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## **The Quaypoint Corporation Limited**

**紀翰集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 2330)

### **VERY SUBSTANTIAL ACQUISITION**

**AND**

### **RESUMPTION OF TRADING**

**Financial adviser to The Quaypoint Corporation Limited**



#### **THE ACQUISITION**

On 11 August 2009 (after trading hours), the Company entered into the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement dated 20 August 2009) with the Vendor pursuant to which the Company has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares, being the entire issued capital of the Target Company, at a total consideration of HK\$590,000,000.

Pursuant to the Sale and Purchase Agreement, the Consideration shall be settled by the Company by a combination of the issuance and allotment of Consideration Shares and cash.

Since the relevant percentage ratio(s) (as defined under the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

By virtue of that Mr. Chen, being an executive Director and the Chairman of the Company, is also a shareholder and the deputy director of both Xi Hai and Zhongzhu Company, which are the existing shareholders of the Project Company (interested in approximately 5% and 20% equity interests in the Project Company respectively) as at the date of this announcement, Mr. Chen and his associates are considered to have material interest in the Acquisition. Accordingly, the Acquisition is subject to the Independent Shareholders' approval by way of poll at the EGM. Mr. Chen and his associates (who do not have any shareholding interest in the Company as at the date of this announcement) are required to abstain from voting at the EGM in respect of the ordinary resolutions to approve the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder, in the event that they are entitled to vote at the EGM.

As aforesaid, the EGM will be held to consider and, if thought fit, approve by the Independent Shareholders the ordinary resolutions in respect of the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder.

An Independent Board Committee comprising Mr. Poon Lai Yin, Michael, Mr. Chong Yiu Chik and Mr. Choi Kai Ming, Raymond (all being independent non-executive Directors) has been established to (i) advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) advise the Independent Shareholders on how to vote in respect of the Sale and Purchase Agreement and the Supplemental Agreement after taking into account the recommendation of the independent financial adviser to be appointed.

A circular containing, among other things, (i) further details of the Acquisition including the Sale and Purchase Agreement, the Supplemental Agreement and the Project Management Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement); (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement); (iv) the valuation report on the Project; and (v) a notice convening the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

**As Completion is subject to the fulfillment of a number of conditions precedent which are detailed in this announcement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

#### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 12 August 2009, pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 21 August 2009.

#### **THE SALE AND PURCHASE AGREEMENT (AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT)**

On 11 August 2009 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Company has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares, being the entire issued capital of the Target Company, at a total consideration of HK\$590,000,000.

On 20 August 2009, the Company further entered into the Supplemental Agreement with the Vendor to amend certain conditions precedent to the Completion. Save as and except for those amendments to the conditions precedent, other terms of the Sale and Purchase Agreement shall remain unchanged and be effective in full force.

Set out below are the principal terms of the Sale and Purchase Agreement:

**Date:**

11 August 2009 (after trading hours)

**Parties involved:**

**Purchaser**

The Company

**Vendor**

Mr. Ho Man Hung, being the sole shareholder and director of the Target Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and his associates (i) are independent third parties of the Purchaser and its connected persons; (ii) are not parties acting in concert (as defined under the Takeovers Code) with any substantial shareholders of the Company; and (iii) have no relationship with Weina (BVI) and its associates.

In addition, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (i) each of the Vendor and his associates do not, whether directly or indirectly, have any interest in any Shares or other convertible securities of the Company as at the date of this announcement; (ii) the Vendor and his concert parties will not hold 30% or more of the issued share capital of the Company upon completion of the issue of the Consideration Shares; and (iii) there have been no previous transactions or business relationship between the Company and the Vendor and his associates which would result in aggregation under Rule 14.22 of the Listing Rules.

**Assets to be acquired:**

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares at the Consideration. The Sale Shares represent the entire equity interest in the Target Company.

The Target Company entered into a sale and purchase agreement (the "**BVI Acquisition Agreement**") with the Original Vendor on 26 June 2009 to acquire for the entire issued share capital of the BVI Company (the "**BVI Company Acquisition**"). The transfer of shares of the BVI Company contemplated under the BVI Acquisition Agreement was completed on 11 August 2009.

According to the BVI Acquisition Agreement, certain portion of the consideration in the sum of HK\$53.10 million in respect of the BVI Company Acquisition will only be paid to the Original Vendor by the Target Company within 90 days from the completion date of the BVI Company Acquisition (i.e. no later than 9 November 2009). The Target Company shall settle the remaining consideration of HK\$53.10 million for the BVI Company Acquisition prior to the Completion.

As certain part of the consideration has not been settled by the Target Company, as agreed in the BVI Acquisition Agreement, the Target Company entered into the Share Charge on 11 August 2009 to charge all of the issued shares of the BVI Company in favour of the Original Vendor as security for the payment of the remaining consideration of HK\$53.10 million by the Target Company to the Original Vendor. Upon payment of the remaining consideration by the Target Company to the Original Vendor no later than the date as agreed in the BVI Acquisition Agreement, the Share Charge will be released by the Original Vendor, and the release of such Share Charge is a condition precedent to the Completion.

The BVI Company will be entirely owned by the Target Company upon completion of the BVI Company Acquisition. The shareholding structure of the Target Group is detailed below under the section headed "Shareholding structure of the Target Group" of this announcement. The only principal asset of the Target Group is the Project operated by the Project Company.

