

31 July 2009

The Directors
Shenzhen High-Tech Holdings Limited
2406, 24th Floor
World-Wide House
19 Des Voeux Road Central
Hong Kong.

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Yue Tin Development Limited ("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") and notes thereto, prepared for inclusion in the circular (the "Circular") dated 31 July 2009 issued by Shenzhen High-Tech Holdings Limited (the "Company") in connection with its proposed acquisition of 100% of issued share capital of Yue Tin (the "Acquisition"), pursuant to an acquisition agreement dated 4 June 2009 and a supplemental agreement dated 12 June 2009, entered into between Value Shine Limited, a wholly-owned subsidiary of the Company, Mr. Wong Chung Tak ("Mr. Wong"), executive director of the Company and Yue Tin and Junny Diamond Co., Limited ("Junny Diamond"), a company incorporated in Hong Kong with limited liability.

Yue Tin was established in Hong Kong with limited liability on 20 March 1990 with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each. Its registered office and principal place of business is Unit 1, 24/F., World-Wide House, 19 Dex Voeux Road, Central, Hong Kong. The principal activity of Yue Tin during the Relevant Periods was property investment. Yue Tin has adopted 31 March as its financial year end date.

The statutory financial statements of Yue Tin for each of the three years ended 31 March 2007, 2008 and 2009, prepared in accordance with accounting principles generally accepted in Hong Kong, were audited by Alexander Cheung & Co., a firm of certified public accountants in Hong Kong. The auditors' reports on the financial statements of Yue Tin for the year ended 31 March 2009 state that the auditors' of Yue Tin are unable to express any opinion as to the fair value of the leasehold and investment properties as the fair value of leasehold and investment properties were determined by the directors of Yue Tin but the directors of Yue Tin were unable to provide market-based evidence for their determination of the fair value of the leasehold and investment properties. Proper valuation has now been carried out on the aforesaid properties by an independent and professional valuer and appropriate adjustments have been made in the financial statements to reflect the proper value of the aforesaid properties. For the leasehold properties, appropriate adjustments have been made according to the Company's accounting policies. Accordingly, our opinion is not qualified in this aspect. We consider all adjustments necessary for the purpose of this report have been properly made.

For the purpose of this report, the directors of Yue Tin have prepared the financial statements (the "Underlying Financial Statements") of Yue Tin for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). We have, for the purpose of this report, carried out independent audit procedures on the Underlying Financial Statements of Yue Tin for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information for the Relevant Periods as set out in this report has been prepared by the directors of Yue Tin based on the Underlying Financial Statements of Yue Tin and in accordance with HKFRSs. For the purpose of this report, we have examined the Financial Information of Yue Tin and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of Yue Tin are responsible for the preparation of the Underlying Financial Statements and the Financial Information which give a true and fair view. The directors of the Company are responsible for the contents of the Circular in which this report is included. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

Opinion

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Yue Tin as at 31 March 2007, 2008 and 2009 and of the results and cash flows of Yue Tin for each of the Relevant Periods.

Emphasis of matter – material uncertainty regarding the going concern assumption

Without qualifying our opinion, we draw attention to note 3.1 to the Financial Information 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.

I. FINANCIAL INFORMATION
Income Statements

	Notes	Year ended 31 March		
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Revenue	5	7,359	7,010	7,519
Cost of services		(1,047)	(845)	(905)
Gross profit		6,312	6,165	6,614
Other income		-	-	3
Administrative expenses		(1,366)	(1,185)	(1,426)
Net gain/(loss) in fair value of investment properties	13	28,304	98,589	(100,541)
Profit/(Loss) from operating activities	7	33,250	103,569	(95,350)
Finance costs	8	(4,099)	(4,645)	(4,614)
Profit/(Loss) before income tax		29,151	98,924	(99,964)
Income tax (expense)/credit	9	(5,095)	(17,179)	18,717
Profit/(Loss) for the year		24,056	81,745	(81,247)

