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SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED

蜆壳電器工業(集團)有限公司

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock code: 00081)

MAJOR TRANSACTION

PROPOSED ACQUISITION OF SHARES IN A COMPANY INVOLVING IN THE BUSINESS OF PROPERTY DEVELOPMENT IN THE PRC

A letter from the board of directors of Shell Electric Mfg. (Holdings) Company Limited is set out on pages 5 to 20 of this circular.

28th June, 2005

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 29th April, 2005 (as amended on 15th June, 2005) entered into between the Purchaser and the Vendor
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or public holiday in Hong Kong
“Company”	Shell Electric Mfg. (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the Agreement
“Completion Date”	the next Business Day after the Longstop Date (or such other date as agreed by the Purchaser and the Vendor)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration for the Acquisition in the amount of HK\$505,183,800
“Consideration Shares”	43,500,000 Shares, being Shares to be issued for the value of HK\$65,250,000 calculated by reference to the Issue Price
“Controlling Shareholder(s)”	Madam YUNG Ho Wun Ching (as executive Director), On Fat Profits Corporation and Diamond Key Enterprises Inc. (both being companies holding the Shares concerned on trust for the benefit of the spouse and children of Mr. Billy K YUNG, an executive Director) who, as at the close of business on 3rd May, 2005, were collectively holding an aggregate of 226,377,775 Shares (respectively of 53,196,300 Shares, 69,385,531 Shares and 103,795,944 Shares) representing approximately 51% of the Company’s issued share capital of 447,892,356 Shares

DEFINITIONS

“Deed”	the deed of mortgage dated 29th April, 2005 entered into between the Vendor and the Purchaser
“Deposit”	a sum of HK\$100,000,000 paid to the Vendor prior to 30th April, 2005
“Directors”	the directors of the Company
“Enlarged Group”	the Group and Tigerlily and its subsidiaries
“Equitas”	Equitas Capital Limited
“Escrow Agent”	Hang Seng Bank (Trustee) Limited
“EB Real Estate”	China EverBright Real Estate Development Company, a sino-foreign equity joint venture established in the PRC, which is owned by Jodrell and China EverBright (Group) Company as to 70% and 30% respectively
“Jodrell”	Jodrell Investments Limited, a company incorporated in the British Virgin Islands, which is owned by Tigerlily and an independent third party as to 80% and 20% respectively
“Good Faith Deposit”	a sum of RMB8,000,000 (equivalent to approximately HK\$7,540,057) paid by the Purchaser to the Protector prior to the signing of the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK GAAP”	the generally accepted accounting principles of Hong Kong
“Issue Price”	HK\$1.50 per Share
“Latest Practicable Date”	17th June, 2005, the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Approval”	approval by the Stock Exchange for the listing of and permission to deal in the Consideration Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Longstop Date”	24th June, 2005 (or such other date as agreed by the Purchaser and the Vendor)
“Option”	an option to acquire the Option Shares
“Option Shares”	1,250 ordinary shares of US\$1.00 each in the share capital of Tigerlily
“Other Liabilities”	other loans in the amount of RMB403,192,500 (equivalent to approximately HK\$380,011,790) in Tigerlily
“PRC”	the People’s Republic of China
“PRC GAAP”	the generally accepted accounting principles of the PRC
“Protector”	an individual who is an independent third party appointed by the Purchaser and the Vendor
“Purchaser”	SMC Real Estate Fund Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“Qualifying IPO”	initial public offering of the shares of Tigerlily (or any shares of a holding company incorporated to hold the shares of Tigerlily for the purpose of such initial public offering) on any stock or securities exchange(s)
“Retention Fund”	Shares to be issued (or the equivalent proceeds from their sale) for the value of HK\$50,000,000 by reference to the Issue Price or HK\$50,000,000 in cash
“Sale Shares”	50,000 ordinary shares of US\$1.00 each in the share capital of Tigerlily to be acquired by the Purchaser pursuant to the Agreement
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.50 each in the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loan”	shareholder’s loan due from Tigerlily to the Vendor in the amount of RMB134,397,500 (equivalent to approximately HK\$126,670,597)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tigerlily”	Tigerlily Overseas Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by the Vendor prior to the Acquisition
“USA”	United States of America
“Valuation Reports”	the valuation reports issued by Messrs. Knight Frank, an independent firm of professional valuers, on an open market existing use basis, on the assets of Tigerlily and its subsidiaries as at 31st March, 2005
“Vendor”	Assetbloom Holdings Limited, a company incorporated in the British Virgin Islands
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“US\$”	United States dollars, the lawful currency for the time being of the USA
“%”	per cent.
“m ² ”	square metre(s)

Amounts in RMB has been translated, for illustration only, into HK\$ at the exchange rate of HK\$1.00 = RMB1.061.

LETTER FROM THE BOARD



SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED
蜆壳電器工業(集團)有限公司

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock code: 00081)

Directors:

Mr. Billy K YUNG

(Group Chairman and Managing Director)

Cav Gr Cr Dr. Leo Tung-Hai LEE, GBS, OBE

*Chev Leg d'Hon, Comm Leopold II, LLD, JP(**)*

Mr. Shiu-Kit NGAI, SBS, OBE, JP(**)

Mr. Peter WONG Chung On(**)

Mr. Peter LAM(**)

Madam YUNG HO Wun Ching

Mr. LEUNG Chun Wah

Mr. Plato POON Chak Sang

Mr. Simon YUNG Kwok Choi(*)

Registered office:

Shell Industrial Building

12 Lee Chung Street

Chai Wan Industrial District

Hong Kong

(*) *Non-executive Director*

(**) *Independent Non-executive Directors*

28th June, 2005

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

**PROPOSED ACQUISITION OF SHARES IN A COMPANY
INVOLVING IN THE BUSINESS OF
PROPERTY DEVELOPMENT IN THE PRC**

1. INTRODUCTION

On 10th May, 2005, the Board announced that the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor on 29th April, 2005, pursuant to which, the Purchaser has conditionally agreed to, among other matters, (i) acquire from the Vendor the Sales Shares, being the entire issued share capital of Tigerlily, and the Shareholder's Loan, and (ii) assume the Other Liabilities, at an aggregate consideration of HK\$505,183,800.

LETTER FROM THE BOARD

Tigerlily is the beneficial owner of 80% of the issued share capital of Jodrell, which in turn owns 70% of EB Real Estate, a sino-foreign equity joint venture established in the PRC. EB Real Estate has invested in a group of companies engaging in property development in the PRC, with projects located in Beijing, Shanghai, Guangzhou and Hefei respectively.

Since the total value of assets being acquired exceeds 25% of the total assets test ratio (as defined in the Listing Rules), the Acquisition constitutes a major transaction for the Company under Rule 14.07 of the Listing Rules. Accordingly, the Acquisition is subject to reporting, announcement and shareholders' approval requirements of the Listing Rules.

Since (i) no party is required to abstain from voting at the general meeting of the Company for considering and, if thought fit, approving the Acquisition; and (ii) the Controlling Shareholders, who have no interest in the Acquisition other than their interests as Shareholders holding approximately 51% of the present issued share capital of the Company, have issued a written certificate to the Company to approve the Acquisition in lieu of a general meeting pursuant to Rule 14.44 of the Listing Rules, the Company will not be required to convene a general meeting to consider and approve the transaction contemplated under the Agreement as prescribed under Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide you further details of the Acquisition in accordance with the requirements of Chapter 14 of the Listing Rules.

2. THE AGREEMENT

Date: 29th April, 2005 (as amended on 15th June, 2005)

Parties: (i) the Vendor: Assetbloom Holdings Limited
(ii) the Purchaser: SMC Real Estate Fund Limited, a wholly-owned subsidiary of the Company

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Group and connected persons of the Group.

Subject of the Acquisition: The Purchaser has conditionally agreed to, among other matters, (i) acquire from the Vendor the Sales Shares, being the entire issued share capital of Tigerlily, and the Shareholder's Loan, and (ii) assume the Other Liabilities.

Consideration: Pursuant to the Agreement, the Purchaser will pay a sum of HK\$125,172,010 for the acquisition of the Sale Shares and the Shareholder's Loan due from Tigerlily to the Vendor and will satisfy the Other Liabilities amounting to RMB403,192,500 (equivalent to approximately HK\$380,011,790).

LETTER FROM THE BOARD

The Consideration will be satisfied by the Purchaser as to:

- (a) HK\$439,933,800 by way of cash; and
- (b) (i) HK\$65,250,000 by procuring the Company to issue to the Vendor (or its nominee) at Completion 43,500,000 Consideration Shares at the Issue Price; or

(ii) if the Listing Approval is not obtained prior to Completion, HK\$65,250,000 by way of cash.

The Consideration represents a discount of 11% to the appraised net asset value of Tigerlily and its subsidiaries of approximately RMB599 million (equivalent to approximately HK\$565 million) based on the book value as shown in the unaudited consolidated management accounts of Tigerlily and its subsidiaries for the three months ended 31st March, 2005 prepared by the Vendor in accordance with the PRC GAAP and by reference to the Valuation Reports prepared by Messrs. Knight Frank, an independent firm of professional valuers.

Payment
arrangement:

The Good Faith Deposit of RMB8,000,000 (equivalent to approximately HK\$7,540,057) was paid by the Purchaser to the Protector by way of cash prior to the signing of the Agreement, and it will be returned to the Purchaser at Completion unless the Purchaser failed to pay the Deposit to the Vendor or release the mortgage in accordance with the terms of the Agreement or otherwise provided for in the Agreement. Apart from being the Escrow Agent for the Good Faith Deposit, the Protector does not have any other function in the Acquisition.

The Consideration will be satisfied in the following manner:

- (a) the Deposit of HK\$100,000,000 was paid to the Vendor prior to 30th April, 2005 by way of cash, among which HK\$59,922,010 will be used towards partial payment of the Sale Shares and the Shareholder's Loan at Completion and HK\$40,077,990 will be used towards partial repayment of the Other Liabilities at Completion;
- (b) (i) on the basis that the Listing Approval will be obtained prior to Completion, the Consideration Shares will be issued at the Issue Price to the Vendor (or its nominee) at Completion as partial payment for the Sale Shares and the Shareholder's Loan at Completion. Such number of Consideration Shares (as shall represent HK\$50,000,000 calculated based on the Issue Price) will be deposited with the Escrow Agent at Completion as the Retention Fund; or

LETTER FROM THE BOARD

- (ii) if the Listing Approval is not obtained prior to Completion, no Consideration Shares will be issued and instead the Purchaser will pay a sum of HK\$15,250,000 in cash to the Vendor at Completion as partial payment for the Sale Shares and the Shareholder's Loan. The remaining HK\$50,000,000 will be deposited with the Escrow Agent as the Retention Fund;
- (c) an amount of HK\$339,933,800 will be paid to the Vendor by way of cash on Completion for the settlement of the remaining amount of the Other Liabilities; and
- (d) the Retention Fund, together with any interest, will be released to the Vendor on the earlier of 30th April, 2006 or the 15th Business Day of the Purchaser's receipt of the audited consolidated accounts of Tigerlily and its subsidiaries for the year ending 31st December, 2005, subject to any deduction or withholding arising from claims or disputed claims between the Vendor and the Purchaser.

Vendor's right to the distributable profit of EB Real Estate for the year ended 31st December, 2004:

Pursuant to the Agreement, the Vendor will be entitled to all distributable profit of EB Real Estate as disclosed in the audited financial statements of EB Real Estate for the year ended 31st December, 2004 (prepared in accordance with the PRC GAAP) ("2004 Distributable Profits") and the Purchaser will be entitled to any distributable profit of EB Real Estate on or after 1st January, 2005

In the event that after Completion, there remain any undistributed 2004 Distributable Profits, such amount (without interest and after deducting necessary charges, expenses and tax) will be transferred to the Vendor.

The net profit derived from certain subsidiaries of EB Real Estate prior to the completion of the Acquisition may not necessarily be recognized in the year ended 31st December, 2004 when EB Real Estate prepared the financial statements in accordance with the PRC GAAP. In other words, the timing difference on profit recognition of 2004 is due to certain holdings of investee companies of EB Real Estate. The smaller unconsolidated companies are accounted for as investments on the books. Hence their respective 2004 net profit is not shown on the EB Real Estate accounts. Nevertheless, such net profit (though not reflected in the audited accounts for the year ended 31st December, 2004) has been agreed between the Purchaser and the Vendor according to the Agreement to be entitled by the Vendor (in the event that such net profit is distributed after 31st December, 2004). Accordingly, when such net profit becomes distributable by EB Real Estate, the Purchaser will transfer such amount to the Vendor (without interest and after deducting necessary charges, expenses and tax).

LETTER FROM THE BOARD

- Conditions precedent:
- Completion is conditional upon satisfaction of the following conditions:
- (a) the Purchaser having obtained a legal opinion issued by the PRC legal advisers to the Vendor confirming the legality and validity of the holding by Jodrell of 70% interest in EB Real Estate;
 - (b) the Purchaser having obtained a legal opinion issued by the BVI legal advisers to the Vendor confirming, among other matters, the due incorporation and valid existence of each of Tigerlily and Jodrell;
 - (c) Tigerlily having entered into a supplementary shareholders agreement with the other shareholder of Jodrell;
 - (d) Jodrell having adopted its restated and amended memorandum and articles of association;
 - (e) the Purchaser having received the audited consolidated financial statements of Tigerlily and its subsidiaries for the three years ended 31st December, 2004 prepared in accordance with the HK GAAP and in compliance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants and there having been no material deviation between such financial statements and the audited consolidated financial statements of the EB Real Estate for the year ended 31st December, 2004 prepared in accordance with the PRC GAAP;
 - (f) the obtaining of Shareholders' approval of the Acquisition in accordance with the requirements under the Listing Rules; and
 - (g) there having been no material breach of warranties.

Apart from (f) above, if any of the conditions precedent is not fulfilled or waived on or before the Longstop Date, the Agreement will be terminated and the Good Faith Deposit and the Deposit will be refunded to the Purchaser without interest. If the Shareholders' approval referred to in (f) above is not obtained as a result of the Shareholders holding in aggregate of 51% or more of the Company's present issued share capital not voting in favour of the resolution approving the Acquisition, the Vendor will be entitled to terminate the Agreement and forfeit the Good Faith Deposit and the Deposit.

LETTER FROM THE BOARD

Completion: Subject to the fulfillment or waiver of the conditions precedent above, Completion will take place on the next Business Day following the fulfillment (or if applicable, waiver) of all the above conditions precedent or such other date to be mutually agreed by the parties (which is currently expected to be on or before 25th June, 2005).

If Completion does not take place due to any default by the Vendor, the Vendor shall, in addition to the refund of the Good Faith Deposit and the Deposit, pay to the Purchaser an amount of HK\$100,000,000 (plus interest calculated on the basis of 6% per annum) to the Purchaser. If however Completion does not take place due to any default by the Purchaser, the Vendor shall be entitled to forfeit the Good Faith Deposit and the Deposit.

3. THE SECURITY ARRANGEMENT

In connection with the Agreement, the Vendor and the Purchaser have entered into the Deed on 29th April, 2005, whereby the Vendor has mortgaged the Sale Shares to the Purchaser as security to secure repayment of the Good Faith Deposit and the Deposit by the Vendor under certain circumstances in favour of the Purchaser prior to Completion, in consideration of the Purchaser having agreed to pay the Vendor and the Protector prior to Completion a deposit in the amount of HK\$107,540,057, being the aggregate amount of the Good Faith Deposit and the Deposit.

The mortgage will terminate upon the earliest of the following:

- (a) the Completion Date;
- (b) 20th June, 2005 unless court or arbitration proceedings have been commenced but a court order or an arbitration award has not been issued before 20th June, 2005;
- (c) if Completion has not occurred under the Agreement and no court or arbitration proceedings have been commenced in respect of an alleged default by the Vendor under the Agreement, the date on which the secured money under the Deed is refunded by the Vendor to the Purchaser pursuant to the Agreement;
- (d) if Completion has not occurred under the Agreement and the Purchaser has issued a notice of default to the Vendor alleging that the Vendor has defaulted under the Agreement, the date on which payment of HK\$207,540,057 (comprising the aggregate amount of the Good Faith Deposit and the Deposit plus a security payment of HK\$100 million) (together with any applicable interest prescribed under the Agreement) is made by the Vendor to the Purchaser; or
- (e) upon the Purchaser's default to complete under the Agreement notwithstanding fulfillment or waiver of the conditions under the Agreement.

LETTER FROM THE BOARD

4. THE OPTION

In connection with the Acquisition, Equitas has provided certain advisory services to the Company. In consideration of such advisory services rendered, the Purchaser, on the same day of the Agreement, granted the Option to Equitas to have the right to acquire 1,250 Option Shares representing 2.5% of the entire issued share capital of Tigerlily as at the Latest Practicable Date, subject to, among other matters, Completion and the compliance of any applicable provisions of the Listing Rules. The Purchaser has undertaken to capitalise the value of Tigerlily's loans in the total amount of RMB537,590,000 as at 29th April, 2005 for the same value so that thereupon, Tigerlily's entire issued capital remains at 50,000 shares without any debt. The exercise price of the Option is HK\$12,630,000 (being 2.5% of the Consideration in equivalent Hong Kong dollars) within 5 years after the Completion Date, and in any event before the occurrence of a Qualifying IPO. If the Option remains unexercised upon expiry of the exercise period, the Option shall automatically lapse.

Pursuant to the terms of the Option, Tigerlily shall not issue any new shares as shall represent 5% of its entire issued share capital as enlarged by such issue without the prior written consent of Equitas. In addition, any borrowings by Tigerlily that exceed HK\$100,000,000 will be subject to the prior written consent of Equitas.

Equitas is a limited company incorporated in Hong Kong, the principal activity of which is the provision of advisory services. Save as being a holder of the Option (subject to Completion), none of Equitas, its directors and shareholders is connected with the Group, connected persons of the Group or the Vendor.

The allotment of the Option Shares (being shares in Tigerlily) upon the exercise of the Option will not affect the shareholding structure of the Company.

5. THE CONSIDERATION SHARES AND THE ISSUE PRICE

If the Listing Approval is obtained prior to Completion, 43,500,000 new Shares will be issued at the Issue Price of HK\$1.50 per Share as Consideration Shares.

The Consideration Shares represent approximately 9.52% of the issued share capital of the Company as at the Latest Practicable Date and approximately 8.69% of the enlarged issued share capital of the Company.

These Shares will be issued and allotted as fully paid pursuant to the general mandate granted to the Directors at the Annual General Meeting of the Company held on 11th May, 2005.

The Consideration Shares, when fully paid and issued, will rank *pari passu* in all respects with the other Shares then in issue.

Apart from the issue of the Consideration Shares and the Shares as scrip dividends, the Company has not issued any equity capital during the past twelve months.

LETTER FROM THE BOARD

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

The Issue Price of HK\$1.50 per Consideration Share represents:

- a premium of approximately 7.1% to the closing price of HK\$1.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a discount of approximately 3.8% to the closing price of HK\$1.56 per Share as quoted on the Stock Exchange on 28th April, 2005, being the last trading day prior to suspension of trading in the Shares pending the issue of an announcement relating to the Acquisition;
- a discount of approximately 3.7% to the average closing price of HK\$1.558 per Share for the 5 consecutive trading days up to and including 28th April, 2005; and
- a discount of approximately 67.5% to the audited net asset value of approximately HK\$4.62 per Share as at 31st December, 2004, the date of its latest published audited consolidated balance sheet.

The table below illustrates the shareholding structure of the Company immediately before and after the issue and allotment of the Consideration Shares:

Shareholder	Number of Shares held and approximate percentage of shareholding immediately before the issue and allotment of the Consideration Shares		Number of Shares held and approximate percentage of shareholding immediately after the issue and allotment of the Consideration Shares	
	Shares	%	Shares	%
Yung's family (<i>Note 1</i>)	288,369,735	63.10	288,369,735	57.62
Other Directors (<i>Note 2</i>)	3,844,982	0.84	3,844,982	0.77
Public	164,769,845	36.06	164,769,845	32.92
Vendor	0	0.00	43,500,000	8.69
Total	456,984,562	100.00	500,484,562	100.00

Notes:

1. Members of the Yung's family include Madam YUNG HO Wun Ching, Mr. Billy K YUNG, Mr. Simon YUNG Kwok Choi and the late Dr. YUNG Yau.
2. Directors other than Directors who are part of the Yung's family.

The issue of the Consideration Shares will not result on the change of control of the Company.

LETTER FROM THE BOARD

6. INFORMATION ON THE GROUP, AND TIGERLILY AND ITS SUBSIDIARIES

6.1 The Group

The Group is principally engaged in the manufacturing and marketing of electric fans, vacuum cleaners, electric cables, steel pipes, and other electrical household appliances and in EMS (Electronic Manufacturing Services) business. It also invests in properties, trades in securities, operates a taxi company and invests in technology companies.

Set out below are the audited financial information of the Group for the three financial years ended 31st December, 2004.

	Financial year ended 31st December,		
	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Restated		
Turnover	1,398,211	2,000,425	2,051,306
(Loss)/profit from operations	(26,467)	89,564	(91,591)
Net profit/(loss) for the year	(68,065)	87,819	137,883
Total assets	2,491,744	2,583,992	2,656,636
Total (liabilities)	(652,148)	(718,040)	(585,024)
Minority interests	81,078	99,564	(3,781)
Net assets	1,920,674	1,965,516	2,067,831
Net assets per Share (HK\$) (<i>Note</i>)	4.32	4.43	4.62

Note: Based on 444,414,000 Shares, 443,407,000 Shares and 447,893,000 Shares in issue as at 31st December 2002, 2003 and 2004 respectively.

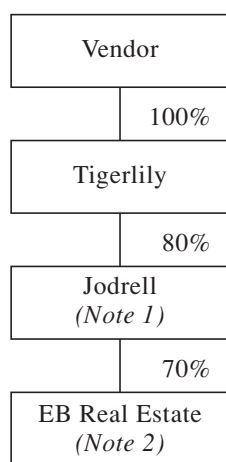
Further financial information of the Group are set out in Appendix I to this circular.

LETTER FROM THE BOARD

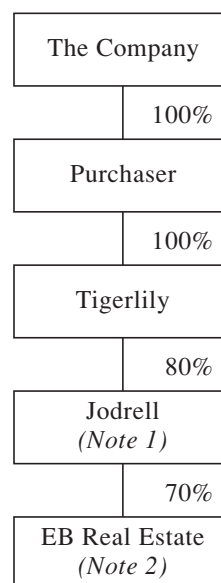
6.2 Tigerlily and its subsidiaries

Set out below are the simplified shareholding structures of Tigerlily prior to and immediately following the Acquisition:

Shareholding structure immediately before the Acquisition



Shareholding structure immediately following the Acquisition



Notes:

1. The remaining 20% of the issued share capital of Jodrell is held by a third party who is and whose ultimate shareholders are independent of the Company and its controller (as defined in Rule 14A.10 of the Listing Rules) before the Acquisition.
2. The remaining 30% of the issued share capital of EB Real Estate is held by a third party who is and whose ultimate shareholders are independent of the Company and its controller (as defined in Rule 14A.10 of the Listing Rules) before the Acquisition.

Following Completion, the Company will become the holder of 100% of Tigerlily, and Tigerlily will be treated as an indirect wholly-owned subsidiary of the Company. Hence, the financial results of Tigerlily will be consolidated into the Group.

So far as the Directors are aware, the Vendor is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

To the best knowledge and belief of the Directors, apart from the Consideration Shares, the Vendor does not have any interest in rights or options convertible into Shares.

LETTER FROM THE BOARD

Tigerlily is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. As at the Latest Practicable Date, Tigerlily is wholly-owned by the Vendor. Tigerlily is the beneficial owner of 80% of the issued share capital of Jodrell, which in turn owns 70% of EB Real Estate.

Jodrell is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. As at the Latest Practicable Date, Jodrell is owned as to 80% by Tigerlily and 20% by an independent third party. Jodrell is the beneficial owner of 70% of the registered capital of EB Real Estate, a sino-foreign equity joint venture established in the PRC. EB Real Estate has invested in a group of companies engaging in property development in the PRC, with projects located in Beijing, Shanghai, Guangzhou and Hefei respectively.

The equity interests held by EB Real Estate in the six primary projects under development include:

- (i) 95% interest in a proposed cultural and commercial property development project in the Financial Street District in Beijing that will provide gross floor area of approximately 101,680 m² of office space;
- (ii) 100% interest in a residential apartment development project in Beijing providing residential and commercial gross floor area of 77,716 m²;
- (iii) 65% interest in a commercial property development project in Zhang Jiang High-tech Zone, Pudong, Shanghai with proposed office space comprising about 14,500 m² of gross floor area;
- (iv) 50% interest in an ongoing residential property development project in Guangzhou with total planned construction area of about 1,210,000 m² to be developed in multiple phases;
- (v) 45% interest in a proposed exhibition centre property development project accommodating gross floor area of about 179,000 m² of office and exhibition hall space in Pazhou, Guangzhou; and
- (vi) 70% interest in a partially completed commercial and office property development project in Hefei.

The audited net loss both before and after taxation and extraordinary items of EB Real Estate for the year ended 31st December, 2003 were approximately RMB26,343,000 (equivalent to approximately HK\$24,828,000) and approximately RMB31,724,000 (equivalent to approximately HK\$29,900,000) based on the PRC GAAP.

LETTER FROM THE BOARD

The audited net profit both before and after taxation and extraordinary items of EB Real Estate for the year ended 31st December, 2004 were approximately RMB79,391,000 (equivalent to approximately HK\$74,827,000) and approximately RMB74,005,000 (equivalent to approximately HK\$69,750,000) based on the PRC GAAP.

The audited net asset value of EB Real Estate for the two years ended 31st December, 2004 were approximately RMB136,079,000 (equivalent to approximately HK\$128,255,000) and approximately RMB211,762,000 (equivalent to approximately HK\$199,587,000) based on the PRC GAAP.

At the close of business on 30th April, 2005, Tigerlily and its subsidiaries had contingent liabilities of approximately HK\$864,132,000, being guarantee given to banks for banking facilities granted to jointly controlled entities of HK\$76,396,000; guarantee given to banks for mortgage bank loans granted to the purchasers of the properties of HK\$740,566,000 and guarantee given to banks for credit facilities granted to independent third parties of HK\$47,170,000. In addition, the Group's share of the contingent liabilities of jointly controlled entities in respect of guarantees given to banks for mortgage bank loans granted to purchasers of the properties amounted to HK\$162,998,000 as at 30th April, 2005.

The substantial fluctuation of profitability mainly stems from the fact that certain property development projects were deferred to 2004 from 2003 when the new plague of SARS broke out. Based on the existing financial position of EB Real Estate and its subsidiaries, it is expected that further capital commitment by the Group will amount to approximately RMB40.3 million (equivalent to approximately HK\$38 million).

Each of Tigerlily and Jodrell has not engaged in any business activities since its incorporation, apart from its direct or indirect investments in EB Real Estate. Tigerlily and Jodrell were incorporated on 24th February, 2003 and 4th April, 2003 respectively.

The unaudited net profit both before and after taxation and extraordinary items of Tigerlily and its subsidiaries for the year ended 31st December, 2004 were approximately RMB45 million (equivalent to approximately HK\$43 million) and approximately RMB42 million (equivalent to approximately HK\$40 million) based on the PRC GAAP. The unaudited net asset value of Tigerlily and its subsidiaries for the year ended 31st December, 2004 was approximately RMB119 million (equivalent to approximately HK\$112 million) based on the PRC GAAP.

The accountants' report on Tigerlily and its subsidiaries for the period from the date of its establishment on 24th February, 2003 to 31st December, 2003 and for the year ended to 31st December, 2004 (prepared in accordance with the HK GAAP by Deloitte Touche Tomatsu, the auditors of the Company) is set out in Appendix II to this circular.

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The accountants' report on EB Real Estate and its subsidiaries for the three years 31st December, 2004 (prepared in accordance with HK GAAP by Deloitte Touche Tohmatsu, the auditors of the Company) is set out in Appendix III to this circular.

7. POSSIBLE FINANCIAL EFFECTS TO THE GROUP ARISING FROM THE AGREEMENT

(a) Effect on net tangible asset value

As stated in the audited consolidated balance sheet of the Group as at 31st December, 2004 in Appendix I to this circular, the total assets and liabilities of the Group were approximately HK\$2,656.6 million and approximately HK\$585.0 million respectively. As at 31st December, 2004, the audited net assets of the Group amount to approximately HK\$2,067.8 million or approximately HK\$4.52 per Share on the basis of 456,984,562 Shares in issue as at the Latest Practicable Date.

According to the unaudited pro forma combined financial information of the Enlarged Group as set out in Appendix I to this circular, the pro forma unaudited adjusted combined total assets of the Enlarged Group amount to approximately HK\$4,045.1 million and the pro forma unaudited adjusted combined total liabilities of the Enlarged Group amount to approximately HK\$1,912.0 million respectively. Following the completion of the Acquisition, the pro forma unaudited net assets of the Enlarged Group will amount to approximately HK\$2,133.1 million or approximately HK\$4.26 per Share on the basis of 500,484,562 Shares in issue as enlarged by the Consideration Shares.

Although the net assets of the Enlarged Group has recorded an overall enhancement of approximately HK\$65.3 million upon completion of the Acquisition, the pro forma unaudited adjusted net asset value per Share has a slight dilution by approximately 5.8% or HK\$0.26 per Share. Taken into account the reasons for and benefits of the Acquisition, the Directors believe that a slight dilution to the net asset value per Share is acceptable.

Unaudited pro forma financial statements of the Enlarged Group as at 31st December, 2004 is prepared and set out in Appendix I to this circular. Such unaudited pro forma financial statements are based on the audited consolidated financial statements of the Group as set out in the published annual report for the year ended 31st December, 2004 and the audited financial statements of Tigerlily and its subsidiaries for the period ended 31st December, 2004 as set out in the "Accountants' report on Tigerlily and its subsidiaries" in Appendix II to this circular. Shareholders should note that the unaudited pro forma financial statements of the Enlarged Group has been prepared to illustrate the effect of the Acquisition as if the transaction had taken place on 31st December, 2004. It has been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group as shown in Appendix I to this circular, or at any future date.

LETTER FROM THE BOARD

(b) Liquidity and cash position

As stated in the audited consolidated balance sheet of the Group as at 31st December, 2004 in Appendix I to this circular, the Group has approximately HK\$439.3 million of cash and bank balances. The gearing ratio (total bank borrowings to shareholders' funds) as at 31st December, 2004 was approximately 12.57%.

According to the unaudited pro forma combined financial information of the Enlarged Group as set out in Appendix I to this circular, the Enlarged Group has approximately HK\$131.5 million of cash and bank balances. The gearing ratio of the Enlarged Group was approximately 17.9%.

(c) Indebtedness

As at the close of business on 30th April, 2005, being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this indebtedness statement, the Group had an aggregate outstanding borrowings of approximately HK\$515,808,000, of which approximately HK\$120,966,000 was secured by charges upon certain investment properties of the Group and the remaining balance of HK\$394,842,000 was unsecured. The borrowings comprised bank borrowings of approximately HK\$506,268,000; loans from minority shareholders of approximately HK\$9,236,000; amounts due to associates of HK\$227,000 and amount due to an investee of HK\$77,000.

At the close of business on 30th April, 2005, the Group had contingent liabilities of approximately HK\$29,092,000, being the guarantee given to a bank for banking facilities granted to an associate amounting to HK\$22,400,000 and the guarantee given to a supplier of an associate to secure the repayment of trade debts due by the associate to the supplier at maximum amount of HK\$6,692,000.

At the close of business on 30th April, 2005, being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this indebtedness statement, Tigerlily and its subsidiaries had aggregate outstanding unsecured bank borrowings of approximately HK\$146,226,000.

At the close of business on 30th April, 2005, Tigerlily and its subsidiaries had contingent liabilities of approximately HK\$864,132,000, being guarantee given to banks for banking facilities granted to jointly controlled entities of HK\$76,396,000; guarantee given to banks for mortgage bank loans granted to the purchasers of the properties of HK\$740,566,000 and guarantee given to banks for credit facilities granted to independent third parties of HK\$47,170,000. In addition, the Group's share of the contingent liabilities of jointly controlled entities in respect of guarantees given to banks for mortgage bank loans granted to purchasers of the properties amounted to HK\$162,998,000 at 30th April, 2005.

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8. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has been engaging in property development and currently owns property investment portfolio in Tian He District, Guangzhou, the PRC, Futian District, Shenzhen, the PRC, Hong Kong, USA and Canada.

Profit from property leasing and property development accounts for approximately 63% of the Group's profit before taxation and minority interests for the year ended 31st December, 2004. As at 31st December, 2004, approximately 45% of the Group's total assets comes from the property sector.

The Board is of the view that the property development business of Tigerlily will strengthen the Group's property portfolio and income base in the fast growing and profitable PRC market. Tigerlily offers access of over 5 high quality on-going real estate projects in one shot. This portfolio will deliver a combination of short, medium and long term, low risk returns which combines nicely with the current property investment activities of the Group.

The Consideration is determined by reference to the arm's length negotiations between the Vendor and the Purchaser with reference to the Valuation Reports.

Given the aforesaid reasons for the Acquisition, the basis of determining the Consideration for the Acquisition and the Consideration represents a discount of 11% to the appraised net asset value of Tigerlily and its subsidiaries (based on the net book value as shown in the unaudited management accounts of Tigerlily and its subsidiaries as at 31st March, 2005 (prepared in accordance with the PRC GAAP by the Vendor)), the Directors consider that the terms and conditions of the Agreement are on normal commercial terms and are fair and reasonable as far as the Shareholders are concerned as a whole.

The Valuation Reports prepared by Knight Frank Hong Kong Limited for the property interests held by Tigerlily and its subsidiaries as at 31st March, 2005 are set out in Appendix IV to this circular.

9. FUNDING ARRANGEMENT

The Acquisition will be financed as to approximately HK\$350 million by bank loans, HK\$90 million from internal resources of the Group and, on the basis that the Listing Approval can be obtained prior to Completion, HK\$65 million by way of issue of the Consideration Shares. As at 31st December, 2004, the Group's balance of cash at bank amounts to approximately HK\$439.3 million. The bank loans have been arranged and are expected to be repaid with 18 months.

10. GENERAL

Since the total value of assets being acquired (i.e. total of approximately HK\$1,339.2 million) by the Group exceeds 25% of the total assets test ratio (as defined in the Listing Rules), the Acquisition constitute a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to reporting, announcement and shareholders' approval requirements of the Listing Rules.

LETTER FROM THE BOARD

Since (i) no party is required to abstain from voting at the general meeting of the Company for considering and, if thought fit, approving the Acquisition; and (ii) the Controlling Shareholders, who has no interest in the Acquisition other than their interests as Shareholders holding approximately 51% of the present issued share capital of the Company, has issued a written certificate to the Company to approve the Acquisition in lieu of a general meeting pursuant to Rule 14.44 of the Listing Rules, the Company will not be required to convene a general meeting to consider and approve the transaction contemplated under the Agreement as prescribed under Rule 14.44 of the Listing Rules.

Professional fee incidental to this transaction is estimated to be approximately HK\$10.6 million upon completion of this transaction.

11. ADDITIONAL INFORMATION

Your attention is drawn to the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED
BILLY K YUNG
Group Chairman and Managing Director

1. FINANCIAL STATEMENTS OF THE GROUP

- (a) Set out below is the financial summary of the audited consolidated results of the Group for each of the three years ended 31st December, 2004 as extracted from the annual report of the Group for the year ended 31st December, 2004. The currency used herein are Hong Kong dollars unless specify otherwise.

RESULTS

	For the year ended 31st December,		
	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000
	(restated)		
Turnover	<u>1,398,211</u>	<u>2,000,425</u>	<u>2,051,306</u>
Profit (loss) from ordinary activities before taxation	(46,375)	79,224	142,421
Taxation	<u>(18,236)</u>	<u>(8,759)</u>	<u>(18,777)</u>
Profit (loss) before minority interests	(64,611)	70,465	123,644
Minority interests	<u>(3,454)</u>	<u>17,354</u>	<u>14,239</u>
Net profit (loss) for the year	<u>(68,065)</u>	<u>87,819</u>	<u>137,883</u>
	HK\$	HK\$	HK\$
Earnings (losses) per share			
Basic	(14 cents)	20 cents	31 cents
Diluted	<u>N/A</u>	<u>20 cents</u>	<u>N/A</u>

ASSETS AND LIABILITIES

	At 31st December,		
	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000
Total assets	2,491,744	2,583,992	2,656,636
Deduct:			
Total liabilities	(652,148)	(718,040)	(585,024)
Minority interests	<u>81,078</u>	<u>99,564</u>	<u>(3,781)</u>
Shareholders' funds	<u>1,920,674</u>	<u>1,965,516</u>	<u>2,067,831</u>

- (b) Set out below is the summary of the audited consolidated financial statements of the Group as contained in the annual report of the Company for the year ended 31st December, 2004, together with the accompanying notes.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	4	2,051,306	2,000,425
Other operating income		60,854	43,379
Changes in inventories of finished goods and work in progress		(8,844)	6,305
Changes in trading securities		178,416	(66,470)
Raw materials, subcontracted goods and consumables used		(563,911)	(597,978)
Purchases of trading goods		(420,446)	(467,453)
Purchases of trading securities		(897,667)	(560,218)
Staff costs		(110,441)	(84,113)
Depreciation and amortisation expenses		(42,434)	(45,344)
Other operating expenses		(132,811)	(106,169)
Impairment loss on goodwill	18	(14,581)	–
Impairment losses on other non-current assets	6	(191,032)	(32,800)
(Loss) profit from operations	7	(91,591)	89,564
Finance costs	10	(22,060)	(25,609)
Gain on disposal of discontinued operations	11(c)	232,659	–
Share of results of associates		31,339	14,552
Loss on deemed and partial disposal of interest in an associate		(7,926)	–
Loss on disposal of an associate		–	(877)
Gain on partial disposal of interest in a subsidiary		–	1,594
Profit from ordinary activities before taxation		142,421	79,224
Taxation	13	(18,777)	(8,759)
Profit before minority interests		123,644	70,465
Minority interests		14,239	17,354
Net profit for the year		<u>137,883</u>	<u>87,819</u>

		2004 <i>Cents</i>	2003 <i>Cents</i>
Dividends	14		
Final dividend proposed per share		<u>7.00</u>	<u>7.00</u>
Interim dividend paid per share		<u>3.00</u>	<u>3.00</u>
Earnings per share	15		
Basic		<u>31.05</u>	<u>19.80</u>
Diluted		<u>N/A</u>	<u>19.80</u>

CONSOLIDATED BALANCE SHEET

As at 31st December, 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets			
Investment properties	16	560,341	526,707
Property, plant and equipment	17	207,630	634,971
Goodwill	18	–	10,984
Intangible assets	19	160,287	175,813
Interests in associates	21	478,714	505,429
Investments in securities	22	–	77,885
Club debenture		2,920	2,920
Loan receivables	23	204,185	–
Deferred tax assets	35	2,958	2,929
Deposit paid for acquisition of investment properties		4,725	–
		<u>1,621,760</u>	<u>1,937,638</u>
Current assets			
Inventories	24	91,672	108,919
Trade and other receivables	26	241,718	278,888
Loan receivables	23	37,059	–
Amount due from an associate		2,086	4,035
Amounts due from investees	27	11,012	2,952
Investments in securities	22	211,987	33,571
Bank and other deposits pledged	37	–	9,331
Bank balances and cash		439,342	208,658
		<u>1,034,876</u>	<u>646,354</u>
Current liabilities			
Trade and other payables	28	235,570	232,411
Deposit received for disposal of land		33,213	–
Amounts due to associates		227	227
Amounts due to minority shareholders	29	–	56,164
Amount due to an investee		77	–
Provision	30	12,870	–
Taxation liabilities		22,727	10,912
Bank borrowings	31	147,339	107,200
		<u>452,023</u>	<u>406,914</u>

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

		2004	2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net current assets		<u>582,853</u>	<u>239,440</u>
		<u>2,204,613</u>	<u>2,177,078</u>
Capital and reserves			
Share capital	32	223,946	221,703
Share premium and reserves	33	<u>1,843,885</u>	<u>1,743,813</u>
Shareholders' funds		<u>2,067,831</u>	<u>1,965,516</u>
Minority interests		<u>3,781</u>	<u>(99,564)</u>
Non-current liabilities			
Bank borrowings	31	112,517	–
Loans from minority shareholders	34	9,210	302,802
Deferred tax liabilities	35	<u>11,274</u>	<u>8,324</u>
		<u>133,001</u>	<u>311,126</u>
		<u>2,204,613</u>	<u>2,177,078</u>

BALANCE SHEET*As at 31st December, 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets			
Investment properties	16	12,700	12,700
Property, plant and equipment	17	9,942	11,006
Intangible asset	19	–	2,228
Interests in subsidiaries	20	365,406	437,812
Interest in an associate	21	101	101
Club debenture		2,920	2,920
		<u>391,069</u>	<u>466,767</u>
Current assets			
Inventories	24	4,556	4,043
Trade and other receivables		51,752	28,646
Amounts due from subsidiaries	25	1,470,285	1,461,339
Amount due from investees	27	8,065	24
Investments in securities	22	1,445	–
Tax prepaid		149	–
Bank balances and cash		54,611	25,359
		<u>1,590,863</u>	<u>1,519,411</u>
Current liabilities			
Trade and other payables		32,575	34,245
Amounts due to subsidiaries		157,143	5,897
Amounts due to an associate		101	101
Bank borrowings	31	–	42,040
		<u>189,819</u>	<u>82,283</u>
Net current assets		<u>1,401,044</u>	<u>1,437,128</u>
Net assets		<u>1,792,113</u>	<u>1,903,895</u>
Capital and reserves			
Share capital	32	223,946	221,703
Share premium and reserves	33	1,567,957	1,681,733
Shareholders' funds		1,791,903	1,903,436
Non-current liability			
Deferred tax liabilities	35	210	459
		<u>1,792,113</u>	<u>1,903,895</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2004

	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2003	222,207	529,289	45,001	43,253	-	(126)	(24,017)	4,444	1,100,623	1,920,674
Revaluation decrease	-	-	(18,075)	-	-	-	-	-	-	(18,075)
Share of revaluation decrease of associates	-	-	(897)	-	-	-	-	-	-	(897)
Exchange difference on translation of the Group's overseas operations	-	-	-	-	-	(1,928)	-	-	-	(1,928)
Decrease in fair value of securities not held for trading	-	-	-	-	(32,800)	-	-	-	-	(32,800)
Impairment loss of securities not held for trading	-	-	-	-	32,800	-	-	-	-	32,800
Deferred tax adjustment on properties revaluation	-	-	(915)	-	-	-	-	-	-	(915)
Net losses not recognised in consolidated income statement	-	-	(19,887)	-	-	(1,928)	-	-	-	(21,815)
Net profit for the year	-	-	-	-	-	-	-	-	87,819	87,819
Overprovision of final dividend due to share repurchased	-	-	-	-	-	-	-	(9)	9	-
Interim dividend declared	-	-	-	-	-	-	-	13,302	(13,302)	-
Dividends paid	-	-	-	-	-	-	-	(17,737)	-	(17,737)
Final dividend proposed	-	-	-	-	-	-	-	31,038	(31,038)	-
Shares repurchased	(504)	-	-	504	-	-	-	-	(1,008)	(1,008)
Realised on disposal of properties in an associate	-	-	(2,417)	-	-	-	-	-	-	(2,417)
Other changes in equity	(504)	-	(2,417)	504	-	-	-	26,594	42,480	66,657
At 31st December, 2003	221,703	529,289	22,697	43,757	-	(2,054)	(24,017)	31,038	1,143,103	1,965,516
Revaluation increase	-	-	2,140	-	-	-	-	-	-	2,140
Share of revaluation increase of associates	-	-	1,796	-	-	-	-	-	-	1,796
Exchange difference on translation of the Group's overseas operations	-	-	-	-	-	(1,817)	-	-	-	(1,817)
Decrease in fair value of securities not held for trading	-	-	-	-	(112,170)	-	-	-	-	(112,170)
Impairment loss of securities not held for trading	-	-	-	-	112,170	-	-	-	-	112,170
Deferred tax adjustment on properties revaluation	-	-	22	-	-	227	-	-	-	249
Net gain (losses) not recognised in consolidated income statement	-	-	3,958	-	-	(1,590)	-	-	-	2,368

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FINANCIAL INFORMATION ON THE GROUP

	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net profit for the year	-	-	-	-	-	-	-	-	137,883	137,883
New shares issued as scrip dividend	2,308	4,200	-	-	-	-	-	(6,508)	-	-
Interim dividend declared	-	-	-	-	-	-	-	13,298	(13,298)	-
Dividends paid	-	-	-	-	-	-	-	(37,828)	-	(37,828)
Final dividend proposed	-	-	-	-	-	-	-	31,352	(31,352)	-
Shares repurchased	(65)	-	-	65	-	-	-	-	(246)	(246)
Realised on disposal of properties in an associate	-	-	(4,233)	-	-	-	-	-	-	(4,233)
Realised on deemed disposal of an associate	-	-	-	-	-	-	3,127	-	-	3,127
Realised on disposal of subsidiaries	-	-	-	-	-	1,244	-	-	-	1,244
Other changes in equity	2,243	4,200	(4,233)	65	-	1,244	3,127	314	92,987	99,947
At 31st December, 2004	<u>223,946</u>	<u>533,489</u>	<u>22,422</u>	<u>43,822</u>	<u>-</u>	<u>(2,400)</u>	<u>(20,890)</u>	<u>31,352</u>	<u>1,236,090</u>	<u>2,067,831</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2004

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Operating activities			
(Loss) profit from operations		(91,591)	89,564
Adjustments for:			
Impairment losses on other non-current assets		191,032	32,800
Depreciation and amortisation expenses		42,434	45,344
Property, plant and equipment written off		16,089	–
Increase in provision		12,870	–
Allowance for doubtful debts		2,004	1,672
Net unrealised gain on trading securities		(26,650)	(873)
Interest income		(20,654)	(9,236)
Impairment loss on goodwill		14,581	–
(Gain) loss on disposal of property, plant and equipment		(7,442)	9,031
Exchange difference		(889)	(360)
Transfer fee for club debenture written off		–	1,600
Loan waived by a minority shareholder		–	(1,875)
Operating cash flows before movements in working capital		131,784	167,667
Increase in inventories		(17,957)	(3,857)
Decrease (increase) in trade and other receivables		3,113	(129,394)
Decrease (increase) in amount due from an associate		1,946	(3,704)
Increase in amounts due from investees		(8,060)	(1,264)
(Increase) decrease in investments in trading securities		(151,766)	67,343
Increase in trade and other payables		26,473	53,105
Decrease in amounts due to minority shareholders		(23,879)	(3,663)
Increase (decrease) in amount due to an investee		77	(378)
Cash (used in) generated from operations		(38,269)	145,855
Tax paid		(2,728)	(4,131)
Tax refund		3,372	–
Net cash (used in) generated from operating activities		(37,625)	141,724

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FINANCIAL INFORMATION ON THE GROUP

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Investing activities			
Proceeds on disposal of subsidiaries	<i>11(c)</i>	75,793	–
Loan repayment from associates		53,027	39,042
Deposit received for disposal of land		33,213	–
Repayment from a former subsidiary		33,124	–
Proceeds on disposal of property, plant and equipment		12,010	261
Interest received		8,950	2,832
Decrease (increase) in bank and other deposits pledged		4,907	(9,331)
Increase in long term loan receivable		(160,943)	–
Additions to intangible assets		(63,451)	(97,540)
Additions to investments in securities not held for trading		(34,123)	(14,885)
Additions to property, plant and equipment		(30,006)	(12,363)
Additions to investment properties		(29,388)	(5,130)
Deposit paid for acquisition of investment properties		(4,725)	–
Purchase of club debenture		–	(4,520)
Acquisition of investments in an associate		–	(282)
Advances to associates		–	(200)
Net cash used in investing activities		<u>(101,612)</u>	<u>(102,116)</u>
Financing activities			
New bank loans		575,793	366,422
Advance from the holding company of a minority shareholders of a former subsidiary		492,875	–
Repayments of bank borrowings		(423,632)	(372,691)
Repayment of loan from a minority shareholder		(224,259)	–
Dividends paid		(37,828)	(17,737)
Interest paid		(11,520)	(8,377)
Payment made to purchase own shares		(246)	(1,008)
Net cash generated from (used in) financing activities		<u>371,183</u>	<u>(33,391)</u>
Net increase in cash and cash equivalents		231,946	6,217
Cash and cash equivalents at 1st January		208,658	202,831
Effect of foreign exchange rate change		<u>(1,262)</u>	<u>(390)</u>
Cash and cash equivalents at 31st December		<u><u>439,342</u></u>	<u><u>208,658</u></u>
Analysis of the balance of cash and cash equivalents			
Bank balances and cash		<u><u>439,342</u></u>	<u><u>208,658</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2004

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Group are manufacturing and marketing of electric fans and other electrical household appliances and EMS business, investment holding, property investment and trading of and investments in securities.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary and associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented as a separate asset.

On disposal of a subsidiary or associate, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the gain or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the goodwill in so far it has not been amortised, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost less any identified impairment loss.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Sales of securities are recognised when the sales transactions are completed and ownership of the securities is transferred.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental from investment properties is recognised on a straight-line basis over the periods of the respective tenancies.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and less any identified impairment loss.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives on a straight-line basis at the following rates per annum and after taking into account their estimated residual value, if applicable:

Category of assets	Annual rates
Land and buildings in Hong Kong under long leases	2%
Land and buildings in other regions of the People's Republic of China ("PRC") under long leases and medium term leases	
Land use rights	Remaining terms of the land use rights
Buildings	The shorter of the estimated useful lives or remaining terms of the respective land use rights
Freehold land and buildings in the United States of America ("USA") and Canada	
Freehold land	Nil
Buildings	3.33%
Toll road	Over the remaining operation period
Plant, machinery, tools, moulds and equipment	10% to 20%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles	20% to 33.33%

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any identified impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities not held for trading purposes, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net gain or loss on the disposal of the securities for the period.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its estimated useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Taxi licences

Costs incurred in the acquisition of permanent taxi operation licences are measured initially at cost, less any identified impairment loss and amortised on a straight-line basis over 50 years.

The Group holds 775 taxi licences for the exclusive right to run the taxi in Guangzhou, PRC and is one of the largest taxi leasing operators in Guangzhou. It is expected that these taxi licences, without expiry date, will be in use for at least fifty years.

Trademark

Trademark is measured initially at cost, less any identified impairment loss and amortised on a straight-line basis over its estimated useful life of 20 years.

