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

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

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**MAJOR TRANSACTION
CONNECTED TRANSACTION
DISPOSAL OF 10% INTEREST
IN
KEY APEX LIMITED**

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



A letter from the Board is set out on pages 3 to 8 of this circular and a letter from the Independent Board Committee is set out on page 9 of this circular. A letter from Access Capital Limited, the independent financial adviser, containing its advice and recommendation in respect of the Disposal to the Independent Board Committee and the Independent Shareholders is set out on pages 10 to 15 of this circular.

21 December 2009

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DEFINITIONS

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

“ACL” or “Independent Financial Adviser”	Access Capital Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4, (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal
“Agreement”	the agreement dated 2 December 2009 entered into between Healthy Castle and the Purchasers in respect of the Disposal
“Announcement”	the announcement dated 3 December 2009 and made by the Company in relation to the Disposal
“Asia Investment”	Asia Investment Services Limited, a company incorporated in the British Virgin Islands with limited liability. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, an associate of the non-executive Director controls over 30% of its voting rights
“Assigned Loan”	the principal amount of US\$6,784,900 due from Key Apex to Healthy Castle
“Board”	the board of directors of the Company
“Company”	New Heritage Holdings Ltd., a company incorporated in the Cayman Islands and the shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal and the assignment of the Assigned Loan pursuant to the Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the sale of the Sale Shares and the assignment of the Assigned Loan by Healthy Castle to the Purchasers pursuant to the Agreement
“Fordham”	Fordham Essential Limited, a company incorporated in the British Virgin Islands with limited liability. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, an associate of the non-executive Director controls over 30% of its voting rights
“Key Apex”	Key Apex Limited, a company incorporated in the British Virgin Islands with limited liability
“Key Apex Group”	Key Apex and its subsidiaries
“Group”	the Company and its subsidiaries
“Healthy Castle”	Healthy Castle Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is indirectly wholly owned by the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, consisting of Messrs. WONG Gary Ka Wai, Mr. SUN Leland Li Hsun and Mr. CHAN Norman Enrique, who are the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the terms of the Agreement

DEFINITIONS

“Independent Shareholder(s)”	Shareholder(s) who is/are not required to abstain from voting at the general meeting of the Company (if held) to approve the Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	15 December 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Newlink”	Newlink Developments Limited, a company incorporated in the British Virgin Islands with limited liability. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the ultimate beneficial owner(s) of which is/are third parties independent of the Company and its connected persons
“percentage ratio(s)”	the percentage ratio(s) under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“PRC company”	上海盤谷房地產有限公司 (Shanghai Pangu Co., Ltd.), indirectly held by Key Apex
“Property Development Project”	the residential and commercial property development project in Jiading, Shanghai, the PRC undertaken by the PRC company
“Purchasers”	Ultra Plan, Asia Investment, Fordham, Robinson and Newlink
“RMB”	Renminbi, the lawful currency of the PRC
“Robinson”	Robinson Enterprise Limited, a company incorporated in Jersey, Channel Islands with limited liability. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, an associate of the non-executive Director controls over 30% of its voting rights
“Sale Shares”	the 100 shares of Key Apex, representing 10% of the issued share capital of Key Apex
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Ultra Plan”	Ultra Plan Ltd., a company incorporated in the British Virgin Islands with limited liability. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, an associate of the non-executive Director controls over 30% of its voting rights
“US\$”	United States dollars
“%”	per cent

For the purpose of this circular, unless the context herein requires otherwise, amounts denominated in US\$ have been converted into HK\$, for the purpose of illustration only, using the exchange rate of US\$1 = HK\$7.8.

LETTER FROM THE BOARD



(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 95)

Executive Directors:

Mr. TAOCHAIFU Choofuang
(also known as C.F. TAO) (Chairman)
Mr. TAO Richard *(Vice Chairman)*
Mr. TAO Paul
(also known as TAOCHAIFU Porn) (Managing Director)
Mr. KONG Mui Sum Lawrence
Mr. YIM Chun Leung

Non-Executive Director:

Mr. CHAN Bernard Charnwut

Independent Non-Executive Directors:

Mr. WONG Gary Ka Wai
Mr. SUN Leland Li Hsun
Mr. CHAN Norman Enrique

Registered Office:

Clifton House
75 Fort Street
P.O. Box 1350 GT
George Town
Grand Cayman
Cayman Islands

Head Office and Principal

Place of Business:
Room 2301, 23/F,
Fortis Tower,
77-79 Gloucester Road,
Wanchai, Hong Kong

21 December 2009

To the Shareholders

Dear Sir/Madam,

**MAJOR TRANSACTION
CONNECTED TRANSACTION
DISPOSAL OF 10% INTEREST
IN
KEY APEX LIMITED**

INTRODUCTION

It was announced in the Announcement that on 2 December 2009, Healthy Castle, an indirect wholly-owned subsidiary of the Company entered into the Agreement to dispose of the Sale Shares and assign the Assigned Loan to the Purchasers at a total consideration of US\$11,185,000 (equivalent to approximately HK\$87,243,000).

The Agreement and the transactions contemplated thereunder constitute a major and connected transaction of the Company requiring reporting, announcement and Shareholders' approval. No Shareholders are required to abstain from voting if the Company were to convene a general meeting to approve the Agreement and the transactions contemplated thereunder. A closely allied group of Shareholders who in aggregate hold approximately 51.27% of the issued share capital of the Company and have the right to attend and vote at a general meeting of the Company to approve the Agreement and the transactions contemplated thereunder have provided to the Company written approval for the Agreement and the transactions contemplated thereunder pursuant to Rules 14.44 and 14A.43 of the Listing Rules.

The purpose of this circular is to provide further information, among others, of (a) the Agreement and the transactions contemplated thereunder; (b) the letter from the Independent Board Committee; and (c) the letter from the Independent Financial Adviser.

LETTER FROM THE BOARD

THE AGREEMENT

Date of the Agreement	:	2 December 2009
Seller	:	Healthy Castle
Purchasers	:	Ultra Plan, Asia Investment, Fordham, Robinson and Newlink
Sale Shares	:	100 shares of US\$1.00 each in Key Apex, representing 10% of the issued share capital of Key Apex
Assigned Loan	:	the principal amount of US\$6,784,900 (equivalent to approximately HK\$52,922,220) due from Key Apex to Healthy Castle, representing approximately 10% of the total shareholders' loan of Key Apex as at 31 October 2009
Consideration	:	US\$11,185,000 (equivalent to approximately HK\$87,243,000). The consideration of the Sale Shares and the Assigned Loan shall be settled in cash upon Completion and was determined after arm's length negotiations between Healthy Castle and the Purchasers by reference to the total shareholders' fund and total shareholders' loan of Key Apex Group of approximately US\$770,400 (equivalent to approximately HK\$6,009,000) and US\$67,845,000 (equivalent to approximately HK\$529,191,000) respectively as at 31 October 2009
Conditions	:	Completion of the sale and purchase of the Sale Shares and the assignment of the Assigned Loan is subject to and conditional upon the fulfillment of the following conditions: (i) resolutions passed by the shareholders of Key Apex (the parties shall assist passing of such resolutions where necessary) approving the transfer of the Sale Shares and the assignment of the Assigned Loan to the Purchasers; and (ii) if required under the Listing Rules, the publication of the necessary announcement and circular by the Company and passing of resolutions at an extraordinary general meeting of the Company approving the sale and purchase of the Sale Shares and the assignment of the Assigned Loan If the conditions have not been satisfied by 5:00 p.m. on or before 28 February 2010 (or such other time and date as agreed by the parties), the Agreement shall lapse and have no further effect and the parties shall be released from all obligations thereunder, unless stated otherwise.
Completion	:	Completion of the sale and purchase of the Sale Shares and the assignment of the Assigned Loan shall take place on the third business day immediately after the conditions have been fulfilled