I. FINANCIAL INFORMATION (Continued)
Balance Sheets

	Notes	2007 HK\$'000	As at 31 March 2008 HK\$'000	2009 HK\$'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	11	1,693	1,406	1,119
Prepaid lease payments	12	5,269	5,204	5,139
Investment properties	13	246,627	345,216	244,675
		253,589	351,826	250,933
Current assets				
Deposits and prepayments		43	116	53
Prepaid lease payments	12	65	65	65
Amounts due from a director	14	-	100	100
Cash at banks		103	18	125
		211	299	343
Current liabilities				
Accruals and other payables		2,056	2,206	2,091
Amounts due to ultimate holding company	15	146,161	145,581	144,811
Amounts due to a related party	16	19	-	-
Provision for taxation		150	-	-
		148,386	147,787	146,902
Net current liabilities		(148,175)	(147,488)	(146,559)
Total assets less current liabilities		105,414	204,338	104,374
Non-current liabilities				
Deferred tax liabilities	17	20,585	37,764	19,047
Net assets		84,829	166,574	85,327
EQUITY				
Share capital	18	-	-	-
Retained profits		84,829	166,574	85,327
Net assets		84,829	166,574	85,327

I. FINANCIAL INFORMATION (Continued)
Cash Flow Statements

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Cash flows from operating activities			
Profit/(Loss) before income tax	29,151	98,924	(99,964)
Adjustments for :			
Amortisation of prepaid lease payments	65	65	65
Depreciation of property, plant and equipment	658	287	287
Net (gain)/loss in fair value of investment properties	(28,304)	(98,589)	100,541
Finance costs	4,099	4,645	4,614
Operating profit before working capital changes	5,669	5,332	5,543
Decrease/(Increase) in deposits, prepayments and other receivables	(3)	3	(13)
Increase in amounts due from a director	-	(100)	-
(Decrease)/Increase in accruals and other payables	69	150	(115)
Decrease in amounts due to a related party	-	(19)	-
Cash generated from operation	5,735	5,366	5,415
Interest paid	(4,099)	(4,645)	(4,614)
Hong Kong profits tax (paid)/refund	(20)	(226)	76
Net cash generated from operating activities	1,616	495	877
Cash flows from financing activities			
Repayments to ultimate holding company	(1,524)	(580)	(770)
Net cash used in financing activities	(1,524)	(580)	(770)
Net increase/(decrease) in cash and cash equivalents	92	(85)	107
Cash and cash equivalents at beginning of the year	11	103	18
Cash and cash equivalents at end of the year	103	18	125

I. FINANCIAL INFORMATION (Continued)
Statements of Changes in Equity

	Share capital HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 April 2006	-	60,773	60,773
Profit for the year (Total recognised income and expense for the year)	-	24,056	24,056
At 31 March 2007 and 1 April 2007	-	84,829	84,829
Profit for the year (Total recognised income and expense for the year)	-	81,745	81,745
At 31 March 2008 and 1 April 2008	-	166,574	166,574
Loss for the year (Total recognised income and expense for the year)	-	(81,247)	(81,247)
At 31 March 2009	-	85,327	85,327

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Yue Tin is a wholly-owned subsidiary of Junny Diamond Co., Limited ("Junny Diamond"), a company incorporated in Hong Kong. Yue Tin's principal operations are conducted in Hong Kong. The Financial Information is presented in HK\$, which is also the functional currency of Yue Tin.

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been consistently applied throughout the Relevant Periods.

The Financial Information also includes the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the applicable requirements of Hong Kong Companies Ordinance.

2. ADOPTION OF NEW AND AMENDED HKFRSs

The HKICPA issued a number of new and revised HKFRSs which are effective during the Relevant Periods and in preparing and presenting the Financial Information, Yue Tin has adopted these new and revised HKFRSs consistently throughout the Relevant Periods.

Yue Tin has not early adopted the following new and amended HKFRSs which have been published but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statement ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 (Amendments)	Financial Instruments : Recognition and Measurement – Embedded Derivatives ³
HKAS 39 (Amendments)	Eligible Hedged Items ²
HKFRS 1 (Revised)	First-time adoption of HKFRSs ²
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate ¹
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 9 (Amendments)	Reassessment of Embedded Derivatives ³

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ²
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁶
Various	Annual Improvements to HKFRS 2008 ⁷
Various	Annual Improvements to HKFRS 2009 ⁸

Notes:

- ¹ Effective for annual periods beginning on or after 1 January 2009
- ² Effective for annual periods beginning on or after 1 July 2009
- ³ Effective for annual periods beginning on or after 30 June 2009
- ⁴ Effective for annual periods beginning on or after 1 July 2008
- ⁵ Effective for annual periods beginning on or after 1 October 2008
- ⁶ Effective for transfer received on or after 1 July 2009
- ⁷ Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRSs
- ⁸ Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRSs

The directors anticipate that all of the pronouncements will be adopted in Yue Tin's accounting policy for the first period beginning after the effective date of the pronouncement.

