



31 July 2009

*To the Shareholders and for information only,
holders of the New Warrants*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
WHITEWASH WAIVER APPLICATION
RE-ELECTION OF DIRECTOR AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 16 June 2009, the Board announced that the Purchaser entered into (i) the Agreement on 4 June 2009 and (ii) the Supplemental Agreement on 12 June 2009 with the Vendor and the Guarantor, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares and the Loan at an aggregate consideration of HK\$278,000,000 (subject to adjustment) which will be satisfied by (a) the issue and allotment of 650,000,000 Consideration Shares and (b) cash payment.

The purpose of this circular is to provide you with further information in relation to the Acquisition, the Supplemental Agreement, the Whitewash Waiver and the re-election of Director, and a notice of SGM to approve the Supplemental Agreement, the transactions contemplated thereunder, the issue of the Consideration Shares, the Whitewash Waiver and the re-election of Director.

THE ACQUISITION

The Agreement

Date: 4 June 2009

Purchaser: Value Shine Limited, a direct wholly-owned subsidiary of the Company

Vendor: Junny Diamond Co., Limited

Guarantor: Mr. Wong Chung Tak

The Vendor is ultimately wholly and beneficially owned by the Guarantor, an executive Director, the Chairman and a substantial shareholder of the Company, who is thus a connected person of the Company under the Listing Rules.

Supplemental Agreement

According to the Agreement, the Consideration shall be adjusted by deducting the total liabilities of Yue Tin other than the Loan, whether actual or contingent, as at Completion as shown in the Completion Accounts.



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After entering into the Agreement, the auditors of the Company have proceeded to prepare the Completion Accounts and have reviewed the relevant accounting records and documents in connection with the Company and the Properties and have come to the view that the Deferred Tax Provision should be included in the Completion Accounts in light of the upward revaluation of the Properties and their accelerated tax depreciation so arising. However, the Purchaser has also been verbally advised by the auditors of the Company that the amount of the tax covered in the Deferred Tax Provision would be written back in the accounts of the Company upon its sale of the Properties.

The parties to the Agreement have thus agreed that the Deferred Tax Provision should not be taken into account in the adjustment of the Consideration. In this regard, the Vendor, the Purchaser and the Guarantor entered into the Supplemental Agreement on 12 June 2009, pursuant to which:

- (a) the definition of "Liabilities" was amended to exclude the Deferred Tax Provision; and
- (b) subject to the amendments as set out therein, all the terms and conditions of the Agreement shall remain in full force and effect.

Assets to be acquired

According to the Agreement, the Vendor has conditionally agreed to sell the Sale Shares and assign the Loan, and the Purchaser has conditionally agreed to purchase the Sale Shares and take up the Loan pursuant to the terms and conditions contained therein.

Yue Tin is principally engaged in investment in and holding of the Properties.

The respective audited net profits (loss) before and after taxation of Yue Tin for each of the two years ended 31 March 2009 were as follows:

	For the year ended 31 March 2008	For the year ended 31 March 2009
Net profits (loss) before taxation	HK\$98,924,000	(HK\$99,964,000)
Net profits (loss) after taxation	HK\$81,745,000	(HK\$81,247,000)

The net asset value of Yue Tin as at 31 March 2009 was HK\$85,327,000.

The original costs of the Properties to the Vendor were approximately HK\$147,296,217.

Yue Tin was incorporated by the Vendor and the Guarantor in 1990. The Vendor is the sole beneficial owner of Yue Tin. Yue Tin is legally owned as to 50% (or one share) by the Vendor and the remaining 50% (or one share) in the share capital of Yue Tin is legally held by the Guarantor on trust for the Vendor.

The Directors confirm that there is no restriction on the subsequent sale of the entire issued share capital of Yue Tin.



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Consideration

The Consideration is HK\$278,000,000 (comprising the consideration for the assignment of the Loan calculated up to the Completion Date on a dollar-for-dollar basis (the "Loan Consideration") and the consideration for the sale of the Sale Shares, the amount of which is equivalent to the Consideration minus the Loan Consideration), subject to adjustment as detailed in the paragraph headed "Adjustment to the Consideration" below and shall be satisfied by:

- (i) the issue and allotment of the Consideration Shares by the Company to the Vendor at an agreed issue price of HK\$0.265 per Share with an aggregate value of HK\$172,250,000, which is calculated with reference to the recent trading prices of the Shares; and
- (ii) cash payment in the sum of HK\$105,750,000 by the Purchaser to the Vendor,

on Completion.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to (i) the unaudited net asset value of Yue Tin as at 30 April 2009; (ii) the director's assessment of the valuation of the Properties; and (iii) the principal amount of the Loan as at the date of the Agreement.