LETTER FROM THE BOARD

The Sale Shares and the Assigned Loan will be transferred and assigned to the Purchasers in the following proportion:

Purchaser	Number of Sale Shares	Amount of Assigned Loan	Total consideration
Ultra Plan	40	US\$2,713,960	US\$4,474,000
Asia Investment	25	US\$1,696,225	US\$2,796,250
Fordham	20	US\$1,356,980	US\$2,237,000
Robinson	12.5	US\$848,112.5	US\$1,398,125
Newlink	2.5	US\$169,622.5	US\$279,625
Total:	100	US\$6,784,900	US\$11,185,000

GAIN ATTRIBUTABLE TO THE GROUP

The Group became interested in the Sale Shares and the Assigned Loan pursuant to the exercise of the conversion right attached to the convertible note issued on 18 July 2007. Details of the convertible note were set out in the circular of the Company dated 20 June 2007 and the 2008 annual report. After deducting the Group's investment cost in Key Apex of approximately HK\$52,923,000 by the total consideration for the Disposal, a gain of approximately HK\$34 million (before expenses) will be attributable to the Group as a result of the Disposal.

INFORMATION ON THE GROUP

The Group is principally engaged in the property development and property investment business in Suzhou, the PRC and through investment in an associated company, in property investment business in Beijing, the PRC.

INFORMATION ON KEY APEX AND THE PURCHASERS

Key Apex is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, 10% equity interest of Key Apex was directly held by Healthy Castle and the remaining 90% was held as to 42.5% by Ultra Plan, 25% by Asia Investment, 20% by Fordham and 2.5% by Newlink (an independent third party). To the Directors' knowledge, the principal underlying asset of Key Apex is the 100% equity interest in the PRC company which is currently the project company for the residential and commercial property development project in Jiading, Shanghai, the PRC. Based on the valuation report (which is set out in Appendix II to this circular) prepared by BMI Appraisals Limited, an independent qualified valuer, the total valuation of the Property Development Project as at 30 September 2009 was approximately RMB905,000,000 and accordingly approximately RMB90,500,000, being 10%, of the value was attributable to the Group. Based on the information available to the Directors, the profits before and after tax of Key Apex Group for the year ended 31 December 2007 was approximately US\$367,000 (equivalent to approximately HK\$2,826,000) and the loss of Key Apex Group for the year ended 31 December 2008 was approximately US\$404,000 (equivalent to approximately HK\$3,151,200). As at 31 October 2009, the net asset value of Key Apex Group was approximately US\$770,400 (equivalent to approximately HK\$6,009,000).

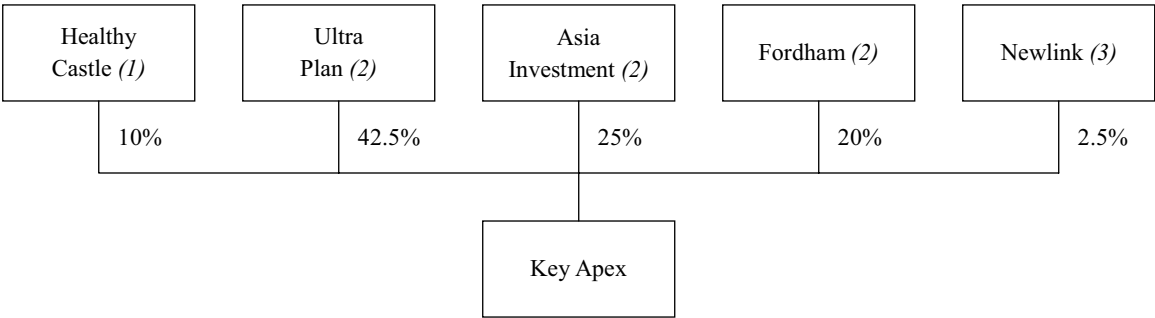
The principal business of Ultra Plan, Asia Investment, Fordham, Robinson and Newlink is investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, among the Purchasers, associates of Mr. CHAN Bernard Charnwut, a non-executive Director (who and his associates did not hold any interest in the Shares of the Company as at the Latest Practicable Date), hold more than 30% voting rights in Ultra Plan, Asia Investment, Fordham and Robinson, and therefore they are regarded as connected persons of the Company under the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the ultimate beneficial owners of Newlink are third parties independent of the Company and its connected persons. As at the Latest Practicable Date, none of the Purchasers and their respective associates held any interest in the Shares of the Company.

LETTER FROM THE BOARD

Upon Completion, the Company will cease to have any shareholding in Key Apex Group.

The charts below show the shareholding of Key Apex immediately before and after the Disposal:

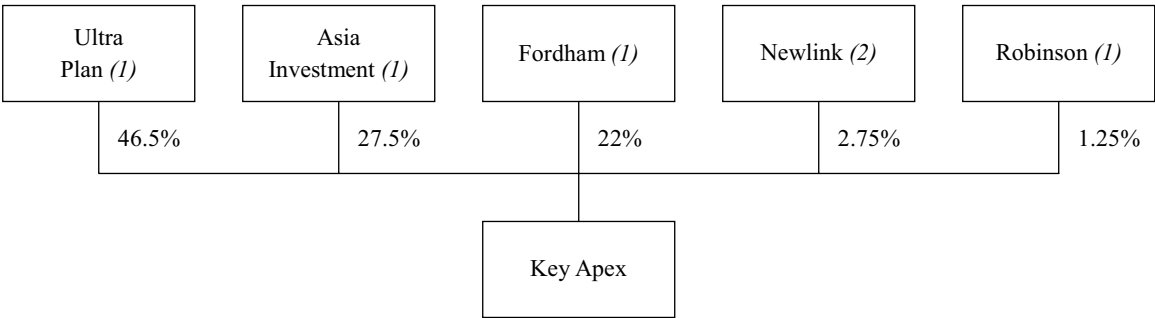
Shareholding immediately before the Disposal:



Notes:

- (1) *Healthy Castle is an indirect wholly-owned subsidiary of the Company.*
- (2) *To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, associates of Mr. CHAN Bernard Charnwut, a non-executive Director (who and his associates did not hold any interest in the Shares of the Company as at the Latest Practicable Date), hold more than 30% voting rights in Ultra Plan, Asia Investment and Fordham.*
- (3) *To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the ultimate shareholder(s) of Newlink is/are third parties independent of the Company and its connected persons.*

Shareholding immediately after the Disposal:



Notes:

- (1) *To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, associates of Mr. CHAN Bernard Charnwut, a non-executive Director (who and his associates did not hold any interest in the Shares of the Company as at the Latest Practicable Date), hold more than 30% voting rights in Ultra Plan, Asia Investment, Fordham and Robinson.*
- (2) *To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the ultimate shareholder(s) of Newlink is/are third parties independent of the Company and its connected persons.*

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL

To the Directors' knowledge, pre-sale of the first phase of the Property Development Project was launched in October 2009 and subsequent delivery upon completion in the second half of 2010. The pre-sales of any properties of the Property Development Project will not be recognized as turnover of the PRC company until the subsequent completion and delivery of such properties to the buyers in 2010. Given the Group only holds a minority interest in Key Apex, the Directors estimate that the earliest time that the Group would be able to share any profits from its investment in Key Apex will be in 2011 provided that Key Apex declared dividends. In addition, since the Property Development Project is under its phase I development, it is uncertain as to whether the Group will require to inject further capital in Key Apex for the development of the Property Development Project.