Amongst these new standards and interpretations, HKAS 1 (Revised) Presentation of Financial Statements is expected to materially change the presentation of Yue Tin's Financial Information. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. Yue Tin will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of Yue Tin but will give rise to additional disclosures.

The directors of Yue Tin are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on Yue Tin's results and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of the Financial Information are set out below. The Financial Information has been prepared under historical cost convention except for investment properties, which are stated at fair values. The measurement bases are fully described in the accounting policies below.

In preparing the Financial Information, the directors of Yue Tin have given consideration to the future liquidity of Yue Tin in light of its net current liability positions of approximately HK\$148,175,000, HK\$147,488,000 and HK\$146,559,000 as at 31 March 2007, 2008 and 2009, respectively. Notwithstanding this, the Financial Information has been prepared on a going concern basis on the assumption that Yue Tin will continue to operate as a going concern. The going concern basis has been adopted on the basis of the continuing financial support from Mr. Wong and the ultimate holding company has undertaken not to demand repayment of the respective debt due from Yue Tin until such time when repayment will not affect Yue Tin's ability to repay other creditors in the normal course of business.

Should Yue Tin be unable to continue in business as a going concern, adjustments might have to be made to reduce the value of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets as current assets. These adjustments have not yet been reflected in the Financial Information.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

3.2 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum.

Leasehold building	4% or over the remaining terms of the leases or useful lives, whichever is shorter
Furniture and fixtures	20%

The assets' depreciation methods and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Property, plant and equipment (Continued)

The gain or loss arising on retirement or disposal of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

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

3.3 Investment properties

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

When Yue Tin holds a property interest under an operating lease to earn rental income and / or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in the income statement for the period in which they arise.

3.4 Impairment of non-financial assets

Property, plant and equipment and prepaid lease payments are subject to impairment testing.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Impairment of non-financial assets (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed in subsequent periods if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.5 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and reward of ownership to Yue Tin are classified as operating leases.

Prepaid lease payments

Prepaid lease payments represent up-front payments to acquire long term interests in the usage of the land. They are stated at cost less accumulated amortisation and accumulated impairment, if any. The up-front payments are amortised over the lease period on a straight-line period and the amortisation is charged to the income statement.

Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in the income statement on the straight-line method over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets

Financial assets of Yue Tin include amounts due from a director and cash at banks. These are classified into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, Yue Tin becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, directly attributable transaction costs.

Amounts due from a director are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Impairment of financial assets

At each balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment includes observable data that comes to the attention of Yue Tin about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in Yue Tin and, national or local economic conditions that correlate with defaults on the assets in Yue Tin.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets (Continued)

If there is any objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement of the period in which the reversal occurs.

3.7 Revenue recognition

Revenue comprises the fair value of the rendering of services. Provided that it is probable that the economic benefits will flow to Yue Tin and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Rental income under operating leases is recognised on the straight-line method over the term of the relevant lease.

Property management fee income is recognised when services are rendered.

3.8 Borrowing cost

All borrowing costs are expensed as incurred.

3.9 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Accounting for income taxes (Continued)

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.10 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand which form an integral part of Yue Tin's cash management.

3.11 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of share that have been issued.

3.12 Short term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.13 Financial liabilities

The financial liabilities of Yue Tin include accruals and other payables, amounts due to a related party and amounts due to ultimate holding company.

Financial liabilities are recognised when Yue Tin becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial liabilities (Continued)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Yue Tin has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Other payables

Other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.14 Segment reporting

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

In respect of geographical segment reporting, revenue are based on the country in which the customer is located and total assets and capital expenditure are based on where the assets are located.