Club debenture

Club debenture is stated at cost less impairment, if any.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as an obligation. Finance costs, which represent the difference between the total leasing commitments and the principal portion at the inception of respective finance leases, are charged to the income statement over the terms of the respective leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight-line basis over the respective terms of leases.

Inventories

Inventories are stated at the lower of cost, computed using weighted average method, and net realisable value.

Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange prevailing on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rate prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit scheme

The contributions payable to the Group's defined contribution scheme and the Mandatory Provident Fund Scheme are charged to the income statement as retirement benefit cost as they fall due.

Share options

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

4. TURNOVER

Turnover represents the amounts received and receivable for goods sold to outside customers, property rental income, proceeds from trading of securities and other income from principal activities during the year, and is analysed as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Continuing operations:		
Sale of goods	1,119,601	1,137,878
Proceeds from trading of securities	794,072	659,899
Property rental income	60,653	58,663
Taxi licence fee income	13,618	9,298
	<u>1,987,944</u>	<u>1,865,738</u>
Discontinued operations:		
Sale of goods	47,999	110,573
Toll fee income	15,363	24,114
	<u>63,362</u>	<u>134,687</u>
	<u>2,051,306</u>	<u>2,000,425</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into eight operating divisions – electrical household appliances, electric cables and steel pipes, property leasing, property development, securities trading, car rental, computer hardware and software, and direct investments. During the year, the Group disposed of its steel processing segment and toll operation segment. Details of the disposal are set out in note 6. These divisions form the basis on which the Group reports its primary segment information.

The principal activities are as follows:

Electrical household appliances	–	manufacturing and marketing of electric fans, vacuum cleaners and other electrical household appliances, and EMS business
Electric cables and steel pipes	–	manufacturing and trading of electric cables and steel pipes
Property leasing	–	leasing of properties
Property development	–	property development
Securities trading	–	trading of securities
Car rental	–	taxi rental operation
Computer hardware and software	–	development and trading of computer hardware and software
Direct investments	–	direct investment in hi-tech business

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

Segment information about these businesses is presented below:

**2004
TURNOVER AND RESULTS**

	Continuing operations								Discontinued operations			Consolidated HK\$'000
	Electrical household appliances	Electric cables and steel pipes	Property leasing	Property development	Securities trading	Car rental	Computer hardware and software	Direct investments	Others	Steel processing	Toll Road operation	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
TURNOVER (Note)	1,058,762	57,215	60,653	-	794,072	13,618	3,624	-	-	47,999	15,363	2,051,306
RESULT												
Segment result	44,393	(23,065)	53,239	(34)	75,222	(26,677)	(93,383)	(102,597)	-	(125)	(2,106)	(75,133)
Unallocated corporate expenses												(38,737)
Other operating income excluding interest income												1,625
Interest income												20,654
Loss from operations												(91,591)
Finance costs	(451)	-	(5,394)	-	(2,854)	-	-	-	(623)	(206)	(12,532)	(22,060)
Gain on disposal of discontinued operations	-	-	-	-	-	-	-	-	-	4,803	227,856	232,659
Share of results of associates	-	(130)	9,567	17,743	-	-	-	4,159	-	-	-	31,339
Loss on deemed and partial disposal of interest in an associate	-	-	-	-	-	-	-	-	(7,926)	-	-	(7,926)
Profit from ordinary activities before taxation												142,421
Taxation												(18,777)
Profit before minority interests												123,644
Minority interests												14,239
Net profit for the year												137,883

Note: There were no inter-segment sales between different business segments for the year ended 31st December, 2004.

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
FINANCIAL POSITIONS

	Continuing operations								Discontinued operations			Consolidated
	Electrical household appliances	Electric cables and steel pipes	Property leasing	Property development	Securities trading	Car rental	Computer hardware and software	Direct investments	Unallocated assets/liabilities	Steel processing	Toll Road operation	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
ASSETS												
Segment assets	486,244	145,083	580,784	740	263,791	251,834	23,248	2,145	-	-	-	1,753,869
Interests in associates	-	-	440,679	1,686	-	-	-	36,248	101	-	-	478,714
Unallocated corporate assets	-	-	-	-	-	-	-	-	424,053	-	-	424,053
Consolidated total assets												<u>2,656,636</u>
LIABILITIES												
Segment liabilities	181,306	50,782	139,480	(566)	137,295	45,190	5,839	1,797	-	-	-	561,123
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	23,901	-	-	23,901
Consolidated total liabilities												<u>585,024</u>

OTHER INFORMATION

	Continuing operations								Discontinued operations			Consolidated
	Electrical household appliances	Electric cables and steel pipes	Property leasing	Property development	Securities trading	Car rental	Computer hardware and software	Direct investments	Unallocated amounts	Steel processing	Toll Road operation	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Capital additions	8,404	16,581	29,388	-	-	42,787	28,581	-	1,035	-	-	126,776
Depreciation and amortisation	7,915	8,954	30	97	-	4,317	7,288	49	2,316	940	10,528	42,434
Impairment losses recognised in income statement	11,860	6,558	-	-	-	34,689	49,253	103,253	-	-	-	205,613
Write off of property, plant and equipment	3,478	12,412	-	-	-	-	-	199	-	-	-	16,089
Allowances for doubtful debts	1,479	66	165	-	-	-	-	-	-	294	-	2,004

2003
TURNOVER AND RESULT

	Continuing operations								Discontinued operations		Consolidated HK\$'000	
	Electrical household appliances HK\$'000	Electric cables and steel pipes HK\$'000	Property leasing HK\$'000	Property development HK\$'000	Securities trading HK\$'000	Car rental HK\$'000	Computer hardware and software HK\$'000	Direct investments HK\$'000	Others HK\$'000	Steel processing HK\$'000		Toll Road operation HK\$'000
TURNOVER (Note)	1,090,622	47,256	58,663	-	659,899	9,298	-	-	-	110,573	24,114	2,000,425
RESULT												
Segment result	63,481	(9,452)	53,076	37	30,544	5,119	-	(33,542)	-	6,489	(4,530)	111,222
Unallocated corporate expenses												(35,191)
Other operating income excluding interest income												4,297
Interest income												9,236
Profit from operations												89,564
Finance costs	(483)	-	(5,557)	-	(940)	-	-	-	(696)	(569)	(17,364)	(25,609)
Share of results of associates	-	(152)	11,893	(98)	-	-	-	2,909	-	-	-	14,552
Loss on disposal of an associate	-	-	-	-	-	-	-	-	(877)	-	-	(877)
Gain on partial disposal of interest in a subsidiary	-	-	-	-	-	-	-	1,594	-	-	-	1,594
Profit from ordinary activities before taxation												79,224
Taxation												(8,759)
Profit before minority interests												70,465
Minority interests												17,354
Net profit for the year												87,819

Note: There was no inter-segment sales between different business segments for the year ended 31st December, 2003.

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
FINANCIAL POSITIONS

	Continuing operations								Discontinued operations			Consolidated
	Electrical household appliances	Electric cables and steel pipes	Property leasing	Property development	Securities trading	Car rental	Computer hardware and software	Direct investments	Unallocated assets/liabilities	Steel processing	Toll Road operation	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
ASSETS												
Segment assets	382,598	144,568	552,576	1,410	96,043	192,992	43,626	66,104	-	152,938	378,827	2,011,682
Interests in associates	-	129	478,573	(11,305)	-	-	-	37,931	101	-	-	505,429
Unallocated corporate assets	-	-	-	-	-	-	-	-	66,881	-	-	66,881
Consolidated total assets												<u>2,583,992</u>
LIABILITIES												
Segment liabilities	137,616	16,076	87,818	313	1,720	39,626	4,149	1,998	-	63,751	309,178	662,245
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	55,795	-	-	55,795
Consolidated total liabilities												<u>718,040</u>

OTHER INFORMATION

	Continuing operations								Discontinued operations			Consolidated
	Electrical household appliances	Electric cables and steel pipes	Property leasing	Property development	Securities trading	Car rental	Computer hardware and software	Direct investments	Unallocated amounts	Steel processing	Toll Road operation	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Capital additions	5,244	418	5,130	387	-	76,466	28,761	-	4,049	28	54	120,537
Depreciation and amortisation	7,247	11,777	56	-	-	3,567	6	53	2,691	4,124	15,823	45,344
Impairment losses recognised in income statement	-	-	-	-	-	-	-	32,800	-	-	-	32,800
Loss (gain) on disposal of property, plant and equipment	520	(79)	16	-	-	-	9	-	-	40	8,525	9,031
Allowances (reversal of allowances) for doubtful debts	2,437	(284)	-	-	-	-	-	-	-	(481)	-	1,672

Geographical segments

The Group's operations are located in Hong Kong, PRC, North America, Europe and Asia other than Hong Kong and the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales by geographical market	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	707,832	552,396
PRC	413,197	407,595
North America	644,207	776,784
Europe	166,794	99,128
Asia, other than Hong Kong and PRC	49,584	69,568
Others	69,692	94,954
	<u>2,051,306</u>	<u>2,000,425</u>

The following is an analysis of the carrying amount of segment assets, and additions to investment properties, property, plant and equipment, goodwill and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to investment properties, property, plant and equipment, goodwill and intangible assets	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	593,255	253,158	1,115	5,678
PRC	1,709,028	1,893,291	117,912	114,289
North America	329,639	357,701	7,541	570
Europe	14,226	20,408	–	–
Asia, other than Hong Kong and PRC	6,207	53,897	208	–
Others	1,323	2,608	–	–
	<u>2,653,678</u>	<u>2,581,063</u>	<u>126,776</u>	<u>120,537</u>
Deferred tax assets	<u>2,958</u>	<u>2,929</u>		
	<u>2,656,636</u>	<u>2,583,992</u>		

6. IMPAIRMENT LOSSES ON OTHER NON-CURRENT ASSETS

	2004 HK\$'000	2003 HK\$'000
Impairment losses on:		
Investments in securities not held for trading (<i>note a</i>)	112,170	32,800
Intangible assets:		
Development costs (<i>note b</i>)	41,037	–
Taxi licences (<i>note c</i>)	25,932	–
Trademark (<i>note d</i>)	2,103	–
Property, plant and equipment (<i>note e</i>)	9,790	–
	<u>191,032</u>	<u>32,800</u>

Notes:

- (a) For the investments with business in developing the advanced semiconductor, internet related hardware and software, the directors of the Company considered the related investment cost of approximately HK\$112,170,000 (2003: HK\$32,800,000) should be fully impaired with regard to the current market situation.
- (b) As the cash inflow of the businesses involved in the computer hardware and software product is below the budgeted projection of the respective business, the directors of the Company considered the related development cost of approximately HK\$41,037,000 (2003: nil) and the attributable goodwill of the related business of HK\$4,984,000 (2003: nil) should be fully impaired.
- (c) As per the notice “穗客管[2004]174號” dated 10th October, 2004 issued by 廣州市客運交通管理處, the transfer of the taxi licences in Guangzhou, the PRC has been suspended subject to the release of the new regulations in the PRC regarding the transfer of the taxi licences. The directors of the Company considered the fair value of the taxi licences by reference to the value in use of the taxi licences arrived at by a discounted cash flow model at a discounted rate of 6% per annum and determined that impairment losses of approximately HK\$25,932,000 (2003: nil) be provided against the taxi licences and the attributable goodwill of the related business of approximately HK\$8,757,000 (2003: nil) be fully impaired in current year.
- (d) As a result of the legal proceedings in the PRC, the trademark of industrial ceiling fans held by the Company was declared to be void under the PRC law. Although the Company has commenced legal proceeding to recover the validity of the trademark from relevant party, the management determined that the carrying amount of the trademark amounting to approximately HK\$2,103,000 should be fully impaired.
- (e) The impairment loss of the property, plant and equipment was recognised based on the recoverable amount of certain computer equipment of a loss making subsidiary company and a piece of land in the PRC by reference to the estimated net selling price set out in a disposal contract entered into during the year.

7. (LOSS) PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Allowance for doubtful debts	2,004	1,672
Auditors' remuneration	1,871	2,007
Charitable and other donations	679	2,470
Depreciation and amortisation:		
Amortisation of goodwill	1,387	1,389
Amortisation of intangible assets	9,118	3,066
Amortisation of goodwill on acquisition of associates	49	54
Depreciation of property, plant and equipment	33,445	43,616
	<u>43,999</u>	<u>48,125</u>
Less: Amount capitalised as development cost	(1,565)	(2,781)
	42,434	45,344
Exchange losses, net	638	1,551
Loss on disposal of property, plant and equipment	–	9,031
Write-off of property, plant and equipment	16,089	–
and after crediting:		
Interest earned from		
Bank deposits	3,075	1,437
Associates	6,710	6,358
Investees	233	–
Others, including loan receivables	10,636	1,441
	<u>20,654</u>	<u>9,236</u>
Dividends received from trading securities held	1,842	3,941
Gain on disposal of property, plant and equipment	7,442	–
Loan waived by a minority shareholder	–	1,875
Net rental income from investment properties (after deduction of outgoings of HK\$7,414,000 (2003: HK\$5,587,000))	53,239	53,076
Unrealised gain on listed trading securities	26,650	873
	<u><u>206,650</u></u>	<u><u>206,650</u></u>

8. DIRECTORS' EMOLUMENTS

	2004 HK\$'000	2003 HK\$'000
Directors' fees		
Executives	400	460
Non-executives	100	80
Independent non-executives	308	160
	<u>808</u>	<u>700</u>
Other emoluments		
Executives		
Salaries, allowances and other benefits	9,005	9,365
Retirement fund contributions	391	461
	<u>9,396</u>	<u>9,826</u>
Total emoluments	<u><u>10,204</u></u>	<u><u>10,526</u></u>

Emoluments of the directors were within the following bands:

Emolument bands	2004 Number of Directors	2003 Number of Directors
Up to HK\$1,000,000	5	5
HK\$1,000,001 – HK\$1,500,000	4	2
HK\$2,500,001 – HK\$3,000,000	–	–
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$4,000,001 – HK\$4,500,000	1	–
	<u> </u>	<u> </u>

In the year ended 31st December, 2003, 3 directors waived emoluments of HK\$28,300 in total.

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, 3 (2003: 3) were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining 2 (2003: 2) were as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries, allowances and other benefits	3,146	3,126
Retirement fund contributions	146	143
	<u> </u>	<u> </u>
	<u>3,292</u>	<u>3,269</u>

Their emoluments were within the following bands:

	2004 Number of employees	2003 Number of employees
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	1
	<u> </u>	<u> </u>

10. FINANCE COSTS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts wholly repayable within five years	7,906	6,791
Other borrowings from minority shareholders	10,622	17,881
Others	3,532	937
	<u> </u>	<u> </u>
	<u>22,060</u>	<u>25,609</u>

11. DISCONTINUED OPERATIONS

(a) Steel processing

On 16th March, 2004, the Company entered into an agreement to dispose of a subsidiary, Shell & Shinsho Company Limited (subsequently the name was changed to VSC Shinsho Company Limited) ("Shell & Shinsho"), which carried out most of the Group steel processing operations. The control of Shell & Shinsho was passed to the acquirer on 23rd March, 2004.

The results of steel processing operations, which includes the results of Shell & Shinsho and the results of the steel processing division of the Group, for the period from 1st January, 2004 to 23rd March, 2004, which have been included in the consolidated financial statements, were as follows:

	01.01.2004 to 23.03.2004 <i>HK\$'000</i>	01.01.2003 to 31.12.2003 <i>HK\$'000</i>
Turnover	47,999	110,573
Other operating income	432	2,845
Operating costs	(48,396)	(106,754)
Finance costs	(206)	(569)
	<hr/>	<hr/>
(Loss) profit before taxation	(171)	6,095
Taxation	–	–
	<hr/>	<hr/>
(Loss) profit from ordinary activities after taxation	<u>(171)</u>	<u>6,095</u>

(b) Toll road operations

On 20th February, 2004, the Group entered into a conditional agreement in which Dong Wen Investments Limited, the Company's wholly-owned subsidiary, agreed to dispose of its 52% equity interest in Shunde Shunyue Highway Construction Limited ("Shunyue"), a subsidiary of the Company. The principal activities of Shunyue are the investment, construction and operation of a toll road in the municipal area of Shunde, the PRC. The disposal was effected in order to generate cash flow for the expansion of the Group's other business. The disposal was completed on 3rd September, 2004 on which date control of Shunyue passed to the acquirer.

The results of toll road operations for the period from 1st January, 2004 to 3rd September, 2004, which have been included in the consolidated financial statements, were as follows:

	01.01.2004 to 03.09.2004 <i>HK\$'000</i>	01.01.2003 to 31.12.2003 <i>HK\$'000</i>
Turnover	15,363	24,114
Other operating income	93	290
Operating costs	(17,553)	(28,898)
Finance costs	(12,532)	(17,364)
	<hr/>	<hr/>
Loss before taxation	(14,629)	(21,858)
Taxation	–	–
	<hr/>	<hr/>
Loss from ordinary activities after taxation	<u>(14,629)</u>	<u>(21,858)</u>

(c) Net assets disposed of

The net assets (liabilities) of these subsidiaries disposed of in notes 11(a) and (b) at the date of disposal were as follows:

	Steel processing HK\$'000	Toll road operations HK\$'000	Total HK\$'000
Property, plant and equipment	30,624	364,778	395,402
Investments in securities	–	424	424
Inventories	35,204	–	35,204
Trade and other receivables	31,706	804	32,510
Bank and other deposits pledged	4,424	–	4,424
Bank balances and cash	22,287	9,273	31,560
Trade and other payables	(14,940)	(5,756)	(20,696)
Amounts due to group companies	(32,764)	(76,695)	(109,459)
Amounts due to minority shareholders	(36,208)	(77,256)	(113,464)
Amount due to holding company of a minority shareholder	–	(492,875)	(492,875)
Minority interests	(13,632)	126,540	112,908
	<u>26,701</u>	<u>(150,763)</u>	<u>(124,062)</u>
Exchange reserves realised on disposal	(554)	(690)	(1,244)
Gain on disposal	4,803	227,856	232,659
	<u>4,803</u>	<u>227,856</u>	<u>232,659</u>
Total cash consideration	<u>30,950</u>	<u>76,403</u>	<u>107,353</u>
Net assets (liabilities) at 31st December, 2003:			
Total assets	151,281	378,926	530,207
Total liabilities	(111,506)	(633,499)	(745,005)
Minority interest	(13,459)	122,195	108,736
	<u>26,316</u>	<u>(132,378)</u>	<u>(106,062)</u>
Net cash inflow arising on disposal:			
Cash consideration	30,950	76,403	107,353
Bank balance and cash disposed of	(22,287)	(9,273)	(31,560)
	<u>8,663</u>	<u>67,130</u>	<u>75,793</u>
Contribution to Group's cash flow for the year under:			
Operating activities	33,482	(6,454)	27,028
Investing activities	4,192	93	4,285
Financing activities	(285)	11,882	11,597
	<u>37,389</u>	<u>5,521</u>	<u>42,910</u>

12. RETIREMENT BENEFITS SCHEME

The Group joined the Mandatory Provident Fund scheme (“MPF Scheme”) for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No contribution could be forfeited to reduce the contribution payable in the future years.

Prior to joining the MPF Scheme, the Group operated a defined contribution retirement benefit scheme (“Old Scheme”) for its qualifying employees in Hong Kong and paid contributions to the scheme at rates specified in the rules of the Old Scheme on the monthly compensation to the qualifying employees. All the assets under the Old Scheme were transferred to the MPF Scheme and are separately identified within the MPF Scheme and members can withdraw their entitled benefits from the Old Scheme in accordance with the scheme rules once they resign from the Group and all the respective forfeited contributions of the Group will be used to reduce the contributions payable in the future years.

According to the relevant laws and regulations in the PRC, the PRC subsidiaries are required to contribute a certain percentage of the salaries and wages of their employees to the retirement benefits schemes to fund the retirement benefits of their employees (the “PRC Scheme”). No forfeited contribution is available to reduce the contribution payable in the future years.

The Group’s contribution to the MPF Scheme and the PRC Scheme are charged to the income statement as expenses.

During the year, the Group made retirement benefit scheme contributions of approximately HK\$2,321,000 (2003: HK\$2,394,000), net of the forfeited contributions utilised in Old Scheme amounting to approximately HK\$91,000 (2003: HK\$181,000).

13. TAXATION

	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Profit for the year		
Hong Kong	10,874	4,942
Other regions in the PRC	288	310
	<u>11,162</u>	<u>5,252</u>
Under (over) provision in prior years for profit arose in		
Hong Kong	270	1,468
Other regions in the PRC	(266)	–
	<u>4</u>	<u>1,468</u>
Deferred tax (<i>note 35</i>):		
Current year	3,170	(1,165)
Attributable to a change in the rate of Hong Kong Profits Tax	–	38
	<u>3,170</u>	<u>(1,127)</u>
Taxation attributable to the Company and its subsidiaries	14,336	5,593
Share of taxation attributable to associates	4,441	3,166
	<u>18,777</u>	<u>8,759</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the year. In June 2003, the Hong Kong Profits Tax was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31st December, 2003.

Taxation arising in other regions in the PRC is calculated at 33% (2003: 33%) of the estimated assessable profit.

The charge for the year can be reconciled to the profit from ordinary activities before taxation per the income statement as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit from ordinary activities before taxation	<u>142,421</u>	<u>79,224</u>
Tax at Hong Kong Profits Tax rate of 17.5% (2003: 17.5%)	24,924	13,864
Tax effect of share of results of associates	(1,043)	619
Tax effect of expenses not deductible for tax purpose	51,517	16,160
Tax effect of income not taxable for tax purpose	(52,941)	(6,500)
Tax effect of tax losses not recognised	21,035	12,538
Utilisation of tax losses previously not recognised	(22,040)	(18,439)
Increase in opening deferred tax liability resulting from an increase in tax rates	–	38
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,763)	199
Underprovision in prior years	4	1,468
Others	<u>(916)</u>	<u>(11,188)</u>
Tax expense for the year	<u>18,777</u>	<u>8,759</u>

14. DIVIDENDS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Ordinary shares:		
Interim, paid – 3.00 cents (2003: 3.00 cents) per share	13,298	13,302
Final, proposed – 7.00 cents (2003: 7.00 cents) per share	<u>31,352</u>	<u>31,038</u>
	<u>44,650</u>	<u>44,340</u>

During the year, share scrip alternatives were offered in respect of the 2004 interim dividends. These share scrip alternatives were accepted by the shareholders, as follows:

	<i>HK\$'000</i>
Dividends:	
Cash	6,790
Share scrip alternative	<u>6,508</u>
	<u>13,298</u>

The final dividend of 7.00 cents (2003: 7.00 cents) per share, to be satisfied by cash, with an alternative to shareholders to elect to receive such final dividend (or part thereof) in the form of new shares in lieu of cash, has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2004 HK\$'000	2003 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	<u>137,883</u>	<u>87,819</u>
	2004 '000	2003 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>444,132</u>	443,574
Effect on dilutive potential ordinary shares: Options		<u>67</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share		<u>443,641</u>

Note: The options of the Company outstanding at 31st December, 2002 were lapsed during the year ended 31st December, 2003.

As the options of the Company's subsidiaries outstanding during the two year ended 31st December, 2004 were anti-dilutive to the Group's earnings per share, diluted earnings per share were not adjusted in this respect for both years.

16. INVESTMENT PROPERTIES

	THE GROUP HK\$'000	THE COMPANY HK\$'000
At 1st January, 2004	526,707	12,700
Translation adjustment	2,106	–
Additions	29,388	–
Revaluation increase	<u>2,140</u>	<u>–</u>
At 31st December, 2004	<u>560,341</u>	<u>12,700</u>

The Group's investment properties in Hong Kong and the PRC were revalued as at 31st December, 2004 by Messrs. Knight Frank, an independent firm of professional valuers, on an open market existing use basis. The investment properties in the USA were revalued as at 31st December, 2004 on an income capitalisation approach with reference to comparable market conditions by Cushman & Wakefield of California, Inc., an independent firm of professional valuers. The investment properties in Canada were revalued as at 31st December, 2004 on an income approach to value by JMS Canada Ltd., an independent firm of professional valuers. These valuations gave rise to a revaluation increase totalling HK\$2,140,000 (2003: decrease of HK\$18,075,000) which has been credited to the investment property revaluation reserve.

All of the Group's investment properties are rented out under operating leases.

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The carrying amount of investment properties comprises land and buildings in Hong Kong, the USA, the PRC and Canada as follows:

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
In Hong Kong, held under long leases	74,000	78,700	12,700	12,700
In the USA, freehold	230,880	218,400	-	-
In other regions of the PRC, held under medium term leases	237,300	214,000	-	-
In Canada, freehold	18,161	15,607	-	-
	<u>560,341</u>	<u>526,707</u>	<u>12,700</u>	<u>12,700</u>

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Toll road in other regions of the PRC HK\$'000	Plant and machinery HK\$'000	Tools, moulds and equipment HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP COST							
At 1st January, 2004	239,373	428,487	179,585	57,819	49,981	14,269	969,514
Translation adjustment	405	1,885	407	75	48	20	2,840
Additions	16,400	-	3,149	65	9,722	670	30,006
Disposals	(12,252)	-	(632)	-	(692)	(2,622)	(16,198)
Write-off	(5,096)	-	(91,498)	-	(3,209)	(63)	(99,866)
Disposals of subsidiaries	(29,694)	(430,372)	(32,363)	-	(863)	(2,607)	(495,899)
Reclassification	-	-	(444)	444	-	-	-
At 31st December, 2004	<u>209,136</u>	<u>-</u>	<u>58,204</u>	<u>58,403</u>	<u>54,987</u>	<u>9,667</u>	<u>390,397</u>
DEPRECIATION AND IMPAIRMENT							
At 1st January, 2004	52,458	55,393	136,108	49,538	29,042	12,004	334,543
Translation adjustment	45	236	297	75	24	16	693
Provided for the year	4,777	10,481	9,009	2,155	6,151	872	33,445
Eliminated on disposals	(8,040)	-	(466)	-	(407)	(2,517)	(11,430)
Write-off	(793)	-	(80,894)	-	(2,027)	(63)	(83,777)
Impairment losses recognised	6,558	-	-	3,232	-	-	9,790
Disposals of subsidiaries	(8,099)	(66,110)	(23,274)	-	(715)	(2,299)	(100,497)
Reclassification	-	-	(566)	566	-	-	-
At 31st December, 2004	<u>46,906</u>	<u>-</u>	<u>40,214</u>	<u>55,566</u>	<u>32,068</u>	<u>8,013</u>	<u>182,767</u>
NET BOOK VALUES							
At 31st December, 2004	<u>162,230</u>	<u>-</u>	<u>17,990</u>	<u>2,837</u>	<u>22,919</u>	<u>1,654</u>	<u>207,630</u>
At 31st December, 2003	<u>186,915</u>	<u>373,094</u>	<u>43,477</u>	<u>8,281</u>	<u>20,939</u>	<u>2,265</u>	<u>634,971</u>

Land and buildings

	Land and buildings in Hong Kong under long leases HK\$'000	Land and buildings in other regions of the PRC under medium term leases HK\$'000	Land and buildings in other regions of the PRC under long leases HK\$'000	Freehold land and buildings in the USA HK\$'000	Total HK\$'000
THE GROUP					
COST					
At 1st January, 2004	9,994	208,726	12,463	8,190	239,373
Translation adjustment	-	427	(22)	-	405
Additions	-	16,400	-	-	16,400
Disposals	-	(1,418)	(10,834)	-	(12,252)
Write-off	-	(5,096)	-	-	(5,096)
Disposals of subsidiaries	-	(29,694)	-	-	(29,694)
At 31st December, 2004	<u>9,994</u>	<u>189,345</u>	<u>1,607</u>	<u>8,190</u>	<u>209,136</u>
DEPRECIATION AND IMPAIRMENT					
At 1st January, 2004	5,121	37,291	8,235	1,811	52,458
Translation adjustment	-	78	(33)	-	45
Provided for the year	200	4,453	33	91	4,777
Eliminated on disposals	-	(49)	(7,991)	-	(8,040)
Write-off	-	(793)	-	-	(793)
Impairment losses recognised	-	6,558	-	-	6,558
Disposals of subsidiaries	-	(8,099)	-	-	(8,099)
At 31st December, 2004	<u>5,321</u>	<u>39,439</u>	<u>244</u>	<u>1,902</u>	<u>46,906</u>
NET BOOK VALUES					
At 31st December, 2004	<u>4,673</u>	<u>149,906</u>	<u>1,363</u>	<u>6,288</u>	<u>162,230</u>
At 31st December, 2003	<u>4,873</u>	<u>171,435</u>	<u>4,228</u>	<u>6,379</u>	<u>186,915</u>

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	Land and buildings in Hong Kong under long leases <i>HK\$'000</i>	Land and buildings in other regions of the PRC under long leases <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Tools and moulds <i>HK\$'000</i>	Furniture, fittings and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY							
Cost							
At 1st January, 2004	1,478	1,607	366	479	16,289	5,474	25,693
Additions	-	-	-	-	1,035	-	1,035
Disposals	-	-	-	-	(15)	(988)	(1,003)
At 31st December, 2004	1,478	1,607	366	479	17,309	4,486	25,725
DEPRECIATION							
At 1st January, 2004	236	212	311	479	8,332	5,117	14,687
Provided for the year	29	32	11	-	1,660	357	2,089
Eliminated on disposals	-	-	-	-	(5)	(988)	(993)
At 31st December, 2004	265	244	322	479	9,987	4,486	15,783
NET BOOK VALUES							
At 31st December, 2004	1,213	1,363	44	-	7,322	-	9,942
At 31st December, 2003	1,242	1,395	55	-	7,957	357	11,006

18. GOODWILL

	THE GROUP <i>HK\$'000</i>
COST	
At 1st January, 2004	15,147
Arising from the acquisition of additional interest in a subsidiary	4,984
At 31st December, 2004	20,131
AMORTISATION AND IMPAIRMENT	
At 1st January, 2004	4,163
Provided for the year	1,387
Impairment losses recognised	14,581
At 31st December, 2004	20,131
NET BOOK VALUE	
At 31st December, 2004	-
At 31st December, 2003	10,984

The amortisation period adopted for goodwill ranges from 5 to 20 years.

Details of the major impairment losses recognised during the year are set out in note 6.

19. INTANGIBLE ASSETS

	THE GROUP				THE COMPANY
	Development costs HK\$'000	Taxi licences HK\$'000	Trademark HK\$'000	Total HK\$'000	Trademark HK\$'000
COST					
At 1st January, 2004	26,616	154,913	2,499	184,028	2,499
Translation adjustment	-	281	-	281	-
Additions	19,744	42,654	-	62,398	-
At 31st December, 2004	46,360	197,848	2,499	246,707	2,499
AMORTISATION AND IMPAIRMENT					
At 1st January, 2004	-	7,944	271	8,215	271
Translation adjustment	-	15	-	15	-
Provided for the year	5,323	3,670	125	9,118	125
Impairment losses recognised	41,037	25,932	2,103	69,072	2,103
At 31st December, 2004	46,360	37,561	2,499	86,420	2,499
NET BOOK VALUES					
At 31st December, 2004	-	160,287	-	160,287	-
At 31st December, 2003	26,616	146,969	2,228	175,813	2,228

Taxi licences, trademark and development costs are amortised on a straight-line basis over 50 years, 20 years and 5 years respectively.

Details of the impairment losses recognised during the year are set out in note 6.

20. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	105,126	157,699
Impairment losses recognised (<i>note a</i>)	(105,011)	(119,226)
	115	38,473
Loans to subsidiaries less allowance (<i>Note b</i>)	13,000	13,000
Amounts due from subsidiaries (<i>note c</i>)	352,291	386,339
	365,406	437,812

Notes:

- (a) Impairment losses amounting to approximately HK\$9,180,000 was recognised during the year by reference to the estimated recoverable amount of a subsidiary with continuing losses incurred. During the year, impairment losses of HK\$23,395,000 were eliminated on disposal of subsidiaries during the year.
- (b) The amount are unsecured and interest-free. In the opinion of the directors, the outstanding balances will not be repayable within twelve months from the balance sheet date and accordingly are shown as non-current assets.
- (c) The amounts are unsecured and bear interest at prevailing market rates. In the opinion of the directors, the outstanding balances will not be repayable within twelve months from the balance sheet date and accordingly are shown as non-current assets.

Details of the Company's principal subsidiaries as at 31st December, 2004 are set out in note 43.

21. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	-	-	195	195
Share of net assets	181,405	161,754	-	-
Goodwill on acquisition of associates (<i>Note a</i>)	850	899	-	-
Loans to associates (<i>Note b</i>)	296,459	342,776	-	-
	<u>478,714</u>	<u>505,429</u>	<u>195</u>	<u>195</u>
Impairment losses recognised	-	-	(94)	(94)
	<u>478,714</u>	<u>505,429</u>	<u>101</u>	<u>101</u>

Notes:

- (a) Movements of goodwill on acquisition of associates are as follows:

	THE GROUP
	HK\$'000
COST	
At 1st January, 2004 and at 31st December, 2004	<u>1,000</u>
AMORTISATION	
At 1st January, 2004	101
Provided for the year	<u>49</u>
At 31st December, 2004	<u>150</u>
NET BOOK VALUE	
At 31st December, 2004	<u>850</u>
At 31st December, 2003	<u>899</u>

Goodwill is amortised on a straight-line basis over 20 years.

- (b) Other than an amount of HK\$223,800,000 (2003: HK\$276,826,000) which is interest-free, the loans to associates are unsecured and subject to interest at 10% (2003: 10%) per annum. In the opinion of the directors, the loans to associates will not be repayable within twelve months from the balance sheet date and accordingly are shown as non-current assets.

The following details have been extracted from the financial statements of the Group's significant associates:

	Hong Kong Construction SMC Development Limited		China Dynasty Development Ltd.	
	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Audited)
Results for the year				
Turnover	<u>52,313</u>	<u>41,588</u>	<u>164,594</u>	<u>78,738</u>
Depreciation	<u>314</u>	<u>252</u>	<u>-</u>	<u>-</u>
(Loss) profit before taxation	<u>(4,398)</u>	<u>(26,412)</u>	<u>70,601</u>	<u>49,737</u>
(Loss) profit before taxation attributable to the Group	<u>(879)</u>	<u>(5,282)</u>	<u>28,240</u>	<u>19,894</u>
Financial position				
Total non-current assets	1,039,106	1,048,723	750,000	824,000
Total current assets	88,574	75,850	32,772	23,620
Total current liabilities	(418,007)	(517,009)	(15,910)	(15,854)
Total non-current liabilities	<u>(305,086)</u>	<u>(201,595)</u>	<u>(603,979)</u>	<u>(733,904)</u>
Net assets	<u>404,587</u>	<u>405,969</u>	<u>162,883</u>	<u>97,862</u>
Net assets attributable to the Group	<u>80,917</u>	<u>81,194</u>	<u>65,153</u>	<u>39,145</u>

Details of the Group's principal associates at 31st December, 2004 are set out in note 44.

22. INVESTMENTS IN SECURITIES

	THE GROUP						THE COMPANY	
	Held for trading		Not held for trading		Total		Held for trading	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities								
Unlisted	4	3	289,840	255,555	289,844	255,558	-	-
Listed in Hong Kong	193,109	4,950	-	-	193,109	4,950	1,445	-
Listed outside Hong Kong	12,229	12,627	-	-	12,229	12,627	-	-
	<u>205,342</u>	<u>17,580</u>	<u>289,840</u>	<u>255,555</u>	<u>495,182</u>	<u>273,135</u>	<u>1,445</u>	<u>-</u>
Commodity index certificate	6,645	-	-	-	6,645	-	-	-
Equity linked notes	-	15,991	-	-	-	15,991	-	-
Accumulated fair value adjustments	-	-	(289,840)	(177,670)	(289,840)	(177,670)	-	-
	<u>211,987</u>	<u>33,571</u>	<u>-</u>	<u>77,885</u>	<u>211,987</u>	<u>111,456</u>	<u>1,445</u>	<u>-</u>
Market value of listed securities	<u>205,338</u>	<u>17,577</u>	<u>-</u>	<u>-</u>	<u>205,338</u>	<u>17,577</u>	<u>1,445</u>	<u>-</u>
Carrying amounts analysed:								
Current	211,987	33,571	-	-	211,987	33,571	1,445	-
Non-current	-	-	-	77,885	-	77,885	-	-
	<u>211,987</u>	<u>33,571</u>	<u>-</u>	<u>77,885</u>	<u>211,987</u>	<u>111,456</u>	<u>1,445</u>	<u>-</u>

23. LOAN RECEIVABLES

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Loans receivable from:		
Former subsidiary (note a)	77,869	-
A shareholder of an associate (note b)	162,432	-
Others (note c)	943	-
	<u>241,244</u>	<u>-</u>
Less: Amount due within one year included as current assets	(37,059)	-
Amount due after one year	<u>204,185</u>	<u>-</u>

Notes:

- (a) The amount represents loan receivable from Shunyue which was disposed of by the Group during the year. Details of the disposal are set out in note 11(b). The amount due from Shunyue is guaranteed by existing parent company of Shunyue and carries interest at a fixed rate of 5.49% per annum and is repayable by three instalments with the last instalment to be repayable on or before 31st December, 2007.
- (b) The amount represents loan receivable from the major shareholder of the Group's major associate, China Dynasty Development Ltd. ("China Dynasty") and is subject to interest at 15% per annum and repayable on or before 24th August, 2006. The loan is secured by a 60% equity interests in China Dynasty. In addition, the borrower assigned to the Group a sum of HK\$210 million indebted by China Dynasty to the borrower, being part of the debt owed by China Dynasty to the borrower, to take effect upon the occurrence of an Event of Default. Details of this transaction are set out in the circular to the shareholders of the Company dated 4th October, 2004.
- (c) The amount represents the loan receivable from the Group's sales agent in the PRC which is secured by a personal guarantee of the owners of the sales agent and is subject to interests at 6% per annum repayable on demand.

24. INVENTORIES

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	60,807	70,439	-	-
Work-in-progress	3,822	2,902	-	-
Finished goods	27,043	35,578	4,556	4,043
	<u>91,672</u>	<u>108,919</u>	<u>4,556</u>	<u>4,043</u>

Note:

Inventories stated				
At cost	44,699	68,361	4,369	4,043
At net realisable value	<u>46,973</u>	<u>40,558</u>	<u>187</u>	<u>-</u>
	<u>91,672</u>	<u>108,919</u>	<u>4,556</u>	<u>4,043</u>

25. AMOUNTS DUE FROM SUBSIDIARIES**THE COMPANY**

The amounts are unsecured, bear interest at prevailing market rates and are repayable on demand.

26. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$113,114,000 (2003: HK\$140,543,000). The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The aged analysis of trade receivables at the balance sheet date is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Current	75,622	86,416
31 – 60 days	22,973	26,802
61 – 90 days	11,068	21,063
91 – 180 days	2,268	4,596
181 – 360 days	713	636
Over 360 days	470	1,030
	<u>113,114</u>	<u>140,543</u>

27. AMOUNTS DUE FROM INVESTEEES

THE GROUP AND THE COMPANY

The amounts are unsecured, bear interest at prevailing market rates and are repayable on demand.

28. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$94,683,000 (2003: HK\$84,978,000). The aged analysis of trade payables at the balance sheet date is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Current	72,174	52,330
31 – 60 days	13,283	19,711
61 – 90 days	4,745	5,542
91 – 180 days	1,415	3,265
181 – 360 days	977	2,953
Over 360 days	2,089	1,177
	<u>94,683</u>	<u>84,978</u>

29. AMOUNTS DUE TO MINORITY SHAREHOLDERS

THE GROUP

As at 31st December, 2003, the amount included loans of approximately HK\$19,890,000 which were unsecured and subject to interest at the prevailing market rates. The remaining balance of approximately HK\$36,274,000, other than the amount of approximately HK\$8,566,000 which was subject to interest at 5.76% per annum, was unsecured, interest-free and was repayable on demand.

30. PROVISION

THE GROUP

Pursuant to the letter dated 10th November, 2004 from the U.S. Consumer Product Safety Commission (the "CPSC"), the Group has not informed the CPSC when certain models of the table fans products could create a substantial product hazards or create an unreasonable risk of serious injury or death and this constitutes a breach of the respective law and a maximum civil penalty will be US\$1,650,000 (equivalent to approximately HK\$12,870,000). The Group had taken legal advice on the prospective penalty from CPSC. Based on the legal advice and on the information currently available to the Group, the directors of the Company determined that a provision of HK\$12,870,000 was made in the current year as the directors' best estimate of the Group's exposure under this incident.

The Group has, through its customer in the United States, conducted a voluntary recall program in the United States for the defective table fans and the program has been completed on 8th October, 2004. The recall expenses amounting to HK\$1,373,000 were fully recognised in the income statement.

31. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans	259,856	107,200	–	42,040
Secured	122,619	65,160	–	–
Unsecured	137,237	42,040	–	42,040
	259,856	107,200	–	42,040
The maturity of the above borrowings is as follows:				
Within one year	147,339	107,200	–	42,040
More than one year, but not exceeding two years	4,025	–	–	–
More than two years, but not exceeding five years	13,157	–	–	–
More than five years	95,335	–	–	–
	259,856	107,200	–	42,040
Less: Amounts due within one year shown under current liabilities	(147,339)	(107,200)	–	(42,040)
Amounts due after one year	112,517	–	–	–

32. SHARE CAPITAL

	2004		2003	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
(a) Authorised:				
Ordinary shares of HK\$0.50 each				
Balance at beginning and end of year	<u>900,000</u>	<u>450,000</u>	<u>900,000</u>	<u>450,000</u>
(b) Issued and fully paid:				
Ordinary shares of HK\$0.50 each				
Balance at beginning of year	443,407	221,703	444,414	222,207
Shares repurchased and cancelled	(130)	(65)	(1,007)	(504)
Shares issued as scrip dividend	<u>4,616</u>	<u>2,308</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>447,893</u>	<u>223,946</u>	<u>443,407</u>	<u>221,703</u>

The shares issued during the year ranked pari passu with existing shares in all respect.

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK\$0.50 each '000	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
May 2004	<u>130</u>	<u>1.94</u>	<u>1.70</u>	<u>246</u>

The above shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

(c) Share option scheme**The Company**

Under the terms of the share option scheme (the "Scheme") which was adopted on 18th April, 1994 and expired on 18th April, 2004, the Board may offer to any directors or full time employees of the Company or any of its subsidiaries options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options. The exercisable period will be determined by the Board and in any event not exceeding a period of 3 years commencing on the expiry of 6 months after the date of acceptance by the grantee and expiring on the last date of such period or 17th April, 2004 whichever is earlier. The grantee is required to pay non-refundable consideration of HK\$1.00 upon acceptance of the offer.

The number of shares issuable under the Scheme is not to exceed 10% of the issued share capital of the Company from time to time excluding any shares issued pursuant to the Scheme.

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The aggregate of the number of shares issued under the options granted to an employee and the number of shares to be issued under the options subsisted and unexercised for the time being held by the same employee should not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

No share options were granted during the period from 1st January, 2003 to 17th April, 2004.

Movements in the options to subscribe for shares for the year ended 31st December, 2003 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share HK\$	Number of share options		
				As at 1.1.2003 '000	Lapsed during the year '000	As at 31.12.2003 '000
Directors						
Mr. Billy K Yung	28.01.2000	28.07.2000 – 27.07.2003	1.38	1,072	(1,072)	-
	28.01.2000	28.01.2001 – 27.07.2003	1.38	1,072	(1,072)	-
	28.01.2000	28.07.2001 – 27.07.2003	1.38	1,072	(1,072)	-
	28.01.2000	28.01.2002 – 27.07.2003	1.38	1,072	(1,072)	-
	28.01.2000	28.07.2002 – 27.07.2003	1.38	1,072	(1,072)	-
	28.01.2000	28.01.2003 – 27.07.2003	1.38	1,340	(1,340)	-
Dr. Yung Yau (deceased on 2nd May, 2004)	28.01.2000	28.01.2001 – 27.07.2003	1.38	1,072	(1,072)	-
	28.01.2000	28.07.2001 – 27.07.2003	1.38	1,072	(1,072)	-
	28.01.2000	28.01.2002 – 27.07.2003	1.38	1,072	(1,072)	-
	28.01.2000	28.07.2002 – 27.07.2003	1.38	1,072	(1,072)	-
	28.01.2000	28.01.2003 – 27.07.2003	1.38	1,340	(1,340)	-
Dr. Leo Tung-Hai Lee	28.01.2000	28.07.2000 – 27.07.2003	1.38	96	(96)	-
	28.01.2000	28.01.2001 – 27.07.2003	1.38	96	(96)	-
	28.01.2000	28.07.2001 – 27.07.2003	1.38	96	(96)	-
	28.01.2000	28.01.2002 – 27.07.2003	1.38	96	(96)	-
	28.01.2000	28.07.2002 – 27.07.2003	1.38	96	(96)	-
	28.01.2000	28.01.2003 – 27.07.2003	1.38	120	(120)	-
Mr. Shiu-Kit Ngai	28.01.2000	28.07.2000 – 27.07.2003	1.38	80	(80)	-
	28.01.2000	28.01.2001 – 27.07.2003	1.38	80	(80)	-
	28.01.2000	28.07.2001 – 27.07.2003	1.38	80	(80)	-
	28.01.2000	28.01.2002 – 27.07.2003	1.38	80	(80)	-
	28.01.2000	28.07.2002 – 27.07.2003	1.38	80	(80)	-
	28.01.2000	28.01.2003 – 27.07.2003	1.38	100	(100)	-
Madam Yung Ho Wun Ching	28.01.2000	28.01.2001 – 27.07.2003	1.38	800	(800)	-
	28.01.2000	28.07.2001 – 27.07.2003	1.38	800	(800)	-
	28.01.2000	28.01.2002 – 27.07.2003	1.38	800	(800)	-
	28.01.2000	28.07.2002 – 27.07.2003	1.38	800	(800)	-
	28.01.2000	28.01.2003 – 27.07.2003	1.38	1,000	(1,000)	-

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Grantee	Date of grant	Period during which options are exercisable	Subscription price per share HK\$	Number of share options			
				As at 1.1.2003 '000	Lapsed during the year '000	As at 31.12.2003 '000	
Mr. Leung Chun Wah	28.01.2000	28.07.2000 – 27.07.2003	1.38	120	(120)	-	
	28.01.2000	28.01.2001 – 27.07.2003	1.38	120	(120)	-	
	28.01.2000	28.07.2001 – 27.07.2003	1.38	120	(120)	-	
	28.01.2000	28.01.2002 – 27.07.2003	1.38	120	(120)	-	
	28.01.2000	28.07.2002 – 27.07.2003	1.38	120	(120)	-	
	28.01.2000	28.01.2003 – 27.07.2003	1.38	150	(150)	-	
Mr. Plato Poon Chak Sang	28.01.2000	28.07.2000 – 27.07.2003	1.38	120	(120)	-	
	28.01.2000	28.01.2001 – 27.07.2003	1.38	120	(120)	-	
	28.01.2000	28.07.2001 – 27.07.2003	1.38	120	(120)	-	
	28.01.2000	28.01.2002 – 27.07.2003	1.38	120	(120)	-	
	28.01.2000	28.07.2002 – 27.07.2003	1.38	120	(120)	-	
	28.01.2000	28.01.2003 – 27.07.2003	1.38	150	(150)	-	
Mr. Nicholas Yang Wei Hsiung (resigned on 30th September, 2003)	28.01.2000	28.07.2000 – 27.07.2003	1.38	80	(80)	-	
	28.01.2000	28.01.2001 – 27.07.2003	1.38	80	(80)	-	
	28.01.2000	28.07.2001 – 27.07.2003	1.38	80	(80)	-	
	28.01.2000	28.01.2002 – 27.07.2003	1.38	80	(80)	-	
	28.01.2000	28.07.2002 – 27.07.2003	1.38	80	(80)	-	
	28.01.2000	28.01.2003 – 27.07.2003	1.38	100	(100)	-	
				19,628	(19,628)	-	
Employees	28.01.2000	28.07.2000 – 27.07.2003	1.38	684	(684)	-	
	26.05.2000	26.11.2000 – 25.11.2003	1.38	48	(48)	-	
	28.01.2000	28.01.2001 – 27.07.2003	1.38	952	(952)	-	
	26.05.2000	26.05.2001 – 25.11.2003	1.38	48	(48)	-	
	28.01.2000	28.07.2001 – 27.07.2003	1.38	952	(952)	-	
	26.05.2000	26.11.2001 – 25.11.2003	1.38	48	(48)	-	
	28.01.2000	28.01.2002 – 27.07.2003	1.38	952	(952)	-	
	26.05.2000	26.05.2002 – 25.11.2003	1.38	48	(48)	-	
	28.01.2000	28.07.2002 – 27.07.2003	1.38	952	(952)	-	
	26.05.2000	26.11.2002 – 25.11.2003	1.38	48	(48)	-	
	28.01.2000	28.01.2003 – 27.07.2003	1.38	1,190	(1,190)	-	
	26.05.2000	26.05.2003 – 25.11.2003	1.38	60	(60)	-	
					5,982	(5,982)	-
					25,610	(25,610)	-

There were no new option schemes adopted during the two years ended 31st December, 2004.

Subsidiaries

Pursuant to the Company's shareholders approval in the extraordinary general meeting held on 11th November, 2002, the share option schemes of Appeon Corporation ("Appeon") and Galactic Computing Corporation ("Galactic"), subsidiaries of the Company, became effective. Certain directors, employees and consultants of Appeon and Galactic were granted options as an incentive to them for their continuing contribution to the companies they worked for at a consideration of HK\$1.00 on acceptance of the option offer. Details of the share option schemes of the subsidiaries are set out in the Company's circular to the shareholders dated 25th October, 2002.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Appeon ("Appeon Scheme"), together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of Appeon and/or its subsidiary, must not exceed 30% of the number of the issued shares from time to time (subject to the approval of the shareholders of the Company). At the date of issue of these financial statements, the total maximum number of options available for further issue under the Appeon Scheme amounted to 770,485 (subject to approval of the shareholders of the Company) which represented 21.06% of the issued share capital of Appeon (excluding any shares issued pursuant to the Appeon Scheme) on the same date.