Based on the above reasons and the Disposal could provide immediate satisfactory return to the Group and help to strengthen the financial position of the Group, the Directors decided to proceed with the Disposal instead of realize a gain from the Group's investment in Key Apex from sales of the properties of the Property Development Project. The Directors therefore are of the view that it is in the interests of the Company and its Shareholders as a whole to proceed with the Disposal.

The Directors (including all independent non-executive Directors) believe that the terms, including the consideration, of the Disposal are fair and reasonable and in the interests of the Shareholders as a whole.

USE OF PROCEEDS

The Group intends to use the sale proceeds resulting from the Disposal as to approximately HK\$27 million as general working capital of the Group and as to approximately HK\$60 million for repayment of loans.

FINANCIAL EFFECT ON THE DISPOSAL

Apart from the increase in net assets of approximately HK\$33 million (after estimated expenses) upon Completion, the Group also saves interest expenses by repayment of certain loans from part of the proceeds from Disposal. Accordingly, gearing of the Group will be lower as a result of repayment of such loans.

LISTING RULES AND WRITTEN APPROVAL

As the applicable percentage ratio(s) as defined in the Listing Rules exceed(s) 25% but is/are less than 75%, the Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules subject to announcement and Shareholders' approval. Since Ultra Plan, Asia Investment, Fordham and Robinson of the Purchasers are connected persons of the Company under the Listing Rules, the Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company. As the applicable percentage ratio(s) exceed(s) 2.5%, the Agreement and the transactions contemplated thereunder are subject to reporting, announcement and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

No Shareholders are required to abstain from voting if the Company were to convene a general meeting to approve the Agreement and the transactions contemplated thereunder. A closely allied group of Shareholders, namely Belbroughton Limited, Mr. TAOCHAIFU Choofuang, Mr. TAO Richard and Mr. TAO Paul, in aggregate, currently hold 599,600,792 Shares, representing approximately 51.27% of the issued share capital of the Company as follows:

LETTER FROM THE BOARD

Shareholder	Number of Shares directly held and percentage to the issued share capital of the Company as at the Latest Practicable Date
Belbroughton Limited	542,682,278 (46.41%)
Mr. TAOCHAIFU Choofuang	11,515,000 (0.98%)
Mr. TAO Richard	22,701,757 (1.94%)
Mr. TAO Paul	22,701,757 (1.94%)
Total:	<u>599,600,792 (51.27%)</u>

Belbroughton Limited is owned as to 20% by Seal United Investments Limited and 80% by United Islands Group Limited. Seal United Investments Limited is owned by Mr. TAOCHAIFU Choofuang and his spouse, Mrs. TAO POON Lai Yew Nancy in equal proportions. United Islands Group Limited is owned by Mr. TAOCHAIFU Choofuang, Mrs. TAO POON Lai Yew Nancy, Mr. TAO Richard, Mr. TAO Paul and Ms. TAO Miriam in equal proportions. Ms. TAO Miriam is the daughter of Mr. TAOCHAIFU Choofuang. Mr. TAO Richard and Mr. TAO Paul are the sons of Mr. TAOCHAIFU Choofuang.

Such closely allied group of Shareholders have the right to attend and vote at a general meeting of the Company to approve the Agreement and the transactions contemplated thereunder and have provided to the Company written approval for the Agreement and the transactions contemplated thereunder pursuant to Rules 14.44 and 14A.43 of the Listing Rules. The Company has also applied to the Stock Exchange for a waiver of the requirement of holding a general meeting and to accept the written Independent Shareholders' approval pursuant to Rule 14A.43 of the Listing Rules.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider the terms and conditions of the Disposal are on normal commercial terms, to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, they recommend the Independent Shareholders to vote in favour in respect of the Agreement and the transactions contemplated thereunder if a general meeting of the Company were to be convened to approve the same.

ADDITIONAL INFORMATION

Your attention is also drawn to:

- (a) the letter from the Independent Board Committee set out on page 9 of this circular, which contains its recommendation concerning the Disposal; and
- (b) the letter from the Independent Financial Adviser set out on pages 10 to 15 of this circular, which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders; and
- (c) the additional information set out in the appendices to this circular.

Yours faithfully
For and on behalf of
New Heritage Holdings Ltd.
TAOCHAIFU Choofuang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter to the Independent Shareholders from the Independent Board Committee prepared for the purpose of incorporation in this circular.



21 December 2009

To the Independent Shareholders

Dear Sir / Madam,

**MAJOR TRANSACTION
CONNECTED TRANSACTION
DISPOSAL OF 10% INTEREST
IN
KEY APEX LIMITED**

We refer to the circular dated 21 December 2009 issued by the Company to the Shareholders (the “Circular”) of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings given to them in the Circular.

The Independent Board Committee has been formed to advise the Independent Shareholders on the terms of the Disposal. ACL has been appointed as the independent financial adviser by the Board to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal.

We wish to draw your attention to the letter from the Independent Financial Adviser as set out on pages 10 to 15 of the Circular. We have considered the terms and conditions of the Agreement and the transactions contemplated thereunder, the advice of ACL and the other factors contained in the “Letter from the Board” as set out on pages 3 to 8 of the Circular.

We understand that none of the Shareholders have an interest in the Disposal, which is different from other Shareholders, and therefore no Shareholders are required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal, and a closely allied group of Shareholders holding 599,600,792 Shares, representing approximately 51.27% of the issued share capital of the Company has given written approval for the Disposal pursuant to Rules 14.44 and 14A.43 of the Listing Rules. The Company has also applied to the Stock Exchange for a waiver of the requirement of holding a general meeting and to accept the written Independent Shareholders’ approval pursuant to Rule 14A.43 of the Listing Rules. Accordingly, no Shareholders’ meeting is required in relation to the Disposal for the purpose of the Listing Rules.

Having taken into account the advice of ACL, we consider that the terms of the Disposal are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Disposal is in the interests of the Company and the Shareholders as a whole. If a general meeting of the Company were to be held for the purpose of considering, and if thought fit, approving the Agreement and the transactions contemplated thereunder, we would recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully
Independent Board Committee
Mr. WONG Gary Ka Wai Mr. SUN Leland Li Hsun
Mr. CHAN Norman Enrique
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from ACL to the Independent Board Committee and the Independent Shareholders with regard to the Disposal prepared for the purpose of incorporation in this circular.



Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

21 December 2009

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF INVESTMENT

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder. Details of the Disposal are contained in the letter from the Board (the “Letter from the Board”) contained in the circular of the Company to the Shareholders dated 21 December 2009 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise specifies.