3.15 Related parties

For the purpose of this report, a party is considered to be related to Yue Tin if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control Yue Tin or exercise significant influence over Yue Tin in making financial and operating policy decisions, or has joint control over Yue Tin;
- (ii) Yue Tin and the party are subject to common control;
- (iii) the party is an associate of Yue Tin or a joint venture in which Yue Tin is a venturer;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Related parties (Continued)

- (iv) the party is a member of key management personnel of Yue Tin or its parent or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of Yue Tin, or of any entity that is a related party of Yue Tin.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3.16 Provisions, contingent liabilities and contingent assets

Provisions are recognised when Yue Tin has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Yue Tin makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimated fair value of investment properties

Investment properties of Yue Tin are stated at fair value in accordance with the accounting policy stated in 3.3. The fair values of investment properties, set out in note 13 to the financial statements, are determined by an independent professional valuer, Savills Valuation and Professional Services Limited ("Savills"). Such valuations are made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual results. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market condition existing at each of the balance sheet dates. These estimates are regularly compared to actual market data and actual transactions in the market.

Impairment of non-financial assets

Yue Tin assesses impairment at each balance sheet date by evaluating conditions specific to Yue Tin that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market condition existing at each of the balance sheet dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by Yue Tin.

5. REVENUE

Revenue, also Yue Tin's turnover, represented the rental income and property management fee income received and receivable during the Relevant Periods.

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Rental income	6,613	6,247	6,804
Property management fee income	746	763	715
	<u>7,359</u>	<u>7,010</u>	<u>7,519</u>

6. SEGMENT INFORMATION

The directors consider that the primary reporting format of Yue Tin is by business segment. The directors consider that there is only one business segment, being property investment. Therefore, no further information about business segment is presented.

Yue Tin primarily operates in Hong Kong. Revenue derived from property investment are made from tenants in Hong Kong. Geographical segment is the secondary reporting format of Yuen Tin. In determining Yue Tin's geographical segments, revenue is attributed to the segments based on the location of the tenants. Yue Tin's assets and capital expenditure are attributed to the segments based on the location of the assets.

Yue Tin's revenue during the Relevant Periods was derived from Hong Kong.

6. SEGMENT INFORMATION (Continued)

The carrying amounts of segment assets analysed by geographical markets are as follows:

	Segment assets As at 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Hong Kong	251,173	348,910	248,101
PRC	2,627	3,215	3,175
	<u>253,800</u>	<u>352,125</u>	<u>251,276</u>

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Profit/(Loss) from operating activities is arrived at after charging/(crediting) :			
Auditors' remuneration	9	9	9
Amortisation on operating lease prepayments	65	65	65
Depreciation of property, plant and equipment	658	287	287
Outgoings in respect of investment properties that generated rental income during the year	357	139	178
Rental income less rent and rates and direct outgoings	(6,256)	(6,108)	(6,626)
Employee benefit expense (including directors' emoluments):			
- salaries and allowances	49	51	51
- retirement benefit scheme contributions	-	-	-
	<u>49</u>	<u>51</u>	<u>51</u>

8. FINANCE COSTS

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Interest charges on amounts due to ultimate holding company wholly repayable within five years	4,099	4,645	4,614

9. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Current tax			
- Hong Kong tax			
Under-provision in prior years	231	-	-
Deferred tax			
Current year	4,864	17,179	(16,559)
Attributable in decrease in tax rate *	-	-	(2,158)
	<u>5,095</u>	<u>17,179</u>	<u>(18,717)</u>

9. INCOME TAX EXPENSE/(CREDIT) (Continued)

During each of the three years ended 31 March 2007, 2008 and 2009, Hong Kong profits tax has not been provided as Yue Tin had available tax losses brought forward from previous years to offset the estimated assessable profits arising in Hong Kong.

Reconciliation between income tax expense/(credit) and accounting profit/(loss) at applicable tax rates is as follows :

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Profit/(Loss) before income tax	29,151	98,924	(99,964)
Tax on profit/(loss) before income tax, calculated at the statutory tax rate of 16.5% (2007 and 2008: 17.5%)	5,101	17,312	(16,494)
Tax effect of non-deductible expenses	14	13	6
Tax effect of unused tax losses to recognise	(189)	(35)	(67)
Effect on deferred tax as a result of a decrease in tax rate during the year ended 31 March 2009	-	-	(2,158)
Others	(62)	(111)	(4)
Under-provision in prior years	231	-	-
Income tax expense/(credit)	5,095	17,179	(18,717)

* The Hong Kong SAR Government enacted a reduction in the profits tax rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred taxes have been calculated using the new tax rate of 16.5% for the year ended 31 March 2009.