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2004 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			As at 31.12. 2004
				As at 1.1.2004	Cancelled during the year	Other Movements (Notes)	
Directors of the Company							
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750	-	-	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375	-	-	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375	-	-	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375	-	-	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375	-	-	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375	-	-	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375	-	-	3,375
Dr. Yung Yau (deceased on 2nd May, 2004)	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750	-	(6,750)*	-
	09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375	-	(3,375)*	-
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375	-	(3,375)*	-
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375	(3,375)	-	-
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375	(3,375)	-	-
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375	(3,375)	-	-
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375	(3,375)	-	-
				<u>54,000</u>	<u>(13,500)</u>	<u>(13,500)</u>	<u>27,000</u>

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Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			As at 31.12. 2004	
				As at 1.1.2004	Cancelled during the year	Other Movements (Notes)		
Directors of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	22,500	–	562 [#]	23,062	
	25.11.2002	01.04.2003 – 10.11.2012	2.50	22,500	–	563 [#]	23,063	
	25.11.2002	01.10.2003 – 10.11.2012	2.50	22,500	–	562 [#]	23,062	
	25.11.2002	01.04.2004 – 10.11.2012	2.50	22,500	–	563 [#]	23,063	
	25.11.2002	01.10.2004 – 10.11.2012	2.50	22,500	–	562 [#]	23,062	
	25.11.2002	01.04.2005 – 10.11.2012	2.50	22,500	–	563 [#]	23,063	
	25.11.2002	01.10.2005 – 10.11.2012	2.50	22,500	–	562 [#]	23,062	
	25.11.2002	01.04.2006 – 10.11.2012	2.50	22,500	–	563 [#]	23,063	
	02.06.2003	02.06.2003 – 10.11.2012	2.50	2,250	–	–	2,250	
	02.06.2003	01.10.2003 – 10.11.2012	2.50	1,125	–	–	1,125	
	02.06.2003	01.04.2004 – 10.11.2012	2.50	1,125	–	–	1,125	
	02.06.2003	01.10.2004 – 10.11.2012	2.50	1,125	–	–	1,125	
	02.06.2003	01.04.2005 – 10.11.2012	2.50	1,125	–	–	1,125	
	02.06.2003	01.10.2005 – 10.11.2012	2.50	1,125	–	–	1,125	
	02.06.2003	01.04.2006 – 10.11.2012	2.50	1,125	–	–	1,125	
					<u>189,000</u>	<u>–</u>	<u>4,500</u>	<u>193,500</u>
	Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	13,249	–	(562) [#]	12,687
		25.11.2002	01.04.2003 – 10.11.2012	2.50	7,626	–	(563) [#]	7,063
		25.11.2002	01.10.2003 – 10.11.2012	2.50	7,624	–	(562) [#]	7,062
25.11.2002		01.04.2004 – 10.11.2012	2.50	7,626	–	(563) [#]	7,063	
25.11.2002		01.10.2004 – 10.11.2012	2.50	7,624	–	(562) [#]	7,062	
25.11.2002		01.04.2005 – 10.11.2012	2.50	6,376	–	(563) [#]	5,813	
25.11.2002		01.10.2005 – 10.11.2012	2.50	6,374	–	(562) [#]	5,812	
25.11.2002		01.04.2006 – 10.11.2012	2.50	4,501	–	(563) [#]	3,938	
02.06.2003		02.06.2003 – 10.11.2012	2.50	750	–	–	750	
02.06.2003		01.10.2003 – 10.11.2012	2.50	375	–	–	375	
02.06.2003		01.04.2004 – 10.11.2012	2.50	375	–	–	375	
02.06.2003		01.10.2004 – 10.11.2012	2.50	375	–	–	375	
02.06.2003		01.04.2005 – 10.11.2012	2.50	375	–	–	375	
02.06.2003		01.10.2005 – 10.11.2012	2.50	375	–	–	375	
02.06.2003		01.04.2006 – 10.11.2012	2.50	375	–	–	375	
					<u>64,000</u>	<u>–</u>	<u>(4,500)</u>	<u>59,500</u>

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Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			As at 31.12.2004
				As at 1.1.2004	Cancelled during the year	Other Movements (Notes)	
Consultants of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,625	-	-	1,625
	25.11.2002	01.04.2003 – 10.11.2012	2.50	1,625	-	-	1,625
	25.11.2002	01.10.2003 – 10.11.2012	2.50	1,625	-	-	1,625
	25.11.2002	01.04.2004 – 10.11.2012	2.50	1,625	-	-	1,625
	25.11.2002	01.10.2004 – 10.11.2012	2.50	1,625	-	-	1,625
	25.11.2002	01.04.2005 – 10.11.2012	2.50	1,625	-	-	1,625
	25.11.2002	01.10.2005 – 10.11.2012	2.50	1,625	-	-	1,625
	25.11.2002	01.04.2006 – 10.11.2012	2.50	1,625	-	-	1,625
	09.06.2003	09.06.2003 – 10.11.2012	0.10	5,106	-	-	5,106
	09.06.2003	01.10.2003 – 10.11.2012	0.10	2,553	-	-	2,553
	09.06.2003	01.04.2004 – 10.11.2012	0.10	2,553	-	-	2,553
	09.06.2003	01.10.2004 – 10.11.2012	0.10	2,553	-	-	2,553
	09.06.2003	01.04.2005 – 10.11.2012	0.10	2,553	-	-	2,553
	09.06.2003	01.10.2005 – 10.11.2012	0.10	2,553	-	-	2,553
09.06.2003	01.04.2006 – 10.11.2012	0.10	2,554	-	-	2,554	
				<u>33,425</u>	<u>-</u>	<u>-</u>	<u>33,425</u>
Others	09.06.2003	03.05.2004 – 02.05.2005	2.50	-	-	6,750*	6,750
	09.06.2003	03.05.2004 – 02.05.2005	2.50	-	-	3,375*	3,375
	09.06.2003	03.05.2004 – 02.05.2005	2.50	-	-	3,375*	3,375
				<u>-</u>	<u>-</u>	<u>13,500</u>	<u>13,500</u>
				<u>340,425</u>	<u>(13,500)</u>	<u>-</u>	<u>326,925</u>

Notes:

* These options shall be managed by the executrixes of the late Dr. Yung Yau.

The movements represented the reclassification of options from the category of Employees to the category of Directors of Appeon.

No option was exercised by the grantees during the year.

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2003 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			
				As at 1.1.2003	Granted during the year	As at 31.12.2003	
Directors of the Company							
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	2.50	–	6,750	6,750	
	09.06.2003	01.10.2003 – 10.11.2012	2.50	–	3,375	3,375	
	09.06.2003	01.04.2004 – 10.11.2012	2.50	–	3,375	3,375	
	09.06.2003	01.10.2004 – 10.11.2012	2.50	–	3,375	3,375	
	09.06.2003	01.04.2005 – 10.11.2012	2.50	–	3,375	3,375	
	09.06.2003	01.10.2005 – 10.11.2012	2.50	–	3,375	3,375	
	09.06.2003	01.04.2006 – 10.11.2012	2.50	–	3,375	3,375	
Dr. Yung Yau (deceased on 2nd May, 2004)	09.06.2003	09.06.2003 – 10.11.2012	2.50	–	6,750	6,750	
	09.06.2003	01.10.2003 – 10.11.2012	2.50	–	3,375	3,375	
	09.06.2003	01.04.2004 – 10.11.2012	2.50	–	3,375	3,375	
	09.06.2003	01.10.2004 – 10.11.2012	2.50	–	3,375	3,375	
	09.06.2003	01.04.2005 – 10.11.2012	2.50	–	3,375	3,375	
	09.06.2003	01.10.2005 – 10.11.2012	2.50	–	3,375	3,375	
	09.06.2003	01.04.2006 – 10.11.2012	2.50	–	3,375	3,375	
				–	54,000	54,000	
Directors of Appeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	22,500	–	22,500	
	25.11.2002	01.04.2003 – 10.11.2012	2.50	22,500	–	22,500	
	25.11.2002	01.10.2003 – 10.11.2012	2.50	22,500	–	22,500	
	25.11.2002	01.04.2004 – 10.11.2012	2.50	22,500	–	22,500	
	25.11.2002	01.10.2004 – 10.11.2012	2.50	22,500	–	22,500	
	25.11.2002	01.04.2005 – 10.11.2012	2.50	22,500	–	22,500	
	25.11.2002	01.10.2005 – 10.11.2012	2.50	22,500	–	22,500	
	25.11.2002	01.04.2006 – 10.11.2012	2.50	22,500	–	22,500	
	02.06.2003	02.06.2003 – 10.11.2012	2.50	–	2,250	2,250	
	02.06.2003	01.10.2003 – 10.11.2012	2.50	–	1,125	1,125	
	02.06.2003	01.04.2004 – 10.11.2012	2.50	–	1,125	1,125	
	02.06.2003	01.10.2004 – 10.11.2012	2.50	–	1,125	1,125	
	02.06.2003	01.04.2005 – 10.11.2012	2.50	–	1,125	1,125	
	02.06.2003	01.10.2005 – 10.11.2012	2.50	–	1,125	1,125	
	02.06.2003	01.04.2006 – 10.11.2012	2.00	–	1,125	1,125	
					180,000	9,000	189,000

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Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options			
				As at 1.1.2003	Granted during the year	As at 31.12.2003	
Employees	25.11.2002	25.11.2002 – 10.11.2012	2.50	13,249	–	13,249	
	25.11.2002	01.04.2003 – 10.11.2012	2.50	7,626	–	7,626	
	25.11.2002	01.10.2003 – 10.11.2012	2.50	7,624	–	7,624	
	25.11.2002	01.04.2004 – 10.11.2012	2.50	7,626	–	7,626	
	25.11.2002	01.10.2004 – 10.11.2012	2.50	7,624	–	7,624	
	25.11.2002	01.04.2005 – 10.11.2012	2.50	6,376	–	6,376	
	25.11.2002	01.10.2005 – 10.11.2012	2.50	6,374	–	6,374	
	25.11.2002	01.04.2006 – 10.11.2012	2.50	4,501	–	4,501	
	02.06.2003	02.06.2003 – 10.11.2012	2.50	–	750	750	
	02.06.2003	01.10.2003 – 10.11.2012	2.50	–	375	375	
	02.06.2003	01.04.2004 – 10.11.2012	2.50	–	375	375	
	02.06.2003	01.10.2004 – 10.11.2012	2.50	–	375	375	
	02.06.2003	01.04.2005 – 10.11.2012	2.50	–	375	375	
	02.06.2003	01.10.2005 – 10.11.2012	2.50	–	375	375	
	02.06.2003	01.04.2006 – 10.11.2012	2.50	–	375	375	
					<u>61,000</u>	<u>3,000</u>	<u>64,000</u>
	Consultants of Apeon	25.11.2002	25.11.2002 – 10.11.2012	2.50	1,625	–	1,625
		25.11.2002	01.04.2003 – 10.11.2012	2.50	1,625	–	1,625
		25.11.2002	01.10.2003 – 10.11.2012	2.50	1,625	–	1,625
		25.11.2002	01.04.2004 – 10.11.2012	2.50	1,625	–	1,625
25.11.2002		01.10.2004 – 10.11.2012	2.50	1,625	–	1,625	
25.11.2002		01.04.2005 – 10.11.2012	2.50	1,625	–	1,625	
25.11.2002		01.10.2005 – 10.11.2012	2.50	1,625	–	1,625	
25.11.2002		01.04.2006 – 10.11.2012	2.50	1,625	–	1,625	
09.06.2003		09.06.2003 – 10.11.2012	0.10	–	5,106	5,106	
09.06.2003		01.10.2003 – 10.11.2012	0.10	–	2,553	2,553	
09.06.2003		01.04.2004 – 10.11.2012	0.10	–	2,553	2,553	
09.06.2003		01.10.2004 – 10.11.2012	0.10	–	2,553	2,553	
09.06.2003		01.04.2005 – 10.11.2012	0.10	–	2,553	2,553	
09.06.2003		01.10.2005 – 10.11.2012	0.10	–	2,553	2,553	
09.06.2003		01.04.2006 – 10.11.2012	0.10	–	2,554	2,554	
					<u>13,000</u>	<u>20,425</u>	<u>33,425</u>
					<u>254,000</u>	<u>86,425</u>	<u>340,425</u>

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Galactic ("Galactic Scheme"), together with all outstanding options granted and yet to be exercised under other share option scheme(s) of Galactic and/or its subsidiary, must not exceed 30% of the number of issued shares from time to time (subject to the approval of the shareholders of the Company). At the date of issue of these financial statements, the total number of options available for issue under the Galactic Scheme amounted to 1,609,911 (subject to the approval of the shareholders of the Company) which represented 15.48% of the issued share capital of Galactic (excluding any shares issued pursuant to the Galactic Scheme) on the same date.

Movements in the share options to subscribe for shares in Galactic for the year ended 31st December, 2004 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options				As at 31.12.2004 (Notes)
				As at 1.1.2004	Granted during the year	Cancelled during the year	Other movements	
Directors of the Company								
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000	-	-	-	25,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000	-	-	-	25,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000	-	-	-	25,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000	-	-	-	25,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000	-	-	-	25,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000	-	-	-	25,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000	-	-	-	25,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000	-	-	-	25,000
Dr. Yung Yau (deceased on 2nd May, 2004)	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000	-	-	(25,000)*	-
	09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000	-	-	(25,000)*	-
	09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000	-	(25,000)	-	-
	09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000	-	(25,000)	-	-
	09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000	-	(25,000)	-	-
	09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000	-	(25,000)	-	-
	09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000	-	(25,000)	-	-
	09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000	-	(25,000)	-	-
				400,000	-	(150,000)	(50,000)	200,000
Directors of Galactic								
	25.11.2002	01.06.2003 – 10.11.2012	0.45	16,250	-	-	12,500 #	28,750
	25.11.2002	01.12.2003 – 10.11.2012	0.45	16,250	-	-	12,500 #	28,750
	25.11.2002	01.06.2004 – 10.11.2012	0.45	16,250	-	-	12,500 #	28,750
	25.11.2002	01.12.2004 – 10.11.2012	0.45	16,250	-	-	12,500 #	28,750
	25.11.2002	01.06.2005 – 10.11.2012	0.45	16,250	-	-	12,500 #	28,750
	25.11.2002	01.12.2005 – 10.11.2012	0.45	16,250	-	-	12,500 #	28,750
	25.11.2002	01.06.2006 – 10.11.2012	0.45	16,250	-	-	12,500 #	28,750
	25.11.2002	01.12.2006 – 10.11.2012	0.45	16,250	-	-	12,500 #	28,750
	09.06.2003	09.06.2003 – 10.11.2012	0.45	41,250	-	-	6,250 #	47,500
	09.06.2003	01.12.2003 – 10.11.2012	0.45	41,250	-	-	6,250 #	47,500
	09.06.2003	01.06.2004 – 10.11.2012	0.45	41,250	-	-	6,250 #	47,500
	09.06.2003	01.12.2004 – 10.11.2012	0.45	41,250	-	-	6,250 #	47,500
	09.06.2003	01.06.2005 – 10.11.2012	0.45	41,250	-	-	6,250 #	47,500
	09.06.2003	01.12.2005 – 10.11.2012	0.45	41,250	-	-	6,250 #	47,500
	09.06.2003	01.06.2006 – 10.11.2012	0.45	41,250	-	-	6,250 #	47,500
	09.06.2003	01.12.2006 – 10.11.2012	0.45	41,250	-	-	6,250 #	47,500
				460,000	-	-	150,000	610,000

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Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options				
				As at 1.1.2004	Granted during the year	Cancelled during the year	Other movements (Notes)	As at 31.12.2004
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	12,500	-	-	(6,250) [†]	6,250
	25.11.2002	01.12.2003 – 10.11.2012	0.45	12,500	-	-	(6,250) [†]	6,250
	25.11.2002	01.06.2004 – 10.11.2012	0.45	12,500	-	-	(6,250) [†]	6,250
	25.11.2002	01.12.2004 – 10.11.2012	0.45	12,500	-	-	(6,250) [†]	6,250
	25.11.2002	01.06.2005 – 10.11.2012	0.45	12,500	-	-	(6,250) [†]	6,250
	25.11.2002	01.12.2005 – 10.11.2012	0.45	12,500	-	-	(6,250) [†]	6,250
	25.11.2002	01.06.2006 – 10.11.2012	0.45	12,500	-	-	(6,250) [†]	6,250
	25.11.2002	01.12.2006 – 10.11.2012	0.45	12,500	-	-	(6,250) [†]	6,250
	01.06.2004	01.06.2004 – 10.11.2012	0.45	-	18,750	-	-	18,750
	01.06.2004	01.01.2005 – 10.11.2012	0.45	-	18,750	-	-	18,750
	01.06.2004	01.03.2005 – 10.11.2012	0.45	-	25,000	-	-	25,000
	01.06.2004	01.07.2005 – 10.11.2012	0.45	-	18,750	-	-	18,750
	01.06.2004	01.01.2006 – 10.11.2012	0.45	-	18,750	-	-	18,750
	01.06.2004	01.03.2006 – 10.11.2012	0.45	-	25,000	-	-	25,000
	01.06.2004	01.07.2006 – 10.11.2012	0.45	-	18,750	-	-	18,750
	01.06.2004	01.01.2007 – 10.11.2012	0.45	-	18,750	-	-	18,750
	01.06.2004	01.03.2007 – 10.11.2012	0.45	-	25,000	-	-	25,000
	01.06.2004	01.07.2007 – 10.11.2012	0.45	-	18,750	-	-	18,750
	01.06.2004	01.01.2008 – 10.11.2012	0.45	-	18,750	-	-	18,750
	01.06.2004	01.03.2008 – 10.11.2012	0.45	-	25,000	-	-	25,000
				<u>100,000</u>	<u>250,000</u>	<u>-</u>	<u>(50,000)</u>	<u>300,000</u>
Consultants of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	37,500	-	-	(6,250) [†]	31,250
	25.11.2002	01.12.2003 – 10.11.2012	0.45	37,500	-	-	(6,250) [†]	31,250
	25.11.2002	01.06.2004 – 10.11.2012	0.45	37,500	-	-	(6,250) [†]	31,250
	25.11.2002	01.12.2004 – 10.11.2012	0.45	37,500	-	-	(6,250) [†]	31,250
	25.11.2002	01.06.2005 – 10.11.2012	0.45	37,500	-	-	(6,250) [†]	31,250
	25.11.2002	01.12.2005 – 10.11.2012	0.45	37,500	-	-	(6,250) [†]	31,250
	25.11.2002	01.06.2006 – 10.11.2012	0.45	37,500	-	-	(6,250) [†]	31,250
	25.11.2002	01.12.2006 – 10.11.2012	0.45	37,500	-	-	(6,250) [†]	31,250
	28.01.2003	01.08.2003 – 10.11.2012	0.45	6,250	-	(6,250)	-	-
	28.01.2003	01.02.2004 – 10.11.2012	0.45	6,250	-	(6,250)	-	-
	28.01.2003	01.08.2004 – 10.11.2012	0.45	6,250	-	(6,250)	-	-
	28.01.2003	01.02.2005 – 10.11.2012	0.45	6,250	-	(6,250)	-	-
	28.01.2003	01.08.2005 – 10.11.2012	0.45	6,250	-	(6,250)	-	-
	28.01.2003	01.02.2006 – 10.11.2012	0.45	6,250	-	(6,250)	-	-
	28.01.2003	01.08.2006 – 10.11.2012	0.45	6,250	-	(6,250)	-	-
	28.01.2003	01.02.2007 – 10.11.2012	0.45	6,250	-	(6,250)	-	-

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Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options				
				As at 1.1.2004	Granted during the year	Cancelled during the year	Other movements (Notes)	As at 31.12.2004
	09.06.2003	09.06.2003 – 10.11.2012	0.45	6,250	-	-	(6,250) [#]	-
	09.06.2003	01.08.2003 – 10.11.2012	0.45	6,250	-	(6,250)	-	-
	09.06.2003	01.12.2003 – 10.11.2012	0.45	6,250	-	-	(6,250) [#]	-
	09.06.2003	01.02.2004 – 10.11.2012	0.45	6,250	-	(6,250)	-	-
	09.06.2003	01.06.2004 – 10.11.2012	0.45	6,250	-	-	(6,250) [#]	-
	09.06.2003	01.08.2004 – 10.11.2012	0.45	6,250	-	(6,250)	-	-
	09.06.2003	01.12.2004 – 10.11.2012	0.45	6,250	-	-	(6,250) [#]	-
	09.06.2003	01.02.2005 – 10.11.2012	0.45	6,250	-	(6,250)	-	-
	09.06.2003	01.06.2005 – 10.11.2012	0.45	6,250	-	-	(6,250) [#]	-
	09.06.2003	01.08.2005 – 10.11.2012	0.45	6,250	-	(6,250)	-	-
	09.06.2003	01.12.2005 – 10.11.2012	0.45	6,250	-	-	(6,250) [#]	-
	09.06.2003	01.02.2006 – 10.11.2012	0.45	6,250	-	(6,250)	-	-
	09.06.2003	01.06.2006 – 10.11.2012	0.45	6,250	-	-	(6,250) [#]	-
	09.06.2003	01.08.2006 – 10.11.2012	0.45	6,250	-	(6,250)	-	-
	09.06.2003	01.12.2006 – 10.11.2012	0.45	6,250	-	-	(6,250) [#]	-
	09.06.2003	01.02.2007 – 10.11.2012	0.45	6,250	-	(6,250)	-	-
	01.06.2004	01.06.2004 – 10.11.2012	0.45	-	50,000	(50,000)	-	-
	01.06.2004	01.01.2005 – 10.11.2012	0.45	-	25,000	(25,000)	-	-
	01.06.2004	01.07.2005 – 10.11.2012	0.45	-	25,000	(25,000)	-	-
	01.06.2004	01.01.2006 – 10.11.2012	0.45	-	25,000	(25,000)	-	-
	01.06.2004	01.07.2006 – 10.11.2012	0.45	-	25,000	(25,000)	-	-
	01.06.2004	01.01.2007 – 10.11.2012	0.45	-	25,000	(25,000)	-	-
	01.06.2004	01.07.2007 – 10.11.2012	0.45	-	25,000	(25,000)	-	-
	23.09.2004	23.09.2004 – 10.11.2012	0.45	-	100,000	-	-	100,000
				<u>450,000</u>	<u>300,000</u>	<u>(300,000)</u>	<u>(100,000)</u>	<u>350,000</u>
Others	09.06.2003	03.05.2004 – 02.05.2005	0.45	-	-	-	25,000 [*]	25,000
	09.06.2003	03.05.2004 – 02.05.2005	0.45	-	-	-	25,000 [*]	25,000
				<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
				<u>1,410,000</u>	<u>550,000</u>	<u>(450,000)</u>	<u>-</u>	<u>1,510,000</u>

Notes:

* These options shall be managed by the executrixes of the late Dr. Yung Yau.

The movements represented the reclassification of options from the category of Employees and Consultants to the category of Directors of Galactic.

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No option was exercised by the grantees during the year.

Movements in the share options to subscribe for shares in Galactic for the year ended 31st December, 2003 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options		
				As at 1.1.2003	Granted during the year	As at 31.12.2003
Directors of the Company						
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	0.45	–	25,000	25,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	–	25,000	25,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	–	25,000	25,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	–	25,000	25,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	–	25,000	25,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	–	25,000	25,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	–	25,000	25,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	–	25,000	25,000
Dr. Yung Yau (deceased on 2nd May, 2004)	09.06.2003	09.06.2003 – 10.11.2012	0.45	–	25,000	25,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	–	25,000	25,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	–	25,000	25,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	–	25,000	25,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	–	25,000	25,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	–	25,000	25,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	–	25,000	25,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	–	25,000	25,000
				–	400,000	400,000
Directors of Galactics						
	25.11.2002	01.06.2003 – 10.11.2012	0.45	16,250	–	16,250
	25.11.2002	01.12.2003 – 10.11.2012	0.45	16,250	–	16,250
	25.11.2002	01.06.2004 – 10.11.2012	0.45	16,250	–	16,250
	25.11.2002	01.12.2004 – 10.11.2012	0.45	16,250	–	16,250
	25.11.2002	01.06.2005 – 10.11.2012	0.45	16,250	–	16,250
	25.11.2002	01.12.2005 – 10.11.2012	0.45	16,250	–	16,250
	25.11.2002	01.06.2006 – 10.11.2012	0.45	16,250	–	16,250
	25.11.2002	01.12.2006 – 10.11.2012	0.45	16,250	–	16,250
	09.06.2003	09.06.2003 – 10.11.2012	0.45	–	41,250	41,250
	09.06.2003	01.12.2003 – 10.11.2012	0.45	–	41,250	41,250
	09.06.2003	01.06.2004 – 10.11.2012	0.45	–	41,250	41,250
	09.06.2003	01.12.2004 – 10.11.2012	0.45	–	41,250	41,250
	09.06.2003	01.06.2005 – 10.11.2012	0.45	–	41,250	41,250
	09.06.2003	01.12.2005 – 10.11.2012	0.45	–	41,250	41,250
	09.06.2003	01.06.2006 – 10.11.2012	0.45	–	41,250	41,250
	09.06.2003	01.12.2006 – 10.11.2012	0.45	–	41,250	41,250
				130,000	330,000	460,000

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Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options		
				As at 1.1.2003	Granted during the year	As at 31.12.2003
Employees	25.11.2002	01.06.2003 – 10.11.2012	0.45	12,500	–	12,500
	25.11.2002	01.12.2003 – 10.11.2012	0.45	12,500	–	12,500
	25.11.2002	01.06.2004 – 10.11.2012	0.45	12,500	–	12,500
	25.11.2002	01.12.2004 – 10.11.2012	0.45	12,500	–	12,500
	25.11.2002	01.06.2005 – 10.11.2012	0.45	12,500	–	12,500
	25.11.2002	01.12.2005 – 10.11.2012	0.45	12,500	–	12,500
	25.11.2002	01.06.2006 – 10.11.2012	0.45	12,500	–	12,500
	25.11.2002	01.12.2006 – 10.11.2012	0.45	12,500	–	12,500
				<u>100,000</u>	<u>–</u>	<u>100,000</u>
Consultants of Galactic	25.11.2002	01.06.2003 – 10.11.2012	0.45	37,500	–	37,500
	25.11.2002	01.12.2003 – 10.11.2012	0.45	37,500	–	37,500
	25.11.2002	01.06.2004 – 10.11.2012	0.45	37,500	–	37,500
	25.11.2002	01.12.2004 – 10.11.2012	0.45	37,500	–	37,500
	25.11.2002	01.06.2005 – 10.11.2012	0.45	37,500	–	37,500
	25.11.2002	01.12.2005 – 10.11.2012	0.45	37,500	–	37,500
	25.11.2002	01.06.2006 – 10.11.2012	0.45	37,500	–	37,500
	25.11.2002	01.12.2006 – 10.11.2012	0.45	37,500	–	37,500
	28.01.2003	01.08.2003 – 10.11.2012	0.45	–	6,250	6,250
	28.01.2003	01.02.2004 – 10.11.2012	0.45	–	6,250	6,250
	28.01.2003	01.08.2004 – 10.11.2012	0.45	–	6,250	6,250
	28.01.2003	01.02.2005 – 10.11.2012	0.45	–	6,250	6,250
	28.01.2003	01.08.2005 – 10.11.2012	0.45	–	6,250	6,250
	28.01.2003	01.02.2006 – 10.11.2012	0.45	–	6,250	6,250
	28.01.2003	01.08.2006 – 10.11.2012	0.45	–	6,250	6,250
	28.01.2003	01.02.2007 – 10.11.2012	0.45	–	6,250	6,250
	09.06.2003	01.08.2003 – 10.11.2012	0.45	–	6,250	6,250
	09.06.2003	01.02.2004 – 10.11.2012	0.45	–	6,250	6,250
	09.06.2003	01.08.2004 – 10.11.2012	0.45	–	6,250	6,250
	09.06.2003	01.02.2005 – 10.11.2012	0.45	–	6,250	6,250
	09.06.2003	01.08.2005 – 10.11.2012	0.45	–	6,250	6,250
	09.06.2003	01.02.2006 – 10.11.2012	0.45	–	6,250	6,250
	09.06.2003	01.08.2006 – 10.11.2012	0.45	–	6,250	6,250
	09.06.2003	01.02.2007 – 10.11.2012	0.45	–	6,250	6,250
	09.06.2003	09.06.2003 – 10.11.2012	0.45	–	6,250	6,250
	09.06.2003	01.12.2003 – 10.11.2012	0.45	–	6,250	6,250
	09.06.2003	01.06.2004 – 10.11.2012	0.45	–	6,250	6,250
	09.06.2003	01.12.2004 – 10.11.2012	0.45	–	6,250	6,250
	09.06.2003	01.06.2005 – 10.11.2012	0.45	–	6,250	6,250
	09.06.2003	01.12.2005 – 10.11.2012	0.45	–	6,250	6,250
	09.06.2003	01.06.2006 – 10.11.2012	0.45	–	6,250	6,250
	09.06.2003	01.12.2006 – 10.11.2012	0.45	–	6,250	6,250
				<u>300,000</u>	<u>150,000</u>	<u>450,000</u>
				<u>530,000</u>	<u>880,000</u>	<u>1,410,000</u>

The Company considers that it is not appropriate to state the value of the share options granted during the period because generally accepted pricing models of options normally value options which were transferable (share options granted by the subsidiaries were strictly non-transferable). Besides, some parameters under the generally accepted pricing model could only be derived from historical statistical data. Owing to the reasons set out above, the Company considers that any calculation of the value of the subsidiaries' share options would not be meaningful and would be misleading to the shareholders.

The total consideration received during the year from grantees for taking up the options granted is amounted to Nil (2003: HK\$4) for options granted under Appeon Scheme and HK\$3 (2003: HK\$7) granted under Galactic Scheme.

33. SHARE PREMIUM AND RESERVES

Details of the movements on the Group's share premium and reserves are set out in the consolidated statement of changes in equity on page 19.

The retained profits of the Group include HK\$126,157,000 (2003: HK\$100,215,000) retained by associates of the Group.

Details of the movements in the Company's reserves are as follows:

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY						
At 1st January, 2003	529,289	9,234	43,253	4,444	1,114,043	1,700,263
Revaluation decrease	-	(1,500)	-	-	-	(1,500)
Net profit for the year	-	-	-	-	1,211	1,211
Overprovision of dividend due to shares repurchased	-	-	-	(9)	9	-
Interim dividend declared	-	-	-	13,302	(13,302)	-
Dividends paid	-	-	-	(17,737)	-	(17,737)
Final dividend proposed	-	-	-	31,038	(31,038)	-
Shares repurchased	-	-	504	-	(1,008)	(504)
At 31st December, 2003	529,289	7,734	43,757	31,038	1,069,915	1,681,733
Net loss for the year	-	-	-	-	(73,459)	(73,459)
New shares issued as scrip dividend	4,200	-	-	(6,508)	-	(2,308)
Interim dividend declared	-	-	-	13,298	(13,298)	-
Dividends paid	-	-	-	(37,828)	-	(37,828)
Final dividend proposed	-	-	-	31,352	(31,352)	-
Shares repurchased	-	-	65	-	(246)	(181)
At 31st December, 2004	<u>533,489</u>	<u>7,734</u>	<u>43,822</u>	<u>31,352</u>	<u>951,560</u>	<u>1,567,957</u>

The Company's reserves available for distribution to shareholders are as follows:

	2004 HK\$'000	2003 HK\$'000
Dividend reserve	31,352	31,038
Retained profits	<u>951,560</u>	<u>1,069,915</u>
	<u>982,912</u>	<u>1,100,953</u>

34. LOANS FROM MINORITY SHAREHOLDERS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Interest-bearing (<i>Note a</i>)	–	293,609
Non-interest-bearing (<i>Note b</i>)	9,210	9,193
	<u>9,210</u>	<u>302,802</u>

Notes:

- (a) The amounts as at 31st December, 2003 were unsecured, subject to interest at 5.76% per annum and were repayable after the settlement of all operating expenses, interest on loans and tax liabilities of the subsidiary. The subsidiary carried the loan was disposed of during the year.
- (b) The amount is unsecured and repayable on 8th March, 2028.

35. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

THE GROUP

	Accelerated tax depreciation	Amortisation on intangible assets	Allowance on trade receivables	Allowance on inventories	Revaluation of properties	Others	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2003	3,018	2,982	(507)	–	173	7	(66)	5,607
Effect on change in tax rate charge (credit) to income statement	85	–	(47)	–	–	–	–	38
(Credit) charge to income statement for the year	(919)	1,629	43	(29)	–	(4)	(1,885)	(1,165)
Charge to equity	–	–	–	–	915	–	–	915
At 31st December, 2003	2,184	4,611	(511)	(29)	1,088	3	(1,951)	5,395
Charge to income statement for the year	657	2,060	15	8	–	99	331	3,170
Credit to equity	–	–	–	–	(249)	–	–	(249)
At 31st December, 2004	<u>2,841</u>	<u>6,671</u>	<u>(496)</u>	<u>(21)</u>	<u>839</u>	<u>102</u>	<u>(1,620)</u>	<u>8,316</u>

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Represented by:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Deferred tax liabilities	11,274	8,324
Deferred tax assets	<u>(2,958)</u>	<u>(2,929)</u>
	<u><u>8,316</u></u>	<u><u>5,395</u></u>

At the balance sheet date, the Group's unused tax losses available for offset against future profits, not recognised as deferred tax assets, are analysed as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
2004	N/A	25,565
2005	17,086	73,874
2006	67,902	120,750
2007	22,184	12,701
2008	25,359	46,129
2009	52,422	2,802
2010	8,093	8,093
2011	15,256	15,256
2012	37,870	37,870
2013	5,519	5,519
2014	9,690	–
2018	22,376	22,376
2019	63,782	63,782
2020	20,101	20,101
2021	7,481	7,481
2022	4,230	4,230
2024	9,970	–
Carried forward indefinitely	<u>104,011</u>	<u>126,635</u>
	<u><u>493,332</u></u>	<u><u>593,164</u></u>

No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The tax losses of the subsidiaries in Hong Kong may carry forward indefinitely. The tax losses of the subsidiaries in the PRC and the U.S.A. may be carried forward five years and twenty years respectively from the financial year when the corresponding loss was incurred.

THE COMPANY

	Accelerated tax depreciation <i>HK\$'000</i>	Amortisation of intangible assets <i>HK\$'000</i>	Allowance on trade receivables <i>HK\$'000</i>	Allowance on inventories <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2003	910	-	(508)	-	402
Effect of change in tax rate charge (credit) to income statement	85	-	(47)	-	38
Charge (credit) to income for the year	<u>52</u>	<u>(47)</u>	<u>43</u>	<u>(29)</u>	<u>19</u>
At 31st December, 2003	1,047	(47)	(512)	(29)	459
Credit (charge) to income for the year	<u>(251)</u>	<u>(22)</u>	<u>16</u>	<u>8</u>	<u>(249)</u>
At 31st December, 2004	<u><u>796</u></u>	<u><u>(69)</u></u>	<u><u>(496)</u></u>	<u><u>(21)</u></u>	<u><u>210</u></u>

For the purposes of balance sheet presentation, the deferred tax assets and liabilities have been offset as they are related to income taxes levied by the same tax authority.

36. MAJOR NON-CASH TRANSACTIONS

- (a) During the year, trade receivable from a customer amounting to approximately HK\$585,000 (2003: HK\$4,046,000) was used to settle the purchase consideration of unlisted debt securities issued by the customer.
- (b) Included in the other operating income is interest income from associates, loans receivable and other debtors amounting to approximately HK\$6,710,000 (2003: HK\$6,358,000), HK\$4,152,000 (2003: nil) and HK\$842,000 (2003: nil) had not yet been settled.
- (c) Proceeds on disposal of property, plant and equipment of approximately HK\$200,000 had not yet been settled at 31st December, 2004.
- (d) At 31st December, 2003, the purchase of taxi licence of approximately HK\$2,723,000 included in tangible assets had not yet been settled. The amount was settled during the year ended 31st December, 2004 at HK\$2,618,000 after adjusting for the exchange difference.
- (e) In addition to above, at 31st December, 2003, the following balances had not yet been settled:
 - (i) the consideration for partial disposal of interest in a subsidiary of approximately HK\$214,000; and
 - (ii) the interest expenses payable to minority shareholders of approximately HK\$17,364,000.

37. PLEDGE OF ASSETS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
The pledged bank and other deposits comprise:		
Bank deposits to secure banking facilities granted to a subsidiary of the Company	-	8,428
Other deposits to secure general investment facilities granted to a subsidiary of the Company	-	903
	<u>-</u>	<u>9,331</u>

In addition to above, certain of the Group's investment properties with an aggregate book value of approximately HK\$249,042,000 (2003: HK\$234,007,000) were pledged as securities for credit facilities obtained from bankers. As at the balance sheet date, the amount of bank loans and other loan facilities utilised was approximately HK\$122,619,000 (2003: HK\$65,160,000).

38. CONTINGENT LIABILITIES

As at the balance sheet date, the Group had the following contingent liabilities not provided for in the financial statements:

	2004 HK\$'000	2003 HK\$'000
Shipping and other guarantees granted to an associate	<u>29,092</u>	<u>22,400</u>

The Company, together with certain of its subsidiaries, issued cross guarantees to bankers as part of the security for credit facilities granted to the Company and its subsidiaries.

In addition to above, the Company has issued guarantee of HK\$6,692,000 (2003: Nil) to a supplier of an associate to secure the repayment of trade debts due by the associate to the supplier.

39. POST BALANCE SHEET EVENTS

- (a) Pursuant to an acquisition agreement dated 7th January, 2005, Allright Investments Limited, an indirect wholly-owned subsidiary of the Company, agreed to acquire 20% of equity interest in Yue Tian Development Limited ("Yue Tian") from the Poly Tianyu (Guangzhou) Limited, with a cash consideration of HK\$3,814,400. The Group has also committed to inject shareholder's loan of HK\$60,000,000 to Yue Tian. Details of this transaction are set out in the circular to the shareholders of the Company dated 25th January, 2005.
- (b) On 27th January, 2005, Sybond Venture Limited ("Sybond"), a wholly-owned subsidiary of the Company, entered into two agreements for acquisition of shares of Appeon, a non wholly-owned subsidiary of Sybond, from Mr Gao Yang and Mr. Zheng John Shi (who resigned on 27th January, 2005 as the director of Appeon), both were the directors and the shareholders of Appeon. Upon completion of the agreements, the percentage shareholding of Sybond in Appeon will increase from 77.28% to 91.97%. Details of these transactions are set out in the announcement of the Company dated 31st January, 2005.

40. CAPITAL COMMITMENTS

As at the balance sheet date, the Group and the Company had commitments as follows:

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracted for but not provided in the financial statements:				
Establishment of a joint venture to develop manufacturing facilities in the PRC	3,899	3,943	-	-
Additions to property, plant and equipment	2,772	555	336	-
	<u>6,671</u>	<u>4,498</u>	<u>336</u>	<u>-</u>

41. OPERATING LEASE COMMITMENTS

The Group/Company as lessee

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises during the year	<u>3,556</u>	<u>703</u>	<u>1,316</u>	<u>1,264</u>

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	4,214	3,188	1,200	1,200
In the second to fifth year inclusive	<u>4,152</u>	<u>5,915</u>	<u>3,300</u>	<u>4,500</u>
	<u>8,366</u>	<u>9,103</u>	<u>4,500</u>	<u>5,700</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for period ranging from one to five years and rentals are fixed over the contracted period.

The Group/Company as lessor

Property rental income earned during the year was approximately HK\$60,653,000 (2003: HK\$58,663,000). The investment properties of the Group are expected to generate average gross rental yields of 10% on an ongoing basis. All of the investment properties held have committed tenants ranging from one to nine years.

At the balance sheet date, the Group and the Company had contracted with tenants for the following future minimum lease payments:

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	57,940	54,641	4,768	2,973
In the second to fifth year inclusive	180,213	167,898	2,272	975
Over five years	63,089	97,420	-	-
	<u>301,242</u>	<u>319,959</u>	<u>7,040</u>	<u>3,948</u>

42. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties.

	Notes	Minority shareholders		Associates		Related company	
		2004	2003	2004	2003	2004	2003
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Purchases from	(a)	21,612	54,466	-	-	-	-
Interest paid to	(b)	10,622	17,881	-	-	-	-
Commission received from	(c)	415	923	-	-	-	-
Interest received from	(b)	-	-	6,710	6,358	-	-
Commission paid to	(d)	-	-	338	142	30	64

Notes:

- The transactions were carried out at cost plus a percentage profit mark-up.
- The transactions were based on interest rates agreed by the parties concerned.
- The transactions were based on an agreed rate charged on trading of goods.
- The transactions were based on a fixed rate charged on the value of trading of securities on an agreed amount for the commission paid to a related company and on the provision of property leasing management services for commission paid to associates. The commission for trading of securities was paid to a company in which one of the independent non-executive Directors of the Group had a beneficial interest.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
Appeon Corporation	British Virgin Islands	Ordinary	3,658,032 shares of US\$0.01 each	-	77.28%	Investment holding
Dong Wen Investments Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	-	Investment holding
Extra-Fund Investment Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	-	Securities trading
Fast-Gain Overseas Limited	British Virgin Islands	Ordinary	1 share of US\$1	-	100%	Property investment
Full Revenue Inc.	Samoa	Ordinary	1 share of US\$1	100%	-	Investment holding
Galactic Computing Corporation	British Virgin Islands	Ordinary	10,399,702 shares of US\$0.01 each	-	100%	Investment holding
Guangdong Macro Cables Co., Ltd.	PRC (Note a)	Paid up capital	US\$20,960,000	-	98%	Manufacturing and trading of cables and electrical wires
Guangzhou SMC Car Rental Company Limited	PRC (Note a)	Paid up capital	HK\$15,000,000	-	95%	Taxi operations
Kinder Limited	Samoa	Ordinary	1 share of US\$1	-	100%	Investment holding
Kirton Corporation	Samoa	Ordinary	1 share of US\$1	-	100%	Property investment
Quanta Global Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	-	Trading of electric fans
Quickjay Management Limited	British Virgin Islands	Ordinary	50,000 shares of US\$1 each	100%	-	Investment holding
Shell Electric Mfg. (China) Company Limited	British Virgin Islands	Ordinary	100 shares of US\$10 each	100%	-	Trading of electric fans
Shell Electric Mfg. (China) Sdn. Bhd.	Malaysia	Ordinary	2 shares of RM1 each	100%	-	Trading of electric fans
Shell Electric Mfg. (China) Company Limited	Samoa	Ordinary	1 share of US\$1	100%	-	Trading of electric fans

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Name of subsidiary	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
Shunde Hua Feng Stainless Steel Welded Tubes Limited	PRC (Note a)	Paid up capital	US\$6,792,000	-	90.1%	Manufacturing and trading of welded tubes
佛山市順德區規華多媒體制品有限公司	PRC (Note b)	Paid up capital	US\$10,003,300	-	100%	Manufacturing and trading of electrical appliances
SMC Cable Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	-	Investment holding
SMC Development Corp.	USA	Ordinary	1,000 Shares of US\$10 each	-	100%	Property development
SMC Home Products Corp.	Canada	Ordinary	2,100,100 shares of CAN\$1 each	100%	-	Property investment
SMC Investments Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	-	Property investment
SMC Marketing Corp.	USA	Ordinary	10,000 shares of US\$1,021 each	100%	-	Marketing of the Group's products
SMC Microtronic Company Limited	Hong Kong	Ordinary	10,000 shares of HK\$1 each	100%	-	Provision of management services
SMC Multi-Media Products Company Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	-	Trading of electrical appliances
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	-	100%	Design, management and trading of electrical appliances
SMC Property Investment Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	-	Investment holding
SMC Steel Pipes Limited	British Virgin Islands	Ordinary	1 share of US\$1	100%	-	Investment holding
Speed Power Limited	Hong Kong	Ordinary	2 shares of HK\$1 each	100%	-	Trading of electric fans
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US\$1	100%	-	Investment holding
Vineyard Management Company	USA	Ordinary	1,000 shares of US\$10 each	-	100%	Property investment

Name of subsidiary	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
業盈置業(深圳)有限公司	PRC (Note b)	Paid up capital	HK\$10,000,000	-	100%	Property investment
正陽軟件(深圳)有限公司	PRC (Note b)	Paid up capital	HK\$9,000,000	-	77.28%	Computer software development
Galactic Computing (Shenzhen) Limited	PRC (Note b)	Paid up capital	HK\$3,000,000	-	100%	Computer software and hardware development

Notes:

- (a) The Companies are incorporated in the PRC as cooperative or equity joint ventures.
- (b) The Companies are incorporated in the PRC as wholly foreign owned enterprises.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. A complete list of all the subsidiaries of the Group will be annexed to the next annual return of the Company.

None of the subsidiaries had any debt securities outstanding during the year.

44. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associated company	Place/country of incorporation/operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
MDCL-Frontline (China) Limited	British Virgin Islands	Ordinary	65,269,561 shares of HK\$1 each	-	24.65%	Trading of computer equipment and provision of computer software support services
China Dynasty Development Ltd.	British Virgin Islands	Ordinary	1,000 shares of US\$1 each	-	40%	Property investment
Hong Kong Construction SMC Development Limited	Hong Kong	Ordinary	10,000,000 shares of HK\$1 each	-	20%	Investment holding
Kumagai SMC Development (Guangzhou) Ltd.	PRC	Paid up capital	US\$59,000,000	-	20%	Property development

2. WORKING CAPITAL

The Directors are of the opinion that taking into account the existing cash and bank balances and the available un-utilised credit facilities, the Group will have sufficient working capital for its present requirements.

3. STATEMENT OF INDEBTEDNESS

3.1 The Group

As at the close of business on 30th April, 2005, being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this indebtedness statement, the Group had an aggregate outstanding borrowings of approximately HK\$515,808,000, of which approximately HK\$120,966,000 was secured by charges upon certain investment properties of the Group and the remaining balance of HK\$394,842,000 was unsecured. The borrowings comprised bank borrowings of approximately HK\$506,268,000; loans from minority shareholders of approximately HK\$9,236,000; amounts due to associates of HK\$227,000 and amount due to an investee of HK\$77,000.

At the close of business on 30th April, 2005, the Group had contingent liabilities of approximately HK\$29,092,000, being the guarantee given to a bank for banking facilities granted to an associate amounting to HK\$22,400,000 and the guarantee given to a supplier of an associate to secure the repayment of trade debts due by the associate to the supplier at maximum amount of HK\$6,692,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 30th April, 2005 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

For the purpose of the above indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing at the close of business of 30th April, 2005.

3.2 Tigerlily and its subsidiaries

At the close of business on 30th April, 2005, being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this indebtedness statement, Tigerlily and its subsidiaries had aggregate outstanding unsecured bank borrowings of approximately HK\$146,226,000.

At the close of business on 30th April, 2005, Tigerlily and its subsidiaries had contingent liabilities of approximately HK\$864,132,000, being guarantee given to banks for banking facilities granted to jointly controlled entities of HK\$76,396,000; guarantee given to banks for mortgage bank loans granted to the purchasers of the properties of HK\$740,566,000 and guarantee given to banks for credit facilities granted to independent third parties of HK\$47,170,000. In addition, the Group's share of the contingent liabilities

of jointly controlled entities in respect of guarantees given to banks for mortgage bank loans granted to purchasers of the properties amounted to HK\$162,998,000 at 30th April, 2005.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, Tigerlily and its subsidiaries did not have outstanding at the close of business on 30th April, 2005 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

For the purpose of the above indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing at the close of business of 30th April, 2005.

4. MANAGEMENT DISCUSSIONS AND ANALYSIS, AND OUTLOOK

4.1 Financial review

Revenue and operating results

Turnover of the Group recorded for the year ended 31st December, 2004 amounted to approximately HK\$2,051,306,000, representing an increase of HK\$50,881,000 or 2.54% relative to 2003. The increase in the turnover was mainly due to increase in trading of securities which moved up to HK\$794,072,000 compared to HK\$659,899,000 in 2003, partly offset by loss in revenue resulting from the disposal of the Group's 70% and 52% equity interest in Shell & Shinsho Company Limited and Shunde Shunyue Highway Construction Limited respectively.

The Group has during the year made provisions for impairment loss on certain direct investments in high technology business and full amortization of development costs totalling approximately HK\$112,170,000 and HK\$46,360,000 respectively to keep pace with the rapid changes in the high technology market. Operating profit before provisions narrowed to approximately HK\$114,022,000, representing a decrease of HK\$8,342,000 or 6.8% over the corresponding 2003 results. After taking into account the provisions, the Group incurred a loss from operations amounting to HK\$91,591,000, compared to a profit of HK\$89,564,000 in 2003.

Financial and liquidity resources

The Group continued to adhere to a centralized funding policy and maintain its financial and liquidity resources in a healthy state and consistently maintained a stable liquidity position throughout 2004. In addition, there was no material change in the timing orders were secured which might give rise to volatility of the sales.

On 25th August, 2004, SMC Microtronic Company Limited, a wholly owned subsidiary of the Company entered into a loan agreement with an independent third party to advance a loan of HK\$160,000,000 thereto by way of internal resources. The loan carries an interest rate of 15% per annum and is likely to be repaid on its anniversary.

The Group reached agreements with Shunde City Heng Shun Communication Investment Management Corporation in February 2004 to exit its investment in the Liang Xing Highway by way of disposal of its 52% equity interest in the project and redemption of the shareholder's loan made by the Group. As a result, the Group received approximately RMB272.6 million (approximately HK\$257 million) representing approximately 77% of the shareholder's loan and interest thereon, and approximately US\$9.8 million (approximately HK\$76.4 million) representing the consideration for the disposal of equity interest. According to the terms of the agreements, repayment of the remaining balance of the loan totalling RMB81 million (approximately HK\$76.37 million), together with the accrued interest, will be made by three installments over three years ending 31st December, 2007.

During the year under review, the Group obtained a term loan from a bank for approximately HK\$195,237,000 to finance the purchase of securities. The Group repaid part of the loan for HK\$58,000,000 on 18th November, 2004. The original U.S. term loan, which was charged at fixed interest rate and secured by certain assets of the Group located in the United States, was fully repaid on 20th October, 2004 when a new U.S. term loan of US\$15,000,000, which was charged at floating interest rate and secured by the same assets, was obtained.

Other than the U.S. term loan, all banking facilities of the Group were arranged on short-term basis and subject to floating interest rates.

Apart from the above, there were no material changes to the Group's available banking facilities since 31st December, 2003.

Foreign exchange exposure

The Group's major borrowings were in Hong Kong Dollars and US Dollars. The Group continued to conduct its sales mainly in US Dollars and make payments either in US Dollars or Hong Kong Dollars. So far as the Hong Kong Dollars and the US Dollars remained pegged, the Group considered that it had no significant exposure to foreign exchange risk.