As the applicable percentage ratio(s) as defined in the Listing Rules exceed(s) 25% but is less than 75%, the Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules subject to announcement and Shareholders’ approval. Since Ultra Plan, Asia Investment, Fordham and Robinson of the Purchasers are connected persons of the Company under the Listing Rules, the Agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company. As the applicable percentage ratio(s) exceed(s) 2.5%, the Agreement and the transactions contemplated thereunder are subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

No Shareholders are required to abstain from voting if the Company were to convene a general meeting to approve the Agreement and the transactions contemplated thereunder. A closely allied group of Shareholders, namely Belbroughton Limited, Mr. TAOCHAIFU Choofuang, Mr. TAO Richard and Mr. TAO Paul, in aggregate, currently hold 599,600,792 Shares, representing approximately 51.27% of the issued share capital of the Company. Such closely allied group of Shareholders have the right to attend and vote at a general meeting of the Company to approve the Agreement and the transactions contemplated thereunder and have provided to the Company written approval for the Agreement and the transactions contemplated thereunder pursuant to Rules 14.44 and 14A.43 of the Listing Rules. The Company has also applied to the Stock Exchange for a waiver of the requirement of holding a general meeting and to accept the written Independent Shareholders’ approval pursuant to Rule 14A.43 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of nine Directors, namely Mr. TAOCHAIFU Choofuang (Chairman), Mr. TAO Richard (Vice Chairman), Mr. TAO Paul (Managing Director), Mr. KONG Mui Sum Lawrence and Mr. YIM Chun Leung as executive Directors and Mr. CHAN Bernard Charnwut as non-executive Director and Mr. WONG Gary Ka Wai, Mr. SUN Leland Li Hsun and Mr. CHAN Norman Enrique as independent non-executive Directors.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. WONG Gary Ka Wai, Mr. SUN Leland Li Hsun and Mr. CHAN Norman Enrique has been established to advise the Independent Shareholders as to whether (i) the terms of Agreement and the transactions contemplated thereunder were on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Disposal is in the interest of the Company and the Shareholders as a whole.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the Disposal for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

III. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations for matters relating to the Group contained in the Circular and the information and representations provided to us by the Group and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular or otherwise provided or made or given by the Group and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations for matters relating to the Group made or provided by the Directors and/or the senior management staff of the Group contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Group and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background of the Group

The Group's principal business activities are property development and property investment in the PRC. Set out below are the financial highlights on the Group for the two years ended 31 December 2008 and six months ended 30 June 2009 as extracted from the Company annual report for the year ended 31 December 2008 (the "Annual Report") and interim report for the six months ended 30 June 2009 (the "Interim Report").

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ended 31 December		For the six months ended 30 June	
	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover:				
— property development	175,679	76,948	37	113,464
— property investment and leasing	8,881	14,767	8,533	7,003
	<u>184,560</u>	<u>91,715</u>	<u>8,570</u>	<u>120,467</u>
Cost of sales	(127,627)	(68,480)	(3,467)	(102,512)
Gross profit	56,933	23,235	5,103	17,955
Other income	31,018	3,782	2,282	1,100
Share of results of associates	21,417	23,831	11,169	3,547
(Loss)/profit before taxation	61,727	(46,104)	(17,431)	(9,491)
(Loss)/profit for the period/ year	45,565	(46,021)	(17,359)	(11,559)
Attributable to:				
Owners of the Company	36,115	(33,225)	(11,659)	(8,846)
Non owners of the Company	9,450	(12,796)	(5,700)	(2,713)

As reviewed from above, the Group's turnover for the six months ended 30 June 2009 was approximately HK\$120.5 million, representing an increase of approximately HK\$111.9 million as compared with the corresponding period in 2008. According to the Interim Report, the substantial increase in turnover was due to the sale and delivery of the Group's low density townhouses located at Guangfu Town, Taihu Garden Court together with the Group's remaining units of Wuzhong Garden Court located at Wuzhong, Suzhou. The Group's gross profit increased to approximately HK\$18.0 million, compared to the gross profit of the Company of approximately HK\$5.1 million for the six months ended 30 June 2008. As explain in the Interim Report, such increase in gross profit was primarily due to the increase in turnover from property development. For the six months ended 30 June 2009, the loss attributable to the owners of the Company was approximately HK\$8.8 million, an improvement from a loss of approximately HK\$11.7 million during the same period in 2008.

2. Information on Key Apex

As set out in the Letter from the Board, Key Apex is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, the Group's 10% equity interest of Key Apex was directly held by Healthy Castle and the remaining 90% was held as to 42.5% by Ultra Plan, 25% by Asia Investment, 20% by Fordham and 2.5% by Newlink (an independent third party). To the Directors' knowledge, the principal underlying asset of Key Apex is the 100% equity interest in 上海盤谷房地產有限公司 (Shanghai Pangu Co., Ltd.) (i.e., the PRC company) which is currently the project company for the residential and commercial property development project in Jiading, Shanghai, the PRC (the "Property Development Project").

Based on the information available to the Directors, the profits before and after tax of Key Apex Group for the year ended 31 December 2007 was approximately US\$367,000 and the loss of Key Apex Group for the year ended 31 December 2008 were approximately US\$404,000 (equivalent to approximately HK\$3,151,200). As at 31 October 2009, the net asset value of Key Apex was approximately US\$770,400 (equivalent to approximately HK\$6,009,000).

Accordingly to the Interim Report, pre-sales of the first phase of Property Development Project which comprises approximately 600 residential apartment units, is expected to be launched by the end of 2009 and subsequent delivery upon completion in second half of 2010.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have discussed with the management of the Company and noted that any pre-sales of properties of the Property Development Project will not be recognised as turnover of PRC company until the subsequent completion and delivery of such properties to the buyers in 2010. Given the Group only holds a minority interest in Key Apex, the management of the Company estimates that the earliest time that the Group would be able to share any profits from such investment will be in 2011 provided that Key Apex declares any dividends. In addition, as the Property Development Project is still under its Phase I development, it is uncertain as to whether the Group will require to inject further capital in Key Apex for the development of the Property Development Project.

3. Reasons and benefits of the Disposal

As stated in the Letter from the Board, the Directors consider that the Disposal could provide satisfactory return to the Group and help to strengthen the financial position of the Group.

Having considered the shareholding structure of Key Apex and that the Group's position as a passive investor, the Directors recognize that this investment would have a limited and illiquid marketability. As there is no shareholders agreement amongst the shareholders of Key Apex, the Group's normal course of exit would be through the completion and the sale of the Property Development Project and any future distribution of profit by Key Apex. Accordingly, they consider that the Disposal to the Purchasers, who are all existing shareholders of Key Apex, would allow the Group to accelerate its exit from this investment. Given the Purchasers' knowledge and familiarity in the Property Development Project, the Group is able to conduct the transaction in an effective manner without the need to subject to any due diligence work on the Property Development Project or be required to provide any warranties or undertakings. Accordingly, the Directors are satisfied that the Disposal would provide a window for the Group to exit this investment and allow the Group to realize a profit on the Disposal.

As stated in the Letter from the Board, the Group became interested in the Sale Shares and the Assigned Loan pursuant to exercise of the conversion right attached to the convertible note issued on 18 July 2007. After deducting the Group's investment cost in Key Apex of approximately HK\$52,923,000 by the total consideration of approximately HK\$87,243,000 under the Disposal, a gain of approximately HK\$34 million (before expenses) will be attributable to the Group, representing a return on the Group's investment in Key Apex of approximately 64.8%.