A property valuation report containing the valuation of the Properties has been included in this circular as Appendix V in accordance with the requirements of the Listing Rules and the Takeovers Code.

The Consideration Shares represent approximately 53.43% of the existing entire issued share capital of the Company as at the Latest Practicable Date, and approximately 34.83% of the entire issued share capital of the Company as enlarged by the issue of the Consideration Shares.

Adjustment to the Consideration

The Vendor shall procure that the Completion Accounts be drawn up and delivered to the Purchaser on the Completion Date. Completion shall take place on the basis of the Completion Accounts. If the Completion Accounts shall show that Yue Tin has any Liabilities, the portion of the Consideration in the sum of HK\$105,750,000 payable by the Purchaser to the Vendor in cash shall be adjusted by deducting the amount of such Liabilities, with no limit on the amount to be so adjusted. The portion of the Consideration to be satisfied by the issue of the Consideration Shares will not be subject to any adjustment. If the Completion Accounts shall show that Yue Tin has any net profits, no adjustment shall be made to the Consideration. The Purchaser and the Vendor do not foresee that the Liabilities will exceed HK\$105,750,000 given the nature of business of Yue Tin and that there is no bank loan secured by the Properties. The Vendor and the Guarantor have also undertaken in the Agreement that no mortgage or charge will be created against the Properties before Completion.



Issue price of the Consideration Shares

The issue price of HK\$0.265 per Consideration Share represents:

- (1) a discount of approximately 10.17% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on 3 June 2009, being the last trading day prior to the signing of the Agreement;
- (2) a discount of approximately 7.34% to the average closing price of HK\$0.286 per Share as quoted on the Stock Exchange over the last 5 consecutive trading days up to and including 3 June 2009;
- (3) a discount of approximately 1.85% to the average closing price of HK\$0.27 per Share as quoted on the Stock Exchange over the last 15 consecutive trading days up to and including 3 June 2009; and
- (4) a discount of approximately 3.64% to the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The issue price of the Consideration Shares was negotiated on an arm's length basis between the Company, the Purchaser and the Vendor with reference to the prevailing market prices of the Shares. The Directors consider that the terms of the Supplemented Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange. The Consideration Shares will rank pari passu in all respects among themselves and with all other Shares in issue on the date of such issue but will not participate in any dividend or other distribution which has been or may be declared with a record date prior to the date of issue and allotment of the Consideration Shares.

Conditions

Completion is conditional upon the fulfilment of the following conditions:

- (a) the representations, warranties and undertakings given by the Vendor and the Guarantor to the Purchaser in the Agreement (the "Warranties") remaining true and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Agreement and Completion;
- (b) the Purchaser notifying the Vendor in writing that in reliance of the Warranties and upon inspection and investigation of the documents in respect of Yue Tin which may be required by the Purchaser after the signing of the Agreement and due diligence carried out by the Purchaser on the Properties and Yue Tin after the signing of the Agreement, it is fully satisfied:
 - (i) with the conditions of the Properties and Yue Tin (both financial and operational); and



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- (ii) that Yue Tin has good titles to the Properties without any encumbrances;
- (c) the passing by the Independent Shareholders at the SGM by way of poll ordinary resolutions to approve (i) the Supplemented Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares) and (ii) the Whitewash Waiver;
- (d) the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares;
- (e) the granting by the Executive to the Vendor of the Whitewash Waiver;
- (f) the obtaining of all other necessary consents and approvals in connection with the Supplemented Agreement, including but not limited to the consents, authorizations or approvals of the Stock Exchange, any regulatory or other governmental authorities as may be required under the Listing Rules or the applicable laws; and
- (g) the obtaining, at the costs of the Vendor, by the Purchaser of:
 - (i) a legal opinion, in form and substance satisfactory to the Purchaser in all respects, issued by a lawyer qualified to practice the laws of the PRC, regarding, inter alia, the PRC Property; and
 - (ii) a valuation report, in form and substance satisfactory to the Purchaser in all respects, issued by an independent valuer showing the aggregate current market value of the Properties to be not less than HK\$282,000,000.

