Turbo Wise"	Turbo Wise Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Li
"UBS"	UBS AG, Hong Kong branch, , an entity licensed under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance); type 7 (providing automated trading service) and type 9 (asset management);
"Vendor"	Invest Gain Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Li

"Warrants"	66,000,000 warrants expiring on 22 July 2012 to subscribe new Neo-China Shares at a price of HK\$6.72 each, subject to adjustments
"Warrant Holders"	the holders of the Warrants
"Warrant Offer"	the possible mandatory conditional cash offer for all the outstanding Warrants (other than those already owned or agreed to be acquired by Novel Good and parties acting in concert with it) to be made by UBS and Nomura for and on behalf of Novel Good
"% "	per cent.

Sums in this announcement expressed in RMB have for illustration only been translated into HK\$ at the rate RMB1.00 = HK\$1.14, being the approximate rate prevailing at close of business in Hong Kong on the date of this announcement

By order of the board of  
**SHANGHAI INDUSTRIAL  
HOLDINGS LIMITED**  
**Leung Lin Cheong**  
*Company Secretary*

By order of the board of  
**NEO-CHINA LAND GROUP  
(HOLDINGS) LIMITED**  
**Liu Yi**  
*Chairman*

Hong Kong, 19 January 2010

*As at the date of this announcement, the board of directors of SIH is comprised of:*

*Executive directors:*

*Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Zhou Jie, Mr. Qian Shi Zheng, Mr. Zhou Jun and Mr. Qian Yi*

*Independent non-executive directors:*

*Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis*

*As at the date of this announcement, the board of directors of Novel Good is comprised of:*

*Mr. Cai Yu Tian, Mr. Zhou Jie, Mr. Qian Shi Zheng and Mr. Zhou Jun.*

*As at the date of this announcement, the Neo-China Board is comprised of:*

*Executive directors:*

*Mr. Liu Yi, Ms. Niu Xiao Rong, Mr. Yuan Kun, Ms. Liu Yan, Mr. Jia Bo Wei, Ms. Bao Jing Tao and Mr. Lam Kwan Sing*

*Non-executive director:*

*Mr. Lai Leong*

*Independent non-executive directors:*

*Ms. Nie Mei Sheng, Mr. Zhang Qing Lin and Mr. Gao Ling*

*The directors of SIH jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that in relation to Mr. Li, the Vendor, Turbo Wise and the Neo-China Group) and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts relating to the SIH Group not contained in this announcement the omission of which would make any statement in this announcement (other than that in relation to Mr. Li, the Vendor, Turbo Wise and the Neo-China Group) misleading.*

*The directors of Novel Good jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that in relation to Mr. Li, the Vendor, Turbo Wise and the Neo-China Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts relating to Novel Good not contained in this announcement the omission of which would make any statement in this announcement (other than that in relation to Mr. Li, the Vendor, Turbo Wise and the Neo-China Group) misleading.*

*The directors of Neo-China jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that in relation to Mr. Li, the Vendor, Turbo Wise and the SIH Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts relating to the Neo-China Group not contained in this announcement (other than that in relation to Mr. Li, the Vendor, Turbo Wise and the SIH Group) the omission of which would make any statement in this announcement misleading.*

*Mr. Li, for himself and as the sole director of the Vendor and Turbo Wise, accepts full responsibility for the accuracy of the information contained in this announcement which only relates to himself, the Vendor and Turbo Wise, and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this announcement by himself, the Vendor or Turbo Wise have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement relating to himself, the Vendor or Turbo Wise in this announcement misleading.*

*\* For identification only*

## **Valuation report for the Qi Ao Island Project**

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



16th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

18 January 2010

The Board of Directors  
Neo-China Land Group (Holdings) Limited  
Suites 3005-7, 30/F  
Great Eagle Centre  
23 Harbour Road  
Wanchai  
Hong Kong

Dear Sirs,

**Re: A plot of land Lot No. A0203001 at east of Qiao East Line Road, Wangchiling Hills, Qiao Island, Zhuhai, Guangdong Province, the People's Republic of China**

### **Instructions, Purpose & Date of Valuation**

In accordance with the instruction for us to carry out the valuation of the market value of the captioned property (the "Property") held by Neo-China Land Group (Holdings) Limited (the "Company") or its subsidiaries (together the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing the Company with our opinion of the market value of the Property in its existing state as at 31 December 2009 (the "date of valuation").

### **Definition of Market Value**

Our valuation of the Property represents its market value which in accordance with The HKIS Valuation Standards on Properties of The Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing

buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion."

### **Valuation Basis and Assumption**

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

In the course of our valuation of the Property situated in the PRC, with reference to the PRC legal opinion, we have prepared our valuation on the basis that transferable land use rights in respect of the Property for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group, regarding the title to the Property and the interest in the Property. In valuing the Property, with reference to the PRC legal opinion, we have prepared our valuation on the basis that the owners have enforceable title to the Property and have free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired term as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, with reference to the PRC legal opinion, it is valued on the basis that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

According to financial information of the Group, for indicate purpose and based on prevailing rules and information available as at the Latest Practicable Date, the potential tax liability which would arise on the disposal of the property in the PRC are PRC business tax (approximately 5%), PRC land appreciation tax (approximately 30%–60% of the appreciation amount) and withholding tax for foreign company (approximately 20%). According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability. The precise tax implication will be subject to prevailing rules and regulation at the time of disposal. Since the property is held for future development purpose, the likelihood of the relevant tax liabilities being crystallized is remote in near future.