The Disposal therefore provides the Group a window of opportunity to immediately realize its minority interest in Key Apex at a profit and release the Group from any capital requirement, if any, for the development of the Property Development Project. Furthermore, the consideration will be settled in cash, and will improve the financial position of the Group. As such, we concur with the view of the Directors and consider the Disposal to be in the interest of the Company and the Shareholders as a whole.

4. The Agreement

Details of the terms of the Agreement are set out in the Letter from the Board in the Circular.

4.1 *Asset to be disposed of*

Pursuant to the Agreement, Healthy Castle has conditionally agreed to dispose of the Sale Shares and assign the Assigned Loan to the Purchasers at a total consideration of US\$11,185,000 (equivalent to approximately HK\$87,243,000).

(a) The Sale Shares

100 shares of US\$1.00 each in Key Apex (i.e. the Sale Shares), representing 10% of the issued share capital of Key Apex.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) The Assigned Loan

The principal amount of US\$6,784,900 (equivalent to approximately HK\$52,922,220) (i.e., the Assigned Loan) due from Key Apex to Healthy Castle, representing approximately 10% of the total shareholders' loan of Key Apex as at 31 October 2009.

4.2 Consideration

The total consideration for the Sale Shares and the Assigned Loan is US\$11,185,000 (equivalent to approximately HK\$87,243,000). The consideration of the Sale Shares and the Assigned Loan shall be settled in cash upon Completion and was determined after arm's length negotiations between Healthy Castle and the Purchasers by reference to the total shareholders' fund and total shareholders' loan of Key Apex Group of approximately US\$770,400 (equivalent to approximately HK\$6,009,000) and US\$67,845,000 (equivalent to approximately HK\$529,191,000) respectively as at 31 October 2009.

According to the valuation report as set out in Appendix II to the Circular, the aggregate market value of the property under Property Development Project attributable to the Group was RMB90.5 million (equivalent to approximately HK\$102.7 million) as at 30 September 2009. Such market value was arrived at by making reference to comparable transactions in the locality and having also taken into account the expended construction cost and the construction cost that will be expended to complete the development to reflect the quality of the completed development. We have discussed with the independent valuer and consider that this methodology is consistent with market practice and the underlying basis for the valuation of the property under Property Development Project attributable to the Group is fair and reasonable.

In order to assess the reasonableness of the consideration of the Disposal, we have, to the best of our knowledge, attempted to compare it with recent transactions involving (i) the disposal of property in the PRC or company of which the principal assets are properties in the PRC by Hong Kong listed companies from 1 June 2009 up to 1 December 2009; and (ii) the consideration is less than HK\$100 million, as per announcements published on the Stock Exchange's website. Based on the aforesaid, we have identified four recent transactions (the "Comparables"). A summary of the Comparables is as follows:

Date of announcement	Stock code	Company	Consideration HK\$	Valuation HK\$	Premium/ (discount) to valuation (%)	Percentage disposed of (%)
19 August 2009	794	Come Sure Group (Holdings) Limited	15,333,054	27,930,000	(45.1)	100
26 June 2009	736	China Properties Investment Holdings Limited	45,450,000	54,610,000	(16.8)	100
26 June 2009	8202	Inno-Tech Holdings Limited	2,222,000	2,222,000 ⁽¹⁾	0.0	100
9 June 2009	202	Interchina Holdings Company Limited	55,000,000	67,382,000 ⁽²⁾	(18.4)	100
Average					(20.1)	
Maximum					0.0	
Minimum					(45.1)	
The Company			87,243,000	102,717,500 ⁽³⁾	(15.1)	10

Notes:

- (1) The transaction involves the disposal of hotel assets valued at RMB13 million with a bank loan in the principal amount of RMB11 million at a consideration of RMB2 million.
- (2) The transaction involves the disposal of a company in which the principal assets are properties valued at approximately HK\$128,391,000 with a bank and other borrowings of approximately HK\$61,009,000 at a consideration of HK\$55 million.
- (3) Amount denominated in RMB has been converted into HK\$, for illustration purpose only, using the exchange rate of RMB1 = HK\$1.135.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the table above, we note that the consideration under the Comparables often differ from the valuation conducted by independent professional valuers and range from a discount of 45.1% to 0% with an average discount of 20.1%. The consideration under the Disposal of approximately HK\$87,243,000 represents a discount of approximately 15.1% to the valuation conducted by the independent property valuer which is within the range and lower than the average discount of the Comparables. Independent Shareholders should also note that the Comparables involve the disposal of the entire interest of the properties, i.e. with a controlling stake, whilst the Company only has a 10% minority interest in Key Apex and has no control over the operations of Key Apex nor the underlying property project. We have discussed with the independent valuer that the valuation of RMB90.5 million attributable to the 10% interest in Key Apex is derived from the valuation of the entire interest of the property of RMB905 million as a whole.

On the basis that (i) the consideration was negotiated under arm's length negotiation between the parties; (ii) the Group only has hold an effective 10% minority interest in the Property Development Project; and (iii) the discount of 15.1% is within the range of the Comparables, we concur with the Directors' view that the consideration for the Disposal to be fair and reasonable.

5. Possible financial effects of the Disposal

As stated in the Letter from the Board, the Disposal would result in a gain of approximately HK\$34 million (before expenses), being the difference between the consideration of approximately HK\$87,243,000 and the Group's investment cost in Key Apex of approximately HK\$52,923,000. Given the consideration will be settled in cash, the cash balance of the Group will increase following the Completion, thus improving the financial position of the Group.

The Group had total borrowings of approximately HK\$366.8 million as at 30 June 2009. The Group's gearing ratio as at 30 June 2009 was 33.4%, which was based on total borrowings (without taking into account loans from minority shareholders) to total shareholders' funds. Following the Completion, as part of the proceeds will be used for repayment of loans, the Group's gearing ratio will reduce and allow the Group to save interest expenses accordingly.

Given that (i) the cash proceeds from the Disposal will strengthen the financial resources of the Group and (ii) part of the proceeds will be used for repayment of loans which will in turn reduce the Group's gearing ratio, we consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

V. RECOMMENDATION

Having considered the above mentioned factors, we are of the view that the terms of the Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned and that the entering into of the Agreement is in the interests of the Company and Shareholders as a whole.

Yours faithfully,
For and on behalf of
ACCESS CAPITAL LIMITED

Ambrose Lam
Principal Director

Jimmy Chung
Principal Director

1. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2008, the date to which the latest published audited consolidated financial statements of the Group were made up.

2. INDEBTEDNESS**Borrowings**

The Group had total borrowings of approximately HK\$444.6 million as at 30 November 2009. Loans repayable within one year were approximately HK\$170.0 million and the Group's gearing ratio as at 30 November 2009 was 43.8%, which was based on the total borrowings (without taking into account loan from minority shareholders) to total shareholders' funds.

Charge on Assets

As at 30 November 2009, bank loans of approximately HK\$236.1 million were secured by the Group's investment properties and properties held under development of approximately HK\$139.2 million and approximately HK\$363.1 million respectively. No other bank borrowings were secured by the Group's cash at banks as at 30 November 2009.

Contingent liabilities

As at 30 November 2009, the Group had no material contingent liabilities.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities, the Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding at the close of business on 30 November 2009. The Directors have confirmed that there have been no material changes in the Group's indebtedness and contingent liabilities since 30 November 2009.