The original cost of the Target Group (inclusive of the purchase cost the BVI Company and other capital contributed) to the Vendor is estimated to be of approximately HK\$310 million (the "**Original Cost**"). As advised by the Vendor, the Original Cost was determined based on the arm's length negotiation between the Vendor and the Original Vendor with reference to the then unstable market condition.

#### **The Consideration:**

Pursuant to the Sale and Purchase Agreement, the Consideration of HK\$590,000,000 shall be settled by the Company in the following manner:

- (i) as to HK\$246,800,000 by the issuance and allotment of 246,800,000 Consideration Shares to the Vendor or his nominee(s) at the Issue Price of HK\$1.00 per Consideration Share on the Completion Date; and
- (ii) as to the remaining Consideration of HK\$343,200,000 by cash (the "**Remaining Balance**") payable by the Company after 24 months from the Completion Date.

The Company intends to pay the Remaining Balance on a one-off basis and shall finance the Remaining Balance by the Group's internal resources or possible fund raising activities.

#### **Basis of the Consideration:**

The Consideration was determined between the Vendor and the Company after arm's length negotiations and on normal commercial terms, taking into account the followings:

- (i) the Preliminary Valuation on the Project of approximately HK\$1,223,000,000 as at 30 June 2009 by an independent Valuer, 50% of which is approximately HK\$611,500,000. According to the Valuer, the Preliminary Valuation was arrived at by applying the market approach; and
- (ii) the future prospects of the real estate market in Zhuhai City, the PRC.

Since (i) there was no valuation conducted on the Project for the BVI Company Acquisition; (ii) the terms (including but not limited to the payment term) of the BVI Company Acquisition and the Acquisition are different; and (iii) the economic environment and the outlook of the property market in Zhuhai City had turned to be much more optimistic and favourable from the time of negotiation for the BVI Company Acquisition to the date of the Sale and Purchase Agreement, there is an increment of the Consideration when compared with the Original Cost.

In light of the above, the Directors (excluding the independent non-executive Directors who shall provide their view after considering the advice from the independent financial adviser to be appointed) are of the view that the Consideration is fair and reasonable even though there is an increment of the Consideration when compared with the Original Cost.

**Conditions precedent:**

Completion of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) is subject to the satisfactory fulfillment and/or waiver by the Company of the following conditions:

- (i) the Vendor's warranties under the Sale and Purchase Agreement shall be true, accurate and complete in all respects on and as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date;
- (ii) since the date of the Sale and Purchase Agreement, there shall have been no material adverse change in and there shall not have occurred any events which materially and adversely affect the business, prospects, operations or position, financial or otherwise, of the Target Group;
- (iii) any and all authorisations, approvals, consents or permits of any competent authority or of any third party that are required to be obtained by the Target Group before the Completion Date in connection with the transactions contemplated under the Sale and Purchase Agreement, including without limitation any waivers of rights of first refusal, preemptive rights, put or call rights, or other rights triggered by the Sale and Purchase Agreement (if any) shall have been duly obtained and be effective as of the Completion Date. Each company in the Target Group has obtained and maintains in full force and effect any and all consents, permits, orders, licenses, approvals, authorisations, registrations, amendment registrations, notifications, waivers, releases, certificates, filings and any other governmental authorisations under the laws of the PRC, or any other applicable laws, necessary for the conduct of its business as now being conducted;
- (iv) the listing of and permission to deal in all of the Consideration Shares being granted by the Listing Committee of the Stock Exchange have been obtained;
- (v) the approval by the Independent Shareholders with respect to the entering into of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement), the issue and allotment of the Consideration Shares and the transactions contemplated therein shall have been obtained;
- (vi) the Project Company shall have good and marketable title to Property A and Property B on and as of the Completion Date, not being subject to any encumbrances save as disclosed in the Sale and Purchase Agreement;
- (vii) the Vendor has delivered to the Company copies certified true by the Vendor of all the title documents in respect of Property A and Property B, including without limitation, state-owned land use rights transfer agreements (國有土地使用權出讓合同書), real estate ownership certificates (房地產權證), construction land permit (建設用地批准書), permit for presale of commercial buildings (商品房預售許可證), construction project planning permit (建設工程規劃許可證), construction work commencement permit (建築工程施工許可證), construction site planning permit (建設用地規劃許可證) and construction project planning completion certificate (建設工程規劃驗收合格證), all issued in the name of the Project Company;
- (viii) the BVI Company Acquisition shall have completed and the Vendor shall have delivered to the Company a certified copy of the release of the Share Charge duly executed by the Original Vendor;

- (ix) the Company shall have completed all business, legal and financial due diligence on the Target Group to its reasonable satisfaction;
- (x) the Company shall have received from the Valuer a valuation report (in such form and substance satisfactory to the Company) in respect of the Project, showing that the market value of the Project is not less than HK\$1,200,000,000; and
- (xi) the Company shall have received from its PRC legal adviser a PRC legal opinion (in such form and substance satisfactory to the Company).