Gearing ratio

The Group has put in place its policy of maintaining a prudent gearing ratio. As at 31st December, 2004, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings to shareholders' funds, of 12.57% (31st December, 2003: 5.45%). Total bank borrowings and shareholders' funds of the Group amounted to approximately HK\$259,856,000 and HK\$2,067,831,000 respectively (31st December, 2003: HK\$107,200,000 and HK\$1,965,516,000 respectively). During the year ended 31st December, 2004, the Group obtained a term loan from a bank to finance the purchase of securities and approximately HK\$137,237,000 was outstanding as at 31st December, 2004. As a result, both the bank borrowings and the Group's gearing ratio went up significantly.

Capital expenditure

The Group had a total capital expenditure amounting to HK\$126,776,000 during the year ended 31st December, 2004.

Significant acquisitions and disposals

The Group has entered into an agreement in March 2004 with an independent third party for the sale of all its 70% equity interest in the steel processing and steel trading business. In addition, the Group entered into agreements in February and June 2004 with Shunde City Heng Shun Communication Investment Management Corporation for the disposal of its 52% equity interest in Shunde Shunyue Highway Construction Limited. Moreover, the Group has entered into an agreement in April 2004 with an independent third party for the disposal of certain property in respect of the cable factory in Mainland China held by its wholly owned subsidiary.

In January 2005, the Group has entered into an acquisition agreement with an independent third party to purchase 20% equity interest in Yue Tian Development Limited ("Yue Tian") with cash consideration of HK\$3,814,400. Simultaneously with the execution of the acquisition agreement, the Group and Yue Tian entered into a loan agreement, pursuant to which the Group has agreed to advance a sum of HK\$60,000,000 to Yue Tian. Details of this acquisition are set out in the Circular distributed to the shareholders on 25th January, 2005. In addition, the Group has entered into agreements with two directors of Appeon Corporation ("Appeon") for acquiring their shares representing 14.69% in aggregate in Appeon, details of which are set out in the press announcement dated 31st January, 2005.

Other than the above, there is no significant acquisition and disposal during the year and up to the date of this report.

Capital commitments and contingent liabilities

There were no significant change in capital commitments and contingent liabilities compared to the position as at 31st December, 2003.

Charges on assets

There was no significant change in charges on assets of the Group compared to the position as at 31st December, 2003.

Employees

As at 31st December, 2004, the Group has approximately 1,670 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

The Group's co-operative joint venture companies in Mainland China continued to provide employment to approximately 4,000 people.

4.2 Business Review

Electrical Household Appliances: Ceiling Fans, Table Fans and Vacuum Cleaners

In 2004 only modest result improvements were recorded for the ceiling fans business. The export business was more difficult compared to prior years. Lowered export tax rebate rates effected early in the year and rising material prices added to higher production costs pressure. The kind of difficult operating environment will continue to overshadow performance in 2005. The Group has started to develop higher value product series to preserve product margins.

The table fans business result was stable. Under fierce competition and high material costs pressures, the operating environment became increasingly difficult. The Group achieved modest price increases in orders from established relationship clients but such enhancements could only maintain an already narrow margin. A much challenging period is anticipated ahead.

Continuing material cost escalations and a competitive market that preempts sale price increases have affected both sales and profit performance for the vacuum cleaners business. The Group has secured two new private label vacuum cleaner OEM contracts for 2005, however, the ongoing material cost increases will continue to narrow profit margins.

Optics and Imaging

The laser scanner EMS business continues to enjoy strong growth. In 2005, the expected design completion of additional advanced models with low cost characteristics will drive double digit production growth. The fuser production was affected by start-up technical problems in 2004. We expect production will be smooth in 2005 and we are working on expansion plans to add three additional production lines.

Electric Wire and Cable

The Group's 98% owned Guangdong Macro Cable company recorded small revenue growth in 2004. The disposal of the land previously occupied by the company's factory was completed in early 2005 and the new cable factory has also commenced operation; the elimination of the associated land amortization expenses will help to enhance future profit performance. Raw material prices are expected to maintain at high levels; on the other hand the operations consolidation with the Group's stainless steel welded tube business shall create synergy benefits and the company's business can continue to develop.

Stainless Steel Welded Tubes Products

The Group's 90.1% owned Hua Feng Stainless Steel Welded Tubes company continued to report losses. Following the consolidation of resources with the Group's wire and cable business, operating expense savings shall result; the company has also planned for equipment additions to relieve the small tube capacity limitation to expand market penetration and improve operation performance.

Steel Processing and Steel Trading

During the year, the Group disposed of its 70% interest in the joint venture steel processing business with Shinsho Corporation of Japan in Guangzhou China. The disposal is in line with the Group's plan to reorganize its non-core activities and consolidate resources to strengthen its market positions in its strategic businesses.

Taxi Operation

The Group's 95% owned Guangzhou SMC Taxi company continues its stable growth and it contributes steady monthly cash flow to the Group. The company owns 775 taxi licenses. The company has strengthened the operation management team to further improve performance.

Real Estate Investment & Development

The 80 storeyed and 395 meters high Citic Plaza, the 7th tallest building in the world, continues to attract quality tenants from multi-national and Fortune 500 companies. Lease renewals have also enjoyed stable rate increases. In 2004, the Group's Citic Plaza property portfolio generated rental income growth of approximately 20%.

The long term lease for the hi-tech clean room factory facility in Shenzhen continues to provide stable rental contribution.

Rental from the office complex in Livermore, California is still suffering from over supply conditions in the neighborhood market. Management is trying hard to recruit new tenants by offering more incentives.

The Group has also completed an investment for a 20% interest in a five-star hotel, office and retail integrated property development project located near Citic Plaza in Guangzhou. The project is under construction and is expected to complete by the first quarter of 2007. The final design will have a total of 130,000 m² of gross floor space consisting of approximately 60,000 m² of a five-star hotel, 34,000 m² of an office block, 8,000 m² of retail commercial space and the remaining in a 6-level underground parking lot and other supporting facilities. The project is expected to generate reasonable return for the Group.

Liang Xing Highway

The Group has completed the disposal of the 52% equity interest in the Liang Xing Highway investment to Shunde City Heng Shun Communication Investment Management Corporation in September 2004. Total sums of RMB353,420,000 were received which included US dollar remittances for the equity interest consideration net of withholding taxes and repayment of related loans and associated interests. Pursuant to the agreements, the remaining loans of RMB81 million and interests will be repaid in three installments over three years ending 31st December, 2007. The details of the agreements were covered in the circular of 11th March, 2004 and the announcement of 28th June, 2004.

Technology Investment Projects

Internet Automatic Migration Software for Enterprises

Appeon Corporation released the new version of its software in 2004 and received good responses. The company has recruited a seasoned software business executive having extensive experience in the US, Europe, Asia Pacific and China markets to be the new CEO; new breakthroughs in sales development are anticipated. In 2005, the Group has entered into agreements to acquire certain shares of the company from the founders which will increase the Group's interest to approximately 91.97%.

Super Blade Computing System (formerly referred as "Internet Server")

With the world renowned expert authority in the computing community Dr. Steve Chen joining as full time CEO, Galactic Computing Corporation has achieved significant publicity in China. In late 2004, the company successfully hosted a product and technology presentation forum in the Great Hall of the People's Congress. The company's 256 CPU High Performance Computer (HPC) demo machine delivering one tera-flop (1 trillion floating point operations per second) performance has been ranked among the Top Ten High Performance Computers in China. The demo machine has earned tremendous acclaims from various PRC government departments and other HPC users. The company is pushing hard the HPC strategy to open up the PRC market and revenue growth opportunities in 2005.

System Integration and Software Development

The low end hardware trading business that commenced in the second half of 2003 by the Group's invested MDCL-Frontline (China) Limited has started to come on track and has successfully secured major customer accounts in 2004. The company made a modest profit contribution to the Group in 2004. The company has planned to organize its software development outsourcing business in 2005 and double digit growth is being targeted for the year. In early 2005, the Group's interest in the company was increased to approximately 26.66%.

Broadband Communication IC

In June 2004, Broadband Physics was awarded its seventh patent based on its Sub-band Division Multiplexing technology by the US Patent and Trademark Office. During the year, a number of technical engineering problems were encountered which affected progress of the validation tests for the company's Field Programmable Gate Array (FPGA) implementation. These problems are gradually being resolved and the collaboration tests with other industry partners are expected to proceed as planned. Interim secured bridge financing by installments are being extended carefully by the Group.

Electronic Integrated Rectifier Chips

The Taiwan branch office of the Group's invested APD Semiconductor company in the US has commenced operation in 2004; the marketing and engineering teams have also expanded to drive the business development and marketing programs for APD's SBRTM integrated rectifier IC products. Sales are developing gradually. Utilizing the company's patented technology the SBRTM products deliver unique characteristics that minimize heat dissipation and provide superb advantages in power device applications and other electronics products.

Financial Investments

During the year the world's major stock markets have risen just over about 10%; for the year ended 31st December, 2004 the Group's financial investment activities have recorded profits of approximately HK\$75,222,000 and the market value of the Group's financial investment holdings amounted to HK\$205,338,000. The Group will continue to manage these investment activities in a prudent manner in 2005.

4.3 Outlook

With the disposal of the interests in Shunde Shunyue Highway Construction Limited and Shell & Shinsho Company Limited together with the repayment of their respective shareholders' loans, the Group has much improved its cash flow.

The Group will continue to consolidate its investments in high technology and will be looking for investments, including but not limited to optics and imaging EMS business, property leasing business and property development business in the PRC, which will offer a reasonable return compatible with the inherent risks.

5. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The information set out in this section is compiled in accordance with Rule 4.29 of the Listing Rules and is for information purposes only and does not form part of the audited financial statements of the Group as set out in section 1 of this appendix and the accountants' reports of Tigerlily and its subsidiaries as set out in Appendix II of this circular.

The Enlarged Group will be formed after completion of the Acquisition, details of which are set out in the "Letter from the Board" in this circular and comprises the Group and Tigerlily.

The unaudited pro forma combined financial information of the Enlarged Group presented below do not purport to present what the financial information would actually have been if Tigerlily had been held by the Company, or to project the financial information for any future period and are included for information purposes only. The unaudited pro forma combined financial information was prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group at any dates.

The unaudited pro forma combined financial information should be read in conjunction with the historical financial information of the Group and other financial information included elsewhere in this circular.

(a) Unaudited pro forma combined balance sheet of the Enlarged Group

Set out below is the unaudited pro forma combined balance sheet of the Enlarged Group at 31st December, 2004. The unaudited pro forma combined financial information has been prepared based on the audited financial statements of the Group for the year ended 31st December, 2004 as set out in section one of this appendix to this circular and the accountants' report of Tigerlily as set out in Appendix II to this circular and after making certain pro forma adjustments as set out below.

The unaudited pro forma combined financial information has been prepared on a basis consistent in all material respects with the accounting policies current adopted by the Group as set out in section 1 of this appendix. The unaudited pro forma combined balance sheet has been prepared on the assumption that the proposed acquisition of Tigerlily had taken place at 31st December, 2004.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS(s)") and Hong Kong Accounting Standards ("HKAS(s)"), herein collectively referred as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

The Group has preliminary identified the following possible impact on the accounting policies of the Group and the related possible financial impact:

Financial assets and liabilities

The new HKAS 39 defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The scope of HKAS 39 therefore extends to the items such as trade receivables and payables, loans and investments.

Financial assets are now classified on inception into loans and receivables, held-to-maturity investments, held for trading, designated at fair value through profit or loss and available for sale and will be accounted for by amortised cost or fair value whichever it is appropriate. Depending on the classification, the changes in fair values may be dealt with either in the income statement or in equity until upon disposal of the financial asset or the financial asset is determined to be impaired. Financial liabilities are either carried at fair value through profit or loss or at cost.

Any potential adjustment arising from the adoption of HKAS 39 to the previous carrying amounts of the financial assets and liabilities should be recognised as an adjustments to balance of the retained profits at the beginning of the financial year ending 31st December, 2005. No retrospective application is required.

Goodwill

As set out in the audited financial statements of the Company in Appendix I to this circular, goodwill arising on the group restructuring was amortised using the straight line method over its estimated useful life. Under HKFRS 3, goodwill shall be tested at least annually for impairment and stated net of impairment losses at the balance sheet date.

According to HKFRS 3, this new accounting policy shall be applied prospectively.

Intangible assets

As set out in the audited financial statements of the Company in Appendix I to this circular, intangible assets, such as taxi licences and patents, were amortised using the straight line method over its estimated useful life. Under HKAS 38, intangible assets are not amortised and will be tested at least annually for impairment and stated net of impairment losses at the balance sheet date.

According to HKAS 38, this new accounting policy shall be applied prospectively.

The unaudited pro forma financial information presented below does not take into account any adjustments resulting from the adoption of the new HKFRSs by the Group for the year ending 31st December, 2005.

**Unaudited Pro Forma Combined Balance Sheet
At 31st December, 2004**

	The Group	Tigerlily	Combined		Pro forma adjustments	Enlarged Group pro forma
	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000
Non-current assets						
Investment properties	560,341	2,126	562,467			562,467
Property, plant and equipment	207,630	6,963	214,593			214,593
Intangible assets	160,287	54,367	214,654			214,654
Interests in subsidiaries	-	-	-	(a)	439,934	-
				(b)	65,250	
				(d)	10,555	
				(e)	(515,739)	
Interests in associates	478,714	-	478,714			478,714
Interests in jointly controlled entities	-	102,893	102,893	(e)	53,106	155,999
Club debenture	2,920	-	2,920			2,920
Loan receivables	204,185	-	204,185			204,185
Deferred tax assets	2,958	-	2,958			2,958
Deposit paid for acquisition of investment properties	4,725	-	4,725			4,725
	<u>1,621,760</u>	<u>166,349</u>	<u>1,788,109</u>			<u>1,841,215</u>
Current assets						
Inventories	91,672	1,021	92,693			92,693
Inventories of properties	-	865,400	865,400	(e)	446,656	1,812,056
Trade and other receivables	241,718	66,746	308,464			308,464
Loan receivables	37,059	-	37,059			37,059
Amounts due from related companies	-	310	310			310
Amount due from an associate	2,086	-	2,086			2,086
Amounts due from jointly controlled entities	-	72,181	72,181			72,181
Amounts due from investees	11,012	-	11,012			11,012
Investments in securities	211,987	24,611	236,598			236,598
Bank balances and cash	439,342	142,612	581,954	(a)	(439,934)	131,465
				(d)	(10,555)	
	<u>1,034,876</u>	<u>1,172,881</u>	<u>2,207,757</u>			<u>2,203,924</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

	The Group	Tigerlily	Combined		Pro forma	Enlarged
	HK\$'000	HK\$'000	HK\$'000		adjustments	Group
					HK\$'000	pro forma
						HK\$'000
Current liabilities						
Trade and other payables	235,570	502,519	738,089			738,089
Deposit received for disposal of land	33,213	–	33,213			33,213
Sales deposits received	–	520,080	520,080			520,080
Amounts due to shareholders	–	84,819	84,819			84,819
Amounts due to minority shareholders	–	15,981	15,981			15,981
Amounts due to related companies	–	6,760	6,760			6,760
Amounts due to associates	227	–	227			227
Amounts due to jointly controlled entities	–	14,892	14,892			14,892
Amount due to an investee	77	–	77			77
Provision	12,870	–	12,870			12,870
Taxation liabilities	22,727	1,924	24,651			24,651
Bank borrowings	147,339	121,132	268,471			268,471
	<u>452,023</u>	<u>1,268,107</u>	<u>1,720,130</u>			<u>1,720,130</u>
Net current assets (liabilities)	<u>582,853</u>	<u>(95,226)</u>	<u>487,627</u>			<u>483,794</u>
	<u>2,204,613</u>	<u>71,123</u>	<u>2,275,736</u>			<u>2,325,009</u>
Capital and reserves						
Share capital	223,946	390	224,336	(b)	21,750	245,696
				(e)	(390)	
Share premium and reserves	1,843,885	15,587	1,859,472	(b)	43,500	1,887,385
				(e)	(15,587)	
Shareholders' funds	<u>2,067,831</u>	<u>15,977</u>	<u>2,083,808</u>			<u>2,133,081</u>
Minority interests	<u>3,781</u>	<u>55,146</u>	<u>58,927</u>			<u>58,927</u>
Non-current liabilities						
Bank borrowings	112,517	–	112,517			112,517
Loans from minority shareholders	9,210	–	9,210			9,210
Deferred tax liabilities	11,274	–	11,274			11,274
	<u>133,001</u>	<u>–</u>	<u>133,001</u>			<u>133,001</u>
	<u>2,204,613</u>	<u>71,123</u>	<u>2,275,736</u>			<u>2,325,009</u>

Notes:

- (a) Pursuant to the Agreement, part of the Consideration, amounting to approximately HK\$439,934,000, will be satisfied by the Group by way of cash.
- (b) Pursuant to the Agreement, part of the Consideration, amounting to HK\$65,250,000, will be satisfied by the issue of 43,500,000 new shares in the Company to the Vendor on Completion. The market price of the Company's share on Completion was assumed to be HK\$1.50 per share. Accordingly, HK\$21,750,000 and HK\$43,500,000 were credited, respectively, to the share capital and share premium of the Enlarged Group.
- (c) In consideration of certain advisory services provided to the Company directly attributable to the Acquisition, the Purchaser has granted the Option to Equitas to have the right to acquire 1,250 Option Shares representing 2.5% of the entire issued share capital of Tigerlily as at the date of this circular at an exercise price of HK\$12,630,000. The fair value of the Option at the date of grant should be accounted for as the cost of acquisition. As the basis of determining the fair value of the Option is complicated and involved a lot of assumptions, the Directors consider that it is inappropriate to include the fair value of the Option for the purpose of preparing above pro forma financial information.
- (d) Other professional fees incidental to this transaction, estimated to be HK\$10,555,000 upon completion of this transaction, was capitalised as the cost of acquisition.
- (e) The excess of the cost of acquisition of Tigerlily amounting to HK\$499,762,000, being the difference of the consideration paid and the associated cost capitalised by the Group as set out in (a) to (d) of HK\$515,739,000, and the consolidated net assets of Tigerlily at 31st December, 2004 of HK\$15,977,000 was allocated between the interests in jointly controlled entities and the inventories of properties based on the book value of the interests in jointly controlled entities and the inventories of properties at 31st December, 2004 as set out in Appendix II to this circular on the assumptions, for the purpose of preparing above pro forma financial information, that:
- (1) No goodwill will be arising on the Acquisition;
 - (2) The assets and liabilities of Tigerlily and its subsidiaries after adjustments represent their fair values on Completion;
 - (3) No deferred tax assets or liabilities will be resulted from revaluation increase on the inventories of properties held by Tigerlily and its subsidiaries and the inventories of properties held by the jointly controlled entities; and
 - (4) No minority interests relating to the revaluation increase on the inventories of properties held by Tigerlily and its subsidiaries and the inventories of properties held by the jointly controlled entities and the corresponding deferred tax impact need to be accounted for.

All the above assumptions will be reconsidered on Completion when the fair values of the assets and liabilities of Tigerlily and its subsidiaries are determined.

(b) Report on unaudited pro forma combined balance sheet of the Enlarged Group

The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, in respect of the unaudited pro forma combined balance sheet of the Enlarged Group as set out in section 5(a) of this appendix for the incorporation in this circular.

Deloitte.
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Deloitte Touche Tohmatsu
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111 Connaught Road Central
Hong Kong

28th June, 2005

The Directors
Shell Electric Mfg. (Holdings) Company Limited

Dear Sirs,

We report on the unaudited pro forma combined financial information of Shell Electric Mfg. (Holdings) Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group” and together with Tigerlily Overseas Limited, the “Enlarged Group”) set out in section 5(a) of Appendix I to the circular dated 28th June, 2005 in connection with the acquisition of Tigerlily Overseas Limited (the “Proposed Transaction”), which has been prepared, for illustrative purposes only, to provide information about how the Proposed Transaction might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma combined financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma combined financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma combined financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the listing rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma combined financial information with the directors of the Company.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and accordingly we do not express any such assurance on the unaudited pro forma combined financial information.

The pro forma combined financial information has been prepared on the basis set out in section 5(a) of Appendix I to the circular for illustrative purpose only and, because of its nature, it may not give an indication of the Enlarged Group's financial position as at 31st December, 2004 or at any future date.

Opinion

In our opinion:

- a. the unaudited pro forma combined financial information has been properly compiled on the basis stated in the notes to the unaudited proforma combined financial information as set out in section 5(a) of Appendix I to this circular;
- b. such basis is consistent with the accounting policies of the Group as set out in section 1 of Appendix I to this circular; and
- c. the adjustments are appropriate for the purposes of the unaudited pro forma combined financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, none of the Directors was aware of any material adverse change in the financial or trading position of the Group since 31st December, 2004, the date to which the latest published audited consolidated financial statements of the Group were made up.

7. SHARE CAPITAL

As at the Latest Practicable Date, the share capital of the Company is as follows:

	Number of Shares '000	Nominal value HK\$'000
(a) Authorised:		
Ordinary shares of HK\$0.50 each	<u>900,000</u>	<u>450,000</u>
(b) Issued and fully paid:		
Ordinary shares of HK\$0.50 each	<u>456,985</u>	<u>228,493</u>

- (a) The following is the reproduction of accountants' report of Tigerlily and its subsidiaries for the period from the date of its establishment on 24th February, 2003 to 31st December, 2003 and for the year ended 31st December, 2004 prepared by Deloitte Touche Tohmatsu in accordance with the HK GAAP.

Deloitte.
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Hong Kong

28th June, 2005

The Directors
Shell Electric Mfg. (Holdings) Company Limited

Dear Sirs,

We set out below our report on the financial information regarding Tigerlily Overseas Limited ("Tigerlily") and its subsidiaries (hereinafter collectively referred to as the "Group") for the period from 24th February, 2003 (date of incorporation) to 31st December, 2003 and for the year ended 31st December, 2004 (the "Relevant Periods"), for inclusion in the circular of Shell Electric Mfg. (Holdings) Company Limited ("SMC") dated 28th June, 2005 (the "Circular") in respect of the major transaction in relation to the acquisition of interests in 中國光大房地產開發有限公司 China EverBright Real Estate Development Company ("EB Real Estate").

Tigerlily was incorporated in the British Virgin Islands on 24th February, 2003 and is a wholly-owned subsidiary of Assetbloom Holdings Limited ("Assetbloom"). Tigerlily currently owned 80% of Jodrell Investments Limited ("Jodrell") which in turn owned 70% equity interests in EB Real Estate.

On 29th April, 2005, SMC Real Estate Fund Ltd. ("SMC Real Estate"), a wholly-owned subsidiary established in Hong Kong of SMC, entered into a sale and purchase agreement with Assetbloom in relation to the acquisition by SMC Real Estate of an 100% equity interest of Tigerlily.

Upon the completion of the acquisition, SMC Real Estate would acquire 56% attributable equity interest in EB Real Estate with the following shareholding in its subsidiaries and jointly controlled entities.

As at the date of this report, the particulars of Tigerlily's subsidiaries and jointly controlled entities are as follows:

Name of subsidiary	Date of establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by Tigerlily	Principal activities
Jodrell Investments Limited (i)	4th April, 2004	USD10	80%	Investment holding
中國光大房地產開發有限公司 (iii)	3rd September, 2004	RMB133,000,000	70%	Property development
北京光大房地產開發有限公司 (ii)	21st December, 2001	RMB28,000,000	100%	Property development
北京中京藝苑房地產開發有限公司 (ii)	30th June, 2000	RMB30,000,000	95%	Property development
北京光大恒信建築工程諮詢公司 (ii)	7th March, 1988	RMB6,590,000	100%	Inactive
上海光大置業發展有限公司 (ii)	26th December, 1994	RMB15,000,000	100%	Investment holding
合肥光大置業有限公司 (ii)	20th September, 2002	RMB20,000,000	100%	Investment holding
北京快樂城堡購物中心有限公司 (ii)	9th October, 1998	RMB10,000,000	100%	Property investment

Name of subsidiary	Date of establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by Tigerlily	Principal activities
北京東恒建築裝飾工程有限公司 (iii)	12th November, 1992	USD1,500,000	75%	Decoration work
安徽博鴻房地產開發有限公司 (ii)	11th July, 2003	RMB20,000,000	70%	Property development
光大物業管理有限公司 (ii)	8th October, 1998	RMB3,500,000	100%	Property management
Name of jointly controlled entity				
廣州市環博展覽有限公司 (ii)	16th August, 2002	RMB50,000,000	45%	Property development
桂林光大立元生態家園開發建設有限公司 (ii)	29th October, 2002	RMB10,000,000	49.7%	Inactive
上海金鶴數碼科技發展有限公司 (iii)	21st May, 2003	USD1,200,000	65%	Property development
廣州市光大花園房地產開發有限公司 (ii)	21st May, 1998	RMB100,000,000	50%	Property development
廣州市光大花園物業管理有限公司 (ii)	15th February, 2000	RMB500,000	74.5%	Property management
廣西光大旅遊投資有限公司 (ii)	28th September, 2002	RMB30,000,000	71%	Investment holding
北京宏基房地產開發有限責任公司 (ii)	19th August, 1996	RMB10,000,000	55%	Property development

(i) Limited liability company incorporated in the British Virgin Islands.

(ii) Limited liability company established in the People's Republic of China (the "PRC").

(iii) Sino-foreign equity joint venture established in the PRC.

(iv) Except for Jodrell Investments Limited, all the subsidiaries and jointly controlled entities are indirectly held by the Company.

No audited financial statements have been prepared for Tigerlily and Jodrell since their respective date of incorporation as there is no statutory requirement for these entities to prepare audited financial statements. We have, however, reviewed all relevant transactions of Tigerlily and Jodrell since their dates of incorporation.

The statutory financial statements of EB Real Estate and each of its subsidiaries and jointly controlled entities were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC. The statutory financial statements of Tigerlily's subsidiaries and jointly controlled entities for each of the two years ended 31st December, 2004 were audited by the following certified public accountants registered in the PRC:

Name of company	Financial period	Auditors
中國光大房地產開發有限公司	Year ended 31st December, 2003 Year ended 31st December, 2004	中瑞華恒信會計師事務所 北京興華會計師事務所
北京光大房地產開發有限公司	Year ended 31st December, 2003 Year ended 31st December, 2004	中瑞華恒信會計師事務所 北京興華會計師事務所
北京中京藝苑房地產開發有限公司	Year ended 31st December, 2003 Year ended 31st December, 2004	天津五洲聯合會計師事務所 北京興華會計師事務所
北京光大恒信建築工程諮詢公司	Year ended 31st December, 2003 Year ended 31st December, 2004	No statutory audit performed 北京興華會計師事務所
上海光大置業發展有限公司	Year ended 31st December, 2003 Year ended 31st December, 2004	中瑞華恒信會計師事務所 北京興華會計師事務所
合肥光大置業有限公司	Year ended 31st December, 2003 Year ended 31st December, 2004	中瑞華恒信會計師事務所 北京興華會計師事務所
北京快樂城堡購物中心有限公司	Year ended 31st December, 2003 Year ended 31st December, 2004	No statutory audit performed 北京興華會計師事務所
北京東恒建築裝飾工程有限公司	Year ended 31st December, 2003 Year ended 31st December, 2004	中瑞華恒信會計師事務所 北京興華會計師事務所
安徽博鴻房地產開發有限公司	Period from 11th July, 2003 to 31st December, 2003 Year ended 31st December, 2004	中瑞華恒信會計師事務所 北京興華會計師事務所
光大物業管理有限公司	Year ended 31st December, 2003 Year ended 31st December, 2004	中瑞華恒信會計師事務所 北京興華會計師事務所
廣州市環博展覽有限公司	Year ended 31st December, 2003 Year ended 31st December, 2004	廣州安立信會計師事務所 廣州市中審會計師事務所

Name of company	Financial period	Auditors
桂林光大立元生態家園開發建設有限公司	Year ended 31st December, 2003 Year ended 31st December, 2004	廣西新時代會計師事務所 廣西信達會計師事務所
上海金鶴數碼科技發展有限公司	Period from 21st May, 2003 to 31st December, 2003 Year ended 31st December, 2004	中瑞華恒信會計師事務所 北京興華會計師事務所
廣州市光大花園房地產開發有限公司	Year ended 31st December, 2003 Year ended 31st December, 2004	廣州安立信會計師事務所 廣州安立信會計師事務所
廣州市光大花園物業管理有限公司	Year ended 31st December, 2003 Year ended 31st December, 2004	廣州安立信會計師事務所 廣州安立信會計師事務所
廣西光大旅遊投資有限公司	Year ended 31st December, 2003 Year ended 31st December, 2004	廣州安立信會計師事務所 廣西信達會計師事務所
北京宏基房地產開發有限責任公司	Year ended 31st December, 2003 Year ended 31st December, 2004	No statutory audit performed 北京興華會計師事務所

For the purpose of this report, we have carried out independent audit procedures in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") in respect of the consolidated management accounts of the Group prepared by the management of Tigerlily in accordance with accounting principles generally accepted in Hong Kong for the Relevant Periods.

We have examined the consolidated management accounts of the Group in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountants" as recommended by the HKICPA.

The consolidated financial information for the Relevant Periods (the "Financial Information") set out in this report has been prepared from the consolidated management accounts of the Group (the "Underlying Financial Information") for the purpose of preparing our report for inclusion in the Circular.

The preparation of the Underlying Financial Information is the responsibility of the management of Tigerlily. The directors of SMC are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Information, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon give, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at 31st December, 2003 and 2004 and of the results and cash flows of the Group for the period from 24th February, 2003 to 31st December, 2003 and for the year ended 31st December, 2004.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

		24th February, 2003 to 31st December, 2003 HK\$'000	Year ended 31st December, 2004 HK\$'000
	<i>NOTES</i>		
Turnover	3	–	69,214
Cost of sales		–	(62,222)
		—————	—————
Gross profit		–	6,992
Other operating income	4	–	10,824
Selling expenses		–	(3,182)
Administrative expenses		–	(12,862)
Other operating expenses		–	(62)
Unrealised loss on trading securities		–	(501)
		—————	—————
Profit from operations	5	–	1,209
Share of results of jointly controlled entities		–	39,770
		—————	—————
Profit before taxation		–	40,979
Taxation	8	–	(13,388)
		—————	—————
Profit before minority interests		–	27,591
Minority interests		–	(12,004)
		—————	—————
Net profit for the period/year		—————	15,587
		—————	—————

CONSOLIDATED BALANCE SHEETS

	NOTES	At 31st December,	
		2003 HK\$'000	2004 HK\$'000
Non-Current Assets			
Property, plant and equipment	10	–	6,963
Investment properties	11	–	2,126
Intangible assets	12	–	54,367
Interests in jointly controlled entities	14	–	102,893
		<u>–</u>	<u>166,349</u>
Current Assets			
Trading securities	15	–	24,611
Inventories of properties	16	–	865,400
Other inventories		–	1,021
Debtors, deposits and prepayments	17	–	66,746
Amounts due from related companies	18	–	310
Amounts due from jointly controlled entities	18	–	72,181
Bank balances, deposits and cash		8	142,612
		<u>8</u>	<u>1,172,881</u>
Current Liabilities			
Trade and other payables	20	–	502,519
Sales deposits received		–	520,080
Amounts due to shareholders	18	–	84,819
Amounts due to related companies	18	–	6,760
Amounts due to minority shareholders	18	–	15,981
Amounts due to jointly controlled entities	18	–	14,892
Income tax payable		–	1,924
Unsecured bank borrowings		–	121,132
– due within one year		–	121,132
		<u>–</u>	<u>1,268,107</u>
Net Current Asset (Liabilities)		<u>8</u>	<u>(95,226)</u>
		<u>8</u>	<u>71,123</u>

		At 31st December,	
		2003	2004
	NOTE	HK\$'000	HK\$'000
Capital and Reserve			
Share capital	21	8	390
Accumulated profits		—	15,587
		<u>8</u>	<u>15,977</u>
Minority interests		—	55,146
		<u>8</u>	<u>71,123</u>

BALANCE SHEETS

		At 31st December,	
		2003	2004
	NOTES	HK\$'000	HK\$'000
Non-Current Asset			
Investment in a subsidiary	13	—	1
Current Assets			
Amount due from a subsidiary	19	—	85,208
Cash		8	—
		<u>8</u>	<u>85,208</u>
Current Liability			
Amounts due to shareholders	18	—	(84,819)
Net Current Assets		<u>8</u>	<u>389</u>
		<u>8</u>	<u>390</u>
Capital			
Share capital	21	<u>8</u>	<u>390</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP			
Shares issued on date of incorporation and balance at 31st December, 2003	8	–	8
Shares issued	382	–	382
Net profit for the year	–	15,587	15,587
	<u> </u>	<u> </u>	<u> </u>
At 31st December, 2004	<u> </u> <u>390</u>	<u> </u> <u>15,587</u>	<u> </u> <u>15,977</u>

CONSOLIDATED CASH FLOW STATEMENTS

	NOTE	24th February, 2003 to 31st December, 2003 HK\$'000	Year ended 31st December, 2004 HK\$'000
Operating Activities			
Profit from operations		–	1,209
Adjustments for:			
Interest income		–	(2,508)
Depreciation and amortisation		–	1,733
Unrealised loss on trading securities		–	501
		<hr/>	<hr/>
Operating cash flows before movements in working capital		–	935
Increase in inventories of properties		–	(39,157)
Decrease in other inventories		–	147
Decrease in debtors, deposits and prepayments		–	4,324
Increase in trading securities		–	(3,180)
Decrease in trade and other payables		–	(29,720)
Increase in sales deposits received		–	42,052
		<hr/>	<hr/>
Cash used in operations		–	(24,599)
PRC income tax paid		–	(1,000)
		<hr/>	<hr/>
Net cash used in operating activities		–	(25,599)
Investing activities			
Interest received		–	2,508
Purchase of property, plant and equipment		–	(136)
Proceeds from disposal of property, plant and equipment		–	5
Increase in amounts due from related companies		–	(283)
Increase in amounts due from jointly controlled entities		–	(944)
Net cash acquired on acquisition of subsidiary	24	–	101,805
		<hr/>	<hr/>
Net cash from investing activities		–	102,955
		<hr/>	<hr/>

	24th February, 2003 to 31st December, 2003 <i>HK\$'000</i>	Year ended 31st December, 2004 <i>HK\$'000</i>
Financing activities		
Interest paid	–	(3,975)
Increase in amounts due to shareholders	–	84,819
Decrease in amounts due to related companies	–	(2,509)
Increase in amounts due to minority shareholders	–	7,490
Decrease in amounts due to jointly controlled entities	–	(6,808)
New bank loans raised	–	47,170
Repayment of bank loans	–	(37,736)
Repayment of other borrowings	–	(23,585)
Issue of shares	8	382
	<hr/>	<hr/>
Net cash from financing activities	8	65,248
	<hr/>	<hr/>
Net increase in cash and cash equivalents	8	142,604
Cash and cash equivalents at the beginning of the period/year	–	8
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period/year	<u>8</u>	<u>142,612</u>
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Bank balances, deposits and cash	<u>8</u>	<u>142,612</u>
	<hr/>	<hr/>

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The financial information has been prepared on a going concern basis because Shell Electric Mfg. (Holdings) Company Limited has agreed to provide adequate funds to the Group to meet in full its financial obligations as they fall due in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared under the historical cost basis as modified for the revaluation of investments in securities and investment properties and in accordance with accounting principles generally accepted in Hong Kong:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries and jointly controlled entities acquired or disposed of during the Relevant Periods are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Revenue recognition

Income from sale of properties held for sale is recognised upon the conclusion of the sales and purchase agreement. Deposits received on properties sold prior to the date of revenue recognition are included in the balance sheet under sales deposits received.

Sales of securities are recognised when the sales transactions are completed and ownership of the securities is transferred.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Investment income and dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rentals receivable under operating leases are recognised on a straight-line basis and credited to the income statement over the relevant lease term.

Income from property management, clubhouse service and decoration work is recognised when services are provided.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line basis at the following rates per annum:

Land and buildings in the PRC	Remaining terms of the land use rights
– Land use rights	The shorter of the estimated useful
– Buildings	lives or remaining terms of the
	respective land use rights
Furniture, office equipment and other assets	10% to 33.33%
Motor vehicles	20% to 33.33%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

Interests in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

The Company's investments in jointly controlled entities are stated at cost, as reduced by any identified impairment loss. The results of jointly controlled entities are accounted for the Company on the basis of dividends received and receivables.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net gain or loss on the disposal of the securities for the period.

Inventory of properties

Inventory of properties includes properties under development and properties held for sale.

The carrying value of properties under development comprises the land cost, together with development expenditure, which includes construction costs, capitalised interest and ancillary borrowing costs.

Properties held for sale and properties under development are stated at the lower of cost and net realisable value. Cost includes land cost and development expenditure. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

Land cost includes land premium and expenditure for demolition and resettlement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Other inventories

Other inventories, comprises raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and jointly controlled entities except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the respective lease term.

Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefit scheme

The contributions payable to the state-managed retirement benefit schemes are charged as an expense when they fall due.

3. TURNOVER

Turnover represents the aggregate of proceeds from the sale of properties, rental income, income from property management, clubhouse service and decoration service, net of value added tax and business tax, during the Relevant Periods as follows:

	24th February, 2003 to 31st December, 2003 <i>HK\$'000</i>	Year ended 31st December, 2004 <i>HK\$'000</i>
Turnover comprises the following:		
Sales of completed properties	–	57,968
Rental income	–	4,316
Property management and clubhouse service income	–	3,474
Decoration service	–	3,456
	<u>–</u>	<u>69,214</u>

4. OTHER OPERATING INCOME

	24th February, 2003 to 31st December, 2003 <i>HK\$'000</i>	Year ended 31st December, 2004 <i>HK\$'000</i>
Included in other operating income are:		
Interest income	–	2,508
Refund of business tax	–	7,643
	<u>–</u>	<u>7,643</u>

5. PROFIT FROM OPERATIONS

	24th February, 2003 to 31st December, 2003 <i>HK\$'000</i>	Year ended 31st December, 2004 <i>HK\$'000</i>
Profit from operations has been arrived at after charging (crediting):		
Salaries and allowances	–	5,743
Retirement benefit cost	–	243
	<hr/>	<hr/>
Total staff costs	–	5,986
Operating lease rental in respect of office premises	–	1,146
Auditors' remuneration	–	980
Depreciation and amortisation:		
Intangible assets (included in administrative expenses)	–	1,257
Property, plant and equipment	–	486
Less: Amount capitalised in properties under development	–	(10)
	<hr/>	<hr/>
	–	1,733
Gross rental income less outgoings of HK\$174,000 (24th February, 2003 to 31st December, 2003: nil)	–	4,142
	<hr/> <hr/>	<hr/> <hr/>

6. FINANCE COSTS

	24th February, 2003 to 31st December, 2003 <i>HK\$'000</i>	Year ended 31st December, 2004 <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	–	3,975
Less: Amount capitalised in properties under development	–	(3,975)
	<hr/>	<hr/>
	–	–
	<hr/> <hr/>	<hr/> <hr/>

7. REMUNERATION OF DIRECTORS AND EMPLOYEES

Directors

No remuneration was paid or payable to any directors of Tigerlily during the Relevant Periods.

Employees

Details of the emoluments paid by the Group to the five highest paid individuals are as follows:

	24th February, 2003 to 31st December, 2003 <i>HK\$'000</i>	Year ended 31st December, 2004 <i>HK\$'000</i>
Salaries and other benefits	–	40
Performance related incentive payments	–	4
Retirement benefits cost	–	2
	<u>–</u>	<u>46</u>

The emoluments of each of the five highest paid individuals were below HK\$1,000,000 during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by Tigerlily to the five highest paid individuals (included directors and employees) as an inducement to join or upon joining Tigerlily Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

8. TAXATION

	24th February, 2003 to 31st December, 2003 <i>HK\$'000</i>	Year ended 31st December, 2004 <i>HK\$'000</i>
The charge comprises:		
Enterprise income tax charged in the PRC	–	2,043
Share of taxation of jointly controlled entities	–	11,345
	<u>–</u>	<u>13,388</u>

Provision for enterprise income tax in the PRC for the Relevant Periods was made based on the Group's estimated assessable profits calculated in accordance with the relevant income tax laws applicable to the subsidiaries in the PRC.

Taxation charge for the period/year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	24th February, 2003 to 31st December, 2003 <i>HK\$'000</i>	Year ended 31st December, 2004 <i>HK\$'000</i>
Profit before taxation	—	40,979
Tax at the domestic income tax rate of 33%	—	13,523
Tax effect of expenses not deductible for tax purpose	—	471
Tax effect of income not taxable for tax purpose	—	(170)
Tax effect of tax losses not recognised	—	1,784
Tax effect of utilisation of tax losses not previously recognised	—	(502)
Share of tax effect of jointly controlled entities	—	(1,779)
Others	—	61
Taxation charge for the year	—	13,388

Details of deferred taxation for the Relevant Periods are set out in note 22.

9. EARNINGS PER SHARE

Earnings per share of the Group is not presented herein as such information is not considered meaningful in the context of this report.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Office equipment, furniture and other assets <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP				
COST				
At 24th February, 2003 and 1st January, 2004	—	—	—	—
Additions	—	73	63	136
Acquisition of subsidiaries	3,926	1,860	1,532	7,318
Disposals	—	(1)	(4)	(5)
At 31st December, 2004	3,926	1,932	1,591	7,449
DEPRECIATION AND AMORTISATION				
At 24th February, 2003 and 1st January, 2004	—	—	—	—
Provided for the year	74	243	169	486
At 31st December, 2004	74	243	169	486
NET BOOK VALUE				
At 31st December, 2004	3,852	1,689	1,422	6,963

11. INVESTMENT PROPERTIES

	At 31st December,	
	2003	2004
	HK\$'000	HK\$'000
THE GROUP		
VALUATION		
At beginning of the period/year	-	-
Acquisition of subsidiaries	-	2,126
	<u>-</u>	<u>2,126</u>
At end of the period/year	<u>-</u>	<u>2,126</u>

The Group's investment properties were valued at 31st December, 2004 by Messrs. Knight Frank, a firm of Chartered Surveyors, on an open market value basis and their carrying amounts at the balance sheet date approximate their market value.

Investment properties are all located in the PRC and held under medium-term leases.

12. INTANGIBLE ASSETS

	At 31st December,	
	2003	2004
	HK\$'000	HK\$'000
THE GROUP		
COST		
At beginning of the period/year	-	-
Acquisition of subsidiaries	-	55,624
	<u>-</u>	<u>55,624</u>
At end of the period/year	<u>-</u>	<u>55,624</u>
AMORTISATION		
At beginning of the period/year	-	-
Provided for the period/year	-	1,257
	<u>-</u>	<u>1,257</u>
At end of the period/year	<u>-</u>	<u>1,257</u>
NET BOOK VALUE		
At end of the period/year	<u>-</u>	<u>54,367</u>

The amounts represent the shopping mall operating right acquired by the Group which is amortised over the operating period of 20 years on a straight line basis.

13. INVESTMENT IN A SUBSIDIARY

THE COMPANY
At 31st December,
2003 2004
HK\$'000 *HK\$'000*

Unlisted shares, at cost	-	1
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14. INTERESTS IN JOINTLY CONTROLLED ENTITIES

THE GROUP
At 31st December,
2003 2004
HK\$'000 *HK\$'000*

Share of net assets	-	102,893
---------------------	---	---------

The summary of aggregate financial information of the Group's jointly controlled entities under the accounting principles generally accepted in Hong Kong during the Relevant Periods are as follows:

24th February,
2003 to **Year ended**
31st December, **31st December,**
2003 **2004**
HK\$'000 *HK\$'000*

Result for the period/year

Turnover	-	598,594
Profit before taxation	-	81,426
Share of profit before taxation	-	39,770

Financial position

At 31st December,
2003 **2004**
HK\$'000 *HK\$'000*

Non-current assets	-	469,919
Current assets	-	1,527,665
Current liabilities	-	(1,292,167)
Non-current liabilities	-	(510,655)
Minority interests	-	(2,425)
Net assets	-	192,337
Share of net assets	-	102,893

15. TRADING SECURITIES

	At 31st December,	
	2003	2004
	HK\$'000	HK\$'000
THE GROUP		
Listed equity securities in PRC, at market value	—	24,611
	<u> </u>	<u> </u>

16. INVENTORIES OF PROPERTIES

	At 31st December,	
	2003	2004
	HK\$'000	HK\$'000
THE GROUP		
Properties under development	—	852,046
Properties held for sale	—	13,354
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	—	865,400
	<u> </u>	<u> </u>

All inventories of properties were carried at cost at 31st December, 2004.

Interest capitalised by the Group during the year 2004 in respect of properties under development amounted to HK\$3,975,000. The borrowings are borrowed specifically for the purpose of property development.

17. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group generally grants a credit period of not exceeding 60 days to its trade customers.

The following is an aged analysis of trade debtors at the balance sheet dates.

	At 31st December,	
	2003	2004
	HK\$'000	HK\$'000
THE GROUP		
Current	—	6,214
31 – 60 days	—	—
61 – 90 days	—	1,076
91 – 180 days	—	256
181 – 360 days	—	69
Over 360 days	—	1,409
	<u> </u>	<u> </u>
	—	9,024
Prepayments, deposits and other debtors	—	57,722
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	—	66,746
	<u> </u>	<u> </u>

18. AMOUNTS DUE FROM (TO) SHAREHOLDERS, RELATED COMPANIES, MINORITY SHAREHOLDERS AND JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, interest free and repayable on demand. The related companies represent the enterprises which are under the control of the minority shareholder of EB Real Estate and the minority shareholders of subsidiaries.

19. AMOUNT DUE FROM A SUBSIDIARY

The amount is unsecured, interest free and repayable on demand.

20. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet dates.

	At 31st December,	
	2003 HK\$'000	2004 HK\$'000
THE GROUP		
Current	–	304,484
31 – 60 days	–	–
61 – 90 days	–	90
91 – 180 days	–	–
181 – 360 days	–	300
Over 360 days	–	11,252
	<u>–</u>	<u>316,126</u>
Accruals and other payables	–	186,393
	<u>–</u>	<u>502,519</u>

21. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of US\$1 each		
<i>Authorised:</i>		
At 24th February, 2003 (date of incorporation), 31st December, 2003 and 31st December, 2004	<u>50,000</u>	<u>390</u>
<i>Issued:</i>		
Issued and allotted at date of incorporation and balance at 31st December, 2003	1	8
Issued and allotted during the year	<u>49,999</u>	<u>382</u>
At 31st December, 2004	<u>50,000</u>	<u>390</u>

22. DEFERRED TAXATION

The Group has unused tax losses as at 31st December, 2003 and 2004 of nil and HK\$35,226,000, respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

23. OPERATING LEASE COMMITMENT**The Group as lessee**

At 31st December, 2004, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	<i>HK\$'000</i>
Within one year	3,781
In the second to fifth year	10,976
Over five years	17,885
	<u>32,642</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for period ranging from two to twenty years.

The Group as lessor

Property rental income earned during 2004 was HK\$4,316,000. The investment properties held have committed tenants ranging from one to five years.

At 31st December, 2004, the Group had contracted with tenants for the following future minimum lease payments:

	<i>HK\$'000</i>
Within one year	9,358
In the second to fifth year	9,881
	<u>19,239</u>

24. ACQUISITION OF SUBSIDIARIES

During 2004, Jodrell Investments Limited, owned as to 80% by Tigerlily, acquired 70% equity interests in China Everbright Real Estate Development Company for a consideration of HK\$87,994,000. This acquisition has been accounted for by the method of acquisition accounting.

	<i>HK\$'000</i>
NET ASSETS ACQUIRED	
Property, plant and equipment	7,318
Investment properties	2,126
Intangible assets	55,624
Interests in jointly controlled entities	74,468
Inventories of properties	822,258
Other inventories	1,168
Debtors, deposits and prepayments	71,070
Amounts due from a related company	27
Amounts due from jointly controlled entities	71,237
Trading securities	21,932
Bank balances, deposits and cash	189,799
Trade and other payables	(532,239)
Sales deposits received	(478,028)
Amounts due to related companies	(9,269)
Amounts due to minority shareholders	(8,491)
Amounts due to jointly controlled entities	(21,700)
Income tax payable	(881)
Unsecured bank borrowings – due within one year	(111,698)
Other borrowings	(23,585)
Minority interests	(43,142)
	<u>87,994</u>
Total consideration	<u>87,994</u>
Satisfied by:	
Cash consideration	<u>87,994</u>
Net cash inflow arising on acquisition:	
Cash consideration	(87,994)
Bank balances and cash acquired	<u>189,799</u>
Net inflow of cash and cash equivalents in respect of the purchase of subsidiaries	<u>101,805</u>

The subsidiaries acquired during the year contributed HK\$69,214,000 to the Group's turnover, and HK\$1,209,000 to the Group's profit from operations.

25. CONTINGENT LIABILITIES

	At 31st December,	
	2003	2004
	HK\$'000	HK\$'000
THE GROUP		
Guarantee given to banks for mortgage bank loans granted to purchasers of the properties	–	736,000
Guarantee given to banks for credit facilities granted to third parties	–	189,000
	<u>–</u>	<u>189,000</u>
	<u>–</u>	<u>925,000</u>

In addition, the Group's share of the contingent liabilities of jointly controlled entities in respect of guarantees given to banks for mortgage bank loans granted to purchasers of the properties amounted to nil and HK\$164,539,000 at 31st December, 2003 and 2004 respectively.

26. CAPITAL COMMITMENTS

	At 31st December,	
	2003	2004
	HK\$'000	HK\$'000
THE GROUP		
Capital expenditure in respect of contracted commitments for property development projects	–	643,235
	<u>–</u>	<u>643,235</u>

27. RETIREMENT BENEFIT PLAN

The employees of the Group are members of state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The contributions payable to the scheme by the Group at rate specified in the rules of the scheme included in staff costs are disclosed in note 5.

28. SEGMENT INFORMATION

The Group is principally engaged in properties development and substantially all its businesses were carried out in the PRC. All the Group's assets are located in the PRC as at 31st December, 2004.

29. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial information for the Relevant Periods.

The Group has assessed the impact of these new HKFRSs and considered that the adoption of these new HKFRSs would not have a significant impact on the Group's financial position at 31st December, 2004 and its results of operations for the year then ended.

B. ULTIMATE HOLDING COMPANY

The directors of Tigerlily consider Assetbloom as its ultimate holding company.

C. DIRECTORS' REMUNERATIONS

No remuneration has been paid or is payable to Tigerlily's directors by Tigerlily Group during the Relevant Periods.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Tigerlily and its subsidiaries in respect of any period subsequent to 31st December, 2004.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

- (b) The following is the discussion and analysis of the performance of Tigerlily and its subsidiaries for the period ended 31st December, 2004.