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Contributions to pension scheme HK\$'000	Total HK\$'000
Year ended 31 March 2007				
Mr. Wong Chung Tak	-	49	-	49
Ms. Ng Ka Fong, Jenny	-	-	-	-
	-	49	-	49
Year ended 31 March 2008				
Mr. Wong Chung Tak	-	51	-	51
Ms. Ng Ka Fong, Jenny	-	-	-	-
	-	51	-	51
Year ended 31 March 2009				
Mr. Wong Chung Tak	-	51	-	51
Ms. Ng Ka Fong, Jenny	-	-	-	-
	-	51	-	51

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by Yue Tin to the directors as an inducement to join, or upon joining Yue Tin, or as compensation for loss of office.

(b) Five highest paid individuals

During the Relevant Periods, no emoluments were paid by Yue Tin to the five highest paid individuals except for the directors as detailed in note 10(a).

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
At 1 April 2006			
Cost	1,300	3,029	4,329
Accumulated depreciation	(494)	(1,484)	(1,978)
Net book amount	806	1,545	2,351
Year ended 31 March 2007			
Opening net book amount	806	1,545	2,351
Depreciation	(52)	(606)	(658)
Closing net book amount	754	939	1,693
At 31 March 2007			
Cost	1,300	3,029	4,329
Accumulated depreciation	(546)	(2,090)	(2,636)
Net book amount	754	939	1,693
Year ended 31 March 2008			
Opening net book amount	754	939	1,693
Depreciation	(52)	(235)	(287)
Closing net book amount	702	704	1,406
At 31 March 2008			
Cost	1,300	3,029	4,329
Accumulated depreciation	(598)	(2,325)	(2,923)
Net book amount	702	704	1,406
Year ended 31 March 2009			
Opening net book amount	702	704	1,406
Depreciation	(52)	(235)	(287)
Closing net book amount	650	469	1,119
At 31 March 2009			
Cost	1,300	3,029	4,329
Accumulated depreciation	(650)	(2,560)	(3,210)
Net book amount	650	469	1,119

As at 31 March 2007 and 2008, Yue Tin's leasehold buildings were pledged to secure the general banking facilities granted to the ultimate holding company.

12. PREPAID LEASE PAYMENTS

Prepaid lease payments represent Yue Tin's interests in leasehold land and their net carrying amounts are analysed as follows:

	As at 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Opening net carrying amount	5,399	5,334	5,269
Amortisation charge for the year	(65)	(65)	(65)
Closing net carrying amount	5,334	5,269	5,204
In Hong Kong held under medium-term lease	5,334	5,269	5,204
Analysed for reporting purposes as:			
Non-current assets	5,269	5,204	5,139
Current assets	65	65	65
	5,334	5,269	5,204

As at 31 March 2007 and 2008, Yue Tin's prepaid lease payments were pledged to secure the general banking facilities granted to the ultimate holding company.

13. INVESTMENT PROPERTIES

All of Yue Tin's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Changes to the carrying amounts presented in the balance sheet can be summarised as follows:

	As at 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Carrying amount at 1 April	218,323	246,627	345,216
Net gain/(loss) from fair value adjustments	28,304	98,589	(100,541)
Carrying amount at 31 March	246,627	345,216	244,675

Investment properties are held under the medium term of lease and were valued at open market value by reference to market price for similar properties as at 31 March 2007, 2008 and 2009 by independent and professional qualified valuers, Savills, who is a member of Hong Kong Institute of Surveyors, and has appropriate qualifications and experiences in the valuation of similar properties.

13. INVESTMENT PROPERTIES (Continued)

Yue Tin's interests in investment properties at their carrying amount are analysed as follows:

	As at 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
In Hong Kong, held on:			
Medium-term lease of between 10-50 years	244,000	342,000	241,500
Outside Hong Kong, held on:			
Medium-term lease of between 10-50 years	2,627	3,216	3,175
	<u>246,627</u>	<u>345,216</u>	<u>244,675</u>

Yue Tin's investment properties with aggregate carrying amounts of HK\$244,000,000 and HK\$342,000,000 as at 31 March 2007 and 2008, respectively were pledged to secure the general banking facilities granted to the ultimate holding company.