The Company shall have the right to waive in writing the conditions (save and except for conditions (iv), (v), (viii) and (x)) as mentioned above. If the aforementioned conditions precedent have not been fulfilled (or, where applicable, waived by the Company in writing) on or before the Long Stop Date (or such other dates as agreed by parties to the Sale and Purchase Agreement in writing), the Sale and Purchase Agreement shall become void and of no further effect from the Long Stop Date and, save in respect of any antecedent breaches, all liabilities and obligations of the Vendor and the Company shall cease and terminate provided that such termination shall be without prejudice to any rights or remedies of the Vendor and the Company which shall have accrued prior to such termination.

**Completion:**

Completion shall take place at 6:00 p.m. on the Completion Date (or such other dates agreed by the parties to the Sale and Purchase Agreement in writing).

The Company has no present intention to change the composition of the Board upon Completion and the Directors confirm that the Company does not intend to appoint the Vendor and/or any of his associate(s) as Director(s) as a result of the Acquisition.

**The Consideration Shares:**

246,800,000 Consideration Shares at the Issue Price of HK\$1.00 per Consideration Share will be issued and allotted by the Company to the Vendor (or his nominee(s)) on the Completion Date.

The Issue Price was arrived at after arm's length negotiations between the Company and the Vendor, after taking into account of the prevailing market price of the Shares and the recent condition of the financial market in Hong Kong.

The Issue Price represents:

- (i) a discount of approximately 13.79% to the closing price of HK\$1.160 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 11.03% to the average of the closing price of approximately HK\$1.124 per Share for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 9.67% to the average of the closing price of approximately HK\$1.107 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and

(iv) a premium of approximately 2,678% over the unaudited consolidated net asset value per Share of approximately HK\$0.036 as at 31 December 2008 (based on the unaudited consolidated net asset value of the Group of approximately RMB13,507,000 (equivalent to approximately HK\$15.35 million) as at 31 December 2008 and 429,180,000 issued Shares as at the date of the Sale and Purchase Agreement).

The Consideration Shares represent (i) approximately 40.81% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 28.98% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration Shares shall rank pari passu in all respects with the Shares in issue on the date of issuance and allotment including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such issuance and allotment.

Application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consideration Shares. The Consideration Shares shall be issued and allotted under the Specific Mandate. There is no restriction on subsequent sale of the Consideration Shares.

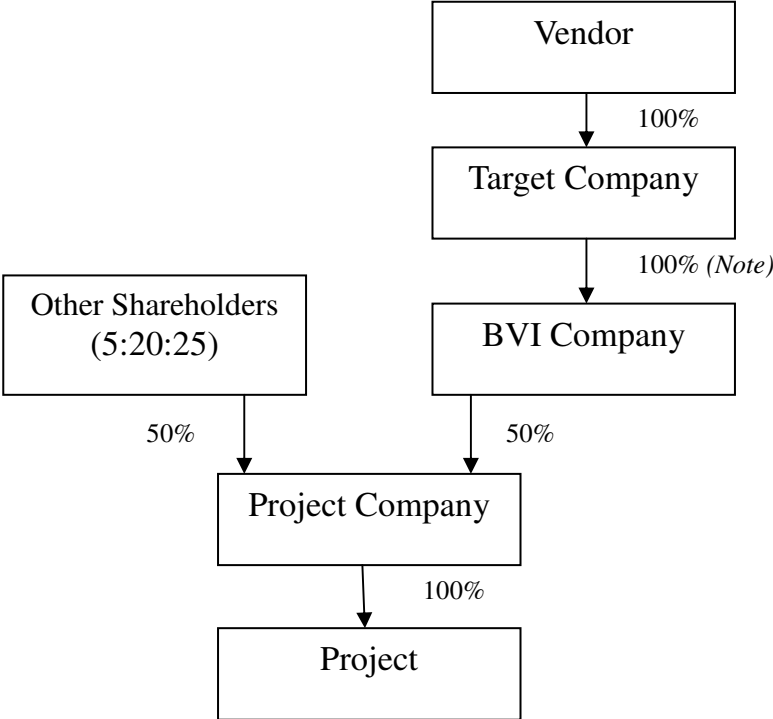
**Board composition of the Project Company:**

The Project Company is currently managed by a board of seven directors and five of the existing directors will resign upon Completion. Pursuant to the Sale and Purchase Agreement, the BVI Company is entitled to appoint three directors to the board of directors of the Project Company upon Completion which shall comprise a total of five directors. As such, upon Completion, the Company shall have majority control over the board of directors of the Project Company.

**SHAREHOLDING STRUCTURE OF THE TARGET GROUP**

The following charts show the shareholding structure of the Target Group (i) as at the date of this announcement (assuming the Vendor has delivered to the Company a certified copy of the release of the Share Charge duly executed by the Original Vendor); and (ii) immediately upon Completion:

*Simplified shareholding structure as at the date of this announcement*

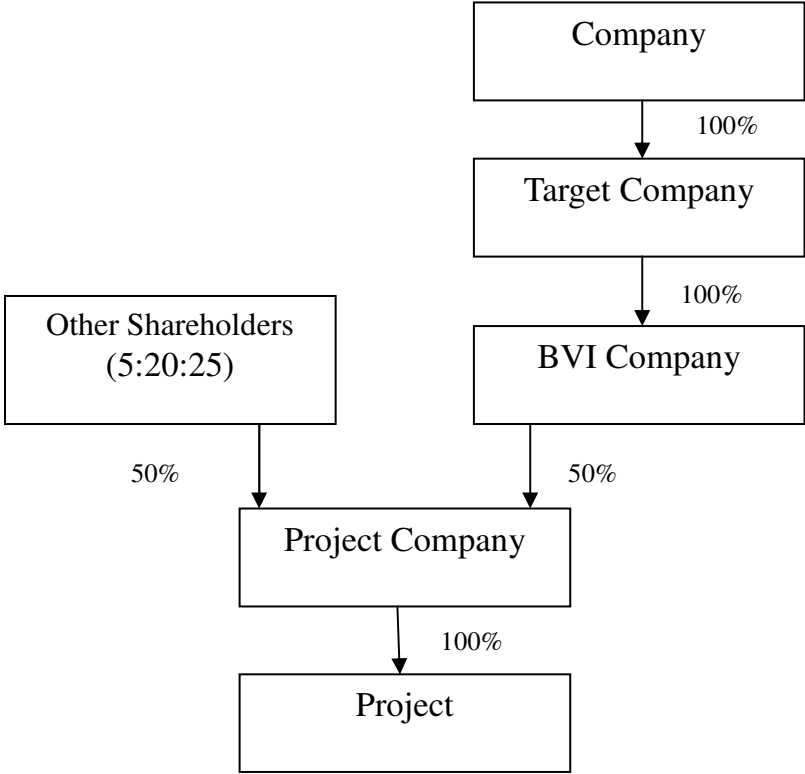


*Note:*

*The BVI Company Acquisition was completed on 11 August 2009. However, as certain part of the consideration will only be paid to the Original Vendor by the Target Company within 90 days after the completion date of the BVI Company Acquisition, the Target Company entered into the Share Charge on 11 August 2009 to charge all of the issued shares of the BVI Company in favour of the Original Vendor as security for the payment of the remaining consideration by the Target Company. The Share Charge will be released upon payment of the remaining consideration by the Target Company to the Original Vendor no later than the date as agreed in the BVI Acquisition Agreement and prior to the Completion.*



*Simplified shareholding structure immediately upon Completion*



**INFORMATION ON THE OTHER SHAREHOLDERS**

**Xi Hai**

Xi Hai is a company incorporated in the PRC with limited liability on 2 August 1989 and is interested in 5% equity interest in the Project Company. Mr. Chen (i) is a shareholder (holding 16% equity interest); (ii) is the deputy director of Xi Hai; and (iii) does not control the majority of the voting rights of Xi Hai. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, save and except for Mr. Chen, the other ultimate beneficial owners of Xi Hai are Independent Third Parties.

**Zhongzhu Company**

Zhongzhu Company is a company incorporated in the PRC with limited liability on 8 March 1997 and is interested in 20% equity interest in the Project Company. Mr. Chen (i) is a shareholder (through Xi Hai which holds 10% equity interest in Zhongzhu Company); (ii) the deputy director of Zhongzhu Company; and (iii) does not control the majority composition of the board of directors of Zhongzhu Company. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, save and except for Mr. Chen, the other ultimate beneficial owners of Zhongzhu Company are Independent Third Parties.

In addition, none of Xi Hai and Zhongzhu Company would be classified as “associate” of Mr. Chen under the Listing Rules.

## **New Genesis**

New Genesis is a company incorporated in the Macau Special Administrative Region of the PRC with limited liability on 25 July 2006 and is interested in 25% equity interest in the Project Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, New Genesis is an Independent Third Party.

As at the date of this announcement, none of the above Other Shareholders has any shareholding interest in the Company.

*Note: the information above is provided by the Other Shareholders*

## **INFORMATION ON THE TARGET GROUP**

### **The Target Company**

The Target Company is an investment holding company incorporated in the British Virgin Islands on 7 December 2007 with limited liability and is wholly-owned by the Vendor. Subject to the Share Charge, the principal asset of the Target Company is its 100% equity interest in the BVI Company and in turn the 50% equity interest in the Project Company.

### **The BVI Company**

The BVI Company is an investment holding company incorporated in the British Virgin Islands on 19 May 2006 with limited liability. Upon completion of the BVI Company Acquisition, the BVI Company will be entirely owned by the Target Company. As at the date of this announcement, the only asset of the BVI Company is the holding of the 50% equity interest in the Project Company.

### **The Project Company**

The Project Company is a sino-foreign joint venture incorporated in the PRC on 8 November 2005 with limited liability and is owned as to 50% by the BVI Company. The remaining equity interests in the Project Company are held by Xi Hai, Zhongzhu Company and New Genesis in the proportion of 5:20:25 respectively. The only major asset of the Project Company is the Project.

### **The Target Group**

Upon Completion, the Company will become the sole shareholder of the Target Company and therefore be effectively interested in (i) 100% equity interest in the Target Company; (ii) 100% equity interest in the BVI Company; and (iii) 50% equity interest in the Project Company. Given that the Company will be able to enjoy majority control over the board of directors of the Project Company, as confirmed by the reporting accountants to the Company, the Project Company will become an indirect non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

### **Information on the Project**

The only major asset of the Project Company is the Project and the Project is consisted of two development properties, being Property A and Property B.