Revenue and operating results

Turnover and net profit of Tigerlily and its subsidiaries (together the "Tigerlily Group") for the year ended 31st December, 2004 amounted to approximately HK\$69,214,000 and HK\$15,587,000 respectively. These amounts represented the turnover and results attributable to the Tigerlily Group for the period from August 2004 (being the date Jodrell acquired EB Real Estate) to December 2004.

Financial and liquidity resources

Bank borrowings of the Tigerlily Group were curtailed to approximately HK\$121,132,000 in 2004 when Jodrell acquired the EB Real Estate and its subsidiaries.

Foreign exchange exposure

As the Tigerlily Group adopted Renminbi for the sales, receivables and payables, bank borrowings and expenditures, a natural hedging existed and there would be no foreign currency exposure to the Tigerlily Group.

Gearing ratio

The Tigerlily Group recorded a gearing ratio, expressed as a percentage of total bank borrowings to shareholders' funds, of approximately 758% as at 31st December, 2004. The bank borrowings were in fact the bank borrowings of its subsidiaries.

Capital expenditure

The Tigerlily Group incurred a total capital expenditure amounting to approximately HK\$136,000 during the year ended 31st December, 2004.

Significant acquisition and disposals

During 2004, Jodrell Investments Limited, owned as to 80% by Tigerlily, acquired 70% equity interests in EB Real Estate for a consideration of approximately HK\$88.0 million.

Capital commitment and contingent liabilities

The Tigerlily Group had issued guarantee to banks for mortgage loans granted to purchasers of properties and for credit facilities to third parties amounting to approximately HK\$736.0 million and HK\$189.0 million respectively as at 31st December, 2004.

As at 31st December, 2004, the Tigerlily Group had capital expenditure in respect of contracted commitments for property development projects amounting to approximately HK\$643,235,000.

Charges on assets

There were no pledge of assets in the Tigerlily Group as at 31st December, 2003 and 2004.

Employees

As at 31st December, 2004, the Tigerlily Group had approximately 585 employees. The pay levels of these employees were commensurate with the responsibilities, performance and market condition.

Before acquiring interests in EB Real Estate, Tigerlily Group was dormant with no employee.

- (a) The following is the reproduction of accountants' report of EB Real Estate and its subsidiaries for the three years ended 31st December, 2004 prepared by Deloitte Touche Tohmatsu in accordance with the HK GAAP.

Deloitte.
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Hong Kong

28th June, 2005

The Directors
Shell Electric Mfg. (Holdings) Company Limited

Dear Sirs,

We set out below our report on the financial information regarding 中國光大房地產開發有限公司 China EverBright Real Estate Development Company ("EB Real Estate") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31st December, 2004 (the "Relevant Periods"), for inclusion in the circular of Shell Electric Mfg. (Holdings) Company Limited ("SMC") dated 28th June, 2005 (the "Circular") in respect of the major transaction in relation to the acquisition of interests in EverBright.

EB Real Estate was established on 3rd September, 2004 in the People's Republic of China (the "PRC") as a sino-foreign equity joint venture and currently owned as to 70% by Jodrell Investments Limited ("Jodrell") and 30% by 中國光大(集團)總公司. Previously, the business activities of property development and investment of EB Real Estate was carried out by 中國光大房地產開發公司 (the "Predecessor") which was a state-owned enterprise established in the PRC.

On 29th April, 2005, SMC Real Estate Fund Ltd. ("SMC Real Estate"), a wholly-owned subsidiary established in Hong Kong of SMC, entered into a sale and purchase agreement with Assetbloom Holdings Limited ("Assetbloom") in relation to the acquisition by SMC Real Estate of an 100% equity interest of Tigerlily Overseas Limited which in turn owned 80% of Jodrell.

Upon the completion of the acquisition, SMC Real Estate would acquire 56% attributable equity interest in EB Real Estate with the following shareholding in its subsidiaries and jointly controlled entities.

As at the date of this report, the particulars of EB Real Estate's subsidiaries and jointly controlled entities are as follows:

Name of subsidiary	Date of establishment	Issued and fully paid registered capital	Proportion of nominal value of registered capital held by		Principal activities
			EB Real Estate	Directly Indirectly	
北京光大房地產開發有限公司 (i)	21st December, 2001	RMB28,000,000	100%	-	Property development
北京中京藝苑房地產開發有限公司 (i)	30th June, 2000	RMB30,000,000	65%	30%	Property development
北京光大恒信建築工程諮詢公司 (i)	7th March, 1988	RMB6,590,000	100%	-	Inactive
上海光大置業發展有限公司 (i)	26th December, 1994	RMB15,000,000	50%	50%	Investment holding
合肥光大置業有限公司 (i)	20th September, 2002	RMB20,000,000	80%	20%	Investment holding
北京快樂城堡購物中心有限公司 (i)	9th October, 1998	RMB10,000,000	80%	20%	Property investment
北京東恒建築裝飾工程有限公司 (ii)	12th November, 1992	USD1,500,000	-	75%	Decoration work
安徽博鴻房地產開發有限公司 (i)	11th July, 2003	RMB20,000,000	-	70%	Property development
光大物業管理有限公司 (i)	8th October, 1998	RMB3,500,000	70%	30%	Property management

Name of jointly controlled entity	Date of establishment	Issued and fully paid registered capital	Proportion of nominal value of registered capital held by		Principal activities
			EB Real Estate Directly	Indirectly	
廣州市環博展覽 有限公司 (i)	16th August, 2002	RMB50,000,000	45%	-	Property development
桂林光大立元生態家園 開發建設有限公司 (i)	29th October, 2002	RMB10,000,000	-	49.7%	Inactive
上海金鶴數碼科技 發展有限公司 (ii)	21st May, 2003	USD1,200,000	-	65%	Property development
廣州市光大花園房地產 開發有限公司 (i)	21st May, 1998	RMB100,000,000	50%	-	Property development
廣州市光大花園物業 管理有限公司 (i)	15th February, 2000	RMB500,000	-	74.5%	Property management
廣西光大旅遊投資 有限公司 (i)	28th September, 2002	RMB30,000,000	50%	21%	Investment holding
北京宏基房地產開發 有限責任公司 (i)	19th August, 1996	RMB10,000,000	55%	-	Property development

(i) Limited liability company established in the PRC.

(ii) Sino-foreign equity joint venture established in the PRC.

The statutory financial statements of EB Real Estate and each of its subsidiaries and jointly controlled entities were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC. The statutory financial statements of EB Real Estate and each of its subsidiaries and jointly controlled entities for each of the three years ended 31st December, 2004 were audited by the following certified public accountants registered in the PRC:

Name of company	Financial period	Auditors
中國光大房地產開發有限公司	Year ended 31st December, 2002	北京新生代會計師事務所 有限公司
	Year ended 31st December, 2003	中瑞華恒信會計師事務所
	Year ended 31st December, 2004	北京興華會計師事務所
北京光大房地產開發有限公司	Year ended 31st December, 2002	北京新生代會計師事務所 有限公司
	Year ended 31st December, 2003	中瑞華恒信會計師事務所
	Year ended 31st December, 2004	北京興華會計師事務所
北京中京藝苑房地產開發有限公司	Year ended 31st December, 2002	北京華益會計師事務所 有限公司
	Year ended 31st December, 2003	天津五洲聯合會計師事務所
	Year ended 31st December, 2004	北京興華會計師事務所
北京光大恒信建築工程諮詢公司	Year ended 31st December, 2002	北京新生代會計師事務所 有限公司
	Year ended 31st December, 2003	No statutory audit performed
	Year ended 31st December, 2004	北京興華會計師事務所
上海光大置業發展有限公司	Year ended 31st December, 2002	北京新生代會計師事務所 有限公司
	Year ended 31st December, 2003	中瑞華恒信會計師事務所
	Year ended 31st December, 2004	北京興華會計師事務所
合肥光大置業有限公司	Period from 20th September, 2002 to 31st December, 2002	No statutory audit performed
	Year ended 31st December, 2003	中瑞華恒信會計師事務所
	Year ended 31st December, 2004	北京興華會計師事務所
北京快樂城堡購物中心有限公司	Year ended 31st December, 2002	北京新生代會計師事務所 有限公司
	Year ended 31st December, 2003	No statutory audit performed
	Year ended 31st December, 2004	北京興華會計師事務所

Name of company	Financial period	Auditors
北京東恒建築裝飾工程有限公司	Year ended 31st December, 2002	北京新生代會計師事務所 有限公司
	Year ended 31st December, 2003	中瑞華恒信會計師事務所
	Year ended 31st December, 2004	北京興華會計師事務所
安徽博鴻房地產開發有限公司	Period from 11th July, 2003 to 31st December, 2003	中瑞華恒信會計師事務所
	Year ended 31st December, 2004	北京興華會計師事務所
光大物業管理有限公司	Year ended 31st December, 2002	北京新生代會計師事務所 有限公司
	Year ended 31st December, 2003	中瑞華恒信會計師事務所
	Year ended 31st December, 2004	北京興華會計師事務所
廣州市環博展覽有限公司	Period from 16th August, 2002 to 31st December, 2002	No statutory audit performed
	Year ended 31st December, 2003	廣州安立信會計師事務所
	Year ended 31st December, 2004	廣州市中審會計師事務所
桂林光大立元生態家園開發建設有限公司	Period from 29th October, 2002 to 31st December, 2002	No statutory audit performed
	Year ended 31st December, 2003	廣西新時代會計師事務所
	Year ended 31st December, 2004	廣西信達會計師事務所
上海金鶴數碼科技發展有限公司	Period from 21st May, 2003 to 31st December, 2003	中瑞華恒信會計師事務所
	Year ended 31st December, 2004	北京興華會計師事務所
廣州市光大花園房地產開發有限公司	Year ended 31st December, 2002	廣州市大公會計師事務所
	Year ended 31st December, 2003	廣州安立信會計師事務所
	Year ended 31st December, 2004	廣州安立信會計師事務所
廣州市光大花園物業管理有限公司	Year ended 31st December, 2002	廣州市大公會計師事務所
	Year ended 31st December, 2003	廣州安立信會計師事務所
	Year ended 31st December, 2004	廣州安立信會計師事務所
廣西光大旅遊投資有限公司	Period from 28th September, 2002 to 31st December, 2002	No statutory audit performed
	Year ended 31st December, 2003	廣州安立信會計師事務所
	Year ended 31st December, 2004	廣西信達會計師事務所
北京宏基房地產開發有限責任公司	Year ended 31st December, 2002	北京愛思濟會計師事務所
	Year ended 31st December, 2003	No statutory audit performed
	Year ended 31st December, 2004	北京興華會計師事務所

For the purpose of this report, we have carried out independent audit procedures in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") in respect of the consolidated management accounts of the Group prepared by the management of EB Real Estate in accordance with accounting principles generally accepted in Hong Kong for the Relevant Periods.

We have examined the consolidated management accounts of the Group in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountants" as recommended by the HKICPA.

The consolidated financial information for the Relevant Periods (the "Financial Information") set out in this report has been prepared from the consolidated management accounts of the Group (the "Underlying Financial Information") for the purpose of preparing our report for inclusion in the Circular.

The preparation of the Underlying Financial Information is the responsibility of the management of EB Real Estate. The directors of SMC are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Information, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon give, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at 31st December, 2002, 2003 and 2004 and of the results and cash flows of the Group for each of the three years ended 31st December, 2004.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

	NOTES	Year ended 31st December,		
		2002 RMB'000	2003 RMB'000	2004 RMB'000
Turnover	3	492,828	29,613	629,506
Cost of sales		<u>(443,514)</u>	<u>(15,945)</u>	<u>(531,835)</u>
Gross profit		49,314	13,668	97,671
Other operating income	4	5,910	14,327	16,481
Selling expenses		(29,335)	(19,668)	(22,992)
Administrative expenses		(26,167)	(24,924)	(30,802)
Other operating expenses		(13,013)	(152)	(527)
Unrealised (loss) gain on trading securities		<u>(8,670)</u>	<u>(1,824)</u>	<u>3,212</u>
(Loss) profit from operations	5	(21,961)	(18,573)	63,043
Finance costs	6	-	(2,334)	(2,352)
Gain on deemed disposal of subsidiaries	28	-	48,666	-
Share of results of jointly controlled entities		<u>(1,237)</u>	<u>(13,942)</u>	<u>41,701</u>
(Loss) profit before taxation		(23,198)	13,817	102,392
Taxation	8	<u>(6,119)</u>	<u>(6,009)</u>	<u>(18,268)</u>
(Loss) profit before minority interests		(29,317)	7,808	84,124
Minority interests		<u>(187)</u>	<u>232</u>	<u>639</u>
Net (loss) profit for the year		<u><u>(29,504)</u></u>	<u><u>8,040</u></u>	<u><u>84,763</u></u>
Dividends	9	<u><u>10,000</u></u>	<u><u>58,030</u></u>	<u><u>-</u></u>

CONSOLIDATED BALANCE SHEETS

	NOTES	At 31st December,		
		2002 RMB'000	2003 RMB'000	2004 RMB'000
Non-Current Assets				
Property, plant and equipment	11	13,013	7,993	7,381
Investment properties	12	65,335	2,254	2,254
Properties held for development	13	3,800	–	–
Intangible assets	14	64,944	61,626	57,629
Interests in jointly controlled entities	16	30,031	68,966	100,945
		<u>177,123</u>	<u>140,839</u>	<u>168,209</u>
Current Assets				
Trading securities	17	20,814	18,871	26,088
Inventories of properties	18	874,135	656,803	917,323
Other inventories		2,479	874	1,083
Debtors, deposits and prepayments	19	118,129	49,659	70,751
Amounts due from related companies	20	24,042	685	329
Amounts due from minority shareholders	20	2,240	–	–
Amounts due from jointly controlled entities	20	–	73,500	76,511
Pledged deposits	29	7,370	–	–
Bank balances, deposits and cash		<u>63,929</u>	<u>101,076</u>	<u>146,303</u>
		<u>1,113,138</u>	<u>901,468</u>	<u>1,238,388</u>
Current Liabilities				
Trade and other payables	22	464,575	330,370	532,670
Sales deposits received		71,008	301,933	551,284
Amounts due to related companies	20	7,951	9,675	7,165
Amounts due to minority shareholders	20	–	9,000	9,000
Amounts due to jointly controlled entities	20	32,793	22,166	15,786
Income tax payable		6,294	4,309	2,041
Bank borrowings				
– due within one year	23	<u>404,000</u>	<u>232,000</u>	<u>128,400</u>
		<u>986,621</u>	<u>909,453</u>	<u>1,246,346</u>
Net Current Assets (Liabilities)		<u>126,517</u>	<u>(7,985)</u>	<u>(7,958)</u>
		<u>303,640</u>	<u>132,854</u>	<u>160,251</u>

		At 31st December,		
	NOTES	2002 RMB'000	2003 RMB'000	2004 RMB'000
Capital and Reserves				
Paid-up capital	24	133,000	133,000	133,000
Reserves	25	(18,544)	(68,786)	18,326
		<u>114,456</u>	<u>64,214</u>	<u>151,326</u>
Minority Interests		<u>2,872</u>	<u>8,640</u>	<u>8,925</u>
Non-Current Liabilities				
Bank borrowings – due after one year	23	174,000	60,000	–
Deferred taxation	26	12,312	–	–
		<u>186,312</u>	<u>60,000</u>	<u>–</u>
		<u>303,640</u>	<u>132,854</u>	<u>160,251</u>

BALANCE SHEETS

	NOTES	At 31st December,		
		2002 RMB'000	2003 RMB'000	2004 RMB'000
Non-Current Assets				
Property, plant and equipment	11	1,764	1,498	1,010
Investments in subsidiaries	15	102,190	53,690	74,940
Interests in jointly controlled entities	16	32,500	104,500	105,000
		<u>136,454</u>	<u>159,688</u>	<u>180,950</u>
Current Assets				
Trading securities	17	20,814	18,871	26,068
Inventories of properties	18	65,658	272,120	422,964
Other inventories		36	95	98
Debtors, deposits and prepayments	19	14,623	4,747	34,530
Amounts due from related companies	20	300	461	300
Amounts due from jointly controlled entities	20	–	6,500	73,511
Amounts due from subsidiaries	21	253,288	99,267	303,236
Bank balances, deposits and cash		22,218	45,387	52,325
		<u>376,937</u>	<u>447,448</u>	<u>913,032</u>
Current Liabilities				
Trade and other payables	22	64,390	233,308	131,003
Sales deposits received		9,314	2,049	551,284
Amounts due to related companies	20	–	2,660	–
Amounts due to jointly controlled entities	20	22,791	16,697	9,941
Amounts due to subsidiaries	21	13,055	34,115	164,043
Income tax payable		3,419	1,749	936
Bank borrowings				
– due within one year	23	115,000	132,000	128,400
		<u>227,969</u>	<u>422,578</u>	<u>985,607</u>
Net Current Assets (Liabilities)		<u>148,968</u>	<u>24,870</u>	<u>(72,575)</u>
		<u>285,422</u>	<u>184,558</u>	<u>108,375</u>

	NOTES	At 31st December,		
		2002 RMB'000	2003 RMB'000	2004 RMB'000
Capital and Reserves				
Paid-up capital	24	133,000	133,000	133,000
Reserves	25	52,422	(8,442)	(24,625)
		<u>185,422</u>	<u>124,558</u>	<u>108,375</u>
Non-Current Liabilities				
Bank borrowings				
– due after one year	23	100,000	60,000	–
		<u>285,422</u>	<u>184,558</u>	<u>108,375</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Year ended 31st December,		
	2002 RMB'000	2003 RMB'000	2004 RMB'000
At beginning of the year	150,419	114,456	64,214
Net (loss) profit for the year	(29,504)	8,040	84,763
Surplus on revaluation of investment properties of the Group, net of deferred taxation	3,541	–	–
Released of investment property revaluation reserve on deemed disposal of subsidiaries	–	(6,690)	–
Share of investment property revaluation reserve of a jointly controlled entity	–	6,438	2,349
Dividends	(10,000)	(58,030)	–
At end of the year	<u>114,456</u>	<u>64,214</u>	<u>151,326</u>

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31st December,		
	2002 RMB'000	2003 RMB'000	2004 RMB'000
Operating Activities			
(Loss) profit from operations	(21,961)	(18,573)	63,043
Adjustments for:			
Interest income	(720)	(1,079)	(3,586)
Depreciation and amortisation	5,389	6,418	5,385
Allowance for (reversal of) bad and doubtful debts	805	(70)	(29)
Gain on disposal of property, plant and equipment	(376)	(23)	(83)
Write back of trade payables	(467)	(9,458)	(546)
Dividend income	(1,395)	-	-
Unrealised loss (gain) on trading securities	8,670	1,824	(3,212)
	<u> </u>	<u> </u>	<u> </u>
Operating cash flows before movements in working capital	(10,055)	(20,961)	60,972
Decrease (increase) in inventories of properties	234,261	(476,545)	128,084
(Increase) decrease in other inventories	(354)	1,197	(209)
Decrease (increase) in debtors, deposits and prepayments	70,573	(2,758)	(8,503)
(Increase) decrease in trading securities	(29,183)	119	(3,985)
(Decrease) increase in trade and other payables	(279,303)	210,485	(138,029)
(Decrease) increase in sales deposits received	(81,403)	292,619	249,351
	<u> </u>	<u> </u>	<u> </u>
Cash (used in) generated from operations	(95,464)	4,156	287,681
PRC income tax paid	(15,570)	(4,462)	(7,965)
	<u> </u>	<u> </u>	<u> </u>
Net cash (used in) from operating activities	<u>(111,034)</u>	<u>(306)</u>	<u>279,716</u>

	NOTES	Year ended 31st December,		
		2002 RMB'000	2003 RMB'000	2004 RMB'000
Investing activities				
Interest received		720	1,079	3,586
Purchase of property, plant and equipment		(6,056)	(2,219)	(511)
Additions of properties held for development		(3,800)	-	-
Proceeds from disposal of property, plant and equipment		1,574	266	391
Additions of intangible assets		-	(600)	-
Net cash acquired on (used in) acquisition of subsidiary	27	2,565	-	(21,946)
Cash disposed on deemed disposal of subsidiaries	28	-	(19,603)	-
Capital contribution from minority shareholders		-	6,000	-
Dividend received from a jointly controlled entity		-	11,332	-
Dividend received from investments in securities		1,395	-	-
Decrease in amounts due from related companies		109,615	23,252	356
Increase in amounts due from minority shareholders		(1,696)	-	-
Decrease (increase) in amounts due from jointly controlled entities		-	45,001	(3,011)
Increase in pledged bank deposits		(6,468)	-	-
Capital contributions to jointly controlled entities		(15,000)	(29,956)	(500)
Net cash from (used in) investing activities		<u>82,849</u>	<u>34,552</u>	<u>(21,635)</u>

	Year ended 31st December,		
	2002 RMB'000	2003 RMB'000	2004 RMB'000
Financing activities			
Interest paid	(29,226)	(20,443)	(15,364)
(Decrease) increase in amounts due to related companies	(104,215)	1,859	(2,510)
(Decrease) increase in amounts due to minority shareholders	(4,304)	9,000	–
Increase (decrease) in amounts due to jointly controlled entities	1,676	(6,485)	(6,380)
New bank loans raised	499,000	280,000	80,000
Repayment of bank loans	(386,000)	(203,000)	(243,600)
Repayment of other borrowings	–	–	(25,000)
Dividend paid	(10,000)	(58,030)	–
	<u> </u>	<u> </u>	<u> </u>
Net cash (used in) from financing activities	<u>(33,069)</u>	<u>2,901</u>	<u>(212,854)</u>
Net (decrease) increase in cash and cash equivalents	<u>(61,254)</u>	<u>37,147</u>	<u>45,227</u>
Cash and cash equivalents at the beginning of the year	<u>125,183</u>	<u>63,929</u>	<u>101,076</u>
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the year	<u><u>63,929</u></u>	<u><u>101,076</u></u>	<u><u>146,303</u></u>
Represented by:			
Bank balances, deposits and cash	<u><u>63,929</u></u>	<u><u>101,076</u></u>	<u><u>146,303</u></u>

NOTES TO THE FINANCIAL INFORMATION**1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

EB Real Estate was established in the PRC as a sino-foreign equity joint venture on 3rd September, 2004 and took up the business activities of property development and investment (the "Relevant Business") which was previously carried out by the Predecessor. EB Real Estate was considered as a continuing entity of the Predecessor.

Accordingly, the financial information has been prepared as if the Relevant Business was carried out by EB Real Estate throughout the Relevant Periods.

The financial information has been prepared on a going concern basis because Shell Electric Mfg. (Holdings) Company Limited has agreed to provide adequate funds to the Group to meet in full its financial obligations as they fall due in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared under the historical cost basis as modified for the revaluation of investments in securities and investment properties and in accordance with accounting principles generally accepted in Hong Kong:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries and jointly controlled entities acquired or disposed of during the Relevant Periods are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Goodwill/negative goodwill

Goodwill (negative goodwill) represents the difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary or jointly controlled entity at the effective date of acquisition. Goodwill is recognised as an asset and is amortised using the straight line method over its estimated useful life. Negative goodwill is presented as a deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income statement immediately.

On disposal of an investment in a subsidiary or a jointly controlled entity, the attributable amount of unamortised goodwill or unreleased negative goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Income from sale of properties held for sale is recognised upon the conclusion of the sales and purchase agreement. Deposits received on properties sold prior to the date of revenue recognition are included in the balance sheet under sales deposits received.

Sales of securities are recognised when the sales transactions are completed and ownership of the securities is transferred.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Investment income and dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rentals receivable under operating leases are recognised on a straight-line basis and credited to the income statement over the relevant lease term.

Income from property management, clubhouse service and decoration work is recognised when services are provided.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line basis at the following rates per annum:

Land and buildings in the PRC

– Land use rights	Remaining terms of the land use rights
– Buildings	The shorter of the estimated useful lives or remaining terms of the respective land use rights
Furniture, office equipment and other assets	10% to 33.33%
Motor vehicles	20% to 33.33%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Properties held for development

Properties held for development are stated at cost, as reduced by any identified impairment loss. Cost comprises the consideration for acquisition of land use rights, development expenditure and other attributable expenses.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

Interests in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

The Company's investments in jointly controlled entities are stated at cost, as reduced by any identified impairment loss. The results of jointly controlled entities are accounted for the Company on the basis of dividends received and receivables.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net gain or loss on the disposal of the securities for the period.

Inventory of properties

Inventory of properties includes properties under development and properties held for sale.

The carrying value of properties under development comprises the land cost, together with development expenditure, which includes construction costs, capitalised interest and ancillary borrowing costs.

Properties held for sale and properties under development are stated at the lower of cost and net realisable value. Cost includes land cost and development expenditure. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

Land cost includes land premium and expenditure for demolition and resettlement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Other inventories

Other inventories, comprises raw materials and consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and jointly controlled entities except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the respective lease term.

Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefit scheme

The contributions payable to the state-managed retirement benefit schemes are charged as an expense when they fall due.

3. TURNOVER

Turnover represents the aggregate of proceeds from the sale of properties, rental income, income from property management, clubhouse service and decoration service, net of value added tax and business tax, during the Relevant Periods as follows:

	Year ended 31st December,		
	2002	2003	2004
	RMB'000	RMB'000	RMB'000
Turnover comprises the following:			
Sales of completed properties	459,515	8,409	601,894
Rental income	11,873	10,068	11,576
Property management and clubhouse service income	13,127	6,316	7,948
Decoration service	7,423	4,820	8,088
Others	890	–	–
	<u>492,828</u>	<u>29,613</u>	<u>629,506</u>

4. OTHER OPERATING INCOME

	Year ended 31st December,		
	2002	2003	2004
	RMB'000	RMB'000	RMB'000
Included in other operating income are:			
Dividend income	1,395	–	–
Interest income	720	1,079	3,586
Write back of trade payables	467	9,458	546
Gain on disposal of property, plant and equipment	376	23	83
Refund of business tax	–	3,577	11,826
	<u>–</u>	<u>3,577</u>	<u>11,826</u>

5. (LOSS) PROFIT FROM OPERATIONS

	Year ended 31st December,		
	2002	2003	2004
	RMB'000	RMB'000	RMB'000
(Loss) profit from operations has been arrived at after charging (crediting):			
Salaries and allowances	9,644	9,406	11,792
Retirement benefit cost	865	449	811
	<u> </u>	<u> </u>	<u> </u>
Total staff costs	10,509	9,855	12,603
Operating lease rental in respect of office premises	2,500	2,837	3,119
Allowance for (reversal of) bad and doubtful debts	805	(70)	(29)
Auditors' remuneration	844	872	1,389
Depreciation and amortisation:			
Goodwill (included in administrative expenses)	-	1,000	-
Intangible assets (included in administrative expenses)	3,877	3,918	3,997
Property, plant and equipment	2,308	1,649	1,403
Less: Amount capitalised in properties under development	(796)	(149)	(15)
	<u> </u>	<u> </u>	<u> </u>
	5,389	6,418	5,385
Gross rental income less outgoings of RMB586,000 (2003: RMB499,000; 2002: RMB553,000)	<u>11,320</u>	<u>9,569</u>	<u>10,990</u>

6. FINANCE COSTS

	Year ended 31st December,		
	2002	2003	2004
	RMB'000	RMB'000	RMB'000
Interest on bank borrowings wholly repayable within five years	16,567	20,443	15,364
Less: Amount capitalised in properties under development	(16,567)	(18,109)	(13,012)
	<u> </u>	<u> </u>	<u> </u>
	-	2,334	2,352

7. REMUNERATION OF DIRECTORS AND EMPLOYEES

Directors

No remuneration was paid or payable to any directors of EB Real Estate during the Relevant Periods.

Employees

Details of the emoluments paid by the Group to the five highest paid individuals are as follows:

	Year ended 31st December,		
	2002	2003	2004
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	70	126	128
Performance related incentive payments	15	–	13
Retirement benefits cost	5	6	7
	<u>90</u>	<u>132</u>	<u>148</u>

The emoluments of each of the five highest paid individuals were below HK\$1,000,000 (equivalent to RMB1,060,000) during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by EB Real Estate to the five highest paid individuals (included directors and employees) as an inducement to join or upon joining EB Real Estate Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

8. TAXATION

	Year ended 31st December,		
	2002	2003	2004
	RMB'000	RMB'000	RMB'000
The charge comprises:			
Enterprise income tax charged in the PRC	6,119	5,267	5,573
Underprovision in prior years	–	–	124
	<u>6,119</u>	<u>5,267</u>	<u>5,697</u>
Share of taxation of jointly controlled entities	–	742	12,571
	<u>6,119</u>	<u>6,009</u>	<u>18,268</u>

Provision for enterprise income tax in the PRC for the Relevant Periods was made based on the Group's estimated assessable profits calculated in accordance with the relevant income tax laws applicable to the Company and its subsidiaries in the PRC.

Taxation charge for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	Year ended 31st December,		
	2002	2003	2004
	RMB'000	RMB'000	RMB'000
(Loss) profit before taxation	<u>(23,198)</u>	<u>13,817</u>	<u>102,392</u>
Tax at the domestic income tax rate of 33%	(7,655)	4,560	33,789
Tax effect of expenses not deductible for tax purpose	12,420	8,095	305
Tax effect of income not taxable for tax purpose	(154)	(16,308)	(20,622)
Underprovision in prior years	–	–	124
Tax effect of tax losses not recognised	1,945	5,002	6,683
Tax effect of utilisation of tax losses not previously recognised	(845)	(522)	(741)
Share of tax effect of jointly controlled entities	408	5,343	(1,190)
Others	–	(161)	(80)
Taxation charge for the year	<u>6,119</u>	<u>6,009</u>	<u>18,268</u>

Details of deferred taxation for the Relevant Periods are set out in note 26.

9. DIVIDENDS

	Year ended 31st December,		
	2002	2003	2004
	RMB'000	RMB'000	RMB'000
Dividend paid	<u>10,000</u>	<u>58,030</u>	<u>–</u>

10. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share of the Group is not presented herein as such information is not considered meaningful in the context of this report.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Office equipment, furniture and other assets RMB'000	Motor vehicles RMB'000	Total RMB'000
THE GROUP				
COST				
At 1st January, 2002	1,198	7,614	7,145	15,957
Additions	4,646	1,135	275	6,056
Acquired on acquisition of a subsidiary	-	401	179	580
Disposals	-	(2,545)	-	(2,545)
At 31st December, 2002	<u>5,844</u>	<u>6,605</u>	<u>7,599</u>	<u>20,048</u>
DEPRECIATION AND AMORTISATION				
At 1st January, 2002	349	3,024	2,701	6,074
Provided for the year	174	1,158	976	2,308
Eliminated on disposals	-	(1,347)	-	(1,347)
At 31st December, 2002	<u>523</u>	<u>2,835</u>	<u>3,677</u>	<u>7,035</u>
NET BOOK VALUE				
At 31st December, 2002	<u>5,321</u>	<u>3,770</u>	<u>3,922</u>	<u>13,013</u>
COST				
At 1st January, 2003	5,844	6,605	7,599	20,048
Additions	1,670	549	-	2,219
Disposals	-	(127)	(259)	(386)
Transfer to investment properties	(2,319)	-	-	(2,319)
Eliminated on deemed disposal of subsidiaries	-	(1,952)	(2,255)	(4,207)
At 31st December, 2003	<u>5,195</u>	<u>5,075</u>	<u>5,085</u>	<u>15,355</u>
DEPRECIATION AND AMORTISATION				
At 1st January, 2003	523	2,835	3,677	7,035
Provided for the year	188	956	505	1,649
Eliminated on disposals	-	(117)	(26)	(143)
Transfer to investment properties	(65)	-	-	(65)
Eliminated on deemed disposal of subsidiaries	-	(565)	(549)	(1,114)
At 31st December, 2003	<u>646</u>	<u>3,109</u>	<u>3,607</u>	<u>7,362</u>
NET BOOK VALUE				
At 31st December, 2003	<u>4,549</u>	<u>1,966</u>	<u>1,478</u>	<u>7,993</u>

	Leasehold land and buildings RMB'000	Office equipment, furniture and other assets RMB'000	Motor vehicles RMB'000	Total RMB'000
THE GROUP				
COST				
At 1st January, 2004	5,195	5,075	5,085	15,355
Additions	–	444	67	511
Acquired on acquisition of a subsidiary	–	117	471	588
Disposals	(410)	(2)	(2,005)	(2,417)
	<u>4,785</u>	<u>5,634</u>	<u>3,618</u>	<u>14,037</u>
At 31st December, 2004				
DEPRECIATION AND AMORTISATION				
At 1st January, 2004	646	3,109	3,607	7,362
Provided for the year	229	736	438	1,403
Eliminated on disposals	(174)	–	(1,935)	(2,109)
	<u>701</u>	<u>3,845</u>	<u>2,110</u>	<u>6,656</u>
At 31st December, 2004				
NET BOOK VALUE				
At 31st December, 2004	<u><u>4,084</u></u>	<u><u>1,789</u></u>	<u><u>1,508</u></u>	<u><u>7,381</u></u>
THE COMPANY				
COST				
At 1st January, 2002	1,166	630	2,175	3,971
Additions	–	43	172	215
	<u>1,166</u>	<u>673</u>	<u>2,347</u>	<u>4,186</u>
At 31st December, 2002				
DEPRECIATION AND AMORTISATION				
At 1st January, 2002	343	373	1,252	1,968
Provided for the year	39	89	326	454
	<u>382</u>	<u>462</u>	<u>1,578</u>	<u>2,422</u>
At 31st December, 2002				
NET BOOK VALUE				
At 31st December, 2002	<u><u>784</u></u>	<u><u>211</u></u>	<u><u>769</u></u>	<u><u>1,764</u></u>

	Leasehold land and buildings RMB'000	Office equipment, furniture and other assets RMB'000	Motor vehicles RMB'000	Total RMB'000
THE COMPANY				
COST				
At 1st January, 2003	1,166	673	2,347	4,186
Additions	–	141	–	141
Disposals	–	–	(196)	(196)
At 31st December, 2003	<u>1,166</u>	<u>814</u>	<u>2,151</u>	<u>4,131</u>
DEPRECIATION AND AMORTISATION				
At 1st January, 2003	382	462	1,578	2,422
Provided for the year	39	80	287	406
Eliminated on disposals	–	–	(195)	(195)
At 31st December, 2003	<u>421</u>	<u>542</u>	<u>1,670</u>	<u>2,633</u>
NET BOOK VALUE				
At 31st December, 2003	<u><u>745</u></u>	<u><u>272</u></u>	<u><u>481</u></u>	<u><u>1,498</u></u>
COST				
At 1st January, 2004	1,166	814	2,151	4,131
Additions	–	32	–	32
Disposals	(410)	–	(1,159)	(1,569)
At 31st December, 2004	<u>756</u>	<u>846</u>	<u>992</u>	<u>2,594</u>
DEPRECIATION AND AMORTISATION				
At 1st January, 2004	421	542	1,670	2,633
Provided for the year	32	93	159	284
Eliminated on disposals	(174)	–	(1,159)	(1,333)
At 31st December, 2004	<u>279</u>	<u>635</u>	<u>670</u>	<u>1,584</u>
NET BOOK VALUE				
At 31st December, 2004	<u><u>477</u></u>	<u><u>211</u></u>	<u><u>322</u></u>	<u><u>1,010</u></u>

All the Group's land and building are located in the PRC and held under medium-term leases.

12. INVESTMENT PROPERTIES

	2002 <i>RMB'000</i>	2003 <i>RMB'000</i>	2004 <i>RMB'000</i>
THE GROUP			
VALUATION			
At 1st January	37,735	65,335	2,254
Transfer from properties under development	22,995	–	–
Transfer from property, plant and equipment	–	2,254	–
Eliminated on disposal of subsidiaries	–	(65,335)	–
Surplus on revaluation	4,605	–	–
	<u> </u>	<u> </u>	<u> </u>
At 31st December	<u>65,335</u>	<u>2,254</u>	<u>2,254</u>

The Group's investment properties were valued at 31st December, 2002, 2003 and 2004 by Messrs. Knight Frank, a firm of Chartered Surveyors, on an open market value basis. This valuation gave rise to a revaluation surplus of RMB4,605,000 in 2002 which has been credited to the investment property revaluation reserve and deferred tax effect of RMB1,064,000 arising on revaluation has been credited to deferred taxation.

The carrying amounts of investment properties approximated their open market value at 31st December, 2003 and 2004.

Investment properties are all located in the PRC and held under medium-term leases.

13. PROPERTIES HELD FOR DEVELOPMENT

	<i>RMB'000</i>
THE GROUP	
Properties in the PRC, at cost	
At 1st January, 2002	–
Additions	3,800
	<u> </u>
At 31st December, 2002	3,800
Eliminated on disposal of subsidiaries	(3,800)
	<u> </u>
At 31st December, 2003 and 2004	<u> </u>

The properties held for development at 31st December, 2002 represented a piece of land situated in the PRC and held under medium-term lease.

14. INTANGIBLE ASSETS

	2002 <i>RMB'000</i>	2003 <i>RMB'000</i>	2004 <i>RMB'000</i>
THE GROUP			
COST			
At 1st January	68,821	68,821	69,421
Additions	–	600	–
	<u>68,821</u>	<u>69,421</u>	<u>69,421</u>
At 31st December	68,821	69,421	69,421
AMORTISATION			
At 1st January	–	3,877	7,795
Amortisation for the year	3,877	3,918	3,997
	<u>3,877</u>	<u>7,795</u>	<u>11,792</u>
At 31st December	3,877	7,795	11,792
CARRYING AMOUNT			
At 31st December	<u>64,944</u>	<u>61,626</u>	<u>57,629</u>

The amounts represent the shopping mall operating right acquired by the Group which is amortised over the operating period of 20 years on a straight-line basis.

15. INVESTMENTS IN SUBSIDIARIES

	At 31st December,		
	2002 <i>RMB'000</i>	2003 <i>RMB'000</i>	2004 <i>RMB'000</i>
Unlisted investments, at cost	<u>102,190</u>	<u>53,690</u>	<u>74,940</u>

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP At 31st December,		
	2002 <i>RMB'000</i>	2003 <i>RMB'000</i>	2004 <i>RMB'000</i>
Share of net assets	<u>30,031</u>	<u>68,966</u>	<u>100,945</u>

	THE COMPANY At 31st December,		
	2002 <i>RMB'000</i>	2003 <i>RMB'000</i>	2004 <i>RMB'000</i>
Unlisted investments, at cost	<u>32,500</u>	<u>104,500</u>	<u>105,000</u>

The summary of aggregate financial information of the Group's jointly controlled entities under the accounting principles generally accepted in Hong Kong during the Relevant Periods are as follows:

	Year ended 31st December,		
	2002 RMB'000	2003 RMB'000	2004 RMB'000
Result for the year			
Turnover	<u>–</u>	<u>373,642</u>	<u>769,422</u>
(Loss) profit before taxation	<u>(2,457)</u>	<u>(28,112)</u>	<u>85,381</u>
Share of (loss) profit before taxation	<u>(1,237)</u>	<u>(13,942)</u>	<u>41,701</u>
Financial position			
	At 31st December,		
	2002 RMB'000	2003 RMB'000	2004 RMB'000
Non-current assets	3,653	392,823	498,114
Current assets	51,867	1,453,614	1,619,325
Current liabilities	(3,602)	(1,286,639)	(1,369,697)
Non-current liabilities	–	(416,357)	(541,295)
Minority interests	<u>(2,977)</u>	<u>(2,795)</u>	<u>(2,571)</u>
Net assets	<u>48,941</u>	<u>140,646</u>	<u>203,876</u>
Share of net assets	<u>30,031</u>	<u>68,966</u>	<u>100,945</u>
17. TRADING SECURITIES			
	At 31st December,		
	2002 RMB'000	2003 RMB'000	2004 RMB'000
THE GROUP			
Listed equity securities in PRC, at market value	<u>20,814</u>	<u>18,871</u>	<u>26,088</u>
THE COMPANY			
Listed equity securities in PRC, at market value	<u>20,814</u>	<u>18,871</u>	<u>26,068</u>
18. INVENTORIES OF PROPERTIES			
	At 31st December,		
	2002 RMB'000	2003 RMB'000	2004 RMB'000
THE GROUP			
Properties under development	521,870	639,676	903,168
Properties held for sale	<u>352,265</u>	<u>17,127</u>	<u>14,155</u>
	<u>874,135</u>	<u>656,803</u>	<u>917,323</u>

	At 31st December,		
	2002	2003	2004
	RMB'000	RMB'000	RMB'000
THE COMPANY			
Properties under development	40,756	254,993	414,178
Properties held for sale	24,902	17,127	8,786
	<u>65,658</u>	<u>272,120</u>	<u>422,964</u>

All inventories of properties were carried at cost at 31st December, 2002, 2003 and 2004.

Interest capitalised by the Group during the year 2002, 2003 and 2004 in respect of properties under development amounted to RMB16,567,000, RMB18,109,000 and RMB13,012,000, respectively. The borrowings are borrowed specifically for the purpose of property development.

19. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group generally grants a credit period of not exceeding 60 days to its trade customers.

The following is an aged analysis of trade debtors at the balance sheet dates.

	At 31st December,		
	2002	2003	2004
	RMB'000	RMB'000	RMB'000
THE GROUP			
Current	36,851	–	6,587
31 – 60 days	9,407	–	–
61 – 90 days	7,325	88	1,141
91 – 180 days	359	83	272
181 – 360 days	16,230	–	73
Over 360 days	17	15,176	1,492
	<u>70,189</u>	<u>15,347</u>	<u>9,565</u>
Prepayments, deposits and other debtors	47,940	34,312	61,186
	<u>118,129</u>	<u>49,659</u>	<u>70,751</u>

	At 31st December,		
	2002	2003	2004
	RMB'000	RMB'000	RMB'000
THE COMPANY			
Current	–	–	–
31 – 60 days	–	–	–
61 – 90 days	5,559	–	–
91 – 180 days	–	–	272
181 – 360 days	–	–	–
Over 360 days	–	–	770
	<u>5,559</u>	<u>–</u>	<u>1,042</u>
Prepayments, deposits and other debtors	9,064	4,747	33,488
	<u>14,623</u>	<u>4,747</u>	<u>34,530</u>

20. AMOUNTS DUE FROM (TO) RELATED COMPANIES, MINORITY SHAREHOLDERS AND JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, interest free and repayable on demand. The related companies represent the enterprises which are under the control of the minority shareholders of EB Real Estate and the minority shareholders of subsidiaries.

21. AMOUNTS DUE FROM (TO) SUBSIDIARIES

The amounts are unsecured, interest free and repayable on demand.

22. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet dates.

	At 31st December,		
	2002 RMB'000	2003 RMB'000	2004 RMB'000
THE GROUP			
Current	116,550	4,147	322,753
31 – 60 days	–	–	–
61 – 90 days	163	14	95
91 – 180 days	500	–	–
181 – 360 days	23,586	14,550	319
Over 360 days	38,730	9,930	11,927
	<u>179,529</u>	<u>28,641</u>	<u>335,094</u>
Accruals and other payables	285,046	301,729	197,576
	<u>464,575</u>	<u>330,370</u>	<u>532,670</u>

	At 31st December,		
	2002 RMB'000	2003 RMB'000	2004 RMB'000
THE COMPANY			
Current	–	–	–
31 – 60 days	–	–	–
61 – 90 days	–	–	–
91 – 180 days	–	–	–
181 – 360 days	–	–	319
Over 360 days	7,729	14,550	2,089
	<u>7,729</u>	<u>14,550</u>	<u>2,408</u>
Accruals and other payables	56,661	218,758	128,595
	<u>64,390</u>	<u>233,308</u>	<u>131,003</u>

23. BANK BORROWINGS

The bank borrowings are repayable as follows:

	At 31st December,		
	2002 RMB'000	2003 RMB'000	2004 RMB'000
THE GROUP			
Bank loans repayable			
Within one year	404,000	232,000	128,400
More than one year, but not exceeding two years	155,000	60,000	–
More than two years, but not exceeding five years	19,000	–	–
	<u>578,000</u>	<u>292,000</u>	<u>128,400</u>
<i>Less: Amount due within one year included in current liabilities</i>	<u>(404,000)</u>	<u>(232,000)</u>	<u>(128,400)</u>
Due after one year	<u>174,000</u>	<u>60,000</u>	<u>–</u>
Analyses as:			
Secured	363,000	–	–
Unsecured	<u>215,000</u>	<u>292,000</u>	<u>128,400</u>
	<u>578,000</u>	<u>292,000</u>	<u>128,400</u>
THE COMPANY			
Unsecured bank loans repayable			
Within one year	115,000	132,000	128,400
More than one year, but not exceeding two years	100,000	60,000	–
	<u>215,000</u>	<u>192,000</u>	<u>128,400</u>
<i>Less: Amounts due within one year included in current liabilities</i>	<u>(115,000)</u>	<u>(132,000)</u>	<u>(128,400)</u>
Due after one year	<u>100,000</u>	<u>60,000</u>	<u>–</u>

24. PAID-UP CAPITAL

The paid-up capital of RMB133,000,000 of the Company as at 31st December, 2002, 2003 and 2004 represented the registered capital of the Company as at that date.

25. RESERVES

	Accumulated profits RMB'000	Investment property revaluation reserve RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Total RMB'000
THE GROUP					
At 1st January, 2002	(15,397)	9,705	1,499	21,612	17,419
Net loss for the year	(29,504)	-	-	-	(29,504)
Surplus on revaluation of investment properties	-	4,605	-	-	4,605
Deferred tax liability arising on revaluation of investment properties	-	(1,064)	-	-	(1,064)
Dividends	(10,000)	-	-	-	(10,000)
At 31st December, 2002	(54,901)	13,246	1,499	21,612	(18,544)
Net profit for the year	8,040	-	-	-	8,040
Appropriation	(780)	-	-	780	-
Released on deemed disposal of subsidiaries	-	(6,690)	-	-	(6,690)
Share of reserve of a jointly controlled entity	-	6,438	-	-	6,438
Dividends	(58,030)	-	-	-	(58,030)
At 31st December, 2003	(105,671)	12,994	1,499	22,392	(68,786)
Net profit for the year	84,763	-	-	-	84,763
Appropriation	(8,068)	-	-	8,068	-
Share of reserve of a jointly controlled entity	-	2,349	-	-	2,349
At 31st December, 2004	<u>(28,976)</u>	<u>15,343</u>	<u>1,499</u>	<u>30,460</u>	<u>18,326</u>
	Accumulated profits RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Total RMB'000	
THE COMPANY					
At 1st January, 2002	46,876	-	19,904	66,780	
Net loss for the year	(4,358)	-	-	(4,358)	
Dividends	(10,000)	-	-	(10,000)	
At 31st December, 2002	32,518	-	19,904	52,422	
Net loss for the year	(2,834)	-	-	(2,834)	
Dividends	(58,030)	-	-	(58,030)	
At 31st December, 2003	(28,346)	-	19,904	(8,442)	
Net loss for the year	(17,232)	-	-	(17,232)	
Capitalisation issue of a subsidiary	-	1,049	-	1,049	
At 31st December, 2004	<u>(45,578)</u>	<u>1,049</u>	<u>19,904</u>	<u>(24,625)</u>	

The accumulated profits of the Group include profits of RMB8,145,000 (2003: losses of RMB20,985,000; 2002: profits of RMB5,031,000) attributable to the its jointly controlled entities.

The capital reserve and other reserve are non-distributable and the transfer to these reserves are determined by the board of directors in accordance with the relevant laws and regulations of the PRC. These reserves can be used to make good future losses or to increase the share capital.

26. DEFERRED TAXATION

	Revaluation of investment properties RMB'000
THE GROUP	
At 1st January, 2002	11,248
Charged to equity for the year	<u>1,064</u>
At 31st December, 2002	12,312
Released on partial disposal of subsidiaries	<u>(12,312)</u>
At 31st December, 2003 and 31st December, 2004	<u><u>—</u></u>

The Group has unused tax losses as at 31st December, 2002, 2003 and 2004 of RMB18,399,000, RMB11,533,000 and RMB37,340,000, respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future taxable profit streams. There were no other significant unprovided temporary differences at each year end.

27. ACQUISITION OF A SUBSIDIARY

- (a) During 2002, the Group and the minority shareholder of 北京東恒建築裝飾工程有限公司 (“東恒”) had made further capital contribution to 東恒 amounted to RMB7,936,000 and RMB575,000 respectively, thereby increasing the Group's interest in 東恒 from 30% to 75%. The Group obtained the control over 東恒 and investment in 東恒 is therefore reclassified from a jointly controlled entity to a subsidiary. The net assets of 東恒 at the date of capital injection were as follow:

	RMB'000
NET ASSETS ACQUIRED	
Property, plant and equipment	580
Other inventories	860
Debtors, deposits and prepayments	1,508
Bank balances, deposits and cash	2,565
Trade and other payables	(1,909)
Income tax payable	(14)
Minority interests	<u>(2,685)</u>
	<u><u>905</u></u>
Satisfied by:	
Transferred from interests in jointly controlled entities	<u><u>905</u></u>
Cash inflow arising on acquisition:	
Bank balances, deposits and cash acquired	<u><u>2,565</u></u>

- (b) During 2004, the Group acquired 95% of the registered capital of 北京中京藝苑房地產開發有限公司 (“中京藝苑”) at a consideration of RMB28,500,000. This acquisition has been accounted for by the acquisition method of accounting. The net assets of 中京藝苑 at the date of acquisition were as follows:

	RMB'000
NET ASSETS ACQUIRED	
Property, plant and equipment	588
Inventories of properties	375,577
Debtors, deposits and prepayments	12,560
Trading securities	20
Bank balances, deposits and cash	6,554
Trade and other payables	(340,875)
Other borrowings	(25,000)
Minority interests	(924)
	<u>28,500</u>
Total consideration	<u>28,500</u>
Satisfied by:	
Cash consideration	<u>28,500</u>
Net cash outflow arising on acquisition:	
Cash consideration	(28,500)
Bank balances and cash acquired	<u>6,554</u>
Net outflow of cash and cash equivalents in respect of the purchase of a subsidiary	<u>(21,946)</u>

The subsidiary acquired during 2004 has no contribution to the Group's turnover and contributed loss of RMB942,000 to the Group's profit from operations.

28. DEEMED DISPOSAL OF SUBSIDIARIES

During 2003, the Group had further acquired 2% of the registered capital of 廣州光大花園房地產開發有限公司 (“光大花園”) from a minority shareholder at a consideration of RMB1,000,000 and the goodwill arising from such acquisition of RMB1,000,000 had been charged to income statement. The Group's interest in 光大花園 was increased from 97% to 99% accordingly.