As at the Latest Practicable Date, the conditions as set out in paragraphs (b) and (g) have been fulfilled. The Purchaser may waive the condition as set out in paragraph (a) above and none of the conditions as set out in paragraphs (c) to (f) above can be waived. If any of the above conditions are not fulfilled or waived by the Purchaser (as the case may be) within 6 calendar months after the date of the Agreement (or such later date as the Vendor and the Purchaser may agree in writing), the Purchaser shall not be bound to proceed with the purchase of the Sale Shares and/or the assignment of the Loan and the Supplemented Agreement shall cease to have any effect.

Completion

Completion shall take place on the Completion Date.

After Completion, Yue Tin will become a wholly-owned subsidiary of the Company and its financial results will be consolidated in the Group's financial statements after Completion.



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Effect on shareholding of the Company

As at the Latest Practicable Date, none of the New Warrants has been exercised. Upon issuance of the Consideration Shares, the shareholdings of the Company will be as follows:

Name of Shareholders	As at the Latest Practicable Date		Upon Completion assuming no New Warrants and share options are exercised		Upon Completion assuming that the New Warrants and share options are exercised in full (Note 1)	
	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
<i>The Vendor and parties acting in concert with it :</i>						
- Thing On Group Limited (Note 2)	356,589,589	29.31	356,589,589	19.10	356,589,589	16.65
- The Vendor (Note 2)	-	-	650,000,000	34.83	650,000,000	30.35
<i>Sub-total:</i>	356,589,589	29.31	1,006,589,589	53.93	1,006,589,589	47.00
<i>Directors:</i>						
Tse Kam Fai	-	-	-	-	7,100,000	0.33
Wong Ngo, Derick	-	-	-	-	6,900,000	0.32
Chong Kally	-	-	-	-	6,900,000	0.32
<i>Sub-total:</i>	-	-	-	-	20,900,000	0.97



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Name of Shareholders	As at the		Upon Completion		Upon Completion	
	Latest Practicable Date		assuming no		assuming that the	
			New Warrants and		New Warrants and	
			share options		share options are	
			are exercised		exercised in full	
					<i>(Note 1)</i>	
					<i>No. of</i>	
					<i>Shares held</i>	
					<i>%</i>	
<i>Public Shareholders :</i>						
Power Ace Limited <i>(Note 3)</i>	-	-	-	-	120,000,000	5.61
Willfame Group Limited <i>(Note 3)</i>	60,000,000	4.93	60,000,000	3.21	60,000,000	2.80
Time Favour Limited <i>(Note 4)</i>	-	-	-	-	120,000,000	5.61
Year Top Limited <i>(Note 4)</i>	30,524,000	2.51	30,524,000	1.64	30,524,000	1.43
Other public Shareholders	769,492,470	63.25	769,492,470	41.22	783,492,470	36.58
	<u>1,216,606,059</u>	<u>100.00</u>	<u>1,866,606,059</u>	<u>100.00</u>	<u>2,141,506,059</u>	<u>100.00</u>

Notes :

- (1) The assumption does not take into account any exercise of the share options by the Guarantor or his spouse, Ms. Ng Ka Fong Jenny. The Guarantor and Ms. Ng Ka Fong Jenny have undertaken that they will not exercise their respective options from the date of the Agreement up to and inclusive of the Completion Date.
- (2) The entire issued share capital of the Vendor is wholly and beneficially owned by Thing On Holdings International Limited, a company wholly and beneficially owned by Thing On Group Limited which is in turn wholly and beneficially owned by Mr. Wong Chung Tak, an executive Director and the Chairman of the Company.
- (3) Each of Power Ace Limited and Willfame Group Limited is wholly-owned by Ms. Juvy Ngo Ting.
- (4) Each of Time Favour Limited and Year Top Limited is wholly-owned by Ms. Lucy Tin Chua.

Information of the Group

The Group is principally engaged in property investment and trading.

As disclosed in the July Announcement, the financial results of the Group for the six months ended 30 June 2009 are expected to decrease significantly as compared to those for the six months ended 30 June 2008. The Company considers that the significant decrease in the financial results of the Group for the six months ended 30 June 2009 was mainly attributable to the significant decrease in the revenue generated from property trading as compared to those in the first half year of 2008.