Property A is situated at West Santaishi Road, North Xiaguang Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市前山三臺石路西、霞光路北側) and occupies approximately 48,382.70 square meters with a gross floor area of approximately 140,816.93 square meters. The construction of Property A was completed on 30 March 2009 and Property A has been developed into

a residential and commercial complex with car parking spaces. As at the date of this announcement, approximately 60% of the residential and commercial units under Property A have been sold to buyers.

Property B is situated at South Renmin West Road, West Santaishi Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市香洲人民西路南、三臺石路西側) and occupies approximately 57,762.92 square meters with a planned gross floor area of approximately 171,336.68 square meters. The construction of Property B is preliminarily scheduled to be commenced in October 2009 and be completed in May 2011. Property B will be developed into a residential and commercial complex with car parking spaces.

As mentioned in the foregoing, Property A was completed and approximately 60% of the residential and commercial units under Property A have been sold to buyers. The Project Company will retain the proceeds from such sale until the Completion and it intends to apply them for the development of Property B. In addition, the management accounts of the Project Company did not recognise any revenue for the property units sold up to 30 June 2009, and no dividend has been paid out by the Project Company from the date of its incorporation up to 30 June 2009.

Pursuant to the Sale and Purchase Agreement, the Vendor shall also procure that any member of the Target Group shall not declare, pay or make any dividends or other capital distributions prior to Completion. In view of the above, the Company shall be able to receive its entitlement to all dividends deriving from the Project. As such, the Directors consider that it is fair and reasonable to determine the Consideration with reference to the Preliminary Valuation on the entire Project.

Based on the existing budget of the Project (which also takes into account the available banking facility of the Project Company), the Company expects that the Project can be self-financed. Thus, no further capital contributions are required from the Company for the development of Property B.

Further details of the information on the construction of Property B will be disclosed in the circular to be despatched to the Shareholders.

On 25 August 2006, the Project Company entered into the Project Management Agreement with Zhongzhu Company, being one of the existing shareholders of the Project Company, regarding the provision of the Project Management Services by Zhongzhu Company. Details of the Project Management Agreement are presented under the below section headed “The Project Management Agreement”.

### **Financial information of the Target Group**

Set out below is a summary of the unaudited financial information of the Target Company (on company level) for the period from 7 December 2007 (date of its incorporation) to 31 December 2008 and the latest management accounts of the Target Company for the six months ended 30 June 2009 prepared in accordance with the Hong Kong Financial Reporting Standards:

	<b>For the period from 7 December 2007 to 31 December 2007</b>	<b>For year ended 31 December 2008</b>	<b>For the six months ended 30 June 2009</b>
<b>Income Statement</b>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Revenue	-	-	-
Net loss before taxation	(1,193)	(1,230)	-
Net loss after taxation	(1,193)	(1,230)	-

	As at 31 December 2007 <i>USD</i>	As at 31 December 2008 <i>USD</i>	As at 30 June 2009 <i>USD</i>
<b>Balance Sheet</b>			
Total assets	128	128	-
Total liabilities	(321)	(1,551)	(1,423)
Net liabilities	(193)	(1,423)	(1,423)

Set out below is a summary of the unaudited financial information of the BVI Company (on company level) for the two years ended 31 December 2008 and the latest management accounts of the BVI Company for the six months ended 30 June 2009 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For year ended 31 December 2007 <i>USD</i>	For year ended 31 December 2008 <i>USD</i>	For the six months ended 30 June 2009 <i>USD</i>
<b>Income Statement</b>			
Revenue	-	-	-
Net profit/(loss) before taxation	8,856	(9,462)	(4,688)
Net profit/(loss) after taxation	8,856	(9,462)	(4,688)

	As at 31 December 2007 <i>USD</i>	As at 31 December 2008 <i>USD</i>	As at 30 June 2009 <i>USD</i>
<b>Balance Sheet</b>			
Total assets	29,057,039	29,050,345	29,048,498
Total liabilities	(29,000,000)	(29,002,768)	(29,005,609)
Net assets	57,039	47,577	42,889

Set out below is a summary of the unaudited financial information of the Project Company (on company level) for the two years ended 31 December 2008 and the latest management accounts of the Project Company for the six months ended 30 June 2009 prepared in accordance with the relevant PRC accounting standards:

	For year ended 31 December 2007 <i>RMB</i>	For year ended 31 December 2008 <i>RMB</i>	For the six months ended 30 June 2009 <i>RMB</i>
<b>Income Statement</b>			
Revenue	-	-	-
Net loss before taxation	(10,726,120)	(4,889,029)	(3,147,928)
Net loss after taxation	(10,726,120)	(4,889,029)	(3,147,928)

<b>Balance Sheet</b>	<b>As at 31 December 2007 RMB</b>	<b>As at 31 December 2008 RMB</b>	<b>As at 30 June 2009 RMB</b>
Total assets	748,071,419	924,369,679	904,578,358
Total liabilities	(508,549,586)	(689,736,876)	(673,754,053)
Net assets	239,521,833	234,632,803	230,824,305

## REASONS FOR THE ACQUISITION

The Group is principally engaged in (i) the design, supply and integration of automation and control system; (ii) trading of automation products and electronic components; (iii) property investment; (iv) investment in listed securities; and (v) trading of mobile phones. It is the intention of the Company to hold the Project for property development and investment. In view of the economic prospect of Zhuhai City and that the Consideration is at a discount of approximately 3.52% to “50% of the Preliminary Valuation”, the Directors (excluding the independent non-executive Directors who shall provide their view after considering the advice from the independent financial adviser to be appointed) consider that the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

## CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a summary of the shareholdings in the Company as a result of the issue of the Consideration Shares:

<b>Name of Shareholder</b>	<b>As at the date of this announcement</b>		<b>Immediately after the issue of the Consideration Shares</b>		<b>Immediately after the issue of the Consideration Shares and upon full conversion of the convertible redeemable preference shares of the Company (Notes 1 &amp; 2)</b>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mega Edge International Limited (Notes 3 and 5)	79,500,000	13.15	79,500,000	9.34	79,500,000	6.06
Chak Joaquim Emilio Kin Man (Notes 4 and 5)	96,824,000	16.01	96,824,000	11.37	96,824,000	7.38
Wong Sio Leng (Note 5)	135,000,000	22.33	135,000,000	15.85	135,000,000	10.29
The Vendor	-	-	246,800,000	28.98	246,800,000	18.82
Weina (BVI) (Note 1)					460,000,000	35.07
Public Shareholders	293,356,000	48.51	293,356,000	34.46	293,356,000	22.38
<b>Total</b>	<b>604,680,000</b>	<b>100</b>	<b>851,480,000</b>	<b>100</b>	<b>1,311,480,000</b>	<b>100</b>

Notes:

1. The Company entered into a subscription and option agreement on 26 May 2006 with Weina (BVI) and through such agreement and the exercise of the option by the Company, Weina (BVI) is interested in 350,000,000 convertible redeemable preference shares of the Company and has the right to convert the aforesaid shares into 350,000,000 Shares (based on its initial conversion price). On 2 June 2009, the Company and Weina (BVI) entered into a supplemental agreement to extend the conversion period for the aforesaid shares for a further 12 months from the expiry date of the conversion period under the subscription and option agreement. Moreover, the Company entered into a sale and purchase agreement on 17 November 2006 with Weina Holdings Limited and through such agreement, Weina (BVI) (as designated by Weina Holdings Limited) is interested in 110,000,000 convertible redeemable preference shares A of the Company and has the right to convert the aforesaid preference shares into 110,000,000 Shares. Weina Group Limited owns the entire issued share capital of Weina (BVI) and is therefore deemed to have interests in the underlying Shares in which Weina (BVI) is interested. Mr. Tsim Wing Kong is deemed to be interested in the underlying Shares by virtue of his controlling interest in Weina Group Limited. Mr. Tsim Wing Kong is the father of Mr. Tsim Sze Hon, an executive Director. Details of the above were set out in the circulars of the Company dated 10 June 2006, 11 December 2006, 11 May 2007 and the announcement dated 2 June 2009 respectively.
2. Such scenario is for illustrative purpose only. The full conversion of the 460,000,000 convertible redeemable preference shares of the Company (the “**Convertible Shares**”) by Weina (BVI) and its concert parties may result in Weina (BVI) and its concert parties owning more than 30% of the then issued share capital of the Company. Weina (BVI) and its concert parties would have an obligation to make a mandatory general offer under the Takeovers Code for all of the Shares not held by it or parties acting in concert with any of them. In this regard, Weina Group Limited, being the ultimate beneficial owner of the Convertible Shares has given an undertaking that (i) it and its concert parties shall comply with all the relevant requirements under the Takeovers Code in relation to the holding, conversion and exercise of any rights attaching to the Convertible Shares at all times as and when necessary; and (ii) it and its concert parties shall not exercise their right to convert in all or in part, any of the Convertible Shares into the Shares at any time during the period from the date of the undertaking up to the Completion Date.
3. Mega Edge International Limited is legally and beneficially owned as to 100% by Ms. Xia Dan, a non-executive Director.
4. Chak Joaquim Emilio Kin Man is a substantial shareholder of the Company (as defined under the Listing Rules) as at the date of this announcement, Save for the aforementioned, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, Chak Joaquim Emilio Kin Man does not have any other relationship with the Company. Under the scenario “immediately after the issue of the Consideration Shares and upon full conversion of the convertible redeemable preference shares of the Company” in the above shareholding table, Chak Joaquim Emilio Kin Man will be classified as a public Shareholder and thus the Company will be able to comply with the public float requirements under Rule 8.08 of the Listing Rules.
5. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, other than being substantial shareholders of the Company as at the date of this announcement, Mega Edge International Limited, Chak Joaquim Emilio Kin Man and Wong Sio Leng do not have any relationship among themselves.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not conducted any other fund raising activities in the past twelve months prior to the date of this announcement.

## **THE PROJECT MANAGEMENT AGREEMENT**

On 25 August 2006, the Project Company entered into the Project Management Agreement with Zhongzhu Company regarding the provision of the project management services and relevant professionals for the Project at the basic service fee of RMB19,740,000 (equivalent to approximately HK\$22,431,818) (the “**Basic Service Fee**”) and a performance bonus (the “**Performance Bonus**”).

Set out below are the principal terms of the Project Management Agreement:

**Date:**

25 August 2006

**Parties involved:**

**Purchaser**

The Project Company

**Service provider**

Zhongzhu Company, being a substantial shareholder of the Project Company.