At the same time, 光大花園 issued additional registered capital of RMB50,000,000 to a new shareholder for a consideration of RMB70,000,000, thereby diluting the Group's interest in 光大花園 from 99% to 49.5%. The Group had lost the control over 光大花園 and its subsidiary, 廣州光大物業管理有限公司 ("光大物業管理"). Both 光大花園 and 光大物業管理 were therefore reclassified from subsidiaries to jointly controlled entities. The gain on deemed disposal of subsidiaries of RMB48,666,000 had been included in consolidated income statement. The net liabilities of subsidiaries at the date of disposal were as follows:

	RMB'000
NET LIABILITIES DISPOSED OF	
Property, plant and equipment	3,093
Investment properties	65,335
Properties held for development	3,800
Inventories of properties	712,135
Other inventories	408
Debtors, deposits and prepayments	71,298
Amounts due from related company	105
Amounts due from minority shareholders	2,240
Amounts due from group companies	5,858
Pledged deposits	7,370
Bank balances, deposits and cash	19,603
Trade and other payables	(335,232)
Sales deposits received	(61,694)
Amounts due to group companies	(118,501)
Amount due to a jointly controlled entity	(10,000)
Amount due to a related company	(135)
Bank borrowings	(363,000)
Income tax payable	(2,790)
Deferred taxation	(12,312)
	<u>(12,419)</u>
<i>Less:</i> Amount transferred to interests in jointly controlled entities	(29,557)
<i>Less:</i> Release of investment property revaluation reserve	<u>(6,690)</u>
Gain on deemed disposal	<u><u>48,666</u></u>
Cash outflow arising on deemed disposal:	
Bank balances, deposits and cash disposed of	<u><u>(19,603)</u></u>

29. PLEDGE OF ASSETS

	At 31st December,		
	2002 RMB'000	2003 RMB'000	2004 RMB'000
THE GROUP			
Bank deposits received from pre-sale of properties restricted in withdrawal during the course of development of the properties	7,370	-	-
Properties under development pledged against bank loan facilities to the Group	<u>469,451</u>	<u>-</u>	<u>-</u>
	<u><u>476,821</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

30. OPERATING LEASE COMMITMENT

The Group and the Company as lessee

At the balance sheet dates, the Group and the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	At 31st December,		
	2002	2003	2004
	RMB'000	RMB'000	RMB'000
THE GROUP			
Within one year	3,150	3,179	4,008
In the second to fifth year	12,371	11,692	11,635
Over five years	23,958	21,458	18,958
	<u>39,479</u>	<u>36,329</u>	<u>34,601</u>

	At 31st December,		
	2002	2003	2004
	RMB'000	RMB'000	RMB'000
THE COMPANY			
Within one year	650	679	700
In the second to fifth year	2,371	1,692	992
	<u>3,021</u>	<u>2,371</u>	<u>1,692</u>

Operating lease payments represent rentals payable by the Group and the Company for certain of its office premises. Leases are negotiated for period ranging from two to twenty years.

The Group as lessor

Property rental income earned during Relevant Periods were RMB11,873,000 (2003: RMB10,068,000; 2002: RMB11,576,000). The investment properties held have committed tenants ranging from one to five years.

At the balance sheet dates, the Group had contracted with tenants for the following future minimum lease payments:

	2002	2003	2004
	RMB'000	RMB'000	RMB'000
Within one year	11,474	10,110	9,919
In the second to fifth year	24,851	20,048	10,474
	<u>36,325</u>	<u>30,158</u>	<u>20,393</u>

31. CONTINGENT LIABILITIES

	At 31st December,		
	2002	2003	2004
	RMB'000	RMB'000	RMB'000
THE GROUP			
Guarantee given to banks for mortgage bank loans granted to purchasers of the properties	700,980	600,000	780,000
Guarantee given to banks for credit facilities granted to third parties	110,000	50,000	200,000
	<u>810,980</u>	<u>650,000</u>	<u>980,000</u>
THE COMPANY			
Guarantee given to banks for mortgage bank loans granted to purchasers of the properties	200,000	200,000	380,000
Guarantee given to banks for credit facilities granted to third parties	110,000	50,000	200,000
Guarantee given to banks for credit facilities granted to subsidiaries and jointly controlled entities	264,000	223,000	132,000
	<u>574,000</u>	<u>473,000</u>	<u>712,000</u>

In addition, the Group's share of the contingent liabilities of jointly controlled entities in respect of guarantees given to banks for mortgage bank loans granted to purchasers of the properties amounted to nil, RMB220,073,000 and RMB174,411,000 at 31st December, 2002, 2003 and 2004 respectively.

32. CAPITAL COMMITMENTS

	At 31st December,		
	2002	2003	2004
	RMB'000	RMB'000	RMB'000
THE GROUP			
Capital expenditure in respect of contracted commitments for property development projects	<u>664,761</u>	<u>578,150</u>	<u>681,830</u>

33. RETIREMENT BENEFIT PLAN

The employees of the Group are members of state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a specified percentage of their relevant payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The contributions payable to the scheme by the Group at rate specified in the rules of the scheme included in staff costs are disclosed in note 5.

34. RELATED PARTY TRANSACTIONS

At the balance sheet dates, EB Real Estate has given guarantee to banks for credit facilities granted to subsidiaries and jointly controlled entities amounted to RMB132,000,000 (2003: RMB223,000,000; 2002: RMB264,000,000).

35. SEGMENT INFORMATION

The Group is principally engaged in properties development and substantially all its businesses were carried out in the PRC during the Relevant Periods. All the Group's assets are located in the PRC as at 31st December, 2002, 2003 and 2004.

36. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial information for the Relevant Periods.

The Group has assessed the impact of these new HKFRSs and considered that the adoption of these new HKFRSs would not have a significant impact on the Group's financial position at 31st December, 2004 and its results of operations for the year then ended.

B. ULTIMATE HOLDING COMPANY

The directors of EB Real Estate consider Assetbloom as its ultimate holding company.

C. DIRECTORS' REMUNERATIONS

No remuneration has been paid or is payable to EB Real Estate's directors by EB Real Estate Group during the Relevant Periods.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by EB Real Estate and its subsidiaries in respect of any period subsequent to 31st December, 2004.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

- (b) The following is the discussion and analysis of the performance of EB Real Estate and its subsidiaries for the three years ended 31st December, 2004.

Revenue and operating results

Turnover of the EB Real Estate and its subsidiaries (together "EB Real Estate Group") for the years ended 31st December 2002, 2003 and 2004 amounted to approximately RMB492,828,000, RMB29,613,000 and RMB629,506,000 respectively. The turnover for the year ended 31st December 2003 decreased by 94% relative to 2002 was mainly due to the fact that certain property development projects were deferred to 2004 from 2003 when the outbreak of new plague of SARS took place, hence the upsurge of the turnover in 2004 by 20 times as comparing with the turnover in 2003.

Financial and liquidity resources

The EB Real Estate Group succeeded in reducing bank borrowings to a more acceptable level in that bank borrowings in 2002 totalling approximately RMB578.0 million were severely curtailed to approximately RMB292.0 million and RMB128.4 million in 2003 and 2004 respectively.

Foreign exchange exposure

As the EB Real Estate Group adopted Renminbi for the sales, receivables and payables, bank borrowings and expenditures, there would be no foreign currency exposure to the EB Real Estate Group.

Gearing ratio

The EB Real Estate Group recorded a gearing ratio, expressed as a percentage of total bank borrowings to shareholders' funds, of approximately 505%, 455% and 85% as at 31st December 2002, 2003 and 2004 respectively. To reduce the financial burden and to maintain a healthy financial position, the EB Real Estate Group repaid the bank borrowings from the internal fund.

Capital expenditure

The EB Real Estate Group had a total capital expenditure amounting to approximately RMB9.9 million, RMB2.8 million and RMB0.5 million during the years ended 31st December 2002, 2003 and 2004 respectively.

Significant acquisition and disposal

During 2003, the EB Real Estate further acquired 2% of the registered capital of 廣州光大花園房地產開發有限公司 ("光大花園") from a minority shareholder at a consideration of RMB1.0 million, thus increasing its interest in 光大花園 from 97% to 99% accordingly. At the same time, 光大花園 issued additional registered capital of RMB50,000,000 to a

new shareholder for a consideration of RMB70.0 million, thereby diluting the EB Real Estate's interest in 光大花園 from 99% to 49.5%. The EB Real Estate had lost the control over 光大花園 and its subsidiary, 廣州光大物業管理有限公司 (“光大物業管理”). Both 光大花園 and 光大物業管理 were therefore reclassified from subsidiaries to jointly controlled entities.

During 2004, the EB Real Estate acquired 95% of the registered capital of 北京中京藝苑房地產開發有限公司 at a consideration of RMB28.5 million.

Capital commitment and contingent liabilities

The EB Real Estate Group had issued guarantee to banks for mortgage loans granted to purchasers of properties amounting to approximately RMB701.0 million, RMB600.0 million and RMB780.0 million as at 31st December 2002, 2003 and 2004 respectively. In addition, The EB Real Estate Group had issued guarantee to banks for credit facilities to third parties amounting to RMB110.0 million, RMB50.0 million and RMB200.0 million as at 31st December 2002, 2003 and 2004 respectively.

As at 31st December, 2002, 2003 and 2004, the EB Real Estate Group had capital expenditure in respect of contracted commitments for property development projects amounting to approximately RMB664,761,000, RMB578,150,000 and RMB681,830,000 respectively.

Charges on assets

As at 31st December, 2002, the EB Real Estate Group had bank deposits amounting to approximately RMB7.4 million received from pre-sale of properties restricted in withdrawal during the course of development of the properties. In addition, properties under development for approximately RMB469.5 million were pledged against bank loan facilities to the EB Real Estate Group.

Employees

As at 31st December 2002, 2003 and 2004, the EB Real Estate Group has approximately 437, 450 and 585 employees respectively. The pay levels of these employees are commensurate with the responsibilities, performance and market condition.

The following is the text of a letter from Knight Frank Hong Kong Limited prepared for the purpose of inclusion in this circular in connection with its property valuation of EB Real Estate and its subsidiaries and jointly controlled entities as at 31st March, 2005.



萊坊國際物業顧問

29/F Office Tower
Convention Plaza, 1 Harbour Road
Wanchai, Hong Kong

28th June, 2005

The Directors
Shell Electric Mfg. (Holdings) Company Limited
1/F., Shell Industrial Building
12 Lee Chung Street
Chai Wan
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by 中國光大房地產開發有限公司 (“EB Real Estate”) and its subsidiaries and jointly controlled entities which are to be acquired by Shell Electric Mfg. (Holdings) Company Limited (the “Company”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of open market values of the property interests as at 31st March, 2005.

Our valuations are our opinion of the open market value of each of the property interests which we would define as intended to mean “the best price at which the sale of an interest in a property would have been completed unconditionally for cash consideration on the date of valuation assuming:–

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;

- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospectively purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Our valuations have been made on the assumption that the owners sell the property interests in the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the values of the property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interests and no forced sale situation in any manner is assumed in our valuation.

For properties in Group I which are under development, we have valued the properties on the basis that the properties will be developed and completed in accordance with the Company’s latest development proposals provided to us. We have assumed that approvals for these proposals have been obtained without any onerous condition which would affect the values of the property interests. In arriving at our opinion of values, we have valued them by making reference to comparable transactions in the locality and have also taken into account the construction costs that will be expended to reflect the quality of the completed developments. The “capital value when completed” represents our estimate of the open market value of each of the development assuming that it was completed as at the date of valuation.

We have valued the properties in Group II to Group V, which are respectively held for future development, for disposal, for investment and for owner-occupation, by adopting “Direct Comparison Approach” whenever market comparable transactions are available. The market comparable sale transactions are collected, analysed and adjusted to derive the values of the property interests.

We have been provided with extracts of documents in relation to the titles to the property interests. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and its legal advisers, Fangda Partners, on PRC laws, regarding the title to property interests in the properties. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion dates of the buildings, particulars of occupancy, tenancy details, development proposals, site areas and floor areas. Dimensions, measurements and areas included in the valuation certificate attached are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

We have inspected the exterior and, where possible, the interior of all the properties. Moreover, no structural survey has been made. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that these properties are free from rot, infestation or any other structural defects, nor were any tests carried out to any of the services. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

For the property interests which are under development or held for future development, no site survey nor tests have been carried out to determine the ground conditions and the services etc. of the properties, we have assumed that these aspects are satisfactory and that no extraordinary expenses or delay will be incurred during the construction period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any properties or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

In preparing our valuation report, we have regard to the requirements contained within the provisions of Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Guidance Notes on the Valuation of Property Assets published by the Hong Kong Institute of Surveyors.

Unless otherwise stated, all money amounts are stated in Renminbi.

We enclose herewith a summary of valuation and valuation certificate.

Yours faithfully,
For and on behalf of
Knight Frank Hong Kong Limited
Catherine Cheung
MHKIS MRICS RPS(GP)
Assistant Director

- Notes:* (1) Ms. Catherine Cheung has over ten years' valuation experience for properties in Hong Kong and the PRC.
- (2) The English names of those PRC companies mentioned in this valuation report are unofficial English transliterations or translations for identification purposes used in this report only.

SUMMARY OF VALUATION

Group I – Properties held under development

Property	Capital value in existing state as at 31st March, 2005	Interest attributable to EB Real Estate	Value of property interest attributable to EB Real Estate as at 31st March, 2005
1. A piece of land namely 1 Jie Fang 25/2 Qiu at Bei Cai Town, Zhang Jiang High-tech Zone, Pudong District, Shanghai City, the PRC	RMB21,300,000	65%	RMB13,845,000
2. Lot No. PZB11 at Pa Zhou Island, Hai Zhu District, Guangzhou City, the PRC	RMB1,380,000,000	45%	RMB621,000,000
3. A residential development namely Beijing Shui Mo Feng Jing (北京水墨風景), Wan Liu Area, Hai Dian District, Beijing City, the PRC	RMB616,000,000	100%	RMB616,000,000
4. Three adjoining development sites at No. 48 Pin An Li Xi Da Jie, Xi Cheng District, Beijing City, the PRC	RMB800,000,000	95%	RMB760,000,000
5. Portion of a mixed-use development at Hefei New Station Comprehensive Development Trial Area in Hefei City, An Hui Province, the PRC	RMB102,200,000	70%	RMB71,540,000
6. Phases E and F1 of Guangzhou Guan Da Hua Yuan, Gong Yie Road, Hai Zhu District, Guangzhou City, the PRC	RMB543,000,000	50%	RMB271,500,000
	Sub-total:		<u>RMB2,353,885,000</u>

Group II – Property held for future development

Property	Capital value in existing state as at 31st March, 2005	Interest attributable to EB Real Estate	Value of property interest attributable to EB Real Estate as at 31st March, 2005
7. The remaining development site of Guangzhou Guan Da Hua Yuan, Gong Yie Road, Hai Zhu District, Guangzhou City, the PRC	RMB381,000,000	50%	RMB190,500,000
Sub-total:			<hr/> RMB190,500,000 <hr/>

Group III: Properties held for disposal

8. The unsold residential units in Phases A to D of Guangzhou Guan Da Hua Yuan, Gong Yie Road, Hai Zhu District, Guangzhou City, the PRC	RMB127,600,000	50%	RMB63,800,000
9. Unsold carparking spaces and clubhouse at Beijing Guan Da Ming Zhu, Chaoyang District, Beijing City, the PRC	RMB28,475,000	100%	RMB28,475,000
10. Unsold carparking spaces and clubhouse at Beijing Guan Da Hua Yuan, Haidian District, Beijing City, the PRC	No commercial value	100%	No commercial value
Sub-total:			<hr/> RMB92,275,000 <hr/>

Group IV: Properties held for investment

Property	Capital value in existing state as at 31st March, 2005	Interest attributable to EB Real Estate	Value of property interest attributable to EB Real Estate as at 31st March, 2005
11. A commercial complex next to Beijing Zoo, Xi Zhi Men Wai Da Jie, Xi Cheng District, Beijing City, the PRC	No commercial value	100%	No commercial value
12. Various shops at Phases B1 to B4 and Phase D, Shop No. C8 and quarters for Secondary School, carparking spaces of Phases A to D of Guangzhou Guan Da Hua Yuan, Gong Yie Road, Hai Zhu District, Guangzhou City, the PRC	RMB174,500,000	50%	RMB87,250,000
13. Unit Nos. 801 and 802, Shanghai China Everbright Convention Centre Block C, No. 70 Caobao Road, Xuhui district, Shanghai City, the PRC	RMB3,640,000	100%	RMB3,640,000
	Sub-total :		RMB90,890,000

Group V – Properties held for owner-occupation

Property	Capital value in existing state as at 31st March, 2005	Interest attributable to EB Real Estate	Value of property interest attributable to EB Real Estate as at 31st March, 2005
14. Unit Nos. 701 and 702, Shanghai China Everbright Convention Centre Block C, No. 70 Caobao Road, Xuhui district, Shanghai City, the PRC	RMB3,640,000	100%	RMB3,640,000
15. Unit No. 602 of Block 6 and units Nos. 1003 and 1103 of Block 11, Hong Qiao Guan Da Hua Yuan, Lane 269, Cheng Jia Qiao Road, Min Hang district, Shanghai City, the PRC	RMB4,650,000	100%	RMB4,650,000
			RMB8,290,000
			RMB2,735,840,000
Sub-total:			
Grand-total:			

VALUATION CERTIFICATE

Group I – Properties held under development

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2005
1. A piece of land namely 1 Jie Fang 25/2 Qiu at Bei Cai Town, Zhang Jiang High-tech Zone, Pudong District, Shanghai City, the PRC	<p>The property comprises a piece of irregular shaped site having a registered site area of about 7,543 sq.m.</p> <p>The property is proposed to be developed into an office development providing a total gross floor area of 14,500 sq.m. (excluding carparking spaces).</p> <p>Pre-construction work is being carried out and the proposed developed is scheduled to be completed in July 2006.</p> <p>The property was granted for a land use right term of 50 years from 1st March, 2004 to 28th February, 2054.</p>	The property is a piece of vacant site.	RMB21,300,000 (65% attributable to EB Real Estate: RMB13,845,000)

Notes:

- (1) Pursuant to a Land Use Right Transfer Contract (the "Contract") dated 18th July, 2003 made between 上海八六三信息安全產業基地有限公司 (Shanghai 863 Data Security Property Base Company Limited ("Party A")) and 上海金鶴數碼科技有限公司 (Shanghai Jin He Digital Technology Company Limited ("Party B")) the land use right of the property was transferred from Party A to Party B for offices use of high-tech operation for a term of 50 years from the date of issuance of the Land Use Rights Certificate at a consideration of RMB9,040,000.
- (2) We are advised by the Company that the aforesaid consideration for the transfer has been fully settled.
- (3) Pursuant to the Shanghai Certificate of Real Estate Ownership No.(2004) 024179 (滬房地浦字(2004)第024179號), the land use rights of the property, having a site area of approximately 7,543 sq.m., have been granted by Building and Land Administrative Bureau of Shanghai City Pudong New Area to Party B for a term from 1st March, 2004 to 28th February, 2054 for scientific research uses.
- (4) Pursuant to the Business Licence No. 317142 issued by the State Administrative Bureau for Industry and Commerce dated 20th May, 2004, Party B was established with a registered capital of US\$1,200,000 for a period of 20 years commencing from 21st May, 2003 to 20th May, 2023 and the scope of business is to develop, sale of both software and hardware digital products and subsequent technical support and to develop and operate the buildings erected on the property.
- (5) As confirmed by the Company, EB Real Estate has an attributable interest of 65% in Party B.
- (6) Pursuant to the Certificate for Construction and Land Usage Planning No. (03) 068 (滬張地(03)第068號) dated 28th November, 2003 in favour of Party B, the development of a site area of 7,543 sq.m. for the construction of digital technology administration centre was permitted.

- (7) We are advised by the Company that the estimated total construction costs to complete the proposed development as at 31st March, 2005 is approximately RMB51,000,000. We would like to further advise that the capital value when completed as at 31st March, 2005 is approximately RMB99,000,000.
- (8) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
- (i) Party B has lawfully acquired the land use rights of the property under the Shanghai Certificate of Real Estate Ownership. Party B has the right to make further development and construction with the land use right and has the right to transfer, lease, mortgage and dispose the said land use rights pursuant to relevant laws and regulations. However the use of the land use right shall be further confirmed; and
 - (ii) The property is not subject to any mortgage as at 21st March, 2005.
- (9) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:
- (i) Party B is in possession of a proper legal title to the property and is entitled to transfer the property with residual term of its land use right at no extra land premium on other onerous payment payable to the government.
 - (ii) All land premium and other costs of ancillary utility services have been fully settled.
 - (iii) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities.
 - (iv) The property, whether as a whole or on a strata-titled basis, may be disposed of freely to both local and overseas purchasers.
- (10) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Company and the aforesaid legal opinion are as follows:

Transfer Contract for Grant of Land Use Rights	Yes
Resettlement and Public Utility Services Contract	N/A
Real Estate Ownership Certificate	Yes
Red-line Drawing	Yes
Certificate for Construction and Land Usage Planning	Yes
Certificate for Construction and Engineering Planning	No
Business Licence	Yes
Certificate for Construction Works	No
Pre-sale Permit	No

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2005
2. Lot No. PZB11 at Pa Zhou Island, Hai Zhu District, Guangzhou City, the PRC	The property comprises a piece of irregular shaped site having a registered site area of about 102,789 sq.m. (including 10,290 sq.m. non-developable green area).	Substructure of the proposed development is being undergone on the property.	RMB1,380,000,000 (45% attributable to EB Real Estate: RMB621,000,000)
	The property is proposed to be developed in 2 wings namely west wing and east wing. The west wing will comprise two 15-storey office towers erected on a 4-storey commercial/exhibition halls podium and will accommodate a gross floor area of approximately 108,724 sq.m.		
	The east wing will comprise a 4-storey commercial/exhibition halls erected over a basement carparking and plant and machinery level and will accommodate a gross floor area of approximately 70,328 sq.m. (excluding the basement carparking area). In addition about 790 carparking spaces will be provided within the proposed development.		
	The whole development is scheduled to be completed in early 2006.		
	The property was granted for a land use right term of 40 years from 23rd August, 2004 to 23rd August, 2044.		

Notes:

- (1) Pursuant to a Land Use Right Grant Contract (the "Contract") No. (2003) 76 dated 26th March, 2003 made between 廣州市國土資源和房屋管理局 (Guangzhou City Land Resources and Buildings Administrative Bureau ("Party A")) and 廣州市環博展覽有限公司 (Guangzhou City Huan Bo Exhibition Company Limited ("Party B")), the land use right of the property, having a site area of about 102,789 sq.m., was granted by Party A to Party B for finance, insurance, commercial and office uses for a term of 50 years for mixed uses or other uses from the date of issuance of the Land Use Rights Certificate at a consideration of RMB323,290,000.
- (2) We are advised by the Company that the aforesaid consideration for the Grant has not been fully settled. Party B will be responsible for paying the outstanding land premium of approximately RMB161,645,000 and further premium of approximately RMB80,000,000 for the increase in gross floor area.
- (3) Pursuant to the Land Use Rights Certificate No. (2004) 195, the land use rights of the property, having a site area of approximately 39,640 sq.m., have been granted by Municipal Government of Guangzhou City for a term of 40 years from 23rd August, 2004 to 23rd August, 2044 for commercial/services uses.

- (4) Pursuant to the Business Licence No. 4401011109465 issued by the Guangzhou City Administration for Industry and Commerce dated 16th August, 2002, Party B was established with a registered capital of RMB50,000,000 and the scope of business is to provide design, planning and consultation service on exhibition matters and the building construction on the property.
- (5) As confirmed by the Company, EB Real Estate has an attributable interest of 45% in Party B.
- (6) Pursuant to the Certificate for Construction and Land Usage Planning No. (2003) 412 dated 23rd October, 2003 in favour of Party B, the development of a site area of 102,789 sq.m. was permitted.
- (7) Pursuant to the Certificate for Construction and Engineering Planning No. (2005) 441 (建設工程規劃許可証穗規建証(2005) 441號), a development having a total gross floor area of approximately 254,843 sq.m. was permitted on the property.
- (8) We are advised by the Company that the estimated outstanding construction costs to complete the proposed development as at 31st March, 2005 is approximately RMB1,067,000,000. We would like to further advise that the capital value when completed as at 31st March, 2005 is approximately RMB3,450,000,000.
- (9) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
- (i) Party B has not fully settled the land premium and may be liable to the penalty for the delay in such payment;
 - (ii) The proposed development on the property has a total gross floor area exceeding that permitted under the Contract and the Certificate for Construction and Land Usage Planning. Party B shall obtain the formal approval from planning authority and pay additional land premium. Without further formal approval from the planning authority, the aforesaid discrepancy may subject to change;
 - (iii) The construction on the property started when the Certificate for Construction Works was still under application. Party B will be liable for the risk arising from the unauthorized commencement of building works; and
 - (iv) Party B may subject to penalty for the pre-sale of the buildings without obtaining the pre-sale permit.
- (10) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:
- (i) Party B is in possession of a proper legal title to the property and is entitled to transfer the property with residual term of its land use right at no extra land premium on other onerous payment payable to the government.
 - (ii) all land premium and other costs of ancillary utility services have been fully settled.
 - (iii) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities.
 - (iv) The property, whether as a whole or on a strata-titled basis, may be disposed of freely to both local and overseas purchasers.
- (11) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Company and the aforesaid legal opinion are as follows:
- | | |
|---|---------------|
| Land Use Rights Grant Contract | Yes |
| Resettlement and Public Utility Services Contract | N/A |
| Land Use Rights Certificate | Yes (Portion) |
| Red-line Drawing | Yes |
| Certificate for Construction and Land Usage Planning | Yes |
| Certificate for Construction and Engineering Planning | Yes |
| Business Licence | Yes |
| Certificate for Construction Works | No |
| Pre-sale Permit | No |

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2005									
3. A residential development namely Beijing Shui Mo Feng Jing (北京水墨風景), Wan Liu Area, Hai Dian District, Beijing City, the PRC	<p>The property comprises a residential development consisting of totally 6 high-rise residential blocks and a commercial block which are in their final stage of construction.</p> <p>Upon completion, the development will provide gross floor areas approximately as follows:</p> <table border="0"> <tr> <td>Residential</td> <td>:</td> <td>76,470 sq.m.</td> </tr> <tr> <td>Commercial</td> <td>:</td> <td><u>1,246 sq.m.</u></td> </tr> <tr> <td>Total</td> <td>:</td> <td><u><u>77,716 sq.m.</u></u></td> </tr> </table> <p>In addition about 564 carparking spaces will be provided on 3 basement levels of the proposed development. Besides clubhouse facilities are also provided within the proposed development.</p> <p>Superstructure has completed and landscaping is being carried out.</p> <p>The property was granted for a land use right term of 70 years for residential uses, 40 years for ancillary uses and 50 years for carparking uses; all commencing from 6th July, 2003.</p>	Residential	:	76,470 sq.m.	Commercial	:	<u>1,246 sq.m.</u>	Total	:	<u><u>77,716 sq.m.</u></u>	The proposed development is in its final stage of construction and is scheduled to be completed by mid-2005.	RMB616,000,000
Residential	:	76,470 sq.m.										
Commercial	:	<u>1,246 sq.m.</u>										
Total	:	<u><u>77,716 sq.m.</u></u>										

Notes:

- (1) Pursuant to a Land Use Right Grant Contract (the "Contract") No. (2003) 605 dated 6th July, 2003 made between 北京市國土資源和房屋管理局 (Land Resources and Buildings Administrative Bureau of Beijing City ("Party A")) and 中國光大房地產開發公司 (China Everbright Real Estate Development Company ("Party B")), the land use right of the property, having a site area of approximately 32,257.56 sq.m., was granted by Party A to Party B for a term of 50 years for residential uses for 70 years, ancillary uses for 40 years and basement carparking uses for 50 years; all from the date of the Contract (i.e. 6th July, 2003) at a consideration of RMB28,146,160.
- (2) We are advised by the Company that the aforesaid consideration for the Grant has been fully settled.
- (3) Pursuant to the Land Use Rights Certificate No. (2003) 2534 dated 18th February, 2004, the land use rights of the property, having a site area of approximately 32,550.08 sq.m., have been granted by Land Resources and Buildings Administrative Bureau of Beijing City to Party B respectively for terms expiring on 5th July, 2073 for residential uses, 5th July, 2043 for ancillary uses and 5th July, 2053 for basement carparking uses.
- (4) Pursuant to the Business Licence No. 001074 issued by the State Administrative Bureau for Industry and Commerce dated 3rd September, 2004, Party B was established with a registered capital of RMB133,000,000 and the scope of business is to invest, develop, sale and purchase, letting and maintain property assets and undergo property management and property consultancy. The period of operation stipulated in the Business Licence is from 18th December, 2000 to 2nd September, 2054.

- (5) Pursuant to the Certificate for Construction and Land Usage Planning No. (2003) 0373 dated 29th September, 2003 in favour of Party B, the development of a site area of 32,549.323 sq.m. for residential use was permitted.
- (6) Pursuant to the Certificate for Construction and Engineering Planning Nos. (2003) 0021 to 0023 all dated 3rd November, 2003 in favour of Party B, the development of a total gross floor areas of 84,341.57 sq.m. were permitted.
- (7) Pursuant to the Certificate for Construction Works No. (2003) 3792 dated 9th December, 2003, Party B obtained the approval for the commencement of construction works for gross floor areas of approximately 84,341.57 sq.m.
- (8) Pursuant to the Certificate for Construction Works No. (2003) 3473 dated 13th November, 2003, Party B obtained the approval for the commencement of construction works for gross floor areas of approximately 20,820 sq.m.
- (9) We are advised by the Company that except for about 216.81 sq.m. gross floor area for residential use and 434 carparking spaces which remain unsold, the remaining portion of the proposed development, having 531 residential units, 130 carparking spaces and the whole commercial area are pre-sold at a total consideration of approximately RMB587,123,000.
- (10) As advised by the Company, the estimated outstanding construction costs to complete the proposed development as at 31st March, 2005 is approximately RMB12,000,000. We would like to further advise that the capital value when completed as at 31st March, 2005 is approximately RMB638,000,000.
- (11) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
- (i) EB Real Estate has lawfully acquired the land use rights of the property under the Land Use Right Certificate and has the right to transfer, lease, mortgage and dispose the said land use rights subject to consent from relevant government authorities;
 - (ii) EB Real Estate has lawfully obtained the ownership of the buildings in construction and is capable to pre-sell these buildings; and
 - (iii) Regarding those pre-sold units, EB Real Estate has to transfer the land use rights of these units and deliver these units to the buyers upon the buyer's full settlement of the outstanding purchase prices.
- (12) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:
- (i) Party B is in possession of a proper legal title to the property and is entitled to transfer the property with residual term of its land use right at no extra land premium on other onerous payment payable to the government.
 - (ii) All land premium and other costs of ancillary utility services have been fully settled.
 - (iii) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities.
 - (iv) The property, whether as a whole or on a strata-titled basis, may be disposed of freely to both local and overseas purchasers.
- (13) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Company and the aforesaid legal opinion are as follows:
- | | |
|---|-----|
| Land Use Rights Grant Contract | Yes |
| Land Use Rights Certificate | Yes |
| Red-line Drawing | Yes |
| Certificate for Construction and Land Usage Planning | Yes |
| Certificate for Construction and Engineering Planning | Yes |
| Business Licence | Yes |
| Certificate for Construction Works | Yes |
| Pre-sale Permit | Yes |

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2005
4. Three adjoining development sites at No. 48 Pin An Li Xi Da Jie, Xi Cheng District, Beijing City, the PRC	<p>The property comprises three adjoining development sites having a total registered site area of about 15,091 sq.m.</p> <p>Three 18 to 20-storey office buildings are proposed to be built on the property together with 3-level of basement. Upon completion, the proposed development will provide a total gross floor area of approximately 101,680 sq.m. (excluding carparking area) and about 852 nos. of carparking spaces on basement levels.</p> <p>Superstructure work is being undergone and the development is scheduled to be completed by early 2006.</p> <p>The property was granted for land use rights term of 50 years for office use and carparking use from 6th February, 2004.</p>	Substructure of the proposed development is being undergone on the property.	RMB800,000,000 (95% attributable to EB Real Estate: RMB760,000,000)

Notes:

- (1) Pursuant to three Land Use Right Grant Contracts (the "Grant Contracts") No. (2004) 216 dated 7th March, 2004 and Nos.(2004) 127 and 128 both dated 6th February, 2004 made between 北京市國土資源及房屋管理局 (Land Resources and Buildings Administrative Bureau of Beijing City ("Party A")) and 北京中京藝苑房地產開發有限責任公司 (Beijing Zhong Jing Yi Yuan Real Estate Development Company Limited ("Party B")), the land use rights of the property were granted by Party A to Party B for office and carparking uses for terms of 50 years from 7th March, 2004 for the lot held under Grant Contract No. (2004) 216 and for terms of 50 years from 6th February, 2004 for the remaining lots. The total land premium payable by Party B is RMB168,022,840.
- (2) We are advised by the Company that the aforesaid consideration for the Grant has not been fully settled. There is an outstanding land premium of approximately RMB159,622,000 to be payable by Party B.
- (3) Pursuant to the Business Licence No. 1100001142699 (1-1) issued by the Beijing City Administrative Bureau for Industry and Commerce dated 1st December, 2004, Party B was established with a registered capital of RMB30,000,000 and the scope of business is to undertake property development and consultancy.
- (4) As confirmed by the Company, EB Real Estate has an attributable interest of 95% in Party B.
- (5) Pursuant to the Certificate for Construction and Land Usage Planning No. (2002) 0208 (建設用地規劃許可証) dated 3rd June, 2002 in favour of Party B and China Opera Theatre, the development of a site area of 21,950 sq.m. was permitted (including the new opera house site adjacent to the property).
- (6) Pursuant to the Certificate for Construction and Engineering Planning No. (2004) 0416 dated 9th October, 2004 in favour of Party B, the development of a total gross floor areas of 161,343 sq.m. were permitted (including the new opera house site adjacent to the property).

- (7) Pursuant to the Certificate for Construction Works No. (2005) 326 dated 21st February, 2005, Party B obtained the approval for the commencement of construction works for gross floor areas of approximately 161,343 sq.m. (including the new opera house site adjacent to the property).
- (8) As advised by the Company, the estimated outstanding construction costs to complete the proposed development as at 31st March, 2005 is approximately RMB602,000,000. We would like to further advise that the capital value when completed as at 31st March, 2005 is approximately RMB1,970,000,000.
- (9) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
- Upon the payment of land premium according to the Grant Contracts, Party B is capable to obtain the respective Land Use Rights Certificates without substantial legal impediment.
- (10) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:
- (i) Party B is in possession of a proper legal title to the property and is entitled to transfer the property with residual term of its land use right at no extra land premium on other onerous payment payable to the government.
 - (ii) all land premium and other costs of ancillary utility services have been fully settled.
 - (iii) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities.
 - (iv) The property, whether as a whole or on a strata-titled basis, may be disposed of freely to both local and overseas purchasers.
- (11) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Company and the aforesaid legal opinion are as follows:

Land Use Rights Grant Contract	Yes
Land Use Rights Certificate	No
Red-line Drawing	No
Certificate for Construction and Land Usage Planning	Yes
Certificate for Construction and Engineering Planning	Yes
Business Licence	Yes
Certificate for Construction Works	Yes
Pre-sale Permit	No

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2005
<p>5. Portion of a mixed-use development at Hefei New Station Comprehensive Development Trial Area in Hefei City, An Hui Province, the PRC</p>	<p>The property comprises portions of a mixed-use development with a total registered site area of approximately 25,926.73 sq.m. The site are sub-divided into 4 zones and each zone has different stages of development which are summarised as follows:</p> <p>Zone A – a 5-storey building originally designed with carparking spaces on basement, commercial units on Levels 1 and 2, guesthouse on Levels 3 to 5. The total gross floor area for the building is approximately 11,126 sq.m. and was completed in 1998. Portion of Level 1 commercial units, having a total area of approximately 574.66 sq.m. were sold some time ago.</p> <p>Zone B – has been further sub-divided into 2 zones namely B1 and B2. A 16-storey building has been built on Zone B1 which were originally designed with carparking spaces and machine room on basement, commercial units on Levels 1 to 5 and office space on Levels 6 to 16, providing a total gross floor area of approximately 23,183 sq.m. Superstructure and main decoration had been completed in 1998.</p> <p>For Zone B2, there stands a 5-storey (excluding basement carparking spaces) building which is planned to be modified into a residential building having a total gross floor area of approximately 7,944 sq.m.. Portion of Level 1, having a total area of approximately 319.9 sq.m. were sold some time ago. The building was completed in 1998 but most areas were lack of internal decoration and maintenance.</p>	<p>The building at Zone A was either owner-occupied or leased or vacant. The remaining zones were currently vacant. Renovation works or development will be carried out on each zone of the property.</p>	<p>RMB102,200,000 (70% attributable to EB Real Estate: RMB71,540,000)</p>

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2005
	<p>For Zone C, superstructure of an originally designed 5-storey commercial building having a total gross floor area of approximately 19,550 sq.m. was completed but lack of external and internal decoration.</p>		
	<p>Zone D – is currently a vacant site with substructure up to 2 basements has been completed. It is planned to be developed into a commercial building having a total gross floor area of approximately 24,000 sq.m. (excluding basement carparking areas).</p>		
	<p>Renovation of Zones A and B are scheduled to be completed in late 2005 whilst renovation and development of Zones C and D will be completed in late 2006.</p>		
	<p>The property was granted for a land use rights term of 50 years expiring in July 2045.</p>		

Notes:

- (1) Pursuant to the Land Use Rights Certificate Nos. (2004) 0618, 0619 and 0620 all dated 8th October, 2004, the land use rights of the property, having a total site area of approximately 25,926.73 sq.m., have been granted by Municipal Government of Hefei City to 安徽博鴻房地產開發有限公司 (Anhui Bo Hong Real Estate Development Company Limited ("Party A")) for terms expiring in July 2045 for commercial/office uses.
- (2) Pursuant to the Business Licence No. 3400002300155 issued by Anhui Province Administrative Bureau for Industry and Commerce dated 28th July, 2003, Party A was established with a registered capital of RMB20,000,000 and the scope of business is to undertake property development, sale, leasing, management and consultancy and trading of building materials. The period of operation stipulated in the Business Licence is from 11th July, 2003.
- (3) As confirmed by the Company, EB Real Estate has an attributable interest of 70% in Party A.
- (4) Pursuant to the Certificate for Construction and Land Usage Planning No. (2004) 014 dated 30th June, 2004 in favour of Party A, the development of a site area of 38.89 mou (about 25,900 sq.m.) was permitted.
- (5) Pursuant to the Certificate for Construction and Engineering Planning No. 2004-211 dated 30th June, 2004 in favour of Party A, the development of Zone A with a total gross floor area of 8,240 sq.m. was permitted.
- (6) Pursuant to the Certificate for Construction and Engineering Planning No. 2004-212 dated 30th June, 2004 in favour of Party A, the development of Zone B with a total gross floor area of 31,487 sq.m. was permitted.

- (7) Pursuant to the Certificate for Construction and Engineering Planning No. 2004-213 dated 30th June, 2004 in favour of Party A, the development of Zone C with a total gross floor area of 19,000 sq.m. was permitted.
- (8) As advised by the Company, the estimated outstanding construction costs to complete the proposed development as at 31st March, 2005 is approximately RMB204,900,000. We would like to further advise that the capital value when completed as at 31st March, 2005 is approximately RMB389,000,000.
- (9) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
- (i) According to the material supplied by Party A, it is possible that the transfer procedures of the development in construction to Party A has not fully completed and Party A does not have a proper title to the development in construction;
 - (ii) Party A has lawfully acquired the land use rights of the land under the Land Use Right Certificate Nos. (2004) 0618, 0619 and 0620 and has the right to transfer, lease, mortgage and dispose the said land use rights pursuant to relevant laws and regulations; and
 - (iii) As at the date when legal opinion issued, no complete realty ownership documents, approvals and permits for developments and certificate for completion, etc has been available for inspection and Party A may subject to legal liability if Party A carries out construction works or occupy the buildings.
- (10) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:
- (i) Party A is in possession of a proper legal title to the property and is entitled to transfer the property with residual term of its land use right at no extra land premium on other onerous payment payable to the government.
 - (ii) All land premium and other costs of ancillary utility services have been fully settled.
 - (iii) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities.
 - (iv) The property, whether as a whole or on a strata-titled basis, may be disposed of freely to both local and overseas purchasers.
- (11) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Company and the aforesaid legal opinion are as follows:
- | | |
|---|---------------|
| Land Use Rights Grant Contract | No |
| Land Use Rights Certificate | Yes |
| Red-line Drawing | Yes |
| Certificate for Construction and Land Usage Planning | Yes |
| Certificate for Construction and Engineering Planning | Yes (Portion) |
| Business Licence | Yes |
| Certificate for Construction Works | No |
| Pre-sale Permit | Yes (Portion) |

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2005
<p>6. Phases E and F1 of Guangzhou Guan Da Hua Yuan, Gong Yie Road, Hai Zhu District, Guangzhou City, the PRC</p>	<p>The property comprises mainly 2 plots of site in Guangzhou Guan Da Hua Yuan namely E and F1 which are under development.</p> <p>Phase E is proposed to be developed into 11 high rise residential blocks with ancillary commercial facilities and community facilities. Upon completion Phase E will provide gross floor areas of approximately 184,980 sq.m. for residential use, 1,760 sq.m. for commercial uses and 7,178 sq.m. for community uses. Substructure of this phase is being carried out and it is scheduled to be completed in late 2006.</p> <p>Phase F1 is proposed to be developed into 10 medium rise and high rise residential blocks with ancillary commercial facilities and community facilities. Upon completion Phase F1 will provide gross floor areas of approximately 50,172 sq.m. for residential use, 1,328 sq.m. for commercial uses and 3,684 sq.m. for community uses. Superstructure of this phase has been completed and it is scheduled to be completed in 2005.</p> <p>The property was granted for land use rights terms of 70 years for residential uses, 40 years for commercial, tourism and entertainments uses, 50 years for other uses commencing from 15th September, 1999, 25th September, 2000, 26th February, 2002, 1st May, 2004 and 9th May, 2004 respectively.</p>	<p>Substructure of Phase E is being carried out whilst superstructure of Phase F1 has already completed.</p>	<p>RMB543,000,000 (50% attributable to EB Real Estate: RMB271,500,000)</p>

Notes:

- (1) Pursuant to a Land Use Right Grant Contract No. (1999) 523 ("Grant Contract No. 1") dated 15th September, 1999 made between Land and Buildings Administrative Bureau of Guangzhou City ("Party A") and 廣州市光大花園房地產開發有限公司 (Guangzhou City Guan Da Hua Yuan Real Estate Development Company Limited ("Party B")), the land use rights of approximately 43,541 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses and for a term of 50 years for other uses; commencing from the date of issuance of Certificate for Construction Land Usage and at a land premium of RMB20,253,572. The developable gross floor areas stated in Grant Contract No. 1 are as follows:

(i)	Residential	:	71,868 sq.m.
(ii)	Nursery	:	2,000 sq.m.
(iii)	Atrium	:	4,250 sq.m.
(iv)	Cultural Centre	:	5,000 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (1999) 204 (穗府國用(1999)字第特204號) dated 15th October, 1999, the land use rights of the site, having a site area of approximately 43,541 sq.m., have been granted by Land and Buildings Administrative Bureau of Guangzhou City subject to conditions contained in Grant Contract No. 1.

- (2) Pursuant to a Land Use Right Grant Contract No. (2000) 296 ("Grant Contract No. 2") dated 30th July, 2000 made between Party A and Party B, the land use rights of approximately 58,044 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for other uses; commencing from 30th July, 2000 and at a land premium of RMB42,770,174. The developable gross floor areas stated in Grant Contract No. 2 are as follows:

(i)	Residential	:	180,000 sq.m.
(ii)	Wet Market	:	2,040 sq.m.
(iii)	Primary School	:	3,500 sq.m.

- (3) Pursuant to a supplementary agreement dated 16th July, 2003, the land premium stated in Grant Contract No. 2 had been amended to RMB47,075,174 with the removal of a development condition which requires the construction of a primary school having a gross floor area of 3,500 sq.m.

- (4) Pursuant to another supplementary agreement dated 22nd April, 2004, the land premium stated in Grant Contract No. 2 had been further amended to RMB53,441,930 with the developable gross floor areas changed as follows:

(i)	Residential	:	193,536 sq.m.
(ii)	Wet Market	:	2,722 sq.m.
(iii)	Clubhouse	:	1,195 sq.m.
(iv)	Management Office	:	250 sq.m.
(v)	Refuse Collection Point	:	2,674 sq.m.
(vi)	Latrine	:	50 sq.m.
(vii)	Basement	:	22,203 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2000) 151 (穗府國用(2000)字第特151號) dated 25th September, 2000, the land use rights of the site, having a site area of approximately 56,373 sq.m., have been granted by Land and Buildings Administrative Bureau of Guangzhou City from 30th January, 2002 subject to conditions contained in Grant Contract No. 2.

- (5) Pursuant to a Land Use Right Grant Contract No. (2002) 18 (“Grant Contract No. 3”) dated 31st January, 2002 made between Party A and Party B, the land use rights of approximately 64,059 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for other uses commencing from 31st January, 2002 and at no land premium. The developable gross floor areas stated in Grant Contract No. 3 are as follows:

(i)	Residential	:	98,000 sq.m.
(ii)	Primary/Secondary School	:	32,828 sq.m. (including 6,841 sq.m. basement)
(iii)	Commercial	:	500 sq.m.
(iv)	Community Centre	:	50 sq.m.
(v)	Cultural Activities Centre	:	50 sq.m.
(vi)	Latrine	:	50 sq.m.
(vii)	Basement	:	8,500 sq.m.

- (6) Pursuant to a supplementary agreement dated 29th March, 2004, the land premium stated in Grant Contract No. 3 had been amended to minus RMB2,059,117 with the developable gross floor areas changed as follows:

(i)	Residential	:	99,415 sq.m.
(ii)	Primary/Secondary School	:	41,947.68 sq.m. (including 7,016.34 sq.m. basement)
(iii)	Commercial	:	500 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2002) 019 (穗府國用(2002)字第特019號) dated 26th February, 2002, the land use rights of the site, having a site area of approximately 61,167.08 sq.m., have been granted by Land Resources and Buildings Administrative Bureau of Guangzhou City from 30th January, 2002 subject to conditions contained in Grant Contract No. 3.

- (7) Pursuant to a Land Use Right Grant Contract No. (2002) 19 (“Grant Contract No. 4”) dated 30th January, 2002 made between Party A and Party B, Party A agreed to grant the land use rights of approximately 34,987 sq.m. of the site to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial and other uses commencing from 30th January, 2002 and at land premium of RMB197,311. The developable gross floor areas stated in Grant Contract No. 4 are as follows:

(i)	Residential	:	73,844 sq.m.
(ii)	Commercial	:	1,500 sq.m.
(iii)	Community Centre	:	50 sq.m.
(iv)	Cultural Activities Centre	:	50 sq.m.
(v)	Hygiene Control Centre	:	50 sq.m.
(vi)	Basement	:	3,000 sq.m.
(vii)	Food Shop	:	300 sq.m.
(viii)	Ancillary Commercial	:	1,250 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2002) 018 dated 26th February, 2002, the land use rights of the site, having a site area of approximately 26,476.65 sq.m., have been granted by Land Resources and Buildings Administrative Bureau of Guangzhou City from 30th January, 2002 subject to conditions contained in Grant Contract No. 4.

- (8) Pursuant to a Land Use Right Grant Contract No. (2003) 275 (“Grant Contract No. 5”) dated 23rd July, 2003 made between Party A and Party B, the land use rights of approximately 25,273 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB3,514,464. The developable gross floor areas stated in Grant Contract No. 5 are as follows:

(i)	Residential	:	31,866 sq.m.
(ii)	Community Centre	:	100 sq.m.
(iii)	Cultural Activities Centre	:	100 sq.m.
(iv)	Hygiene Control Centre	:	100 sq.m.
(v)	Basement	:	2,500 sq.m.
(vi)	Nursery	:	4,415 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2004) 83 (穗府國用(2004)字第83號) dated 9th May, 2004, the land use rights of the site, having a site area of approximately 24,718 sq.m., have been granted by Municipal Government of Guangzhou City from 1st May, 2004.

- (9) Pursuant to a Land Use Right Grant Contract No. (2003) 276 (“Grant Contract No. 6”) dated 23rd July, 2003 made between Party A and Party B, the land use rights of approximately 26,391 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB26,513,409. The developable gross floor areas stated in Grant Contract No. 6 are as follows:

(i)	Residential	:	78,603 sq.m.
(ii)	Commercial	:	5,000 sq.m.
(iii)	Community Centre	:	100 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Hygiene Control Centre	:	100 sq.m.
(vi)	Basement	:	11,100 sq.m.
(vii)	Other shops with designated trades	:	1,700 sq.m.
(viii)	Refuse Collection Point	:	100 sq.m.
(ix)	Police Station	:	800 sq.m.

- (10) Pursuant to a Land Use Right Grant Contract No. (2003) 277 (“Grant Contract No. 7”) dated 23rd July, 2003 made between Party A and Party B, the land use rights of approximately 28,411 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB18,938,054. The developable gross floor areas stated in Grant Contract No. 7 are as follows:

(i)	Residential	:	62,350 sq.m.
(ii)	Sports Centre	:	2,000 sq.m.
(iii)	Community Centre	:	100 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Hygiene Control Centre	:	100 sq.m.
(vi)	Basement	:	3,000 sq.m.
(vii)	Youth Activities Centre	:	900 sq.m.
(viii)	Refuse Collection Point	:	200 sq.m.
(ix)	Public Toilet	:	50 sq.m.
(x)	Youth Centre	:	1,500 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2004) 82 dated 1st May, 2004, the land use rights of the site, having a site area of approximately 21,112 sq.m., have been granted by Municipal Government of Guangzhou City from 1st May, 2004.

- (11) Pursuant to a Land Use Right Grant Contract No. (2004) 393 (“Grant Contract No. 8”) dated 31st August, 2004 made between Party A and Party B, the land use rights of approximately 52,051 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB29,166,906. The developable gross floor areas stated in Grant Contract No. 8 are as follows:

(i)	Residential	:	97,383 sq.m.
(ii)	Commercial	:	1,500 sq.m.
(iii)	Community Centre	:	100 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Hygiene Control Centre	:	100 sq.m.
(vi)	Basement	:	10,000 sq.m.
(vii)	Elderly Centre	:	1,000 sq.m.
(viii)	Public Toilet	:	50 sq.m.