14. AMOUNTS DUE FROM A DIRECTOR

The amounts due were unsecured, interest-free and repayable on demand.

Subsequent to 31 March 2009, the amount due had been fully settled.

15. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY

The amounts due were unsecured, repayable on demand and interest-bearing at 2.8%, 3.2% and 3.2% per annum as at 31 March 2007, 2008 and 2009 respectively.

16. AMOUNTS DUE TO A RELATED PARTY

The amounts due were unsecured, interest-free and repayable on demand.

17. DEFERRED TAX LIABILITIES

The following are major deferred tax liabilities recognised in the balance sheets and the movements during the Relevant Periods.

	Accelerated tax depreciation HK\$'000	Revaluation of properties HK\$'000	Total HK\$'000
Balance at 1 April 2006	1,311	14,410	15,721
(Credited)/Charged to the income statement for the year	(36)	4,900	4,864
Balance at 31 March 2007 and 1 April 2007	1,275	19,310	20,585
Charged to the income statement for the year	29	17,150	17,179
Balance at 31 March 2008 and 1 April 2008	1,304	36,460	37,764
Deferred taxation arising from decrease in tax rate credited to the income statement	(75)	(2,083)	(2,158)
Charged/(Credited) to the income statement for the year	24	(16,583)	(16,559)
Balance at 31 March 2009	<u>1,253</u>	<u>17,794</u>	<u>19,047</u>

17. DEFERRED TAX LIABILITIES (Continued)

Yue Tin has unused tax losses of HK\$646,000, HK\$446,000 and HK\$42,000 as at 31 March 2007, 31 March 2008 and 31 March 2009 respectively available for offset against future profits. Deferred tax asset has not been recognised in respect of these tax losses due to the unpredictability of future profit streams.

The major component of the deferred tax liabilities recognised by Yue Tin were mainly attributable to the upward revaluation of the investment properties as well as the leasehold land and buildings and their accelerated tax depreciation so arising. The deferred tax liabilities recognised in respect of the revaluation of the investment properties will be released upon disposal of these investment properties.

18. SHARE CAPITAL

	As at 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Authorised capital:			
10,000 ordinary shares of HK\$1 each	10	10	10
	HK\$	HK\$	HK\$
Issued and fully paid capital:			
2 ordinary shares of HK\$1 each	2	2	2

19. OPERATING LEASE ARRANGEMENTS

Yue Tin had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	As at 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Within one year	4,851	3,341	5,104
In the second to fifth year inclusive	1,849	2,860	3,680
	6,700	6,201	8,784

Yue Tin leases its investment properties (note 13) under operating lease arrangements which run for an initial period of one to three years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between Yue Tin and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.

20. RELATED PARTY TRANSACTIONS

20.1 In addition to those related party transactions disclosed elsewhere in this report, Yue Tin had the following transactions carried out with related parties during the Relevant Periods :

	Notes	Year ended 31 March		
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
<u>Ultimate holding company</u>				
Rental income received		1,620	1,440	1,440
Interest expenses paid	(a)	(4,099)	(4,645)	(4,614)
Management fee paid		(500)	(720)	(960)
<u>Other related party</u>				
Rental income received	(b)	-	-	340

(a) Interest expenses of HK\$4,099,000, HK\$4,645,000 and HK\$4,614,000 were paid to its ultimate holding company at 2.8%, 3.2% and 3.2% per annum for the years ended 31 March 2007, 2008 and 2009 respectively.

(b) During the year ended 31 March 2009, Yue Tin received rental income of HK\$340,000 from GOI Limited ("GOI"). Mr. Wong Chung Tak, an executive director of Yue Tin, is also a director of GOI.

The terms of the other transactions set out above are mutually agreed by Yue Tin and the related parties.

20.2 Key management personnel compensation

	Year ended 31 March		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Short-term employee benefits	49	51	51

20.3 As at 31 March 2007 and 2008, certain general banking facilities of the ultimate holding company were supported by the assignment of the rental income of the investment properties of Yue Tin.