Such statements as disclosed in the July Announcement constitute a profit estimate under Rule 10 of the Takeovers Code and therefore has been reported on by Grant Thornton, the reporting accountants of the Company, and Cinda International Capital Limited, the IFA in accordance with Rule 10 of the Takeovers Code. Please refer to Appendix IV to this circular for the opinions expressed by Grant Thornton and Cinda International Capital Limited, respectively.



Information on the Vendor

The Vendor is an investment holding company. Other than Yue Tin, the Vendor also owns another subsidiary which is principally engaged in the business of money lending.

Reasons for the Acquisition

Yue Tin is the legal and beneficial owner of the Properties and:

- (a) the HK Commercial Properties will be used by the Group either for self-use or investment purposes. As at the date hereof, the Group is using one of the HK Commercial Properties, i.e. Room 2406, 24th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong as its office under a tenancy agreement dated 11 August 2008. Further, the Board considers that, given that the relevant HK Commercial Properties at World-Wide House are located at the prime office area in Hong Kong and all of the HK Commercial Properties are currently leased out, the Acquisition is a good opportunity for the Group to acquire good quality commercial properties in order to strengthen its investment base and provide a steady income stream to the Group;
- (b) the HK Residential Property will be leased to the Vendor upon Completion to provide a steady income stream to the Group; and
- (c) the PRC Residential Property may be leased to other third party or parties after Completion, but it will be used by the Group as the accommodation of the Directors and management staff when they travel to Beijing for business before the same has been leased out. The Board considers that the intended use of the PRC Residential Property will enhance the possible rental income of the Group and will enhance the utility of the PRC Residential Property as well as provide flexibility to the Group's management for their travel to Beijing before the PRC Residential Property has been leased out which is in the interests of the Company and its Shareholders as a whole.

None of the tenants of the Properties is a Shareholder.

The Directors consider that the Acquisition will benefit the Group with the anticipated growth in the value of the Properties.

Taking into account the above factors, the Directors consider that the Acquisition is in the interests of the Company and the terms of the Supplemented Agreement are on normal commercial terms and were arrived at after arm's length negotiations, which are fair and reasonable and are in the interests of the Shareholders as a whole.

Management discussion and analysis of the results of Yue Tin

Set out in Appendix II to this circular is the accountants' report on the consolidated financial information of Yue Tin for each of the three years ended 31 March 2007, 2008 and 2009. Below is the management discussion and analysis on the performance of Yue Tin during such period.



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Yue Tin is principally engaged in property investment. As at 31 March 2007, 2008 and 2009, Yue Tin had net assets of approximately HK\$84,829,000, HK\$166,574,000 and HK\$85,327,000 respectively. For each of the three years ended 31 March 2007, 2008 and 2009, the turnover of Yue Tin was approximately HK\$7,359,000, HK\$7,010,000 and HK\$7,519,000 respectively. The turnover was contributed from the rental income and property management fee income generated from the investment properties in Hong Kong.

The respective gross profit and net profit after tax (net loss) of Yue Tin for each of the three years ended 31 March 2009 extracted from the accountants' report of Yue Tin as set out in Appendix II to this circular are set out as follows:

	Gross profit	Net profit after tax (net loss)
Year ended 31 March 2007	HK\$6,312,000	HK\$24,056,000
Year ended 31 March 2008	HK\$6,165,000	HK\$81,745,000
Year ended 31 March 2009	HK\$6,164,000	(HK\$81,247,000)

The net loss incurred during the year ended 31 March 2009 was mainly attributable to the loss in fair value of investment properties of approximately HK\$100,541,000 as a result of the economic downturn in the second half of 2008.

In the opinion of Grant Thornton, the financial information of Yue Tin including the balance sheets of Yue Tin as at 31 March 2007, 2008 and 2009, the income statements, the cash flow statements and the statements of changes in equity for each of the three years ended 31 March 2007, 2008 and 2009 (the "Relevant Periods"), for the purpose of the accountants' report of Yue Tin as set out in Appendix II to this circular, give a true and fair view of the state of affairs of Yue Tin as at 31 March 2007, 2008 and 2009 and the results and cash flows of Yue Tin for each of the Relevant Periods.

As stated on page 125 of this circular, without qualifying the opinion of Grant Thornton (the reporting accountant of Yue Tin), Grant Thornton draw attention to note 3.1 to the Financial Information (as defined in Appendix II to this circular) which discloses that as at 31 March 2009, Yue Tin had net current liability position of HK\$146,559,000. This condition as disclosed in note 3.1 to the Financial Information indicates the existence of a material uncertainty which may cast significant doubt about Yue Tin's ability to continue as a going concern.