**Term:**

Commencing from the date of the Project Management Agreement up to the date the real properties of both Property A and Property B are delivered to all buyers, and can be extended for another 12 months upon the service of written notice by the Project Company.

**Subject matter:**

The provision of project management services and relevant professionals for the Project.

**Service fees:**

The Basic Service Fee of RMB19,740,000 (equivalent to approximately HK\$22,431,818) is payable by cash in 30 installments (RMB658,000 for each installment (equivalent to approximately HK\$747,727)) to Zhongzhu Company in advance on a monthly basis. As at the date of this announcement, the Basic Service Fee of RMB19,740,000 (equivalent to approximately HK\$22,431,818) had been fully paid by the Project Company.

The Project Company should also pay the Performance Bonus to Zhongzhu Company on the date of expiry or termination of the Project Management Agreement, in the event that the return from investment in the Project (as measured by the total cash distributable to the shareholders of the Project Company) satisfies certain conditions relating to the return from investment, as a multiple of such investment during different time frame under the Project Management Agreement. The Performance Bonus would be 15% of the then total cash distributable to the shareholders of the Project Company. As at the date of this announcement, Zhongzhu Company has confirmed in writing that it has forfeited its right of entitlement to the Performance Bonus.

Even though the Basic Service Fee had already been received by Zhongzhu Company, Zhongzhu Company had confirmed that it will continue to provide the Project Management Services for the Project Company without compensation in any form until the end of the term of the Project Management Agreement.

## **Reasons for the provision of the Project Management Services**

As presented under the section headed “Reasons for the Acquisition” of this announcement, the Company intends to hold the Project for property development and investment. Zhongzhu Company and its subsidiaries are principally engaged in property development and management and have experience and expertise in property project management. The Directors consider that the entering into of the Project Management Agreement is consistent with the business and commercial objectives of the Group.

## **IMPLICATION UNDER THE LISTING RULES**

Since the relevant percentage ratio(s) (as defined under the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

By virtue of that Mr. Chen, being an executive Director and the Chairman of the Company, is also a shareholder and the deputy director of both Xi Hai and Zhongzhu Company, which are the existing shareholders of the Project Company (interested in approximately 5% and 20% equity interests in the Project Company respectively) as at the date of this announcement, Mr. Chen and his associates are considered to have material interest in the Acquisition. Accordingly, the Acquisition is subject to the Independent Shareholders’ approval by way of poll at the EGM. Mr. Chen and his associates (who do not have any shareholding interest in the Company as at the date of this announcement) are required to abstain from voting at the EGM in respect of the ordinary resolutions to approve the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder, in the event that they are entitled to vote at the EGM.

As aforesaid, the EGM will be held to consider and, if thought fit, approve by the Independent Shareholders the ordinary resolutions in respect of the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder.

## **GENERAL**

An Independent Board Committee comprising Mr. Poon Lai Yin, Michael, Mr. Chong Yiu Chik and Mr. Choi Kai Ming, Raymond (all being independent non-executive Directors) has been established to (i) advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) advise the Independent Shareholders on how to vote in respect of the Sale and Purchase Agreement and the Supplemental Agreement after taking into account the recommendation of the independent financial adviser to be appointed.

A circular containing, among other things, (i) further details of the Acquisition including the Sale and Purchase Agreement, the Supplemental Agreement and the Project Management Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement); (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement); (iv) the valuation report on the Project; and (v) a notice convening the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.



**As Completion is subject to the fulfillment of a number of conditions precedent which are detailed in this announcement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **SUSPENSION AND RESUMPTION OF TRADING IN SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 12 August 2009 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 21 August 2009.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Company from the Vendor pursuant to the terms and conditions set out in the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement)
“associate(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday) on which banks are generally open for business in Hong Kong
“BVI Company”	Pine Global Investments Limited, which is a wholly-owned subsidiary of the Target Company and is established in the British Virgin Islands with limited liability, and prior to the BVI Company Acquisition, it was wholly-owned by the Original Vendor
“Company”	The Quaypoint Corporation Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange, being also the purchaser under the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement)
“Completion”	the completion of the Acquisition
“Completion Date”	the 5th Business Day after all the conditions under the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) having been satisfied or waived (as the case may be) (or such other time and/or date as the parties to the Sale and Purchase Agreement may agree)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the consideration of HK\$590,000,000 payable by the Company to the Vendor for the Acquisition pursuant to the Sale and Purchase Agreement

“Consideration Share(s)”	246,800,000 new Shares to be issued and allotted to the Vendor (or his nominee(s)) on the Completion Date, credited as fully paid at the Issue Price and representing approximately 28.98% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares (assuming the 460,000,000 convertible redeemable preference shares of the Company are not converted) in accordance with the terms of the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Sale and Purchase Agreement, the Supplemental Agreement and the transactions contemplated thereunder by the Independent Shareholders, and the grant of Specific Mandate by the Shareholders
“Group”	the Company and its subsidiaries
“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”	an independent board committee of the Company, comprising all the independent non-executive Directors, for the purpose of advising the Independent Shareholders in respect of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement)
“Independent Shareholders”	Shareholders other than those who are required under the Listing Rules to abstain from voting on the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the Supplemental Agreement
“Independent Third Party(ies)”	third parties and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
“Issue Price”	the issue price of HK\$1.00 per Consideration Share
“Last Trading Day”	11 August 2009, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the publication of this announcement
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 November 2009