3. FINANCIAL AND TRADING PROSPECT OF THE GROUP

With property cycles in the PRC still being unpredictable, heavily influenced by Central Government policies, and generally of shorter cycles than before, our strategy is to push forward and sell quickly when the market is on a rise, and not to overstretch ourselves so that we will be prepared when the inevitable downturn arrives.

We continue to exercise caution especially when irrationalities exist in the market. Coming off one of the most severe financial crises known to man in 2007-2008, some land at recent auctions in 2009 have fetched prices in excess of those seen at the early 2008 peak. Given that the debt and capital markets took a severe beating in 2008, these new record prices look irrational and we do not intend to follow them.

Our commitment remains to deliver the best value possible to customers and to strive to develop and invest in high quality projects in Suzhou, Jiangsu Province, Beijing and beyond whilst at the same time achieving consistent growth and maximising value for the Company's shareholders.

4. WORKING CAPITAL

The Directors are of the opinion that, taking into consideration the financial resources available to the Group including the Group's internal financial resources, and present available banking facilities, the Group has sufficient working capital for the Group's present requirements, that is for at least the next 12 months from the date of this circular.

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 30 September 2009 of the property to be disposed of by the Group located in the People's Republic of China.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel 電話：(852) 2802 2191 Fax 傳真：(852) 2802 0863
Email 電郵：info@bmintelligence.com Website 網址：www.bmi-appraisals.com

21 December 2009

The Directors

New Heritage Holdings Ltd.

Room 2301, 23rd Floor

Fortis Tower

77-79 Gloucester Road

Wan Chai

Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from New Heritage Holdings Ltd. (the “Company”) for us to value the property held by the Company and/or its subsidiaries (hereinafter referred to as the “Group”) located in the People’s Republic of China (the “PRC”). We confirm that we have conducted an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 30 September 2009 (the “date of valuation”).

BASIS OF VALUATION

Our valuation of the property has been based on the Market Value, which 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 wherein the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION METHODOLOGY

We have valued the property on the basis that it will be developed and completed in accordance with the development proposals provided to us. We have assumed that the approvals for the proposals have been obtained. In arriving at our opinion of market value, we have valued the property by making reference to comparable transactions in the locality and have also taken into account the expended construction cost and the construction cost that will be expended to complete the development to reflect the quality of the completed development.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuation, we have relied upon the advice and information given by the Group and its PRC legal advisor, Grandall Legal Group (Shanghai) (國浩律師集團(上海)事務所), regarding the title of the property. All documents have been used for reference only.

In valuing the property in the PRC, we have relied on the advice given by the Group that the Group has valid and enforceable title to the property which is freely transferable, and has free and uninterrupted rights to use the same, for the whole of the unexpired terms granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the property is sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the property.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no forced sale situation in any manner is assumed in our valuation.

We have further assumed that all consents, approvals and licenses from the relevant government departments for the development of the property have been granted without onerous conditions or undue delay, which might affect its value.

VALUATION CONSIDERATIONS

We have inspected the property externally and where possible, the interior of the property. In the course of our inspection, we did not note any serious defects. However, no structural survey has been made. We are, therefore, unable to report whether the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and the Purchasers (as defined in this circular) which are regarded as connected persons of the Company under the Listing Rules and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, proposed completion date of the development, development proposals, identification of the property and other relevant information.

Except otherwise stated, dimensions, measurements and areas included in the valuation certificate are based on information contained in the title documents and other documents provided to us and are therefore only approximations.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the property but have assumed that the site/floor areas shown on the documents handed to us are correct.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your advice that no material facts have been omitted from the information so supplied. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

Our valuation has been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuation has been prepared under the generally accepted valuation procedures and is in compliance with the Chapter 5 and Practice Note 12 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The exchange rate adopted is the average rate as at the date of valuation being HK\$1=RMB0.8808. There has been no significant fluctuation in the exchange rate between the date of valuation and the date of this report.

REMARKS

We hereby certify that we neither have any present nor any prospective interest in the Group or the appraised property or the value reported.

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowances have been made for any exchange transfer.

Our summary of value and the valuation certificate are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C.H. Cheng
*BSc, MUD, MBA (Finance), MSc (Eng), PhD (Econ),
MHKIS, MCI Arb, AFA, SIFM, FCIM,
MASCE, MIET, MIEEE, MASME, MIIIE
Managing Director*

Joannau W.F. Chan
*BSc. MSc. MRICS MHKIS RPS(GP)
Senior Director*

Notes:

Dr. Tony C.H. Cheng is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 16 years' experience in valuations of properties in Hong Kong and the People's Republic of China.

Ms. Joannau W.F. Chan is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 16 years' experience in valuations of properties in Hong Kong and over 10 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUE

Property	Market Value in existing state as at 30 September 2009 <i>RMB</i>	Interest attributable to the Group	Value attributable to the Group as at 30 September 2009 <i>RMB</i>
Property held by the Group under development in the PRC			
A residential development known as Pangu Tiandi under construction in Lot Nos. 6-1 and 6-2 of Jiading New City, Jiading District, Shanghai, The PRC 中國上海市嘉定區 嘉定新城6-1及6-2地塊之 一個在建中住宅項目 「盤古天地」	905,000,000	10%	90,500,000
Total:			90,500,000

VALUATION CERTIFICATE

Property held by the Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2009 RMB
A residential development known as Pangu Tiandi under construction in Lot Nos. 6-1 and 6-2 of Jiading New City, Jiading District, Shanghai, The PRC	The property comprises a residential development known as 盤古天地 (Pangu Tiandi) under construction on a parcel of land with a site area of approximately 130,964.50 sq.m. (or about 1,409,701.88 sq.ft.).	As advised by the Group, the property was under construction as at the date of valuation.	905,000,000 (10% interest attributable to the Group: RMB90,500,000)
中國上海市嘉定區嘉定新城6-1及6-2地塊之一個在建中住宅項目「盤古天地」	The total proposed gross floor area (“GFA”) of the property is approximately 252,048 sq.m. (or about 2,713,044.67 sq.ft.) upon completion. Phase 1 of the property is scheduled to be completed in December 2010. The land use rights of the property have been granted for a term of 70 years expiring on 4 July 2077 and 40 years expiring on 4 July 2047 for residential and commercial uses respectively.		

Notes:—

1. Pursuant to a Shanghai State-owned Land Use Rights Grant Contract (上海市國有土地使用權出讓合同) (“Contract”), Hu Jia Fang Di (2007) Grant Contract Di No. 184 (滬嘉房第(2007)出讓合同第184號) entered into between Shanghai Jiading District Housing and Land Administration Bureau (上海市嘉定區房屋土地管理局) and 上海盤谷房地產有限公司(Shanghai Pangu Co., Ltd.) (the “PRC company”) dated 5 July 2007, the former has agreed to grant the land use rights of the property to Shanghai Pangu with the following salient conditions:
- (i) Use : Residential/Commercial uses

(ii) Site Area of the Property : 130,965 sq.m.