Financial effects of the Acquisition

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial impact of the Acquisition on the assets and liabilities of the Group, assuming the Acquisition had been completed on 31 December 2008. Immediately upon Completion, the entire issued share capital of Yue Tin will be owned by the Group. Accordingly, the Group's interests in Yue Tin will be consolidated into the financial statements of the Group and Yue Tin will become a wholly-owned subsidiary of the Group immediately upon Completion.



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According to the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma consolidated total assets of the Group would increase from approximately HK\$1,257 million as at 31 December 2008 to approximately HK\$1,407 million (as the Enlarged Group) as at 31 December 2008. The increase would be primarily due to the consolidation of the assets of Yue Tin. The unaudited pro forma consolidated total liabilities of the Group would increase from approximately HK\$95 million as at 31 December 2008 to approximately HK\$116 million (as the Enlarged Group) as at 31 December 2008 due to the consolidation of the liabilities of Yue Tin.

The unaudited pro forma consolidated net assets of the Group would increase from approximately HK\$1,163 million as at 31 December 2008 to approximately HK\$1,292 million (as the Enlarged Group), due to consolidation of net assets of Yue Tin. The net asset value per Share decreased from HK\$0.96 to HK\$0.69 (as the Enlarged Group) assuming no New Warrants and share options of the Company are exercised. In addition, the Directors believe that the Acquisition will provide a steady income stream to the Group.

Intention of the Vendor

It is the intention of the Vendor that the Group will continue its current business. The Vendor has no intention to make any major changes to the existing business or to the continuation of the employment of the employees of the Group or to redeploy the fixed assets of the Group.

Financial and trading prospects of the Enlarged Group

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group as at 31 December 2008. Below is the financial and trading prospects of the Enlarged Group.

Financial and business performance

As at 31 December 2008, the non-current assets of the Enlarged Group amounted to approximately HK\$497,288,000, which included investment properties of approximately HK\$480,115,000 and prepaid lease payments of approximately HK\$14,300,000.

As at 31 December 2008, the Enlarged Group had current assets amounting to approximately HK\$909,996,000. The major components in current assets were properties held for sale (approximately HK\$486,500,000), loans and receivables (approximately HK\$13,000,000), financial assets at fair value through profit or loss (approximately HK\$65,263,000) and cash and cash equivalents (approximately HK\$336,228,000).

As at 31 December 2008, the current liabilities of the Enlarged Group amounted to approximately HK\$80,864,000, of which derivative financial instruments accounted for HK\$96,000, other payables (including receipts in advance of HK\$2,057,000, and sundry creditors of HK\$1,942,000) accounted for HK\$3,999,000, deposits received accounted for HK\$60,524,000, accrued charges accounted for HK\$4,222,000, and taxable payable (including profits tax payable in Hong Kong amounted to HK\$7,829,000 and enterprise income tax payable in the PRC amounted to HK\$4,194,000) accounted for HK\$12,023,000.



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As at 31 December 2008, the Enlarged Group had non-current liabilities of approximately HK\$34,789,000 representing the deferred tax liabilities of the Enlarged Group.

Before the Acquisition, the businesses of property investments, property development and trading, and the provision of financial services generated profits of approximately HK\$13,926,000, HK\$84,818,000 and HK\$7,228,000 to the Group for the year ended 31 December 2008 respectively. The business of securities investment and securities trading generated a loss of approximately HK\$19,902,000 for the year ended 31 December 2008.

Financial resources and liquidity

The net assets of the Enlarged Group as at 31 December 2008 amounted to approximately HK\$1,291,631,000. As at 31 December 2008, the current ratio (i.e. current assets to current liabilities ratio) and gearing ratio (calculated on the basis of total borrowings divided by shareholders' equity) of the Enlarged Group were 11.2 times and zero respectively. The Enlarged Group is financially sound as its working capital is sufficient.

Cash and cash equivalent

As at 31 December 2008, cash and bank balances amounted to approximately HK\$336,228,000, which were mainly denominated in Hong Kong dollars, Renminbi and US dollars. No assets and deposits of the Enlarged Group had been pledged to secure banking facilities.

Foreign exchange and currency risks

All income and funds applied to the direct costs, the purchases of equipment and the payments of salaries were denominated in Hong Kong dollars and Renminbi and hence, the risk of exposure to fluctuation in foreign exchange was relatively low.