21. CONTINGENT LIABILITIES

Yue Tin did not have any material contingent liabilities at each of the balance sheet dates during the Relevant Periods.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Yue Tin is exposed to a variety of financial risk which results from both its operating activities. Yue Tin does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage Yue Tin's exposure to market risk, including changes in interest rates and currency exchange rates. Generally, Yue Tin introduces conservative strategies on its risk management. Yue Tin's exposure to market risk is kept to a minimum. The most significant financial risks to which Yue Tin is exposed to are described below.

(i) Foreign currency risk

Yue Tin does not have significant foreign currency risk as transactions and balances are predominately in Hong Kong Dollars.

(ii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Yue Tin has no significant exposure to interest rate risk as all of its financial assets, except for cash at banks, and financial liabilities are stated at amortised cost and are either at a fixed interest rate or interest free. The exposure to interest rate risk for Yue Tin's cash at banks is considered immaterial.

(iii) Fair value

All financial instruments are carried at amount not materially different from their fair values as at 31 March 2007, 2008 and 2009.

(iv) Credit risk

The assignment of rental income from investment properties (note 20.3), of HK\$6,613,000 and HK\$6,247,000 for the years ended 31 March 2007 and 2008 respectively, the carrying amounts of amount due from a director and cash at banks represent Yue Tin's maximum exposure to credit risk in relation to its financial assets. No other financial assets carry a significant exposure to credit risk. Yue Tin continuously monitors defaults of other counterparties and incorporates this information into its credit risk controls.

Exposure of credit risk arising from the assignment of rental is minimal in the opinion of the directors of Yue Tin as they consider the default risk of the ultimate holding company is low.

Credit risk on cash and cash equivalents is mitigated as cash is deposited in banks of high credit rating.

None of Yue Tin's financial assets are secured by collateral or other credit enhancements.

The credit policy has been followed by Yue Tin during the Relevant Periods and is considered to have been effective in limiting Yue Tin's exposure to credit risk to a decisive level.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(v) Liquidity risk

Yue Tin's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. Yue Tin had net current liability positions of HK\$148,175,000, HK\$147,488,000 and HK\$146,559,000 as at 31 March 2007, 2008 and 2009 respectively. Yue Tin can maintain its liquidity by obtaining continuing financial support from Mr. Wong. In the opinion of directors, Yue Tin's exposure to liquidity risk is limited.

The liquidity policies have been followed by Yue Tin during the Relevant Periods and are considered to have been effective in managing liquidity risks.

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

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year or demand HK\$'000
As at 31 March 2007			
Accruals and other payables	2,056	2,056	2,056
Amounts due to ultimate holding company	146,161	146,161	146,161
Amounts due to a related party	19	19	19
	148,236	148,236	148,236
As at 31 March 2008			
Accruals and other payables	2,206	2,206	2,206
Amounts due to ultimate holding company	145,581	145,581	145,581
	147,787	147,787	147,787
As at 31 March 2009			
Accruals and other payables	2,091	2,091	2,091
Amounts due to ultimate holding company	144,811	144,811	144,811
	146,902	146,902	146,902

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(vi) Summary of financial assets and liabilities by category

The carrying amounts of Yue Tin's financial assets and liabilities recognised at each of the balance sheet dates may also be categorised as follows. See notes 3.6 and 3.13 for explanations about how the category of financial instruments affects their subsequent measurement.

	2007	As at 31 March	
	HK\$'000	2008	2009
		HK\$'000	HK\$'000
Current assets			
Loans and receivables:			
- Amounts due from a director	-	100	100
- Cash at banks	103	18	125
	<u>103</u>	<u>118</u>	<u>225</u>
Current liabilities			
Financial liabilities measured at amortised cost:			
- Accruals and other payables	2,056	2,206	2,091
- Amounts due to ultimate holding company	146,161	145,581	144,811
- Amounts due to a related party	19	-	-
	<u>148,236</u>	<u>147,787</u>	<u>146,902</u>

23. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Yue Tin's objectives when managing capital are:

- (i) To safeguard Yue Tin's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;
- (ii) To support Yue Tin's stability and growth; and
- (iii) To provide capital for the purpose of strengthening Yue Tin's risk management capability.

Yue Tin actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of Yue Tin and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Yue Tin currently does not adopt any formal dividend policy. Management regards total equity and the continuing financial support as set out in note 3.1 as capital, for capital management purpose.

24. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Yue Tin were prepared in respect of any period subsequent to 31 March 2009.

Yours faithfully,



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