(iii) Land Use Rights Term : 70 years and 40 years both commencing on the signed date of the Contract for residential and commercial uses respectively

(iv) Land Premium : RMB94,500,000

2. Pursuant to 3 Shanghai Certificates of Real Estate Ownership (上海市房地產權證) all issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) dated 28 May 2008, the land use rights of the property with a total site area of 130,964.50 sq.m. have been granted to the PRC Company for a term of 70 years expiring on 4 July 2077 and 40 years expiring on 4 July 2047 for residential and commercial uses respectively. The details of which are summarized as follows:

Certificate No.	Site Area (sq.m.)
Hu Fang Di Jia Zi (2008) Di No. 011373	23,303.10
Hu Fang Di Jia Zi (2008) Di No. 011374	38,847.60
Hu Fang Di Jia Zi (2008) Di No. 011375	68,813.80
Total:	<u>130,964.50</u>

3. Pursuant to a Planning Permit for Construction Site (建設用地規劃許可證) Hu Jia Di (2008) No. 14081118E04456 (滬嘉地(2008) 14081118E04456號) issued by Shanghai Jiading District Planning Administration Bureau (上海市嘉定區規劃管理局) dated 17 November 2008, the construction work with a total GFA of 252,048 sq.m. is in compliance with the requirement of urban and rural planning.

4. Pursuant to a Planning Permit for Construction Work (建設工程規劃許可證) Hu Jia Jian (2009) No. FA31011420090858 (滬嘉建(2009) FA31011420090858號) issued by Shanghai Jiading District Planning and Land Administration Bureau (上海市嘉定區規劃和土地管理局) dated 24 April 2009, 泰逸華庭 (Taiyi Huating) of Pangu Tiandi with a total GFA of 78,148 sq.m. is in compliance with the requirement of urban and rural planning.

5. Pursuant to a Commencement Permit for Construction Work (建築工程施工許可證) No. 310114200803212519 dated 20 July 2009, the construction works of Blocks 15 to 17, Carpark P3 and Commercial Floor C3 of Taiyi Huating of Pangu Tiandi with a total GFA of 78,148 sq.m. is permitted to commence.

6. As advised by the Group, the total construction cost and the construction cost expended of the property are approximately RMB1,840,000,000 and RMB370,000,000 respectively.

7. The status of title and grant of major approvals and licenses in accordance with the information provided by the Group is as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificates	Yes
Planning Permit for Construction Site	Yes
Planning Permit for Construction Work	Yes
Commencement Permit for Construction Work	Yes

8. The opinion given by the PRC Legal adviser, Grandall Legal Group (Shanghai), dated 15 December 2009 to the Group contains, inter-alia, the following:

- a. The land premium of the property has been settled in full.
- b. The land use rights of the property were legally vest in the PRC company .
- c. The land use rights of the property can be used, transferred, let or mortgaged according to relevant laws and regulations within the land use rights term.
- d. The construction work of the proposed residential development is in compliance with the relevant laws and regulation.
- e. No legal impediment exists for the letting, mortgage and transfer of the development of the property upon completion within the land use rights term.

9. As advised by the Group, the PRC company is effectively owned as to 10% by the Group.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or (c) were required, pursuant to the Model Code as set out in appendix 10 to the Listing Rules adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Interests in the Shares and the underlying Shares under equity derivatives (as defined in Part XV of the SFO)

Name of Director	Long position/ Short position	Capacity	Number of Shares held	Number of underlying Shares (under equity derivatives of the Company)	Aggregate interests	Approximate percentage of the issued capital of the Company
Mr. TAOCHAIFU Choojuang	Long Position	Interests of controlled corporation	542,682,278 (Note 1)		561,562,914	48.02%
		Personal interest	11,515,000	7,365,636 (Note 2)		
Mr. TAO Richard	Long Position	Interests of controlled corporation	542,682,278 (Note 1)		572,749,671	48.98%
		Personal interest	22,701,757	7,365,636 (Note 2)		
Mr. TAO Paul	Long Position	Interests of controlled corporation	542,682,278 (Note 1)		572,749,671	48.98%
		Personal interest	22,701,757	7,365,636 (Note 2)		
Mr. KONG Mui Sum Lawrence	Long Position	Personal interest	2,500,220	18,880,636 (Note 2)	21,380,856	1.83%
Mr. YIM Chun Leung	Long Position	Personal interest	1,232,605	18,880,636 (Note 2)	20,113,241	1.72%

Notes:

- (1) *Belbroughton Limited is a company incorporated in the British Virgin Islands (“BVI”) and the beneficial owner of 542,682,278 Shares. Belbroughton Limited is owned as to 20% by Seal United Investments Limited (i.e. a company incorporated in the BVI, the entire issued share capital of which is held by Mr. TAOCHAIFU Choofuang and his spouse Mrs. TAO POON Lai Yew Nancy in equal proportions) and 80% by United Islands Group Limited (i.e. a company incorporated in the BVI, the entire issued share capital of which is held by Mr. TAOCHAIFU Choofuang and his spouse, Mrs. TAO POON Lai Yew Nancy as well as his daughter and sons, Ms. TAO Miriam, Mr. TAO Richard and Mr. TAO Paul in equal proportions). Accordingly, Seal United Investments Limited, United Islands Group Limited as well as Mr. TAOCHAIFU Choofuang, Mrs. TAO POON Lai Yew Nancy, Ms. TAO Miriam, Mr. TAO Richard and Mr. TAO Paul are deemed to be interested in 542,682,278 Shares held by Belbroughton Limited.*
- (2) *Share options were granted to all executive Directors on 4 July 2007, 18 October 2007, 29 April 2008, 21 July 2008 and 19 November 2008 and are respectively exercisable between 4 July 2007 and 3 July 2010 at the exercise price of HK\$0.635 per Share, between 18 October 2007 and 17 October 2010 at the exercise price of HK\$0.524 per Share, between 29 April 2008 and 28 April 2011 at the exercise price of HK\$0.375 per Share, between 21 July 2008 and 20 July 2011 at the exercise price of HK\$0.300 per Share and between 19 November 2008 and 18 November 2011 at the exercise price of HK\$0.192 per Share.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or (c) were required, pursuant to the Model Code adopted by the Company, to be notified to the Company and the Stock Exchange.

3. INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or the chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

(A) The Company

Name of Shareholder	Long position/ Short position	Capacity	Number of Shares held	Aggregate Interests	Approximate percentage of the issued share capital of the Company	Notes
Mrs. TAO POON Lai Yew Nancy	Long position	Interests of controlled corporation	542,682,278	561,562,914	48.02%	1
		Interest of spouse	18,880,636			
Belbroughton Limited	Long position	Beneficial owner	542,682,278	542,682,278	46.41%	1
Seal United Investments Limited	Long position	Interests of controlled corporation	542,682,278	542,682,278	46.41%	1

Name of Shareholder	Long position/ Short position	Capacity	Number of Shares held	Aggregate Interests	Approximate percentage of the issued share capital of the Company	Notes
United Islands Group Limited	Long position	Interests of controlled corporation	542,682,278	542,682,278	46.41%	1
Ms. TAO Miriam	Long position	Interests of controlled corporation	542,682,278	542,682,278	46.41%	1
Tian Xiang Business Limited	Long position	Beneficial owner	150,000,000	150,000,000	12.83%	N/A
Spinnaker Capital Limited	Long position	Investment manager	92,322,673	92,322,673	7.89%	2
Spinnaker Asset Management — SAM Limited	Long position	Investment manager	92,322,673	92,322,673	7.89%	2
Deutsche Bank Aktiengesellschaft	Long position	Person having a security interest in shares	92,322,673	92,322,673	7.89%	3
Asia Financial Holdings Limited	Long position	Beneficial owner	45,454,545	68,181,818	5.83%	4
		Interests of controlled corporation	22,727,273			