Employees and remuneration policies

The Enlarged Group employed about 60 full time employees, including management executive, staff and workers in the PRC and Hong Kong as at 31 December 2008. The level of remuneration, the promotion prospect and the increment in remuneration are justified according to their respective job duties, work performance and professional experience. All staff and executive directors in the Hong Kong office have participated in the mandatory provident fund scheme. Other employees' benefits include the granting of share options by the Board under the share option scheme adopted by the Company.

Treasury management

With respect to the financial resources management, the Enlarged Group will continue the diversification of its investment portfolio to accommodate more current assets with higher liquidity, including securities, in order to enhance the return of its current assets. The aggressive and yet prudent financial resources management policy will be continued to maximize investments return within a reasonable risk level.



Trading prospects of the Enlarged Group

After Completion, the Enlarged Group will be principally engaged in property investments, property development and trading, securities investments and trading, and provision of financial services. As at 31 December 2008, the Enlarged Group held investment properties with an aggregate value of approximately HK\$480,115,000 and properties held for sale with an aggregate value of approximately HK\$486,500,000. The Directors contemplate that the turnover of the Enlarged Group derived from the rental income and property management fee income will be increased, as the Properties held by Yue Tin will generate extra revenue to the Enlarged Group. The rental and property management fee to be received by the Group will provide steady incoming cash flow and favourable return to the Enlarged Group as readily a yield of approximately 4.0% will be generated from the Properties. The yield of approximately 4.0% is the product of the aggregate of the annualized gross income of HK\$11,030,000 from the existing tenancy agreements and the Tenancy Agreements to be entered into between Yue Tin and the Vendor upon Completion divided by the Consideration of HK\$278,000,000 (without taking into account any adjustment to the Consideration). Details of the Tenancy Agreements including the rental have been disclosed in the Announcement.

RE-ELECTION OF DIRECTOR

Mr. Chung Koon Yan, who was appointed on 4 June 2009 as an independent non-executive Director, shall be subject to re-election at the SGM pursuant to Bye-law 86(2) of the Bye-laws. Mr. Chung, being eligible, offers himself for re-election at the SGM.

Below are the biographical information of Mr. Chung:

Mr. Chung, aged 45, is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, and a member of The Institute of Chartered Accountants in England and Wales. He graduated from The Hong Kong Polytechnic University with a Master of Professional Accounting. Mr. Chung is a director of an accounting firm, Chiu, Choy & Chung CPA Ltd., and has more than 18 years' experience in accounting, auditing and taxation. Mr. Chung is currently an independent non-executive director of (i) China Financial Leasing Group Limited, a company listed on the Main Board of the Stock Exchange, (ii) Trasy Gold Ex Limited and (iii) Great World Company Holdings Limited, both of which are listed on The Growth Enterprise Market of the Stock Exchange. Save for the aforesaid, Mr. Chung did not hold any directorship in other listed public companies in the past three years.

There is no service contract entered into between Mr. Chung and the Company and there is no specific term of appointment. Mr. Chung is subject to retirement by rotation at least once every three years in accordance with the Bye-laws. Mr. Chung's emolument is HK\$200,000 per annum, which is determined by the Board with reference to the recommendation of the Remuneration Committee of the Company, the Company's performance and profitability, as well as the remuneration benchmark in the industry and the prevailing market conditions.

Mr. Chung does not have any relationship with any other Director, senior management, substantial Shareholders or controlling Shareholders. He does not have any interest in the Shares within the meaning of Part XV of the SFO.



Save as disclosed herein, there is no other matter relating to Mr. Chung needed to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

REGULATORY REQUIREMENTS

Takeovers Code

Application for Whitewash Waiver

As at the Latest Practicable Date, the Vendor and the parties acting in concert with it (including the Guarantor and Thing On Group Limited) hold an aggregate of 356,589,589 Shares, representing approximately 29.31% of the entire existing issued share capital of the Company. Upon Completion and the issue of the Consideration Shares, the Vendor and the parties acting in concert with it will hold an aggregate of 1,006,589,589 Shares, representing approximately 53.93% of the entire issued share capital of the Company as enlarged by the issue of the Consideration Shares. In the circumstances, an obligation on the part of the Vendor and the parties acting in concert with it to make a general offer for all the Shares not already owned or agreed to be acquired by the Vendor and parties acting in concert with it will arise under Rule 26 of the Takeovers Code as a result of the issue of the Consideration Shares to the Vendor. An application has been made by the Vendor to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the prior approval by the Independent Shareholders at the SGM.