- (12) Pursuant to a Land Use Right Grant Contract No. (2004) 54 (“Grant Contract No. 9”) dated 25th March, 2004 made between Party A and Party B, the land use rights of approximately 24,539 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB22,222,018. The developable gross floor areas stated in Grant Contract No. 9 are as follows:

(i)	Residential	:	77,936 sq.m.
(ii)	Cinema	:	2,000 sq.m.
(iii)	Cultural Activities Centre	:	5,141 sq.m.
(iv)	Basement	:	3,000 sq.m.
(v)	Gas Compressor	:	108 sq.m.

- (13) Pursuant to a Land Use Right Grant Contract No. (2004) 55 (“Grant Contract No. 10”) dated 25th March, 2004 made between Party A and Party B, the land use rights of approximately 36,812 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB32,983,471. The developable gross floor areas stated in Grant Contract No. 10 are as follows:

(i)	Residential	:	111,506 sq.m.
(ii)	Commercial	:	3,504 sq.m.
(iii)	Hygiene Control Centre	:	2,000 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Community Cultural Activities Centre	:	100 sq.m.
(vi)	Community Centre	:	100 sq.m.
(vii)	Basement	:	13,680 sq.m.
(viii)	Gas Compressor	:	108 sq.m.

- (14) Pursuant to a Land Use Right Grant Contract No. (2004) 67 ("Grant Contract No. 11") dated 8th April, 2004 made between Party A and Party B, the land use rights of approximately 40,591 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB5,117,876. The developable gross floor areas stated in Grant Contract No. 11 are as follows:
- | | | | |
|--------|--------------------------------|---|--------------|
| (i) | Residential | : | 30,863 sq.m. |
| (ii) | Repair Workshop | : | 1,000 sq.m. |
| (iii) | Hygiene Control Centre | : | 100 sq.m. |
| (iv) | Cultural Activities Centre | : | 100 sq.m. |
| (v) | Market for Industrial Products | : | 1,000 sq.m. |
| (vi) | Community Centre | : | 100 sq.m. |
| (vii) | Basement | : | 3,000 sq.m. |
| (viii) | Fire Station | : | 2,223 sq.m. |
| (ix) | Hospital | : | 14,270 sq.m. |
| (x) | Primary School | : | 5,599 sq.m. |
| (xi) | Clinic | : | 1,014 sq.m. |
- (15) We are advised by the Group that the land premium for the aforesaid Grant Contracts has been fully settled except for Grant Contract Nos. 9 and 10 which only have a total premium of RMB30,363,019 paid.
- (16) Pursuant to the Business Licence No. 4401011102446 issued by the Guangzhou City Administration for Industry and Commerce dated 21st March, 2003, Party B was established with a registered capital of RMB100,000,000 and the scope of business is to develop a 434,699 sq.m. site originally held by 廣重廠 (Guangzhou Heavy Machinery Factory) into a residential development.
- (17) As confirmed by the Company, EB Real Estate has an attributable interest of 50% in Party B.
- (18) Pursuant to the Certificate for Construction and Land Usage Planning No. (1998) 47 dated 25th March, 1998 in favour of 廣州廣重房地產開發有限公司 (Guangzhou Guang Zhong Real Estate Development Company Limited)、中國光大房地產開發公司 (China Everbright Real Estate Development Company) and 廣州廣重企業集團公司 (Guangzhou Guang Zhong Enterprises Group Company), the development of a site area of 104,618 sq.m. (including 1,221 sq.m. road area) for residential use was permitted.
- (19) Pursuant to the Certificate for Construction and Land Usage Planning No. (1998) 301 dated 24th August, 1998 in favour of 廣州廣重房地產開發有限公司 (Guangzhou Guang Zhong Real Estate Development Company Limited)、中國光大房地產開發公司 (China Everbright Real Estate Development Company) and 廣州廣重企業集團公司 (Guangzhou Guang Zhong Enterprises Group Company), the development of a site area of 330,081 sq.m. (including 29,560 sq.m. road area and 4,644 green area) for residential use was permitted.
- (20) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A010 dated 25th March, 1999 in favour of Party B, the development of one 12-storey (excluding the basement) building having a total gross floor areas of approximately 17,600 sq.m. was permitted.
- (21) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A095 dated 14th September, 1999 in favour of Party B, the development of one 7-storey building having a total gross floor area of approximately 9,300 sq.m. was permitted.
- (22) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A088 dated 14th September, 1999 in favour of Party B, the development of one 12-storey (excluding the basement) building having a total gross floor area of approximately 11,090 sq.m. was permitted.
- (23) Pursuant to the Certificate for Construction and Engineering Planning No. (2001) 165 dated 23rd November, 2001 in favour of Party B, the development of two 12-storey (excluding the basement) buildings having a total gross floor area of approximately 26,192.988 sq.m. was permitted.
- (24) Pursuant to the Certificate for Construction and Engineering Planning No. (2003) 441 dated 4th March, 2004 in favour of Party B, the development of two 11-storey buildings having a total gross floor area of approximately 16,928.1 sq.m. was permitted.

- (25) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A111 dated 2nd September, 1999 in favour of Party B, the development of one 7-storey building having a total gross floor area of approximately 8,320 sq.m. was permitted.
- (26) Pursuant to the Certificate for Construction and Engineering Planning No. (2000) 014 dated 18th August, 2000 in favour of Party B, the development of three 12-storey buildings having a total gross floor area of approximately 51,323 sq.m. was permitted.
- (27) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A148 dated 23rd November, 2001 in favour of Party B, the development of one 4-storey (excluding two basements) building having a total gross floor area of approximately 8,910 sq.m. and one 3-storey building having a gross floor area of approximately 2,000 sq.m. was permitted.
- (28) Pursuant to the Certificate for Construction and Engineering Planning No. (2001) A162 dated 9th January, 2001 in favour of Party B, the development of four 11-storey buildings having a total gross floor area of approximately 33,916 sq.m. and one 2-storey (excluding basement) building having a gross floor area of approximately 2,772 sq.m. was permitted.
- (29) Pursuant to the Certificate for Construction and Engineering Planning No. (2000) 315 dated 30th November, 2000 in favour of Party B, the development of a total gross floor area of approximately 124,840 sq.m. was permitted.
- (30) Pursuant to the Certificate for Construction and Engineering Planning No. (2001) 210 dated 7th March, 2002 in favour of Party B, the development of one 5-storey (excluding basement) building having a total gross floor area of approximately 39,669 sq.m. was permitted.
- (31) Pursuant to the Certificate for Construction and Engineering Planning No. (2003) 140 dated 3rd June, 2003 in favour of Party B, the development of one 6-storey building having a gross floor area of approximately 10,032 sq.m. was permitted.
- (32) Pursuant to the Certificate for Construction and Engineering Planning No. (2003) 639 dated 25th April, 2003 in favour of Party B, the development of a total gross floor area of approximately 197,157 sq.m. was permitted.
- (33) Pursuant to the Certificate for Construction and Engineering Planning No. (2004) 591 dated 20th May, 2004 in favour of Party B, the development of a total gross floor area of approximately 61,591 sq.m. was permitted.
- (34) A number of Certificate for Construction Works have been granted to Party B with particulars summarised as follows:

Certificate No.	Date of Certificate	Block Nos.	Gross Floor	
			Areas (sq.m.)	No. of Storeys and Blocks
99190	20th March, 1999	A-1	17,600	One 12-storey residential block
99402	10th September, 1999	A-2, A-3	20,390	One 12-storey and one 7-storey residential blocks
99541	10th December, 1999	B-1 to B-5, A6, cultural centre and nursery	61,730	Ten 12-storey, one 10-storey, one 7-storey, one 4-storey and one 3-storey blocks for residential, cultural centre and nursery uses

Certificate No.	Date of Certificate	Block Nos.	Gross Floor Areas (sq.m.)	No. of storeys and blocks
440101200012250201	25th December, 2000	C5 to C7	134,840	Three 33-storey residential blocks
440101200101110201	11th January, 2001	C1 to C4	39,766	Four 12-storey residential blocks
440101200203220101	22nd March, 2002	A4, A5	26,192.988	Two 12-storey (excluding basement) blocks
440101200206280201	28th June, 2002	School	39,669	One 5-storey (excluding basement) building
440101200308280301	28th August, 2003	D1, D2	100,431	Two 18-storey (excluding two basements) residential blocks
440101200308280401	28th August, 2003	D3 to D5	107,148	Three 18-storey (excluding two basements) residential blocks
440101200406020101	2nd June, 2004	A7, A8	16,921.1	Two 11-storey residential blocks
440101200407230101	23rd July, 2004	Site F1	61,591	Nine 18-storey (excluding basement) residential blocks

- (35) Pursuant to 17 Pre-sale permits nos. 19990198, 2000032, 20000150, 20010075, 20000028, 20000031, 20010197, 20020107, 20020202, 20020072, 20030177, 20040088, 20040015-4, 20030200, 20040019, 20040006-2 and 20040255-2, Party B has obtained permission from Land Resources and Buildings Administrative Bureau of Guangzhou City for the pre-sale of 5,105 residential and commercial units and 170 carparking spaces which have a total gross floor area of approximately 492,494 sq.m.
- (36) As advised by the Company, the estimated outstanding construction costs to complete the proposed development on Phase E and F1 as at 31st March, 2005 is approximately RMB623,000,000. We would like to further advise that the capital value when completed as at 31st March, 2005 is approximately RMB1,538,000,000.
- (37) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
- (i) Party B has not fully settled the land premium of the land and may create late payment of such premium;
 - (ii) Due to the delay in demolition and resettlement of the 150,000 sq.m. site by Guangzhou Heavy Machinery Factory, Party B may breach the time limit set in the Grant Contracts for the commencement of construction;
 - (iii) Party B has the right to transfer, lease, mortgage and dispose those land use rights or buildings which are lawfully held by Party B. For those land use rights or buildings which are subject to mortgage, further approval from the mortgagor shall be sought;
 - (iv) Complete set of approval documents for those construction sites are not available and if there is building works carried out without obtaining necessary approvals and occupation, Party B may be liable for such actions; and
 - (v) Seven mortgages have been created against various portions of Guangzhou Guan Da Fa Yuan held by Party B.

(38) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:

- (i) Party B is in possession of a proper legal title to the property and is entitled to transfer the property with residual term of its land use right at no extra land premium on other onerous payment payable to the government.
- (ii) All land premium and other costs of ancillary utility services have been fully settled.
- (iii) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities.
- (iv) The property, whether as a whole or on a strata-titled basis, may be disposed of freely to both local and overseas purchasers.

(39) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Company and the aforesaid legal opinion are as follows:

Land Use Rights Grant Contract	Yes (Portion)
Land Use Rights Certificate	Yes (Portion)
Red-line Drawing	Yes (Portion)
Certificate for Construction and Land Usage Planning	Yes (Portion)
Certificate for Construction and Engineering Planning	Yes (Portion)
Business Licence	Yes
Certificate for Construction Works	Yes (Portion)
Pre-sale Permit	Yes (Portion)

Group II – Property held for future development

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2005
7. The remaining development site of Guangzhou Guan Da Hua Yuan, Gong Yie Road, Hai Zhu District, Guangzhou City, the PRC	<p>The property comprises a plot of site in Guangzhou Guan Da Hua Yuan which is still occupied by Guangzhou Heavy Machinery Factory.</p> <p>This remaining phase is proposed to be developed into residential blocks with ancillary commercial facilities and community facilities. Upon completion this remaining phase will provide gross floor areas of approximately 254,643 sq.m. for residential use, 14,601 sq.m. for commercial uses and 33,204 sq.m. for community uses. This phase is scheduled to be completed in late 2008.</p> <p>The property was granted for land use rights terms of 70 years for residential uses, 40 years for commercial, tourism and entertainments uses, 50 years for other uses commencing from 15th September, 1999, 25th September, 2000, 26th February, 2002, 1st May, 2004 and 9th May, 2004 respectively.</p>	The property is still occupied by Guangzhou Heavy Machinery Factory and development will be carried out upon the vacation of the factory.	RMB381,000,000 (50% attributable to EB Real Estate: RMB190,500,000)

Notes:

- (1) Pursuant to a Land Use Right Grant Contract No. (1999) 523 (“Grant Contract No. 1”) dated 15th September, 1999 made between Land and Buildings Administrative Bureau of Guangzhou City (“Party A”) and 廣州市光大花園房地產開發有限公司 (Guangzhou City Guan Da Hua Yuan Real Estate Development Company Limited) (“Party B”), the land use rights of approximately 43,541 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses and for a term of 50 years for other uses; commencing from the date of issuance of Certificate for Construction Land Usage and at a land premium of RMB20,253,572. The developable gross floor areas stated in Grant Contract No. 1 are as follows:

(i)	Residential	:	71,868 sq.m.
(ii)	Nursery	:	2,000 sq.m.
(iii)	Atrium	:	4,250 sq.m.
(iv)	Cultural Centre	:	5,000 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (1999) 204 (穗府國用(1999)字第特204號) dated 15th October, 1999, the land use rights of the site, having a site area of approximately 43,541 sq.m., have been granted by Land and Buildings Administrative Bureau of Guangzhou City subject to conditions contained in Grant Contract No. 1.

- (2) Pursuant to a Land Use Right Grant Contract No. (2000) 296 (“Grant Contract No. 2”) dated 30th July, 2000 made between Party A and Party B, the land use rights of approximately 58,044 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for other uses; commencing from 30th July, 2000 and at a land premium of RMB42,770,174. The developable gross floor areas stated in Grant Contract No. 2 are as follows:

(i)	Residential	:	180,000 sq.m.
(ii)	Wet Market	:	2,040 sq.m.
(iii)	Primary School	:	3,500 sq.m.

- (3) Pursuant to a supplementary agreement dated 16th July, 2003, the land premium stated in Grant Contract No. 2 had been amended to RMB47,075,174 with the removal of a development condition which requires the construction of a primary school having a gross floor area of 3,500 sq.m.

- (4) Pursuant to another supplementary agreement dated 22nd April, 2004, the land premium stated in Grant Contract No. 2 had been further amended to RMB53,441,930 with the developable gross floor areas changed as follows:

(i)	Residential	:	193,536 sq.m.
(ii)	Wet Market	:	2,722 sq.m.
(iii)	Clubhouse	:	1,195 sq.m.
(iv)	Management Office	:	250 sq.m.
(v)	Refuse Collection Point	:	2,674 sq.m.
(vi)	Latrine	:	50 sq.m.
(vii)	Basement	:	22,203 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2000) 151 (穗府國用(2000)字第特151號) dated 25th September, 2000, the land use rights of the site, having a site area of approximately 56,373 sq.m., have been granted by Land and Buildings Administrative Bureau of Guangzhou City from 30th January, 2002 subject to conditions contained in Grant Contract No. 2.

- (5) Pursuant to a Land Use Right Grant Contract No. (2002) 18 (“Grant Contract No. 3”) dated 31st January, 2002 made between Party A and Party B, the land use rights of approximately 64,059 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for other uses commencing from 31st January, 2002 and at no land premium. The developable gross floor areas stated in Grant Contract No. 3 are as follows:

(i)	Residential	:	98,000 sq.m.
(ii)	Primary/Secondary School	:	32,828 sq.m. (including 6,841 sq.m. basement)
(iii)	Commercial	:	500 sq.m.
(iv)	Community Centre	:	50 sq.m.
(v)	Cultural Activities Centre	:	50 sq.m.
(vi)	Latrine	:	50 sq.m.
(vii)	Basement	:	8,500 sq.m.

- (6) Pursuant to a supplementary agreement dated 29th March, 2004, the land premium stated in Grant Contract No. 3 had been amended to minus RMB2,059,117 with the developable gross floor areas changed as follows:

(i)	Residential	:	99,415 sq.m.
(ii)	Primary/Secondary School	:	41,947.68 sq.m. (including 7,016.34 sq.m. basement)
(iii)	Commercial	:	500 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2002) 019 (穗府國用(2002)字第特019號) dated 26th February, 2002, the land use rights of the site, having a site area of approximately 61,167.08 sq.m., have been granted by Land Resources and Buildings Administrative Bureau of Guangzhou City from 30th January, 2002 subject to conditions contained in Grant Contract No. 3.

- (7) Pursuant to a Land Use Right Grant Contract No. (2002) 19 (“Grant Contract No. 4”) dated 30th January, 2002 made between Party A and Party B, Party A agreed to grant the land use rights of approximately 34,987 sq.m. of the site to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial and other uses commencing from 30th January, 2002 and at land premium of RMB197,311. The developable gross floor areas stated in Grant Contract No. 4 are as follows:

(i)	Residential	:	73,844 sq.m.
(ii)	Commercial	:	1,500 sq.m.
(iii)	Community Centre	:	50 sq.m.
(iv)	Cultural Activities Centre	:	50 sq.m.
(v)	Hygiene Control Centre	:	50 sq.m.
(vi)	Basement	:	3,000 sq.m.
(vii)	Food Shop	:	300 sq.m.
(viii)	Ancillary Commercial	:	1,250 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2002) 018 dated 26th February, 2002, the land use rights of the site, having a site area of approximately 26,476.65 sq.m., have been granted by Land Resources and Buildings Administrative Bureau of Guangzhou City from 30th January, 2002 subject to conditions contained in Grant Contract No. 4.

- (8) Pursuant to a Land Use Right Grant Contract No. (2003) 275 (“Grant Contract No. 5”) dated 23rd July, 2003 made between Party A and Party B, the land use rights of approximately 25,273 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB3,514,464. The developable gross floor areas stated in Grant Contract No. 5 are as follows:

(i)	Residential	:	31,866 sq.m.
(ii)	Community Centre	:	100 sq.m.
(iii)	Cultural Activities Centre	:	100 sq.m.
(iv)	Hygiene Control Centre	:	100 sq.m.
(v)	Basement	:	2,500 sq.m.
(vi)	Nursery	:	4,415 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2004) 83 (穗府國用(2004)字第83號) dated 9th May, 2004, the land use rights of the site, having a site area of approximately 24,718 sq.m., have been granted by Municipal Government of Guangzhou City from 1st May, 2004.

- (9) Pursuant to a Land Use Right Grant Contract No. (2003) 276 (“Grant Contract No. 6”) dated 23rd July, 2003 made between Party A and Party B, the land use rights of approximately 26,391 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB26,513,409. The developable gross floor areas stated in Grant Contract No. 6 are as follows:

(i)	Residential	:	78,603 sq.m.
(ii)	Commercial	:	5,000 sq.m.
(iii)	Community Centre	:	100 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Hygiene Control Centre	:	100 sq.m.
(vi)	Basement	:	11,100 sq.m.
(vii)	Other shops with designated trades	:	1,700 sq.m.
(viii)	Refuse Collection Point	:	100 sq.m.
(ix)	Police Station	:	800 sq.m.

- (10) Pursuant to a Land Use Right Grant Contract No. (2003) 277 (“Grant Contract No. 7”) dated 23rd July, 2003 made between Party A and Party B, the land use rights of approximately 28,411 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB18,938,054. The developable gross floor areas stated in Grant Contract No. 7 are as follows:

(i)	Residential	:	62,350 sq.m.
(ii)	Sports Centre	:	2,000 sq.m.
(iii)	Community Centre	:	100 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Hygiene Control Centre	:	100 sq.m.
(vi)	Basement	:	3,000 sq.m.
(vii)	Youth Activities Centre	:	900 sq.m.
(viii)	Refuse Collection Point	:	200 sq.m.
(ix)	Public Toilet	:	50 sq.m.
(x)	Youth Centre	:	1,500 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2004) 82 dated 1st May, 2004, the land use rights of the site, having a site area of approximately 21,112 sq.m., have been granted by Municipal Government of Guangzhou City from 1st May, 2004.

- (11) Pursuant to a Land Use Right Grant Contract No. (2004) 393 (“Grant Contract No. 8”) dated 31st August, 2004 made between Party A and Party B, the land use rights of approximately 52,051 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB29,166,906. The developable gross floor areas stated in Grant Contract No. 8 are as follows:

(i)	Residential	:	97,383 sq.m.
(ii)	Commercial	:	1,500 sq.m.
(iii)	Community Centre	:	100 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Hygiene Control Centre	:	100 sq.m.
(vi)	Basement	:	10,000 sq.m.
(vii)	Elderly Centre	:	1,000 sq.m.
(viii)	Public Toilet	:	50 sq.m.

- (12) Pursuant to a Land Use Right Grant Contract No. (2004) 54 (“Grant Contract No. 9”) dated 25th March, 2004 made between Party A and Party B, the land use rights of approximately 24,539 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB22,222,018. The developable gross floor areas stated in Grant Contract No. 9 are as follows:

(i)	Residential	:	77,936 sq.m.
(ii)	Cinema	:	2,000 sq.m.
(iii)	Cultural Activities Centre	:	5,141 sq.m.
(iv)	Basement	:	3,000 sq.m.
(v)	Gas Compressor	:	108 sq.m.

- (13) Pursuant to a Land Use Right Grant Contract No. (2004) 55 ("Grant Contract No. 10") dated 25th March, 2004 made between Party A and Party B, the land use rights of approximately 36,812 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB32,983,471. The developable gross floor areas stated in Grant Contract No. 10 are as follows:

(i)	Residential	:	111,506 sq.m.
(ii)	Commercial	:	3,504 sq.m.
(iii)	Hygiene Control Centre	:	2,000 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Community Cultural Activities Centre	:	100 sq.m.
(vi)	Community Centre	:	100 sq.m.
(vii)	Basement	:	13,680 sq.m.
(viii)	Gas Compressor	:	108 sq.m.

- (14) Pursuant to a Land Use Right Grant Contract No. (2004) 67 ("Grant Contract No. 11") dated 8th April, 2004 made between Party A and Party B, the land use rights of approximately 40,591 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB5,117,876. The developable gross floor areas stated in Grant Contract No. 11 are as follows:

(i)	Residential	:	30,863 sq.m.
(ii)	Repair Workshop	:	1,000 sq.m.
(iii)	Hygiene Control Centre	:	100 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Market for industrial Products	:	1,000 sq.m.
(vi)	Community Centre	:	100 sq.m.
(vii)	Basement	:	3,000 sq.m.
(viii)	Fire Station	:	2,223 sq.m.
(ix)	Hospital	:	14,270 sq.m.
(x)	Primary School	:	5,599 sq.m.
(xi)	Clinic	:	1,014 sq.m.

- (15) We are advised by the Group that the land premium for the aforesaid Grant Contracts has been fully settled except for Grant Contract Nos. 9 and 10 which only have a total premium of RMB30,363,019 paid.
- (16) Pursuant to the Business Licence No. 4401011102446 issued by the Guangzhou City Administration for Industry and Commerce dated 21st March, 2003, Party B was established with a registered capital of RMB100,000,000 and the scope of business is to develop a 434,699 sq.m. site originally held by 廣重廠 (Guangzhou Heavy Machinery Factory) into a residential development.
- (17) As confirmed by the Company, EB Real Estate has an attributable interest of 50% in Party B.
- (18) Pursuant to the Certificate for Construction and Land Usage Planning No. (1998) 47 dated 25th March, 1998 in favour of 廣州廣重房地產開發有限公司 (Guangzhou Guang Zhong Real Estate Development Company Limited)、中國光大房地產開發公司 (China Everbright Real Estate Development Company) and 廣州廣重企業集團公司 (Guangzhou Guang Zhong Enterprises Group Company), the development of a site area of 104,618 sq.m. (including 1,221 sq.m. road area) for residential use was permitted.
- (19) Pursuant to the Certificate for Construction and Land Usage Planning No. (1998) 301 dated 24th August, 1998 in favour of 廣州廣重房地產開發有限公司 (Guangzhou Guang Zhong Real Estate Development Company Limited)、中國光大房地產開發公司 (China Everbright Real Estate Development Company) and 廣州廣重企業集團公司 (Guangzhou Guang Zhong Enterprises Group Company), the development of a site area of 330,081 sq.m. (including 29,560 sq.m. road area and 4,644 green area) for residential use was permitted.

- (20) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A010 dated 25th March, 1999 in favour of Party B, the development of one 12-storey (excluding the basement) building having a total gross floor areas of approximately 17,600 sq.m. was permitted.
- (21) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A095 dated 14th September, 1999 in favour of Party B, the development of one 7-storey building having a total gross floor area of approximately 9,300 sq.m. was permitted.
- (22) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A088 dated 14th September, 1999 in favour of Party B, the development of one 12-storey (excluding the basement) building having a total gross floor area of approximately 11,090 sq.m. was permitted.
- (23) Pursuant to the Certificate for Construction and Engineering Planning No. (2001) 165 dated 23rd November, 2001 in favour of Party B, the development of two 12-storey (excluding the basement) buildings having a total gross floor area of approximately 26,192.988 sq.m. was permitted.
- (24) Pursuant to the Certificate for Construction and Engineering Planning No. (2003) 441 dated 4th March, 2004 in favour of Party B, the development of two 11-storey buildings having a total gross floor area of approximately 16,928.1 sq.m. was permitted.
- (25) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A111 dated 2nd September, 1999 in favour of Party B, the development of one 7-storey building having a total gross floor area of approximately 8,320 sq.m. was permitted.
- (26) Pursuant to the Certificate for Construction and Engineering Planning No. (2000) 014 dated 18th August, 2000 in favour of Party B, the development of three 12-storey buildings having a total gross floor area of approximately 51,323 sq.m. was permitted.
- (27) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A148 dated 23rd November, 2001 in favour of Party B, the development of one 4-storey (excluding two basements) building having a total gross floor area of approximately 8,910 sq.m. and one 3-storey building having a gross floor area of approximately 2,000 sq.m. was permitted.
- (28) Pursuant to the Certificate for Construction and Engineering Planning No. (2001) A162 dated 9th January, 2001 in favour of Party B, the development of four 11-storey buildings having a total gross floor area of approximately 33,916 sq.m. and one 2-storey (excluding basement) building having a gross floor area of approximately 2,772 sq.m. was permitted.
- (29) Pursuant to the Certificate for Construction and Engineering Planning No. (2000) 315 dated 30th November, 2000 in favour of Party B, the development of a total gross floor area of approximately 124,840 sq.m. was permitted.
- (30) Pursuant to the Certificate for Construction and Engineering Planning No. (2001) 210 dated 7th March, 2002 in favour of Party B, the development of one 5-storey (excluding basement) building having a total gross floor area of approximately 39,669 sq.m. was permitted.
- (31) Pursuant to the Certificate for Construction and Engineering Planning No. (2003) 140 dated 3rd June, 2003 in favour of Party B, the development of one 6-storey building having a gross floor area of approximately 10,032 sq.m. was permitted.
- (32) Pursuant to the Certificate for Construction and Engineering Planning No. (2003) 639 dated 25th April, 2003 in favour of Party B, the development of a total gross floor area of approximately 197,157 sq.m. was permitted.
- (33) Pursuant to the Certificate for Construction and Engineering Planning No. (2004) 591 dated 20th May, 2004 in favour of Party B, the development of a total gross floor area of approximately 61,591 sq.m. was permitted.

- (34) A number of Certificate for Construction Works have been granted to Party B with particulars summarised as follows:

Certificate No.	Date of Certificate	Block Nos.	Gross Floor Areas (sq.m.)	No. of Storeys and Blocks
99190	20th March, 1999	A-1	17,600	One 12-storey residential block
99402	10th September, 1999	A-2, A-3	20,390	One 12-storey and one 7-storey residential blocks
99541	10th December, 1999	B-1 to B-5, A6, cultural centre and nursery	61,730	Ten 12-storey, one 10-storey, one 7-storey, one 4-storey and one 3-storey blocks for residential, cultural centre and nursery uses
440101200012250201	25th December, 2000	C5 to C7	134,840	Three 33-storey residential blocks
440101200101110201	11th January, 2001	C1 to C4	39,766	Four 12-storey residential blocks
440101200203220101	22nd March, 2002	A4, A5	26,192.988	Two 12-storey (excluding basement) blocks
440101200206280201	28th June, 2002	School	39,669	One 5-storey (excluding basement) building
440101200308280301	28th August, 2003	D1, D2	100,431	Two 18-storey (excluding two basements) residential blocks
440101200308280401	28th August, 2003	D3 to D5	107,148	Three 18-storey (excluding two basements) residential blocks
440101200406020101	2nd June, 2004	A7, A8	16,921.1	Two 11-storey residential blocks
440101200407230101	23rd July, 2004	Site F1	61,591	Nine 18-storey (excluding basement) residential blocks

- (35) Pursuant to 17 Pre-sale permits nos. 19990198, 2000032, 20000150, 20010075, 20000028, 20000031, 20010197, 20020107, 20020202, 20020072, 20030177, 20040088, 20040015-4, 20030200, 20040019, 20040006-2 and 20040255-2, Party B has obtained permission from Land Resources and Buildings Administrative Bureau of Guangzhou City for the pre-sale of 5,105 residential and commercial units and 170 carparking spaces which have a total gross floor area of approximately 492,494 sq.m.

- (36) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:

- (i) Party B has not fully settled the land premium of the land and may create late payment of such premium;

- (ii) Due to the delay in demolition and resettlement of the 150,000 sq.m. site by Guangzhou Heavy Machinery Factory, Party B may breach the time limit set in the Grant Contracts for the commencement of construction;
 - (iii) Party B has the right to transfer, lease, mortgage and dispose those land use rights or buildings which are lawfully held by Party B. For those land use rights or buildings which are subject to mortgage, further approval from the mortgagor shall be sought;
 - (iv) Complete set of approval documents for those construction sites are not available and if there is building works carried out without obtaining necessary approvals and occupation, Party B may be liable for such actions; and
 - (v) Seven mortgages have been created against various portions of Guangzhou Guan Da Fa Yuan held by Party B.
- (37) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:
- (i) Party B is in possession of a proper legal title to the property and is entitled to transfer the property with residual term of its land use right at no extra land premium on other onerous payment payable to the government.
 - (ii) All land premium and other costs of ancillary utility services have been fully settled.
 - (iii) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities.
 - (iv) The property, whether as a whole or on a strata-titled basis, may be disposed of freely to both local and overseas purchasers.
- (38) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Company and the aforesaid legal opinion are as follows:
- | | |
|---|---------------|
| Land Use Rights Grant Contract | Yes (Portion) |
| Land Use Rights Certificate | Yes (Portion) |
| Red-line Drawing | Yes (Portion) |
| Certificate for Construction and Land Usage Planning | Yes (Portion) |
| Certificate for Construction and Engineering Planning | Yes (Portion) |
| Business Licence | Yes |
| Certificate for Construction Works | Yes (Portion) |
| Pre-sale Permit | Yes (Portion) |

Group III: Properties held for disposal

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2005
8. The unsold residential units in Phases A to D of Guangzhou Guan Da Hua Yuan, Gong Yie Road, Hai Zhu District, Guangzhou City, the PRC	<p>The property comprises various residential units in Phases A to D of a large private residential development namely Guangzhou Guan Da Hua Yuan. The subject development is completed in phases from 2001 to 2004 and new phases are still planned in the development. The whole of Phases A to D comprises over 39 residential buildings ranging from 5 to 32 storeys. Carparking spaces are provided on basement level. Commercial units are provided on level 1 or levels 1 and 2 of some residential blocks in the development. Some communal facilities like clubhouses, school, kindergarten are also provided in the development.</p> <p>The gross floor area of the property is approximately 24,198 sq.m.</p> <p>The property was granted for land use rights terms of 70 years for residential uses, 40 years for commercial, tourism and entertainments uses, 50 years for other uses commencing from 15th September, 1999, 25th September, 2000, 26th February, 2002, 1st May, 2004 and 9th May, 2004 respectively.</p>	The property is vacant.	RMB127,600,000 (50% attributable to EB Real Estate: RMB63,800,000)

Notes:

- (1) Pursuant to a Land Use Right Grant Contract No. (1999) 523 (“Grant Contract No. 1”) dated 15th September, 1999 made between Land and Buildings Administrative Bureau of Guangzhou City (“Party A”) and 廣州市光大花園房地產開發有限公司 (Guangzhou City Guan Da Hua Yuan Real Estate Development Company Limited) (“Party B”), the land use rights of approximately 43,541 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses and for a term of 50 years for other uses; commencing from the date of issuance of Certificate for Construction Land Usage and at a land premium of RMB20,253,572. The developable gross floor areas stated in Grant Contract No. 1 are as follows:

(i)	Residential	:	71,868 sq.m.
(ii)	Nursery	:	2,000 sq.m.
(iii)	Atrium	:	4,250 sq.m.
(iv)	Cultural Centre	:	5,000 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (1999) 204 (穗府國用(1999)字第特204號) dated 15th October, 1999, the land use rights of the site, having a site area of approximately 43,541 sq.m., have been granted by Land and Buildings Administrative Bureau of Guangzhou City subject to conditions contained in Grant Contract No. 1.

- (2) Pursuant to a Land Use Right Grant Contract No. (2000) 296 (“Grant Contract No. 2”) dated 30th July, 2000 made between Party A and Party B, the land use rights of approximately 58,044 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for other uses; commencing from 30th July, 2000 and at a land premium of RMB42,770,174. The developable gross floor areas stated in Grant Contract No. 2 are as follows:

(i)	Residential	:	180,000 sq.m.
(ii)	Wet Market	:	2,040 sq.m.
(iii)	Primary School	:	3,500 sq.m.

- (3) Pursuant to a supplementary agreement dated 16th July, 2003, the land premium stated in Grant Contract No. 2 had been amended to RMB47,075,174 with the removal of a development condition which requires the construction of a primary school having a gross floor area of 3,500 sq.m.

- (4) Pursuant to another supplementary agreement dated 22nd April, 2004, the land premium stated in Grant Contract No. 2 had been further amended to RMB53,441,930 with the developable gross floor areas changed as follows:

(i)	Residential	:	193,536 sq.m.
(ii)	Wet Market	:	2,722 sq.m.
(iii)	Clubhouse	:	1,195 sq.m.
(iv)	Management Office	:	250 sq.m.
(v)	Refuse Collection Point	:	2,674 sq.m.
(vi)	Latrine	:	50 sq.m.
(vii)	Basement	:	22,203 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2000) 151 (穗府國用(2000)字第特151號) dated 25th September, 2000, the land use rights of the site, having a site area of approximately 56,373 sq.m., have been granted by Land and Buildings Administrative Bureau of Guangzhou City from 30th January, 2002 subject to conditions contained in Grant Contract No. 2.

- (5) Pursuant to a Land Use Right Grant Contract No. (2002) 18 (“Grant Contract No. 3”) dated 31st January, 2002 made between Party A and Party B, the land use rights of approximately 64,059 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for other uses commencing from 31st January, 2002 and at no land premium. The developable gross floor areas stated in Grant Contract No. 3 are as follows:

(i)	Residential	:	98,000 sq.m.
(ii)	Primary/Secondary School	:	32,828 sq.m. (including 6,841 sq.m. basement)
(iii)	Commercial	:	500 sq.m.
(iv)	Community Centre	:	50 sq.m.
(v)	Cultural Activities Centre	:	50 sq.m.
(vi)	Latrine	:	50 sq.m.
(vii)	Basement	:	8,500 sq.m.

- (6) Pursuant to a supplementary agreement dated 29th March, 2004, the land premium stated in Grant Contract No. 3 had been amended to minus RMB2,059,117 with the developable gross floor areas changed as follows:

(i)	Residential	:	99,415 sq.m.
(ii)	Primary/Secondary School	:	41,947.68 sq.m. (including 7,016.34 sq.m. basement)
(iii)	Commercial	:	500 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2002) 019 (穗府國用(2002)字第特019號) dated 26th February, 2002, the land use rights of the site, having a site area of approximately 61,167.08 sq.m., have been granted by Land Resources and Buildings Administrative Bureau of Guangzhou City from 30th January, 2002 subject to conditions contained in Grant Contract No. 3.

- (7) Pursuant to a Land Use Right Grant Contract No. (2002) 19 (“Grant Contract No. 4”) dated 30th January, 2002 made between Party A and Party B, Party A agreed to grant the land use rights of approximately 34,987 sq.m. of the site to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial and other uses commencing from 30th January, 2002 and at land premium of RMB197,311. The developable gross floor areas stated in Grant Contract No. 4 are as follows:

(i)	Residential	:	73,844 sq.m.
(ii)	Commercial	:	1,500 sq.m.
(iii)	Community Centre	:	50 sq.m.
(iv)	Cultural Activities Centre	:	50 sq.m.
(v)	Hygiene Control Centre	:	50 sq.m.
(vi)	Basement	:	3,000 sq.m.
(vii)	Food Shop	:	300 sq.m.
(viii)	Ancillary Commercial	:	1,250 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2002) 018 dated 26th February, 2002, the land use rights of the site, having a site area of approximately 26,476.65 sq.m., have been granted by Land Resources and Buildings Administrative Bureau of Guangzhou City from 30th January, 2002 subject to conditions contained in Grant Contract No. 4.

- (8) Pursuant to a Land Use Right Grant Contract No. (2003) 275 (“Grant Contract No. 5”) dated 23rd July, 2003 made between Party A and Party B, the land use rights of approximately 25,273 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB3,514,464. The developable gross floor areas stated in Grant Contract No. 5 are as follows:

(i)	Residential	:	31,866 sq.m.
(ii)	Community Centre	:	100 sq.m.
(iii)	Cultural Activities Centre	:	100 sq.m.
(iv)	Hygiene Control Centre	:	100 sq.m.
(v)	Basement	:	2,500 sq.m.
(vi)	Nursery	:	4,415 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2004) 83 (穗府國用(2004)字第83號) dated 9th May, 2004, the land use rights of the site, having a site area of approximately 24,718 sq.m., have been granted by Municipal Government of Guangzhou City from 1st May, 2004.

- (9) Pursuant to a Land Use Right Grant Contract No. (2003) 276 (“Grant Contract No. 6”) dated 23rd July, 2003 made between Party A and Party B, the land use rights of approximately 26,391 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB26,513,409. The developable gross floor areas stated in Grant Contract No. 6 are as follows:

(i)	Residential	:	78,603 sq.m.
(ii)	Commercial	:	5,000 sq.m.
(iii)	Community Centre	:	100 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Hygiene Control Centre	:	100 sq.m.
(vi)	Basement	:	11,100 sq.m.
(vii)	Other shops with designated trades	:	1,700 sq.m.
(viii)	Refuse Collection Point	:	100 sq.m.
(ix)	Police Station	:	800 sq.m.

- (10) Pursuant to a Land Use Right Grant Contract No. (2003) 277 (“Grant Contract No. 7”) dated 23rd July, 2003 made between Party A and Party B, the land use rights of approximately 28,411 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB18,938,054. The developable gross floor areas stated in Grant Contract No. 7 are as follows:

(i)	Residential	:	62,350 sq.m.
(ii)	Sports Centre	:	2,000 sq.m.
(iii)	Community Centre	:	100 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Hygiene Control Centre	:	100 sq.m.
(vi)	Basement	:	3,000 sq.m.
(vii)	Youth Activities Centre	:	900 sq.m.
(viii)	Refuse Collection Point	:	200 sq.m.
(ix)	Public Toilet	:	50 sq.m.
(x)	Youth Centre	:	1,500 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2004) 82 dated 1st May, 2004, the land use rights of the site, having a site area of approximately 21,112 sq.m., have been granted by Municipal Government of Guangzhou City from 1st May, 2004.

- (11) Pursuant to a Land Use Right Grant Contract No. (2004) 393 ("Grant Contract No. 8") dated 31st August, 2004 made between Party A and Party B, the land use rights of approximately 52,051 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB29,166,906. The developable gross floor areas stated in Grant Contract No. 8 are as follows:

(i)	Residential	:	97,383 sq.m.
(ii)	Commercial	:	1,500 sq.m.
(iii)	Community Centre	:	100 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Hygiene Control Centre	:	100 sq.m.
(vi)	Basement	:	10,000 sq.m.
(vii)	Elderly Centre	:	1,000 sq.m.
(viii)	Public Toilet	:	50 sq.m.

- (12) Pursuant to a Land Use Right Grant Contract No. (2004) 54 ("Grant Contract No. 9") dated 25th March, 2004 made between Party A and Party B, the land use rights of approximately 24,539 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB22,222,018. The developable gross floor areas stated in Grant Contract No. 9 are as follows:

(i)	Residential	:	77,936 sq.m.
(ii)	Cinema	:	2,000 sq.m.
(iii)	Cultural Activities Centre	:	5,141 sq.m.
(iv)	Basement	:	3,000 sq.m.
(v)	Gas Compressor	:	108 sq.m.

- (13) Pursuant to a Land Use Right Grant Contract No. (2004) 55 ("Grant Contract No. 10") dated 25th March, 2004 made between Party A and Party B, the land use rights of approximately 36,812 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB32,983,471. The developable gross floor areas stated in Grant Contract No. 10 are as follows:

(i)	Residential	:	111,506 sq.m.
(ii)	Commercial	:	3,504 sq.m.
(iii)	Hygiene Control Centre	:	2,000 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Community Cultural Activities Centre	:	100 sq.m.
(vi)	Community Centre	:	100 sq.m.
(vii)	Basement	:	13,680 sq.m.
(viii)	Gas Compressor	:	108 sq.m.

- (14) Pursuant to a Land Use Right Grant Contract No. (2004) 67 ("Grant Contract No. 11") dated 8th April, 2004 made between Party A and Party B, the land use rights of approximately 40,591 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB5,117,876. The developable gross floor areas stated in Grant Contract No. 11 are as follows:
- | | | | |
|--------|--------------------------------|---|--------------|
| (i) | Residential | : | 30,863 sq.m. |
| (ii) | Repair Workshop | : | 1,000 sq.m. |
| (iii) | Hygiene Control Centre | : | 100 sq.m. |
| (iv) | Cultural Activities Centre | : | 100 sq.m. |
| (v) | Market for industrial products | : | 1,000 sq.m. |
| (vi) | Community Centre | : | 100 sq.m. |
| (vii) | Basement | : | 3,000 sq.m. |
| (viii) | Fire Station | : | 2,223 sq.m. |
| (ix) | Hospital | : | 14,270 sq.m. |
| (x) | Primary School | : | 5,599 sq.m. |
| (xi) | Clinic | : | 1,014 sq.m. |
- (15) We are advised by the Group that the land premium for the aforesaid Grant Contracts has been fully settled except for Grant Contract Nos. 9 and 10 which only have a total premium of RMB30,363,019 paid.
- (16) Pursuant to the Business Licence No. 4401011102446 issued by the Guangzhou City Administration for Industry and Commerce dated 21st March, 2003, Party B was established with a registered capital of RMB100,000,000 and the scope of business is to develop a 434,699 sq.m. site originally held by 廣重廠 (Guangzhou Heavy Machinery Factory) into a residential development.
- (17) As confirmed by the Company, EB Real Estate has an attributable interest of 50% in Party B.
- (18) Pursuant to the Certificate for Construction and Land Usage Planning No. (1998) 47 dated 25th March, 1998 in favour of 廣州廣重房地產開發有限公司 (Guangzhou Guang Zhong Real Estate Development Company Limited)、中國光大房地產開發公司 (China Everbright Real Estate Development Company) and 廣州廣重企業集團公司 (Guangzhou Guang Zhong Enterprises Group Company), the development of a site area of 104,618 sq.m. (including 1,221 sq.m. road area) for residential use was permitted.
- (19) Pursuant to the Certificate for Construction and Land Usage Planning No. (1998) 301 dated 24th August, 1998 in favour of 廣州廣重房地產開發有限公司 (Guangzhou Guang Zhong Real Estate Development Company Limited)、中國光大房地產開發公司 (China Everbright Real Estate Development Company) and 廣州廣重企業集團公司 (Guangzhou Guang Zhong Enterprises Group Company), the development of a site area of 330,081 sq.m. (including 29,560 sq.m. road area and 4,644 green area) for residential use was permitted.
- (20) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A010 dated 25th March, 1999 in favour of Party B, the development of one 12-storey (excluding the basement) building having a total gross floor area of approximately 17,600 sq.m. was permitted.
- (21) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A095 dated 14th September, 1999 in favour of Party B, the development of one 7-storey building having a total gross floor area of approximately 9,300 sq.m. was permitted.
- (22) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A088 dated 14th September, 1999 in favour of Party B, the development of one 12-storey (excluding the basement) building having a total gross floor area of approximately 11,090 sq.m. was permitted.
- (23) Pursuant to the Certificate for Construction and Engineering Planning No. (2001) 165 dated 23rd November, 2001 in favour of Party B, the development of two 12-storey (excluding the basement) buildings having a total gross floor area of approximately 26,192.988 sq.m. was permitted.

- (24) Pursuant to the Certificate for Construction and Engineering Planning No. (2003) 441 dated 4th March, 2004 in favour of Party B, the development of two 11-storey buildings having a total gross floor area of approximately 16,928.1 sq.m. was permitted.
- (25) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A111 dated 2nd September, 1999 in favour of Party B, the development of one 7-storey building having a total gross floor area of approximately 8,320 sq.m. was permitted.
- (26) Pursuant to the Certificate for Construction and Engineering Planning No. (2000) 014 dated 18th August, 2000 in favour of Party B, the development of three 12-storey buildings having a total gross floor area of approximately 51,323 sq.m. was permitted.
- (27) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A148 dated 23rd November, 2001 in favour of Party B, the development of one 4-storey (excluding two basements) building having a total gross floor area of approximately 8,910 sq.m. and one 3-storey building having a gross floor area of approximately 2,000 sq.m. was permitted.
- (28) Pursuant to the Certificate for Construction and Engineering Planning No. (2001) A162 dated 9th January, 2001 in favour of Party B, the development of four 11-storey buildings having a total gross floor area of approximately 33,916 sq.m. and one 2-storey (excluding basement) building having a gross floor area of approximately 2,772 sq.m. was permitted.
- (29) Pursuant to the Certificate for Construction and Engineering Planning No. (2000) 315 dated 30th November, 2000 in favour of Party B, the development of a total gross floor area of approximately 124,840 sq.m. was permitted.
- (30) Pursuant to the Certificate for Construction and Engineering Planning No. (2001) 210 dated 7th March, 2002 in favour of Party B, the development of one 5-storey (excluding basement) building having a total gross floor area of approximately 39,669 sq.m. was permitted.
- (31) Pursuant to the Certificate for Construction and Engineering Planning No. (2003) 140 dated 3rd June, 2003 in favour of Party B, the development of one 6-storey building having a gross floor area of approximately 10,032 sq.m. was permitted.
- (32) Pursuant to the Certificate for Construction and Engineering Planning No. (2003) 639 dated 25th April, 2003 in favour of Party B, the development of a total gross floor area of approximately 197,157 sq.m. was permitted.
- (33) Pursuant to the Certificate for Construction and Engineering Planning No. (2004) 591 dated 20th May, 2004 in favour of Party B, the development of a total gross floor area of approximately 61,591 sq.m. was permitted.

- (34) A number of Certificate for Construction Works have been granted to Party B with particulars summarised as follows:

Certificate No.	Date of Certificate	Block Nos.	Gross Floor Areas (sq.m.)	No. of Storeys and Blocks
99190	20th March, 1999	A-1	17,600	One 12-storey residential block
99402	10th September, 1999	A-2, A-3	20,390	One 12-storey and one 7-storey residential blocks
99541	10th December, 1999	B-1 to B-5, A6, cultural centre and nursery	61,730	Ten 12-storey, one 10-storey, one 7-storey, one 4-storey and one 3-storey blocks for residential, cultural centre and nursery uses
440101200012250201	25th December, 2000	C5 to C7	134,840	Three 33-storey residential blocks
440101200101110201	11th January, 2001	C1 to C4	39,766	Four 12-storey residential blocks
440101200203220101	22nd March, 2002	A4, A5	26,192.988	Two 12-storey (excluding basement) blocks
440101200206280201	28th June, 2002	School	39,669	One 5-storey (excluding basement) building
440101200308280301	28th August, 2003	D1, D2	100,431	Two 18-storey (excluding two basements) residential blocks
440101200308280401	28th August, 2003	D3 to D5	107,148	Three 18-storey (excluding two basements) residential blocks
440101200406020101	2nd June, 2004	A7, A8	16,921.1	Two 11-storey residential blocks
440101200407230101	23rd July, 2004	Site F1	61,591	Nine 18-storey (excluding basement) residential blocks

- (35) Pursuant to 17 Pre-sale permits nos. 19990198, 2000032, 20000150, 20010075, 20000028, 20000031, 20010197, 20020107, 20020202, 20020072, 20030177, 20040088, 20040015-4, 20030200, 20040019, 20040006-2 and 20040255-2, Party B has obtained permission from Land Resources and Buildings Administrative Bureau of Guangzhou City for the pre-sale of 5,105 residential and commercial units and 170 carparking spaces which have a total gross floor area of approximately 492,494 sq.m.