“Mr. Chen”	Mr. Chen Xian, being an executive Director and the Chairman of the Company, and the deputy director and a shareholder of both Xi Hai and Zhongzhu Company, which are the existing shareholders of the Project Company
“New Genesis”	New Genesis International Co., Ltd. (新創衡國際有限公司), a company incorporated in the Macau Special Administrative Region of the PRC with limited liability, which is interested in 25% equity interest in the Project Company
“Original Vendor”	the sole original shareholder of the BVI Company prior to the BVI Company Acquisition, which is an investment fund established by an investment bank and to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, an Independent Third Party and does not have any relationship with Weina (BVI)
“Other Shareholders”	Xi Hai, Zhongzhu Company and New Genesis
“PRC”	the People’s Republic of China
“Preliminary Valuation”	the preliminary valuation on the Project of approximately HK\$1,223,000,000) as at 30 June 2009
“Property A”	a parcel of land situated at West Santaishi Road, North Xianguang Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市前山三臺石路西、霞光路北側) with buildings constructed thereon
“Property B”	a parcel of land situated at South Renmin West Road, West Santaishi Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市香洲人民西路南、三臺石路西側) with buildings to be constructed thereon
“Project”	a property project consisted of Property A and Property B
“Project Company”	珠海中珠房地產開發有限公司 (Zhuhai Zhongzhu Real Estate Development Company Ltd.*), a sino-foreign joint venture established in the PRC with limited liability and is owned as to 50% by the BVI Company and 50% by the Other Shareholders
“Project Management Agreement”	the project management agreement dated 25 August 2006 entered into between Zhongzhu Company, being one of the existing shareholders of the Project Company, and the Project Company in relation to the provision of the Project Management Services for the Project
“Project Management Services”	the project management services and relevant professionals for the Project provided by Zhongzhu Company to the Project Company pursuant to the terms and conditions set out in the Project Management Agreement

“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement in relation to the Acquisition entered into between the Company and the Vendor on 11 August 2009
“Sale Shares”	1,000 shares of US\$1.00 each in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement
“Share Charge”	the share charge dated 11 August 2009 executed by the Target Company pursuant to which the Target Company agreed to charge all of the issued shares of the BVI Company in favour of the Original Vendor as security for the payment of the remaining consideration of HK\$53.10 million by the Target Company to the Original Vendor under the BVI Acquisition Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the EGM to issue new Shares at any time during the period specified in the relevant ordinary resolution set out in the notice of EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement to the Sale and Purchase Agreement to amend certain conditions precedent to the Completion entered into between the Company and the Vendor on 20 August 2009
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases of the Securities and Futures Commission of Hong Kong
“Target Company”	Boom Lotus Holdings Limited, a company established in the British Virgin Islands with limited liability and is wholly-owned by the Vendor
“Target Group”	the Target Company and its subsidiaries (including the BVI Company and the Project Company)
“USD”	US dollars, the lawful currency of the United States of America
“Valuer”	Vigers Appraisal & Consulting Limited, an independent valuer
“Vendor”	Mr. Ho Man Hung, being the vendor of the Acquisition under the Sale and Purchase Agreement and an Independent Third Party

“Weina (BVI)”	holder of an aggregate of 460,000,000 convertible redeemable preference shares of the Company
“Xi Hai”	珠海經濟特區西海集團有限公司 (Zhuhai Special Economic Zone Xi Hai Group Limited*), a company incorporated in the PRC with limited liability, which is interested in 5% equity interest in the Project Company
“Zhongzhu Company”	珠海中珠股份有限公司 (Zhuhai Zhongzhu Holdings Limited*), a company incorporated in the PRC with limited liability, being a substantial shareholder of the Project Company (which is interested in 20% equity interest in the Project Company) and also the service provider under the Project Management Agreement
“%”	per cent.

By order of the Board  
**The Quaypoint Corporation Limited**  
**Law Kim Fai**  
*Company Secretary*

Hong Kong, 20 August 2009

*For the purpose of this announcement, all amounts denominated in RMB have been translated (for information only) into HK\$ using the exchange rate of HK\$1.00:RMB0.88 and all amounts denominated in USD have been translated (for information only) into HK\$ using the exchange rate of USD1.00: HK\$7.80. No representation is made that any amounts in RMB or HK\$ or USD can be or could have been converted at the relevant dates at the above rates or any other rates at all.*

*If there is any inconsistency between the Chinese names of the PRC entities mentioned in this announcement and their English translations, the Chinese names shall prevail.*

*In the event of any inconsistency, the English text of this announcement shall prevail over the Chinese text.*

*As at the date of this announcement, the executive Directors are Mr. Chen Xian, Mr. Tsim Sze Hon, Mr. Lau Sai Chung and Mr. Xiong Jianrui; the non-executive Director is Ms. Xia Dan and the independent non-executive Directors are Mr. Poon Lai Yin, Michael, Mr. Chong Yiu Chik and Mr. Choi Kai Ming, Raymond.*

*This announcement will remain on the “Latest Company Announcements” page of the website of the Stock Exchange and the website of the Company for at least 7 days from the date of its posting.*

*\* For identification purposes only*