As already mentioned above, Completion shall be subject to the conditions precedent that, inter alia, the Whitewash Waiver having been granted by the Executive and approved by the Independent Shareholders at the SGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Purchaser shall not be bound to proceed with the purchase of the Sale Shares and/or the assignment of the Loan and the Supplemented Agreement shall cease to have any effect. The Executive has indicated that the Whitewash Waiver will be granted and will be subject to, among others, approval by the Independent Shareholders at the SGM by way of poll.

The Vendor, Thing On Group Limited (being the indirect sole shareholder of the Vendor) and the Guarantor (being the ultimate sole beneficial owner of the Vendor), have confirmed that:

- (a) none of the Vendor and any parties acting in concert with it (including the Guarantor and Thing On Group Limited) has acquired any voting rights in the Company or dealt with any securities of the Company (save for the issue of the Consideration Shares) in the 6 months prior to the date of the Announcement but subsequent to the negotiations, discussions or the reaching of understandings or agreements with the Directors (which would include informal discussions) in relation to the proposed issue of the Consideration Shares; and



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- (b) none of the Vendor and any parties acting in concert with it (including the Guarantor and Thing On Group Limited) has acquired or disposed of any voting rights in the Company or dealt with any securities of the Company during the period between the date of the Announcement and the date of this circular or will acquire or dispose of any voting rights in the Company or deal with any securities of the Company (save for the issue of the Consideration Shares) during the period between the date of this circular and the completion of the proposed issue of the Consideration Shares.

The Guarantor and Ms. Ng Ka Fong Jenny (being the spouse of the Guarantor) have also jointly and severally undertaken that they will not exercise their respective share options to subscribe for an aggregate of 14,000,000 Shares from the date of the Agreement up to and inclusive of the Completion Date.

Shareholders and public investors should note that immediately upon Completion (assuming that no share options or the New Warrants will be exercised), the shareholding of the Vendor and the parties acting in concert with it in the Company will exceed 50% of the voting rights of the Company and that the Vendor and the parties acting in concert with it may increase their holding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

Other arrangements

- (i) As at the Latest Practicable Date, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of the Vendor which might be material to the Acquisition or the Whitewash Waiver;
- (ii) As at the Latest Practicable Date, save for the Supplemented Agreement, there is no other agreement or arrangement to which the Vendor is a party which relates to the circumstances in which it may or may not invoke or seek to invoke as a precondition or a condition to the Acquisition or the Whitewash Waiver;
- (iii) As at the Latest Practicable Date, there is no outstanding derivative in respect of relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company which has been entered into by the Vendor or any person acting in concert with it;
- (iv) As at the Latest Practicable Date, save as disclosed in the paragraph headed "Effect on shareholding of the Company" and other than share options to subscribe for an aggregate of 14,000,000 Shares, neither the Vendor nor any of the parties acting in concert with it nor the directors of the Vendor holds any other Shares, convertible securities, derivatives, warrants or options of the Company;
- (v) As at the Latest Practicable Date, there is no relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company which the Vendor or any person acting in concert with it has borrowed or lent;
- (vi) As at the Latest Practicable Date, there was no shareholding in the Company which any of the Company or the Directors has borrowed or lent;



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- (vii) As at the Latest Practicable Date, no persons had irrevocably committed themselves to vote for or against the resolutions to be proposed at the SGM and no such person had dealt for value in any shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or the Vendor during the Recent Period;
- (viii) As at the Latest Practicable Date, neither the Vendor nor any of the parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
- (ix) As at the Latest Practicable Date, no person had any arrangement of the kind as described in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code and no such person had dealt for value in any shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or the Vendor during the Recent Period;
- (x) As at the Latest Practicable Date, save for the Supplemented Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Vendor or any parties acting in concert with it and any Director, recent Director, shareholder or recent shareholder of the Company which had any connection with or dependence upon the Acquisition or the Whitewash Waiver;
- (xi) No Shares acquired by the Vendor or parties acting in concert with it in pursuance of the Acquisition will be transferred, charged or pledged to any other persons;
- (xii) None of the Vendor or any parties acting in concert with it had dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Company during the Recent Period;
- (xiii) As at the Latest Practicable Date, the Company had no shareholding interest in the Vendor nor had the Company dealt for value in any Shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Vendor during the Recent Period;
- (xiv) As at the Latest Practicable Date, no shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group and none of the advisers to the Company as specified in class (2) of the definition of associate in the Takeovers Code owned or had any interests in any Shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company and no such person had dealt for value in any shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or the Vendor during the Recent Period;
- (xv) As at the Latest Practicable Date, no shareholding in the Company was managed on a discretionary basis by fund managers connected with the Company and no such person had dealt for value in any shares or other securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or the Vendor during the Recent Period; and