### **Method of Valuation**

In valuing the Property which is held by the Group for future development in PRC, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the Property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Valuation Standards (First Edition 2005) on Properties published by The Hong Kong Institutes of Surveyors.

## **Source of Information**

We have relied to a very considerable extent on the information given by the Group and the opinion of the PRC legal adviser as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Property, particulars of occupancy, development scheme, site and floor areas and all other relevant matters.

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

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult the legal adviser, Shanghai City Allbright Law Offices (上海市錦天城律師事務所) regarding the legality and interpretation of these documents.

## **Title Investigation**

We have been provided by the Group with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

## **Site Inspection**

We have inspected the exterior, and wherever possible, the interior of the Property. However, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the copies of documents handed to us are correct.

## **Currency**

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We attach herewith our valuation certificate.

Yours faithfully,  
for and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**Philip C Y Tsang**  
Registered Professional Surveyor (GP)  
China Real Estate Appraiser  
MSc, MRICS, MHKIS  
**Director**

*Note: Mr. Philip C Y Tsang is a Registered Professional Surveyor who has over 17 years' experience in the valuation of properties in the PRC.*

## VALUATION CERTIFICATE

### Property held for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2009
<p>A plot of land Lot No. A0203001 at east of Qiao East Line Road, Wangchiling Hills, Qiao Island, Zhuhai, Guangdong Province, the PRC</p>	<p>The Property comprises a piece of land with a site area of 2,215,516.28 sq m (23,847,817 sq ft).</p> <p>As advised by the Group, the Property will be developed into a composite residential/tourism development. The Property will be developed with a total gross floor area of approximately 770,000 sq m (8,288,280 sq ft).</p> <p>The land use rights of the Property have been granted for terms due to expire on 30 November 2074 for residential use and 30 November 2044 for tourism use.</p>	<p>The Property is currently vacant and pending for development.</p>	<p>RMB2,250,000,000</p> <p>(100% interest attributable to the Group : RMB2,250,000,000)</p>

*Notes:*

- (1) The Property comprises site area of 2,215,516.28 sq m; of which a site area of 2,015,131.23 sq m is registered in the Real Estate title Certificate; whilst the remaining land 200,385.05 sq m site area which is currently occupied by army and villagers would be further registered after the related process has been completed. In the course of our valuation, we have assumed that the Real Estate title Certificate of the 200,385.05 sq m site area will be issued in due course.
- (2) According to Real Estate Title Certificate No. C4701761, the land use rights of the Property, comprising a site area of 2,015,131.23 sq m (Under red-line plan, the site area is 2,215,516.28 sq m. A site area of 2,015,131.23 sq m is registered, but the remaining land 200,385.05 sq m site area which is currently occupied by army and villagers would be further registered after the related process has been completed.), have been vested in Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) for terms due to expire on 30 November 2074 for residential use and 30 November 2044 for tourism use.

- (3) According to Construction Land Approval Letter No. (2006)113 issued by Zhuhai City Land Resources Bureau (珠海市國土資源局) dated 8 September 2006, the land nature of the construction sites of land with a site area of 2,215,516.28 sq m is granted and the land premium is RMB227,500,000.
- (4) According to Planning Permit for Construction Use of Land No. (2006)086 issued by Zhuhai City Planning Bureau (珠海市規劃局) dated 6 September 2006, the construction sites of land with a site area of 2,215,516.28 sq m are in compliance with urban planning requirements.
- (5) According to Business Licence No. 440400400007208, Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) was established as a limited liability company on 13 December 1995 with a registered capital of RMB90,000,000 (with a paid-up capital of RMB90,000,000) for a valid operation period from 13 December 1995 to 6 November 2036.
- (6) According to the PRC legal opinion:
- (i) Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司), a 100% owned subsidiary of the Company as at 31 December 2009, has obtained valid business licence and legally established under the PRC law;
  - (ii) Zhuhai City Yuzhuo Group Ltd. (珠海市裕卓集團有限公司) (the former shareholder of Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司)) has fully settled all land premium of the Property and obtained Grant Contract of Land Use Rights;
  - (iii) Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) has right to use, transfer, lease and mortgage the land use rights of the Property. Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) possesses the land Lot No. A0203001 with a site area of 2,215,516.28 sq m. and obtained the Real Estate Title Certificate with a registered site area of 2,015,131.23 sq m; the remaining land 200,385.05 sq m site area which is currently occupied by army and villagers would be further registered after the related process has been completed;
  - (iv) Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) has obtained Planning Permit for Construction Use of Land, but has not obtained Planning Permit for Construction Works and Permit for Commencement of Construction Works; and
  - (v) According to the Reply Letter of the problem of not identifying as idle land of Neo-China Qiao Project (關於中新淇澳項目用地不認定土地閒置問題的覆函) as approved by Land Resources Bureau, the Property is temporarily not identified as idle land. Supplemental Grant Contract of Land Use Rights should be further entered into to make clear the building covenant..
- (7) The status of title and grant of major approvals and Licence in accordance with the information provided by the Group and the PRC legal opinion is as follows:-

Real Estate Title Certificate	Yes
Grant Contract of Land Use Rights	Yes
Construction Land Approval Letter	Yes
Planning Permit for Construction Use of Land	Yes

Planning Permit for Construction Works	No
Permit for Commencement of Construction Works	No
Business Licence	Yes