- (36) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:

- (i) Party B has not fully settled the land premium of the land and may create late payment of such premium;

- (ii) Due to the delay in demolition and resettlement of the 150,000 sq.m. site by Guangzhou Heavy Machinery Factory, Party B may breach the time limit set in the Grant Contracts for the commencement of construction;
 - (iii) Party B has the right to transfer, lease, mortgage and dispose those land use rights or buildings which are lawfully held by Party B. For those land use rights or buildings which are subject to mortgage, further approval from the mortgagor shall be sought; and
 - (iv) Complete set of approval documents for those construction sites are not available and if there is building works carried out without obtaining necessary approvals and occupation, Party B may be liable for such actions.
 - (v) Seven mortgages have been created against various portions of Guangzhou Guan Da Fa Yuan held by Party B.
- (37) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:
- (i) Party B is in possession of a proper legal title to the property and is entitled to transfer the property with residual term of its land use right at no extra land premium on other onerous payment payable to the government.
 - (ii) All land premium and other costs of ancillary utility services have been fully settled.
 - (iii) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities.
 - (iv) The property, whether as a whole or on a strata-titled basis, may be disposed of freely to both local and overseas purchasers.
- (38) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Company and the aforesaid legal opinion are as follows:
- | | |
|---|---------------|
| Land Use Rights Grant Contract | Yes (Portion) |
| Land Use Rights Certificate | Yes (Portion) |
| Red-line Drawing | Yes (Portion) |
| Certificate for Construction and Land Usage Planning | Yes (Portion) |
| Certificate for Construction and Engineering Planning | Yes (Portion) |
| Business Licence | Yes |
| Certificate for Construction Works | Yes (Portion) |
| Pre-sale Permit | Yes (Portion) |

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2005
9. Unsold carparking spaces and clubhouse at Beijing Guan Da Ming Zhu, Chaoyang District, Beijing City, the PRC	The property comprises 335 carparking spaces in the basement and the clubhouse in a residential development which has a total of 8 residential blocks and completed in about 2004. The gross floor area of the clubhouse is approximately 1,600 sq.m.	The carparking spaces and clubhouse are currently vacant.	RMB28,475,000

Notes:

- (1) Pursuant to Land Use Rights Certificates No. (2002) 0281 issued by Land Resources and Buildings Administrative Bureau of Beijing City dated 20th March 2003, the land use rights of the site, with total site area of approximately 36,550.86 sq.m., was granted to Beijing Everbright Real Estate Development Company Limited ("Party A") for terms expiring on 27th August 2072 for residential use, expiring on 27th August 2042 for ancillary uses and 27th August 2052 carparking uses.
- (2) Pursuant to Building Ownership Certificate No. (04) 00915 dated 29th November 2004, the ownership of Blocks 5 to 12 and basement carparks (except for 6 units) of the property, having a gross floor area of approximately 108,891.5 sq.m., was granted to Party A.
- (3) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
 - (i) Party A has lawfully acquired the land use rights of the property under the Land Use Right Certificate and has the right to transfer, lease, mortgage and dispose the said land use rights;
 - (ii) Party A has lawfully obtained the ownership of the buildings and is capable to transfer, lease, mortgage and dispose the ownership of the buildings; and
 - (iii) Regarding those sold units, Party A has to transfer the land use rights of these units and deliver these units to the buyers upon the buyer's full settlement of the outstanding purchase prices.
- (4) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:
 - (i) Party A is in possession of a proper legal title to the property and is entitled to transfer the property with residual term of its land use right at no extra land premium on other onerous payment payable to the government.
 - (ii) All land premium and other costs of ancillary utility services have been fully settled.
 - (iii) The design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities.
 - (iv) The property, whether as a whole or on a strata-titled basis, may be disposed of freely to both local and overseas purchasers.

- (5) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Company and the aforesaid legal opinion are as follows:

Land Use Rights Grant Contract	Yes
Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Red-line Drawing	N/A
Certificate for Construction and Land Usage Planning	N/A
Certificate for Construction and Engineering Planning	N/A
Business Licence	Yes
Certificate for Construction Works	N/A
Pre-sale Permit	Yes

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2005
10. Unsold carparking spaces and clubhouse at Beijing Guan Da Hua Yuan, Haidian District, Beijing City, the PRC	The property comprises 420 carparking spaces in the basement and the clubhouse in a residential development which has a total of 8 residential blocks and completed in about 2001. The gross floor area of the clubhouse is approximately 3,500 sq.m.	The carparking spaces and clubhouse are currently vacant.	No commercial value

Notes:

- (1) Pursuant to Land Use Rights Certificates Nos. (1999) 1120, (1999) 1155 and (2000) 1402 issued by Land Resources and Buildings Administrative Bureau of Beijing City dated 18th October, 1999, 7th February, 2001 and 19th October, 2000 respectively, the land use rights of the site, with total site area of approximately 37,245.58 sq.m. and on which the property was erected, were granted to EB Real Estate for terms expiring on 5th July, 2069, 8th August, 2069 and 8th August, 2007 for residential use and for a term expiring on 8th August, 2050 for carparking use.
- (2) The Company's PRC legal adviser on PRC laws opines that given the unavailability of building ownership certificate, they cannot issue any legal opinion regarding the ownership of the property.
- (3) We have relied on the aforesaid opinion from the PRC legal adviser and have assigned no commercial value to the property interest held by EB Real Estate.
- (4) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Company and the aforesaid legal opinion are as follows:

Building Ownership Certificate	No
Land Use Rights Grant Contract	No
Land Use Rights Certificate	Yes
Red-line Drawing	No
Certificate for Construction and Land Usage Planning	No
Certificate for Construction and Engineering Planning	No
Business Licence	Yes
Certificate for Construction Works	No
Pre-sale Permit	No
- (5) We would like to further advise that if the title of the property is not defective, the capital value of the interest held by EB Real Estate would be approximately RMB35,700,000.

Group IV: Properties held for investment

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2005
11. A commercial complex next to Beijing Zoo, Xi Zhi Men Wai Da Jie, Xi Cheng District, Beijing City, the PRC	<p>The property comprises a 5-storey (including 2 basements) commercial complex completed in about 1999.</p> <p>The gross floor area of the property is approximately 7,964 sq.m.</p>	The property is fully let with the latest tenancy expiring in August 2008 at a total monthly rent of approximately RMB858,000 per month.	No Commercial Value

Notes:

- (1) Pursuant to a written agreement (“the Agreement”) dated 1st August, 1997 between北京園林房地產經營開發公司 (Beijing Yuan Lin Real Estate Operation and Development Company (“Party A”)) and EB Real Estate (“Party B”), Party A and Party B agreed to jointly develop the property for leasing purpose. The Agreement contains, inter alia, the following conditions:–
 - (i) Party A was responsible for vacating the land and obtaining approvals from various authorities for the development whilst Party B will be responsible for all construction costs and related taxes;
 - (ii) Upon completion of the development, Party B was entitled to a 20-year leasing and operating rights in the development whilst Party A would receive from Party B yearly rental at RMB2,500,000 for the 1st year with increment of 3% per year;
 - (iii) During the leasing and operating period, Party A could not transfer or mortgage the property to a third party; and
 - (iv) Upon the expiry of the leasing and operating period, Party B should return the property together with any equipment, decoration and related facilities to Party A without any compensation.
- (2) Pursuant to a Supplemental Agreement dated 8th March, 2002, between Party A and Party B, the leasing and operating period had been extended to 30 years from 25th September, 1999 to 25th September, 2029 at a total yearly rent of RMB2,500,000.
- (3) The Company’s PRC legal adviser on PRC laws is of the opinion, inter alia, that:–
 - (i) No title document showing the ownership of land use rights of the property has been provided by Party A and there is no evidence proving the right of Party A to grant the leasing and operating rights to Party B; and
 - (ii) Evidence for relevant registration in the property management authorities is not available for the leasing and operating rights and there will be a risk of bona-fide third party.
- (4) We have relied on the aforesaid legal opinion and have assigned no commercial value to the property interest held by EB Real Estate due to the lack of evidence proving the legality of the interest held by both Party A and Party B.

- (5) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Company and the aforesaid legal opinion are as follows:-

Land Use Rights Grant Contract	No
Land Use Rights Certificates	No
Red-line drawing	No
Certificate for Construction and Land Usage Planning	No
Construction for Construction and Engineering Planning	No
Business Licence	No
Certificate for Construction Works	No
Pre-sale Permit	No

- (6) We would like to further advise that if the title of the property is not defective, the capital value of the interest held by EB Real Estate would be approximately RMB77,400,000.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2005										
<p>12. Various shops at Phases B1 to B4 and Phase D, Shop No. C8 and quarters for Secondary School, carparking spaces of Phases A to D of Guangzhou Guan Da Hua Yuan, Gong Yie Road, Hai Zhu District, Guangzhou City, the PRC</p>	<p>The property comprises 1,002 car parking spaces, various commercial units in Phases B to D and a 6-storey quarters for Secondary School of a large private residential development namely Guangzhou Guan Da Hua Yuan. The subject development is completed in phases from 2001 to 2004 and new phases are still planned in the development. The whole of Phases A to D comprises over 39 residential buildings ranging from 5 to 32 storeys. Carparking spaces are provided on basement level. Commercial units are provided on level 1 or level 1 and 2 of some residential blocks in the development. Some communal facilities like clubhouses, school, kindergarten are also provided in the development.</p> <p>The gross floor areas of the property (excluding the carparking spaces) are approximately as follows:</p> <table data-bbox="491 1151 831 1470"> <tr> <td>Commercial units for Phases B1 to B4 :</td> <td>1,031 sq.m.</td> </tr> <tr> <td>Commercial units for Phase D :</td> <td>2,375 sq.m.</td> </tr> <tr> <td>Shop C8 :</td> <td>1,885 sq.m.</td> </tr> <tr> <td>Quarters for Secondary School:</td> <td>10,032 sq.m.</td> </tr> <tr> <td>Total:</td> <td><u>15,323 sq.m.</u></td> </tr> </table> <p>The property was granted for land use rights terms of 70 years for residential uses, 40 years for commercial, tourism and entertainments uses, 50 years for other uses commencing from 15th September, 1999, 25th September, 2000, 26th February, 2002, 1st May, 2004 and 9th May, 2004 respectively.</p>	Commercial units for Phases B1 to B4 :	1,031 sq.m.	Commercial units for Phase D :	2,375 sq.m.	Shop C8 :	1,885 sq.m.	Quarters for Secondary School:	10,032 sq.m.	Total:	<u>15,323 sq.m.</u>	<p>Some of the shops are vacant whilst some have been leased out at various terms with the latest expiring in March 2013 at a total monthly rent of approximately RMB83,000.</p> <p>The carparking spaces are let on monthly basis at the current licence fee of RMB400 per carparking space.</p>	<p>RMB174,500,000 (50% attributable to EB Real Estate : RMB87,250,000)</p>
Commercial units for Phases B1 to B4 :	1,031 sq.m.												
Commercial units for Phase D :	2,375 sq.m.												
Shop C8 :	1,885 sq.m.												
Quarters for Secondary School:	10,032 sq.m.												
Total:	<u>15,323 sq.m.</u>												

Notes:

- (1) Pursuant to a Land Use Right Grant Contract No. (1999) 523 (“Grant Contract No. 1”) dated 15th September, 1999 made between Land and Buildings Administrative Bureau of Guangzhou City (“Party A”) and 廣州市光大花園房地產開發有限公司 (Guangzhou City Guan Da Hua Yuan Real Estate Development Company Limited) (“Party B”), the land use rights of approximately 43,541 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses and for a term of 50 years for other use commencing from the date of issuance of Certificate for Construction Land Usage and at a land premium of RMB20,253,572. The developable gross floor areas stated in Grant Contract No. 1 are as follows:

(i)	Residential	:	71,868 sq.m.
(ii)	Nursery	:	2,000 sq.m.
(iii)	Atrium	:	4,250 sq.m.
(iv)	Cultural Centre	:	5,000 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (1999) 204 (穗府國用(1999)字第特204號) dated 15th October, 1999, the land use rights of the site, having a site area of approximately 43,541 sq. m., have been granted by Land and Buildings Administrative Bureau of Guangzhou City subject to conditions contained in Grant Contract No. 1.

- (2) Pursuant to a Land Use Right Grant Contract No. (2000) 296 (“Grant Contract No. 2”) dated 30th July, 2000 made between Party A and Party B, the land use rights of approximately 58,044 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for other uses; commencing from 30th July, 2000 and at a land premium of RMB42,770,174. The developable gross floor areas stated in Grant Contract No. 2 are as follows:

(i)	Residential	:	180,000 sq.m.
(ii)	Wet Market	:	2,040 sq.m.
(iii)	Primary School	:	3,500 sq.m.

- (3) Pursuant to a supplementary agreement dated 16th July, 2003, the land premium stated in Grant Contract No. 2 had been amended to RMB47,075,174 with the removal of a development condition which requires the construction of a primary school having a gross floor area of 3,500 sq.m.

- (4) Pursuant to another supplementary agreement dated 22nd April, 2004, the land premium stated in Grant Contract No. 2 had been further amended to RMB53,441,930 with the developable gross floor areas changed as follows:

(i)	Residential	:	193,536 sq.m.
(ii)	Wet Market	:	2,722 sq.m.
(iii)	Clubhouse	:	1,195 sq.m.
(iv)	Management Office	:	250 sq.m.
(v)	Refuse Collection Point	:	2,674 sq.m.
(vi)	Latrine	:	50 sq.m.
(vii)	Basement	:	22,203 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2000) 151 (穗府國用(2000)字第特151號) dated 25th September, 2000, the land use rights of the site, having a site area of approximately 56,373 sq.m., have been granted by Land and Buildings Administrative Bureau of Guangzhou City from 30th January, 2002 subject to conditions contained in Grant Contract No. 2.

- (5) Pursuant to a Land Use Right Grant Contract No. (2002) 18 (“Grant Contract No. 3”) dated 31st January, 2002 made between Party A and Party B, the land use rights of approximately 64,059 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for other uses commencing from 31st January, 2002 and at no land premium. The developable gross floor areas stated in Grant Contract No. 3 are as follows:

(i)	Residential	:	98,000 sq.m.
(ii)	Primary/Secondary School	:	32,828 sq.m. (including 6,841 sq.m. basement)
(iii)	Commercial	:	500 sq.m.
(iv)	Community Centre	:	50 sq.m.
(v)	Cultural Activities Centre	:	50 sq.m.
(vi)	Latrine	:	50 sq.m.
(vii)	Basement	:	8,500 sq.m.

- (6) Pursuant to a supplementary agreement dated 29th March, 2004, the land premium stated in Grant Contract No. 3 had been amended to minus RMB2,059,117 with the developable gross floor areas changed as follows:

(i)	Residential	:	99,415 sq.m.
(ii)	Primary/Secondary School	:	41,947.68 sq.m. (including 7,016.34 sq.m. basement)
(iii)	Commercial	:	500 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2002) 019 (穗府國用(2002)字第特019號) dated 26th February, 2002, the land use rights of the site, having a site area of approximately 61,167.08 sq.m., have been granted by Land Resources and Buildings Administrative Bureau of Guangzhou City from 30th January, 2002 subject to conditions contained in Grant Contract No. 3.

- (7) Pursuant to a Land Use Right Grant Contract No. (2002) 19 (“Grant Contract No. 4”) dated 30th January, 2002 made between Party A and Party B, Party A agreed to grant the land use rights of approximately 34,987 sq.m. of the site to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial and other uses commencing from 30th January, 2002 and at land premium of RMB197,311. The developable gross floor areas stated in Grant Contract No. 4 are as follows:

(i)	Residential	:	73,844 sq.m.
(ii)	Commercial	:	1,500 sq.m.
(iii)	Community Centre	:	50 sq.m.
(iv)	Cultural Activities Centre	:	50 sq.m.
(v)	Hygiene Control Centre	:	50 sq.m.
(vi)	Basement	:	3,000 sq.m.
(vii)	Food Shop	:	300 sq.m.
(viii)	Ancillary Commercial	:	1,250 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2002) 018 dated 26th February, 2002, the land use rights of the site, having a site area of approximately 26,476.65 sq.m., have been granted by Land Resources and Buildings Administrative Bureau of Guangzhou City from 30th January, 2002 subject to conditions contained in Grant Contract No. 4.

- (8) Pursuant to a Land Use Right Grant Contract No. (2003) 275 (“Grant Contract No. 5”) dated 23rd July, 2003 made between Party A and Party B, the land use rights of approximately 25,273 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing the date of issuance of Land Use Rights Certificate and at land premium of RMB3,514,464. The developable gross floor areas stated in Grant Contract No. 5 are as follows:

(i)	Residential	:	31,866 sq.m.
(ii)	Community Centre	:	100 sq.m.
(iii)	Cultural Activities Centre	:	100 sq.m.
(iv)	Hygiene Control Centre	:	100 sq.m.
(v)	Basement	:	2,500 sq.m.
(vi)	Nursery	:	4,415 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2004) 83 (穗府國用(2004)字第83號) dated 9th May, 2004, the land use rights of the site, having a site area of approximately 24,718 sq.m., have been granted by Municipal Government of Guangzhou City from 1st May, 2004.

- (9) Pursuant to a Land Use Right Grant Contract No. (2003) 276 (“Grant Contract No. 6”) dated 23rd July, 2003 made between Party A and Party B, the land use rights of approximately 26,391 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB26,513,409. The developable gross floor areas stated in Grant Contract No. 6 are as follows:

(i)	Residential	:	78,603 sq.m.
(ii)	Commercial	:	5,000 sq.m.
(iii)	Community Centre	:	100 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Hygiene Control Centre	:	100 sq.m.
(vi)	Basement	:	11,100 sq.m.
(vii)	Other shops with designated trades	:	1,700 sq.m.
(viii)	Refuse Collection Point	:	100 sq.m.
(ix)	Police Station	:	800 sq.m.

- (10) Pursuant to a Land Use Right Grant Contract No. (2003) 277 (“Grant Contract No. 7”) dated 23rd July, 2003 made between Party A and Party B, the land use rights of approximately 28,411 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB18,938,054. The developable gross floor areas stated in Grant Contract No. 7 are as follows:

(i)	Residential	:	62,350 sq.m.
(ii)	Sports Centre	:	2,000 sq.m.
(iii)	Community Centre	:	100 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Hygiene Control Centre	:	100 sq.m.
(vi)	Basement	:	3,000 sq.m.
(vii)	Youth Activities Centre	:	900 sq.m.
(viii)	Refuse Collection Point	:	200 sq.m.
(ix)	Public toilet	:	50 sq.m.
(x)	Youth Centre	:	1,500 sq.m.

Subsequently, pursuant to Land Use Rights Certificate No. (2004) 82 dated 1st May, 2004, the land use rights of the site, having a site area of approximately 21,112 sq.m., have been granted by Municipal Government of Guangzhou City from 1st May, 2004.

- (11) Pursuant to a Land Use Right Grant Contract No. (2004) 393 ("Grant Contract No. 8") dated 31st August, 2004 made between Party A and Party B, the land use rights of approximately 52,051 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB29,166,906. The developable gross floor areas stated in Grant Contract No. 8 are as follows:

(i)	Residential	:	97,383 sq.m.
(ii)	Commercial	:	1,500 sq.m.
(iii)	Community Centre	:	100 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Hygiene Control Centre	:	100 sq.m.
(vi)	Basement	:	10,000 sq.m.
(vii)	Elderly Centre	:	1,000 sq.m.
(viii)	Public Toilet	:	50 sq.m.

- (12) Pursuant to a Land Use Right Grant Contract No. (2004) 54 ("Grant Contract No. 9") dated 25th March, 2004 made between Party A and Party B, the land use rights of approximately 24,539 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB22,222,018. The developable gross floor areas stated in Grant Contract No. 9 are as follows:

(i)	Residential	:	77,936 sq.m.
(ii)	Cinema	:	2,000 sq.m.
(iii)	Cultural Activities Centre	:	5,141 sq.m.
(iv)	Basement	:	3,000 sq.m.
(v)	Gas Compressor	:	108 sq.m.

- (13) Pursuant to a Land Use Right Grant Contract No. (2004) 55 ("Grant Contract No. 10") dated 25th March, 2004 made between Party A and Party B, the land use rights of approximately 36,812 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB32,983,471. The developable gross floor areas stated in Grant Contract No. 10 are as follows:

(i)	Residential	:	111,506 sq.m.
(ii)	Commercial	:	3,504 sq.m.
(iii)	Hygiene Control Centre	:	2,000 sq.m.
(iv)	Cultural Activities Centre	:	100 sq.m.
(v)	Community Cultural Activities Centre	:	100 sq.m.
(vi)	Community Centre	:	100 sq.m.
(vii)	Basement	:	13,680 sq.m.
(viii)	Gas Compressor	:	108 sq.m.

- (14) Pursuant to a Land Use Right Grant Contract No. (2004) 67 ("Grant Contract No. 11") dated 8th April, 2004 made between Party A and Party B, the land use rights of approximately 40,591 sq.m. of the site was granted by Party A to Party B for a term of 70 years for residential uses, for a term of 40 years for commercial, tourism and entertainment uses and for a term of 50 years for industrial, education, technology, cultural, hygienic, sports and other uses commencing from the date of issuance of Land Use Rights Certificate and at land premium of RMB5,117,876. The developable gross floor areas stated in Grant Contract No. 11 are as follows:
- | | | | |
|--------|--------------------------------|---|--------------|
| (i) | Residential | : | 30,863 sq.m. |
| (ii) | Repair Workshop | : | 1,000 sq.m. |
| (iii) | Hygiene Control Centre | : | 100 sq.m. |
| (iv) | Cultural Activities Centre | : | 100 sq.m. |
| (v) | Market for Industrial Products | : | 1,000 sq.m. |
| (vi) | Community Centre | : | 100 sq.m. |
| (vii) | Basement | : | 3,000 sq.m. |
| (viii) | Fire Station | : | 2,223 sq.m. |
| (ix) | Hospital | : | 14,270 sq.m. |
| (x) | Primary School | : | 5,599 sq.m. |
| (xi) | Clinic | : | 1,014 sq.m. |
- (15) We are advised by the Group that the land premium for the aforesaid Grant Contracts has been fully settled except for Grant Contract Nos. 9 and 10 which only have a total premium of RMB30,363,019 paid.
- (16) Pursuant to the Business Licence No. 4401011102446 issued by the Guangzhou City Administration for Industry and Commerce dated 21st March 2003, Party B was established with a registered capital of RMB100,000,000 and the scope of business is to develop a 434,699 sq.m. site originally held by 廣重廠 (Guangzhou Heavy Machinery Factory) into a residential development.
- (17) As confirmed by the Company, EB Real Estate has an attributable interest of 50% in Party B.
- (18) Pursuant to the Certificate for Construction and Land Usage Planning No. (1998) 47 dated 25th March, 1998 in favour of 廣州廣重房地產開發有限公司 (Guangzhou Guang Zhong Real Estate Development Company Limited)、中國光大房地產開發公司 (China Everbright Real Estate Development Company) and 廣州廣重企業集團公司 (Guangzhou Guang Zhong Enterprises Group Company), the development of a site area of 104,618 sq.m. (including 1,221 sq.m. road area) for residential use was permitted.
- (19) Pursuant to the Certificate for Construction and Land Usage Planning No. (1998) 301 dated 24th August, 1998 in favour of 廣州廣重房地產開發有限公司 (Guangzhou Guang Zhong Real Estate Development Company Limited)、中國光大房地產開發公司 (China Everbright Real Estate Development Company) and 廣州廣重企業集團公司 (Guangzhou Guang Zhong Enterprises Group Company), the development of a site area of 330,081 sq.m. (including 29,560 sq.m. road area and 4,644 green area) for residential use was permitted.
- (20) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A010 dated 25th March, 1999 in favour of Party B, the development of one 12-storey (excluding the basement) building having a total gross floor areas of approximately 17,600 sq.m. was permitted.
- (21) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A095 dated 14th September, 1999 in favour of Party B, the development of one 7-storey building having a total gross floor area of approximately 9,300 sq.m. was permitted.
- (22) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A088 dated 14th September, 1999 in favour of Party B, the development of one 12-storey (excluding the basement) building having a total gross floor area of approximately 11,090 sq.m. was permitted.
- (23) Pursuant to the Certificate for Construction and Engineering Planning No. (2001) 165 dated 23rd November, 2001 in favour of Party B, the development of two 12-storey (excluding the basement) buildings having a total gross floor area of approximately 26,192.988 sq.m. was permitted.
- (24) Pursuant to the Certificate for Construction and Engineering Planning No. (2003) 441 dated 4th March, 2004 in favour of Party B, the development of two 11-storey buildings having a total gross floor area of approximately 16,928.1 sq.m. was permitted.

- (25) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A111 dated 2nd September, 1999 in favour of Party B, the development of one 7-storey building having a total gross floor area of approximately 8,320 sq.m. was permitted.
- (26) Pursuant to the Certificate for Construction and Engineering Planning No. (2000) 014 dated 18th August, 2000 in favour of Party B, the development of three 12-storey buildings having a total gross floor area of approximately 51,323 sq.m. was permitted.
- (27) Pursuant to the Certificate for Construction and Engineering Planning No. (1999) A148 dated 23rd November, 2001 in favour of Party B, the development of one 4-storey (excluding two basements) building having a total gross floor area of approximately 8,910 sq.m. and one 3-storey building having a gross floor area of approximately 2,000 sq.m. was permitted.
- (28) Pursuant to the Certificate for Construction and Engineering Planning No. (2001) A162 dated 9th January, 2001 in favour of Party B, the development of four 11-storey buildings having a total gross floor area of approximately 33,916 sq.m. and one 2-storey (excluding basement) building having a gross floor area of approximately 2,772 sq.m. was permitted.
- (29) Pursuant to the Certificate for Construction and Engineering Planning No. (2000) 315 dated 30th November, 2000 in favour of Party B, the development of a total gross floor area of approximately 124,840 sq.m. was permitted.
- (30) Pursuant to the Certificate for Construction and Engineering Planning No. (2001) 210 dated 7th March, 2002 in favour of Party B, the development of one 5-storey (excluding basement) building having a total gross floor area of approximately 39,669 sq.m. was permitted.
- (31) Pursuant to the Certificate for Construction and Engineering Planning No. (2003) 140 dated 3rd June, 2003 in favour of Party B, the development of one 6-storey building having a gross floor area of approximately 10,032 sq.m. was permitted.
- (32) Pursuant to the Certificate for Construction and Engineering Planning No. (2003) 639 dated 25th April, 2003 in favour of Party B, the development of a total gross floor area of approximately 197,157 sq.m. was permitted.
- (33) Pursuant to the Certificate for Construction and Engineering Planning No. (2004) 591 dated, 20th May, 2004 in favour of Party B, the development of a total gross floor area of approximately 61,591 sq.m. was permitted.
- (34) A number of Certificate for Construction Works have been granted to Party B with particulars summarised as follows:

Certificate No.	Date of Certificate	Block Nos.	Gross Floor	
			Areas (sq.m.)	No. of Storeys and Blocks
99190	20th March, 1999	A-1	17,600	One 12-storey residential block
99402	10th September, 1999	A-2, A-3	20,390	One 12-storey and one 7-storey residential blocks
99541	10th December, 1999	B-1 to B-5, A6, cultural centre and nursery	61,730	Ten 12-storey, one 10-storey, one 7-storey, one 4-storey and one 3-storey blocks for residential, cultural centre and nursery uses
440101200012250201	25th December, 2000	C5 to C7	134,840	Three 33-storey residential blocks

Certificate No.	Date of Certificate	Block Nos.	Gross Floor Areas (sq.m.)	No. of Storeys and Blocks
440101200101110201	11th January, 2001	C1 to C4	39,766	Four 12-storey residential blocks
440101200203220101	22nd March, 2002	A4, A5	26,192.988	Two 12-storey (excluding basement) blocks
440101200206280201	28th June, 2002	School	39,669	One 5-storey (excluding basement) building
440101200308280301	28th August, 2003	D1, D2	100,431	Two 18-storey (excluding two basements) residential blocks
440101200308280401	28th August, 2003	D3 to D5	107,148	Three 18-storey (excluding two basements) residential blocks
440101200406020101	2nd June, 2004	A7, A8	16,921.1	Two 11-storey residential blocks
440101200407230101	23rd July, 2004	Site F1	61,591	Nine 18-storey (excluding basement) residential blocks

(35) Pursuant to 17 Pre-sale permits nos. 19990198, 2000032, 20000150, 20010075, 20000028, 20000031, 20010197, 20020107, 20020202, 20020072, 20030177, 20040088, 20040015-4, 20030200, 20040019, 20040006-2 and 20040255-2, Party B has obtained permission from Land Resources and Buildings Administrative Bureau of Guangzhou City for the pre-sale of 5,105 residential and commercial units and 170 carparking spaces which have a total gross floor area of approximately 492,494 sq.m.

(36) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:

- (i) Party B has not fully settled the land premium of the land and may create late payment of such premium;
- (ii) Due to the delay in demolition and resettlement of the 150,000 sq.m. site by Guangzhou Heavy Machinery Factory, Party B may breach the time limit set in the Grant Contracts for the commencement of construction;
- (iii) Party B has the right to transfer, lease, mortgage and dispose those land use rights or buildings which are lawfully held by Party B. For those land use rights or buildings which are subject to mortgage, further approval from the mortgagor shall be sought;
- (iv) Complete set of approval documents for those construction sites are not available and if there is building works carried out without obtaining necessary approvals and occupation, Party B may be liable for such actions; and
- (v) Seven mortgages have been created against various portions of Guangzhou Guan Da Fa Yuan held by Party B.

(37) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:

- (i) Party B is in possession of a proper legal title to the property and is entitled to transfer the property with residual term of its land use right at no extra land premium on other onerous payment payable to the government.
- (ii) All land premium and other costs of ancillary utility services have been fully settled.
- (iii) The design and construction of the proposed development are in compliance with the local planning regulations and have been approved by the relevant authorities.
- (iv) The property, whether as a whole or on a strata-titled basis, may be disposed of freely to both local and overseas purchasers.

(38) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Company and the aforesaid legal opinion are as follows:

Building Ownership Certificate	No
Land Use Rights Grant Contract	Yes (Portion)
Land Use Rights Certificate	Yes (Portion)
Red-line Drawing	Yes (Portion)
Certificate for Construction and Land Usage Planning	Yes (Portion)
Certificate for Construction and Engineering Planning	Yes (Portion)
Business Licence	Yes
Certificate for Construction Works	Yes (Portion)
Pre-sale Permit	Yes (Portion)

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2005						
13. Unit Nos. 801 and 802, Shanghai China Everbright Convention Centre Block C, No. 70 Caobao Road, Xuhui district, Shanghai City, the PRC	<p>The property comprises two office units in a 30-storey office building of a large scale mixed uses complex known as China Everbright Convention Centre which was completed in about 1999. The whole development comprises convention and exhibition spaces, hotels, offices, apartments and serviced apartments.</p> <p>The gross floor areas of the property are approximately as follows:</p> <table border="0"> <tr> <td>Unit 801</td> <td>130.20 sq.m.</td> </tr> <tr> <td>Unit 802</td> <td>139.52 sq.m.</td> </tr> <tr> <td>Total</td> <td><u>269.72 sq.m.</u></td> </tr> </table> <p>The land use rights of the property was granted for a term from 12th August, 2002 to 3rd September, 2042.</p>	Unit 801	130.20 sq.m.	Unit 802	139.52 sq.m.	Total	<u>269.72 sq.m.</u>	The property is subject to two tenancies for terms of one to two years with the latest tenancy expiring in August 2006 at a total rent of approximately RMB23,800 per month exclusive of management fees.	RMB3,640,000
Unit 801	130.20 sq.m.								
Unit 802	139.52 sq.m.								
Total	<u>269.72 sq.m.</u>								

Notes:

- (1) Pursuant to Shanghai Certificate of Real Estate Ownership Nos. (2002) 008993 and 008994 dated 9th September, 2002 issued by Shanghai City Building and Land Registry, the land use rights of the property, having a total gross floor area of approximately 269.72 sq.m., was granted to Shanghai Everbright Real Estate Development Company Limited ("Party A"), for a term from 12th August, 2002 to 3rd September, 2042 for office uses.
- (2) As confirmed by the Company, Party A is a wholly-owned subsidiary of EB Real Estate.
- (3) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
 - (i) Party A has lawfully acquired the property and has the right to transfer, lease, mortgage and dispose the property pursuant to relevant laws and regulations; and
 - (ii) No mortgage has been created against the property as at 21st March, 2005.
- (4) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:
 - (i) Party A is in possession of a proper legal title to the property and is entitled to transfer the property with residual term of its land use right at no extra land premium or other onerous payment payable to the government.
 - (ii) All land premium and other costs of ancillary utility services have been fully settled.
 - (iii) The design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities.
 - (iv) The property, whether as a whole or on a strata-titled basis, may be disposed of freely to both local and overseas purchasers.

- (5) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Company and the aforesaid legal opinion are as follows:

Realty Title Certificate	Yes
Land Use Rights Grant Contract	N/A
Land Use Rights Certificate	N/A
Red-line Drawing	N/A
Certificate for Construction and Land Usage Planning	N/A
Certificate for Construction and Engineering Planning	N/A
Business Licence	Yes
Certificate for Construction Works	N/A
Pre-sale Permit	N/A

Group V : Properties held for owner-occupation

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2005						
14. Unit Nos. 701 and 702, Shanghai China Everbright Convention Centre Block C, No. 70 Caobao Road, Xuhui district, Shanghai City, the PRC	<p>The property comprises two office units in a 30-storey office building of a large scale mixed uses complex known as China Everbright Convention Centre which was completed in about 1999. The whole development comprises convention and exhibition spaces, hotels, offices, apartments and serviced apartments.</p> <p>The gross floor areas of the property are approximately as follows:</p> <table border="1"> <tr> <td>Unit 701</td> <td>130.20 sq.m.</td> </tr> <tr> <td>Unit 702</td> <td>139.52 sq.m.</td> </tr> <tr> <td>Total</td> <td><u>269.72 sq.m.</u></td> </tr> </table> <p>The land use rights of the property was granted for a term from 12th August, 2002 to 3rd September, 2042.</p>	Unit 701	130.20 sq.m.	Unit 702	139.52 sq.m.	Total	<u>269.72 sq.m.</u>	The property is owner-occupied as an office.	RMB3,640,000
Unit 701	130.20 sq.m.								
Unit 702	139.52 sq.m.								
Total	<u>269.72 sq.m.</u>								

Notes:

- (1) Pursuant to Shanghai Certificate of Real Estate Ownership Nos. (2002) 008993 and 008994 dated 9th September, 2002 issued by Shanghai City Building and Land Registry, the land use rights of the property, having a total gross floor area of approximately 269.72 sq.m., was granted to Shanghai Everbright Real Estate Development Company Limited ("Party A"), for a term from 12th August, 2002 to 3rd September, 2042 for office uses.
- (2) As confirmed by the Company, Party A is a wholly-owned subsidiary of EB Real Estate.
- (3) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
 - (i) Party A has lawfully acquired the property and has the right to transfer, lease, mortgage and dispose the property pursuant to relevant laws and regulations; and
 - (ii) No mortgage has been created against the property as at 21st March, 2005.
- (4) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:
 - (i) Party A is in possession of a proper legal title to the property and is entitled to transfer the property with residual term of its land use right at no extra land premium or other onerous payment payable to the government;
 - (ii) All land premium and other costs of ancillary utility services have been fully settled;

- (iii) The design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (iv) The property, whether as a whole or on a strata-titled basis, may be disposed of freely to both local and overseas purchasers.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Company and the aforesaid legal opinion are as follows:

Realty Title Certificate	Yes
Land Use Rights Grant Contract	N/A
Land Use Rights Certificate	N/A
Red-line Drawing	N/A
Certificate for Construction and Land Usage Planning	N/A
Certificate for Construction and Engineering Planning	N/A
Business Licence	Yes
Certificate for Construction Works	N/A
Pre-sale Permit	N/A

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2005								
15. Unit No. 602 of Block 6 and units Nos. 1003 and 1103 of Block 11, Hong Qiao Guan Da Hua Yuan, Lane 269, Cheng Jia Qiao Road, Min Hang district, Shanghai City, the PRC	<p>The property comprises two apartment units in a 14-storey apartment building and one apartment unit in a 7-storey apartment building completed in about 2000.</p> <p>The gross floor areas of the property are approximately as follows:</p> <table border="1"> <tr> <td>Unit 602</td> <td>244.21 sq.m.</td> </tr> <tr> <td>Unit 1003</td> <td>148.17 sq.m.</td> </tr> <tr> <td>Unit 1103</td> <td>148.17 sq.m.</td> </tr> <tr> <td>Total</td> <td><u>540.55 sq.m.</u></td> </tr> </table> <p>The land use rights of the property was granted for a term from 8th August, 1997 to 7th August, 2067.</p>	Unit 602	244.21 sq.m.	Unit 1003	148.17 sq.m.	Unit 1103	148.17 sq.m.	Total	<u>540.55 sq.m.</u>	The property is used by EB Real Estate as staff quarters.	RMB4,650,000
Unit 602	244.21 sq.m.										
Unit 1003	148.17 sq.m.										
Unit 1103	148.17 sq.m.										
Total	<u>540.55 sq.m.</u>										

Notes:

- (1) Pursuant to Shanghai Certificate of Real Estate Ownership Nos. (2003) 051008, (2003) 051009 and (2003) 051022 all dated 24th July, 2003 issued by Shanghai City Min Xing District Building and Land Registry, the land use rights of the property, having a total gross floor area of approximately 540.55 sq.m., was granted to Shanghai Everbright Real Estate Development Company Limited ("Party A"), for a term from 8th August, 1997 to 7th August, 2067, for residential uses.
- (2) As confirmed by the Company, Party A is a wholly-owned subsidiary of EB Real Estate.
- (3) The Company's PRC legal adviser on PRC laws is of the opinion, inter alia, that:
 - (i) Shanghai Everbright Real Estate Development Company Limited has lawfully acquired the property and has the right to transfer, lease, mortgage and dispose the property pursuant to relevant laws and regulations; and
 - (ii) No mortgage has been created against the property as at 21st March, 2005.
- (4) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:
 - (i) Shanghai Everbright Real Estate Development Company Limited is in possession of a proper legal title to the property and is entitled to transfer the property with residual term of its land use right at no extra land premium or other onerous payment payable to the government;
 - (ii) All land premium and other costs of ancillary utility services have been fully settled;
 - (iii) The design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and
 - (iv) The property, whether as a whole or on a strata-titled basis, may be disposed of freely to both local and overseas purchasers.

- (5) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Company and the aforesaid legal opinion are as follows:

Real Estate Ownership Certificate	Yes
Land Use Rights Grant Contract	N/A
Land Use Rights Certificate	N/A
Red-line Drawing	N/A
Certificate for Construction and Land Usage Planning	N/A
Certificate for Construction and Engineering Planning	N/A
Business Licence	Yes
Certificate for Construction Works	N/A
Pre-sale Permit	N/A

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Long position in shares of the Company

As at the Latest Practicable Date, the interests of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company
Mr. Billy K Yung	Interest of child under 18 or spouse (<i>note 1</i>)	Other interest	181,496,084	181,496,084	39.72%
Dr. Leo Tung-Hai Lee	Beneficial owner	Personal interest	306,382	306,382	0.07%
Mr. Peter Lam	Beneficial of a trust (<i>note 2</i>)	Other interest	1,300,000	1,300,000	0.28%
Madam Yung Ho Wun Ching	Beneficial owner Interest of spouse (<i>note 3</i>)	Personal interest Family interest	53,196,300 10,000,000	63,196,300	13.83%
Mr. Leung Chun Wah	Beneficial owner	Personal interest	1,799,400	1,799,400	0.39%

Name of Directors	Capacity	Nature of Interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company
Mr. Plato Poon Chak Sang	Beneficial owner	Personal interest	739,200	739,200	0.16%
Mr. Simon Yung Kwok Choi	Beneficial owner	Personal interest	39,147,911	43,677,351	9.56%
	Interest of controlled corporation (note 4)	Corporate interest	3,529,440		
	Interest of spouse (note 5)	Family interest	1,000,000		

Notes:

- (1) These shares are held by a trust for the benefit of Mr. Billy K Yung's family members.
- (2) These shares are held by a trust for the benefit of Mr. Peter Lam.
- (3) This interest represents the holding of shares held by the late Dr. Yung Yau.
- (4) These shares are held by Konvex Enterprises Limited, which is wholly-owned by Mr. Simon Yung Kwok Choi.
- (5) This interest represents the holding of shares held by Mr. Simon Yung Kwok Choi's spouse, Madam Chiu Man.

(b) Share option scheme

Details of the share options held by the Directors as at the Latest Practicable Date were as follows:

- (i) The Company's share option scheme which was adopted on 18th April, 1994 expired on 18th April, 2004. Subsequently a new option scheme was adopted on 11th May, 2005. No share option was granted as at the Latest Practicable Date.

(ii) Share options to subscribe for shares in Appeon Corporation

Name of Directors	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options held as at Latest Practicable Date
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	2.50	6,750
	09.06.2003	01.10.2003 – 10.11.2012	2.50	3,375
	09.06.2003	01.04.2004 – 10.11.2012	2.50	3,375
	09.06.2003	01.10.2004 – 10.11.2012	2.50	3,375
	09.06.2003	01.04.2005 – 10.11.2012	2.50	3,375
	09.06.2003	01.10.2005 – 10.11.2012	2.50	3,375
	09.06.2003	01.04.2006 – 10.11.2012	2.50	3,375
Total number of share options held by Director				27,000

(iii) Share options to subscribe for shares in Galactic Computing Corporation

Name of Directors	Date of grant	Period during which options are exercisable	Subscription price per share US\$	Number of share options held as at Latest Practicable Date
Mr. Billy K Yung	09.06.2003	09.06.2003 – 10.11.2012	0.45	25,000
	09.06.2003	01.12.2003 – 10.11.2012	0.45	25,000
	09.06.2003	01.06.2004 – 10.11.2012	0.45	25,000
	09.06.2003	01.12.2004 – 10.11.2012	0.45	25,000
	09.06.2003	01.06.2005 – 10.11.2012	0.45	25,000
	09.06.2003	01.12.2005 – 10.11.2012	0.45	25,000
	09.06.2003	01.06.2006 – 10.11.2012	0.45	25,000
	09.06.2003	01.12.2006 – 10.11.2012	0.45	25,000
Total number of share options held by Director				200,000

(c) Disclosure of other interests

- (i) Certain Directors held shares in the Company's subsidiaries as trustees for the Company.
- (ii) From time to time, the Group's 100% owned subsidiary, Extra-Fund Investment Limited, entered into securities trading transactions with Tung Tai Securities Co., Limited of which Dr. Leo Tung-Hai Lee, an independent non-executive Director, is both a director and a substantial shareholder. The transactions were conducted on an arm's length basis and gave rise to a broker's commission amounting to approximately HK\$30,000 for the year ended 31st December, 2004.
- (iii) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Director and chief executive of the Company was interested in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by the Directors of Listing Companies to be notified to the Company and the Stock Exchange and none of the Directors and their spouses or children under the age of 18 had any right to subscribe for the securities of the Company as at the Latest Practicable Date.
- (iv) Since 31st December, 2004, the date to which the latest published audited accounts of the Company were made up, none of the Directors or the experts as mentioned herein is interested in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group.
- (v) Save as disclosed, none of the Directors is materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

3. SUBSTANTIAL SHAREHOLDERS

So far as is known to, or can be ascertained after reasonable enquiry by the Directors or the chief executive of the Company, the following parties, other than a Director or chief executive of the Company, had, as at the Latest Practicable Date, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of the Division 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(a) Shares in the Company

Name of substantial shareholder	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of ordinary shares held to the issued share capital of the Company
UBS Trustees (BVI) Limited	Trustee of a trust <i>(note 1)</i>	Other interest	189,604,334	189,604,334	41.49%
Diamond Key Enterprises Inc.	Beneficial owner <i>(note 1)</i>	Beneficial interest	108,779,287	108,779,287	23.80%
On Fat Profits Corporation	Beneficial owner <i>(note 1)</i>	Beneficial interest	72,716,797	72,716,797	15.91%
Madam Yung Siu Chee Margaret	Beneficial owner	Personal interest	28,154,604	28,154,604	6.16%
Madam Chiu Man	Beneficial owner Interest of spouse <i>(note 2)</i>	Personal interest Family interest	1,000,000 42,677,351	43,677,351	9.56%

Notes:

- (1) 72,716,797 Shares and 108,779,287 Shares form part of the 189,604,334 Shares held by UBS Trustees (BVI) Limited which are disclosed in the section 2. "DISCLOSURE OF INTERESTS", sub-paragraph headed "(a) Long position in shares of the Company" above as being held under a trust with Mr. Billy K Yung's family members as the beneficiaries.
- (2) Madam Chiu Man's Shares are in fact the same block of Shares already disclosed under the personal and corporate interests of her husband, Mr. Simon Yung Kwok Choi and is disclosed in the section 2. "DISCLOSURE OF INTERESTS", sub-paragraph headed "(a) Long position in shares of the Company" above.

(b) Shares in the Company's subsidiaries

Name of substantial shareholder	Name of subsidiary	Percentage of equity interest
APD Semiconductor, Inc.	Pheonix Atlantic Limited	35.00%
Honwise International Limited	Brentwood Ventures Limited	12.50%
Wylar Investments Limited	Brentwood Ventures Limited	12.50%
Poly Bright Holdings Limited	Brentwood Ventures Limited	12.50%

- (c)** Save as disclosed in this circular, the Directors are not aware of any person who, as at the Latest Practicable Date, was interested, directly, or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the Latest Practicable Date and are or may be material:

- (i) the Agreement;
- (ii) two sale and purchase agreements dated 27th January, 2005, between Sybond Venture Limited ("Sybond"), a wholly-owned subsidiary of the Company and Mr. Gao Yang ("Gao") and Mr. Zheng John Shi ("Shi") (who resigned on 27th January, 2005 as the director of Appeon), both were director and shareholder of Appeon Corporation ("Appeon"), a wholly-owned subsidiary of Sybond, pursuant to which Sybond agreed to acquire shares of Appeon from Gao and Shi. Upon completion of the agreements, the percentage shareholding of Sybond in Appeon will increase from 77.28% to 91.97%;
- (iii) a sale and purchase agreement dated 7th January, 2005, between Allright Investments Limited ("Allright Investments"), an indirect wholly-owned subsidiary of the Company and Poly Tianyu (Guangzhou) Limited ("Poly Tianyu"), pursuant to which Allright Investments agreed to acquire 20% of the equity interest in Yue Tian Development Limited ("Yue Tian") from Poly Tianyu, at a cash consideration of HK\$3,814,400. The Group has also committed to inject shareholder's loan of HK\$120,000,000 to Yue Tian;
- (iv) a loan agreement dated 25th August, 2004, between SMC Microtronic Company Limited ("SMC Microtronic"), a wholly-owned subsidiary of the Company and Pacific Top International Corp. ("Pacific Top"), pursuant to which SMC Microtronic advanced the loan of HK\$160,000,000 to Pacific Top for a term of two years. The loan carries an interest rate of 15% per annum;

- (v) a sale and purchase agreement dated 19th April, 2004 between 建頓有限公司 (Kirton Corporation) (“Kirton”), a wholly-owned subsidiary of the Company, and 佛山市順德區雅宇房產開發有限公司 (Foshan City Shunde District YaYu Property Development Company Limited) (“Shunde YaYu”), pursuant to which Kirton sold a piece of land at 中國廣東省佛山市順德區大良鎮紅崗居委會紅崗村尾杏良公路羅賓路段 (Luo Bin Road Section, Hong Gang Ju Wei Hui, Da Liang Town, Shunde District, Foshan City, Guangdong Province, The PRC) to Shunde YaYu for a cash consideration of approximately RMB58,826,000;
- (vi) an agreement dated 19th March, 2004 between 北滘鎮土地儲備發展中心和 佛山市順德區蜆華多媒體制品有限公司 (Shunde SMC Multi-Media Products Company Limited) (“SMC Multi-Media”) in relation to the resumption by 北滘鎮土地儲備發展中心 of a land site owned by SMC Multi-Media in consideration for a cash compensation payment of approximately RMB11,534,000;
- (vii) a share purchase agreement dated 16th March, 2004 between the Company and China Advanced Materials Processing (B.V.I.) Limited (“CAMP”), pursuant to which the Company sold its 70% shareholding interest in Shell & Shinsho Company Limited 蜆壳－神商有限公司 (subsequently changed name to VSC Shinsho Company Limited 萬順昌神商有限公司) to CAMP for a cash consideration of approximately HK\$29,274,000;
- (viii) a sale and purchase agreement dated 20th February, 2004 between 東威投資有限公司 (Dong Wen Investments Limited) (“Dong Wen”) and 佛山市順德區順交通投資管理公司 (Shunde City Heng Shun Communication Investment Management Corporation) (“Heng Shun”), pursuant to which Dong Wen sold its 52% equity interest in 佛山市順粵公路建設有限公司 (Shunde Shunyue Highway Construction Ltd.) (“Shunyue”) to Heng Shun for a cash consideration of approximately RMB80,820,000; and
- (ix) a loan repayment agreement dated 20th February, 2004, as amended by a supplemental agreement dated 28th June, 2004, between Shunyue and SMC Multi-Media in relation to the repayment of a loan in an amount of approximately RMB348,942,000 advanced by SMC Multi-Media to Shunyue.

5. SERVICE CONTRACTS

The Directors includes, among other Directors, four independent non-executive Directors, namely, Dr. Leo Tung-Hai LEE, Mr. Shiu-Kit NGAI, Mr. WONG Chun On, Peter and Mr. Peter LAM. Dr. Leo Tung-Hai LEE and Mr. Shiu-Kit NGAI have been appointed for a period of three years, from 1st September, 2004 to 31st August, 2007 and Mr. WONG Chun On, Peter and Mr. Peter LAM have been appointed for a period of two and three years, respectively, from 30th March, 2004 to 29th March, 2006 and from 6th September, 2004 to 31st August, 2007 respectively. Each of the independent non-executive Directors will receive a Director's fee of HK\$100,000 per annum subject to adjustment as appropriate in the future as determined by the Company in general meeting.

Save as disclosed above, none of the Directors has any existing or proposed service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING BUSINESS

None of the Directors and their respective associates have any interest in a business or are interested in any business which competes or may compete either directly or indirectly with, or is similar to, the business of the Group as at the Latest Practicable Date.

7. LITIGATION

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

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinions, letters or advice which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Knight Frank Hong Kong Limited	an independent property valuer
Fangda Partners	PRC legal adviser

Each of Deloitte Touche Tohmatsu, Knight Frank Hong Kong Limited and Fangda Partners has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report and/or reference to its names, in the form and context in which it appears.

As at the Latest Practicable Date, each of Deloitte Touche Tohmatsu, Knight Frank Hong Kong Limited and Fangda Partners is not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. GENERAL

- (a) The registration office of the Company is Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.
- (b) The secretary of the Company is Mr. Peter Lee Yip Wah, a qualified solicitor practising in Hong Kong.
- (c) The qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Mr. Chu Ka Loy, the Group Financial Controller, who is an associate member of both the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Management Accountants of the United Kingdom and is also an associate member of the Hong Kong Institute of Certified Public Accountants.
- (d) The share registrar and transfer office of the Company is Standard Registrars Limited whose registered office is situated at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company in Hong Kong during normal business hours for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two years ended 31st December, 2004;
- (c) the unaudited pro forma financial statements of the Enlarged Group issued by Deloitte Touche Tohmatsu and the related opinion letter, the text of which is set out in Appendix I to this circular;
- (d) the accountants' report on Tigerlily and its subsidiaries, the text of which is set out in Appendix II to this circular;
- (e) the accountants' report on EB Real Estate and its subsidiaries, the text of which is set out in Appendix III to this circular;

- (f) the valuation report prepared by Knight Frank Hong Kong Limited, the text of which is set out in Appendix IV to this circular;
- (g) the letters of consent from Deloitte Touche Tohmatsu, Knight Frank Hong Kong Limited and Fangda Partners referred to in the paragraph headed “Experts and consents” in this Appendix;
- (h) the service contracts made between the Directors and the Group referred to under the paragraph headed “Service contracts” in this Appendix; and
- (i) the material contracts referred to in the paragraph headed “Material contracts” in this Appendix.