- (xvi) As at the Latest Practicable Date, none of the Directors had any beneficial shareholdings in the Shares which would entitle him/her to vote in respect of the ordinary resolutions approving the Supplemented Agreement and the Whitewash Waiver.

Listing Rules

Since the consideration test represents more than 25% but less than 100% of the market capitalisation of the Company, the entering into of the Supplemented Agreement constitutes a major transaction for the Company according to Rule 14.06(3) of the Listing Rules. Further, since the Vendor is ultimately wholly and beneficially owned by the Guarantor, an executive Director, the Chairman and a substantial shareholder of the Company, the Vendor is thus a connected person of the Company under the Listing Rules. As such, the entering into of the Supplemented Agreement also constitutes a connected transaction of the Company pursuant to Rule 14A.13(1)(a) of the Listing Rules. Accordingly, the Supplemented Agreement and the transactions contemplated thereunder are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Voting

By reason of the requirements of the Takeovers Code and the Listing Rules, the Vendor and the parties acting in concert with it and their respective associates and those Shareholders who are involved in or interested in the Supplemented Agreement and/or the Whitewash Waiver are required to abstain from voting at the SGM in respect of the resolutions to approve the Supplemented Agreement, the transactions contemplated thereunder, the issue of the Consideration Shares and the Whitewash Waiver. Accordingly, Thing On Group Limited, the Shareholder holding 356,589,589 Shares, will abstain from voting at the SGM in respect of all such resolutions. The Vendor has confirmed with the Company that none of (i) Willfame Group Limited and Year Top Limited (the subscribers of the New Warrants); (ii) Power Ace Limited and Time Favour Limited (the holders of the New Warrants) and (iii) Ideal China International Limited, Growth Time Holdings Limited, Trade Magic Limited and Topfirm Limited (the holders of the unlisted warrants of the Company issued in October 2007 and cancelled in April 2009) is a party acting in concert with the Vendor or with the parties acting in concert with the Vendor.

Save for the aforesaid, no other Shareholder is required to abstain from voting in respect of the proposed ordinary resolution(s) to approve the Supplemented Agreement, the transactions contemplated thereunder, the issue of the Consideration Shares and the Whitewash Waiver.

SPECIAL GENERAL MEETING

Set out on pages 190 to 191 of this circular is a notice convening the SGM to consider and, if appropriate, to approve the ordinary resolutions relating to the Supplemented Agreement, the transactions contemplated thereunder, the issue of the Consideration Shares, the Whitewash Waiver and the re-election of Director.



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A form of proxy for the SGM is enclosed herewith. Whether or not you intend to attend and/or vote at the SGM in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, all the resolutions set out in the notice of the SGM will be voted by poll.

RECOMMENDATION

Your attention is drawn to the letter of the Independent Board Committee set out on page 23 of this circular. The members of the Independent Board Committee are Mr. Liu and all the independent non-executive Directors who are independent of and not acting in concert with the Vendor and parties acting in concert with the Vendor. As Mr. Wong Ngo, Derick, a non-executive Director, is the son of the brother of the Guarantor, he has not been appointed as a member of the Independent Board Committee. Your attention is also drawn to the letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemented Agreement and the Whitewash Waiver set out on pages 24 to 46 of this circular.

The Independent Board Committee, having taken into account the advice of the IFA, considers that the Acquisition, the terms of the Supplemented Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the terms of the Supplemented Agreement are on normal commercial terms and that it was entered into in the ordinary and usual course of business of the Company and recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Supplemented Agreement, the transactions contemplated thereunder, the issue of the Consideration Shares and the Whitewash Waiver at the SGM.

The Directors consider that the re-election of Director are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of such resolution at the SGM.



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GENERAL

Your attention is also drawn to the appendices to this circular.

By Order of the Board
Shenzhen High-Tech Holdings Limited

Wong Chung Tak
Chairman