Notes:

- (1) *Belbroughton Limited is a company incorporated in the BVI and the beneficial owner of 542,682,278 Shares. Belbroughton Limited is owned as to 20% by Seal United Investments Limited (i.e. a company incorporated in the BVI, the entire issued share capital of which is held by Mr. TAOCHAIFU Choofuang and his spouse Mrs. TAO POON Lai Yew Nancy in equal proportions) and 80% by United Islands Group Limited (i.e. a company incorporated in the BVI, the entire issued share capital of which is held by Mr. TAOCHAIFU Choofuang and his spouse, Mrs. TAO POON Lai Yew Nancy as well as his daughter and sons, Ms. TAO Miriam, Mr. TAO Richard and Mr. TAO Paul in equal proportions). Accordingly, Seal United Investments Limited, United Islands Group Limited as well as Mr. TAOCHAIFU Choofuang, Mrs. TAO POON Lai Yew Nancy, Ms. TAO Miriam, Mr. TAO Richard and Mr. TAO Paul are deemed to be interested in 542,682,278 Shares held by Belbroughton Limited.*
- (2) *Spinnaker Capital Limited and Spinnaker Asset Management - SAM Limited (together “Spinnaker Group”) are investment managers and the controlling shareholders of Spinnaker Global Opportunity Fund Limited (“GO Fund”), Spinnaker Global Emerging Markets Fund Limited (“GEM Fund”) and Spinnaker Global Strategic Fund Limited (“GS Fund”). GO Fund, GEM Fund and GS Fund held 24,927,122 Shares, 44,314,883 Shares and 23,080,668 Shares, respectively.*
- (3) *The Shares are held under Deutsche Bank Aktiengesellschaft custody for Spinnaker Group.*
- (4) *These 68,181,818 underlying Shares represent the Shares which may be issued upon full conversion of 5% convertible notes in the aggregate principal amount of HK\$75 million with maturity date falling 60 months from 15 October 2007, the date of issue of the convertible notes.*

(B) Other members of the Group

Name of shareholder	Group member	Long position/ short position	Capacity	Number of shares held/ Registered capital	Approximate percentage of share capital
Spinnaker Global Opportunity Fund Limited	Suzhou New Heritage Wuzhong Limited	Long position	Beneficial owner	US\$3,720,000	40%
Spinnaker Global Emerging Markets Fund Limited, Spinnaker Global Strategic Fund Limited and Spinnaker Global Opportunity Fund Limited	Prosper View Group Limited	Long position	Beneficial owner	4,900 shares	49%

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no other persons (not being a Director or chief executive of the Company) had any interests or short positions in the Shares or underlying Shares which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

4. CLAIMS AND LITIGATIONS

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. SERVICE CONTRACTS

The former letters of appointment entered into by the Company and the non-executive Director and each of the independent non-executive Directors expired on 13 November 2008. On 22 October 2008, the non-executive Director and each of the independent non-executive Directors entered into a letter of appointment with the Company for a term of three years commencing on 14 November 2008; and such letters of appointments may be terminated by either party by giving one month's written notice.

The former service contracts entered into by the Company and each executive Director were expired on 30 November 2009. On 18 November 2009, each of the executive Directors entered into a service contract with the Company for a term of 25 months commencing on 1 December 2009 and is subject to termination by the executive Director giving not less than 3 months' written notice or by payment in lieu of such notice. The Company may immediately terminate the service contracts without any compensation to the executive Directors under certain conditions, as set out in the service contracts.

Save as disclosed above, none of the Directors has any existing or proposed service contract with any member of the Group which is determinable by the Group within one year without payment of compensation other than statutory compensation.

6. COMPETING INTERESTS

Mr. TAOCHAIFU Choofuang, Chairman of the Company, and his family members (including Mr. TAO Richard, Vice Chairman, and Mr. TAO Paul, Managing Director) are interested in certain properties in the PRC which may constitute a competing business to the Group. The properties include two villas in Suzhou Garden Court of a total gross floor area of 770.38 sq.m. developed by a subsidiary of the Company (the “Property”).

Save as referred to herein, none of the Directors or their respective associates had any interest in a business which competes or may compete with the business of the Group as at the Latest Practicable Date.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into under the ordinary course of business of the Group) have been entered into by the Group within the two years immediately preceding the date of this circular and are or may be material:

- (A) the loan agreements dated 9 March 2009 and 29 June 2009 entered into between Chong Lai (Panama) S.A. (“CLPSA”), which is controlled by the Chairman and his associates, and the Company whereby CLPSA had offered to make available a loan facility in the total sum of HK\$10,000,000 and a revolving loan facility of up to the maximum principal amount of HK\$5,000,000 to the Company respectively;
- (B) the loan agreement dated 28 August 2009 entered into between CLPSA and World Margin Limited (“WML”) whereby CLPSA had offered to make available a revolving loan facility of up to the maximum principal amount of HK\$20,000,000 to WML; and
- (C) the Agreement.

8. QUALIFICATION OF EXPERTS AND CONSENTS

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Access Capital Limited	A corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
BMI Appraisals Limited	Chartered Surveyors

Each of Access Capital Limited and BMI Appraisals Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein a copy of its advice and/or references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Access Capital Limited and BMI Appraisals Limited was not beneficially interested in the share capital of any member of the Group nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. INTERESTS IN ASSET AND CONTRACT

Save as the interests of Mr. TAOCHAIFU Choofuang, Mr. TAO Richard and Mr. TAO Paul in the Property, none of the Directors nor any experts named in paragraph 8 in this appendix has since 31 December 2008, being the date to which the latest published audited accounts of the Company have been made up, any direct or indirect interests in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group.

Save as (i) Mr. CHAN Bernard Charnwut's interests in the material contract itemised (C) as referred to in paragraph 7 of this appendix and the convertible notes issued by the Company on 15 October 2007 and (ii) Mr. TAOCHAIFU Choofuang, Mr. TAO Richard and Mr. TAO Paul's interests in the material contracts itemised (A) and (B) as referred to in paragraph 7 of this appendix, none of the Directors was as at the Latest Practicable Date materially interested, directly or indirectly, in any contract or arrangement subsisting which was significant in relation to the business of the Group.

10. MATERIAL ADVERSE CHANGE

There is no material adverse change in the financial or trading position of the Group since the latest published audited accounts dated 31 December 2008.

11. MISCELLANEOUS

- (a) The Company Secretary of the Company is Ms. CHAN Meily. She holds a Master Degree of Business Administration in Financial Management. She is also an associate member of The Institute of Chartered Secretaries and Administrators in England and The Hong Kong Institute of Chartered Secretaries respectively.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (c) The circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Room 2301, 23rd Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong during normal business hours on any weekday up to and including 5 January 2010:

- (a) the Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 9 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 10 to 15 of this circular;
- (d) the valuation report and summary of value prepared by BMI Appraisals Limited, the text of which is set out in Appendix II to this circular;
- (e) the service contracts of the Directors as referred to in paragraph 5 of this appendix;
- (f) the letters of consent from each of Access Capital Limited and BMI Appraisals Limited referred to in paragraph 8 of this appendix; and
- (g) the PRC legal opinion referred to in note 8 to the valuation certificate set out in Appendix II to this circular.